



(Stock code 股份代號 : 0161)

深圳中航集團股份有限公司 **2007**年度報告
CATIC SHENZHEN HOLDINGS LIMITED annual report

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HIGHLIGHTS OF THE YEAR

26th January	In the first “Gold Balance Wheel” (“金擺輪”) election of China, Shenzhen Fiyta Holdings Limited (“Fiyta”) was honored two important awards, namely “The Public’s Recommendation Award” (“公眾推薦大獎”) and “The Most influential Home-made Timepiece” (“最具影響力的國產手錶”).
30th January	CATIC Shenzhen Holdings Limited (“the Company”) entered into a transfer agreement, pursuant to which it acquired 75% interest of Guangdong International Building Industrial Company Limited (廣東國際大廈實業有限公司) (“Industrial Company”).
28th February	Shenzhen Tian Ma Microelectronics Co., Ltd. (“Shen Tian Ma”) ranked 81st in “Top 100 Shenzhen Enterprises 2006”, rising 18 places in rank as compared with 2005.
1st March	The TFT-LCD project of Shanghai Tianma Microelectronic Company Limited (“Shanghai Tianma”) passed the examination and approval of Shanghai’s City Representative Council and was enlisted as “Major Construction Project of Shanghai 2007(industry class)” (“二零零七年上海市重大工程建設專案(產業類)”).
12th April	Fiyta sent a delegation to the International Horologe Exhibition held in Basel and Genevese, Switzerland, showcasing its Tourbillon timepiece and highly intensified titanium watch for the first time.
30th April	The first highly intensified titanium watch of Fiyta was launched into market.
25th May	Shenzhen Shennan Circuit Corp. (“Shennan Circuit”) was honored the “Excellent Supplier 2006” (“二零零六年度優秀供應商”) by Huawei.
30th May	The contract signing ceremony of syndicated loan for the 4.5 G TFT-LCD production line project of Shanghai Tianma was held in Pudong, Shanghai.
13th June	Shennan Circuits was honored the “Clean Production Enterprise of Guangdong Province” (“廣東省清潔生產企業”) .
30th July	The multi-layer communication backboard project of Shennan Circuits was honored the Runner up of Technological Advancement in Guangdong Province (“廣東省科學技術二等獎”).
8th August	The Company’s Chinese name was changed from “深圳中航實業股份有限公司” to “深圳中航集團股份有限公司”
24th August	The project of “shortening the manufacturing cycle of PCB’s inner-layer process” (“縮短PCB內層加工的製造週期”) of Shennan Circuits was granted the “Hong Kong Lean Sigma Award”.
24th August	Shenzhen Tianma successfully completed its private issue of 50.9 million A shares and the fund raised amounted to RMB499,000,000.
31st August	The production technique of Shennan Circuits’ multi-layer communication backboard was granted the “Shenzhen City Technological Innovation Award” (“深圳市科技創新獎”).

HIGHLIGHTS OF THE YEAR

8th September	Traveling Exhibition of Harmony's Luxury Brand for 10th Anniversary ("享吉利十周年奢華品牌巡展") arrived in Urumchi. The exhibition had been held in 9 cities and covered 11 chain stores.
20th September	Shennan Circuits passed the AS9100 aerospace industry quality management system recognition.
20th September	Fiyta's project of "Astronaut's Watch for Work of China's Manned Space Project Shenzhou V Spaceship" ("中國載人航太工程神舟五號航天號工作用表") was granted the "China National Light Industry Council's National Special Awards for Technological Advancement" ("中國輕工業聯合會科學技術進步特別獎") and "Third Class Award of Technological Advancement in Guangdong Province" ("廣東省科技進步獎三等獎").
21st September	The Company participated in CATIC Real Estate's Co., Ltd. ("CATIC Real Estate") private issue of A shares. After the completion of the issue, the Company held 22.35% of CATIC Real Estate's equity interest and became the largest shareholder.
28th September	In the first trial production of the 4.5 G TFT-LCD production line of Shanghai Tianma, the first α -si monitor achieved the lighting up of dots.
20th October	Fiyta consecutively won the "Best Employer of China" ("中國最佳僱主企業") award.
26th October	The fourth share segregation reform of Fiyta commenced. The proposal was successfully passed with a high approval rate.
10th November	Fiyta's works – the Tourbillon timepiece named "The Magical Bow of Hou Yi" ("後羿神弓") won the Second China Innovative Design Red Star Award ("第二屆中國創新設計紅星獎").
11th November	The Company's brand strategy seminar was held at Wu Zhou Hotel, Shenzhen
12th December	The high end PCB plant of Shennan Circuits commenced production.
25th December	Shennan Circuits received the "Top 10 Enterprises of Recycling Economics in Shenzhen" award ("深圳循環經濟十佳企業").
27th December	The Company completed the allotment of 47.2 million H shares and completed the first refinancing since its listing ten years ago.
30th December	Shennan Circuits was granted the title "Top 100 Shenzhen Enterprises 2007" ("2007深圳企業100百強").

FINANCIAL HIGHLIGHTS

Profit after taxation increased 55% in 2007 Total Assets increased 108% since 2006

RESULTS SUMMARY

(the year ended 31st December 2007)

(RMB'000)	2007	2006	2005	2004 (restated)	2003 (restated)
Revenue and Profit :					
Revenue	3,357,210	2,629,794	1,971,489	1,724,739	1,181,009
Profit before taxation	315,258	211,367	66,119	22,212	87,391
Profit for the year	279,013	180,362	44,719	11,282	70,383
Attributable to :					
Equity holders of the Company	198,818	123,095	16,951	(20,609)	44,776
Minority interests	80,195	57,267	27,768	31,891	25,607
Basic earnings per share attributable to equity holders of the Company (RMB)	0.3126	0.1924	0.0322	0.0304	0.0697
Dividends per share attributable to equity holders of the Company (RMB)	0.06	0.06	0.006	0.013	0.03

ASSETS SUMMARY

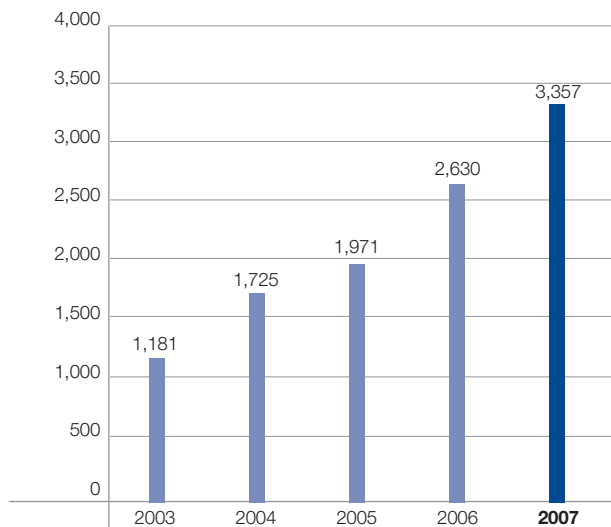
(as at 31st December 2007)

(RMB'000)	2007	2006	2005	2004 (restated)	2003 (restated)
Total assets	8,449,550	4,056,131	2,695,387	2,860,246	2,461,652
Total liabilities	4,749,909	1,760,834	921,880	1,113,995	714,810
Total equity	3,699,641	2,295,297	1,773,507	1,746,251	1,746,842
Equity attributable to equity holders of the Company	1,971,412	1,297,354	1,165,614	1,157,009	1,196,878
Minority interests	1,728,229	997,943	607,893	589,242	549,964
Net assets per share attributable to equity holders of the Company (RMB)	3.10	2.03	1.82	1.80	1.86

FINANCIAL HIGHLIGHTS

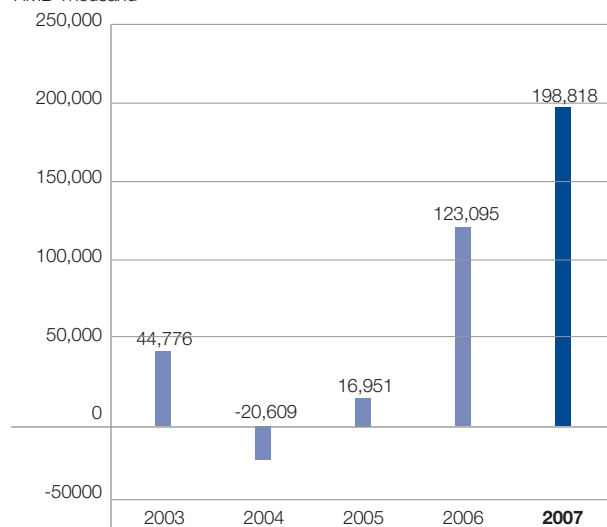
REVENUE

RMB Million

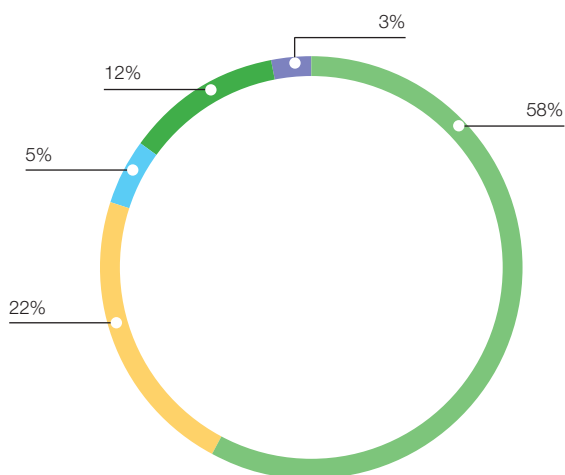


PROFIT ATTRIBUTABLE TO SHAREHOLDERS

RMB Thousand

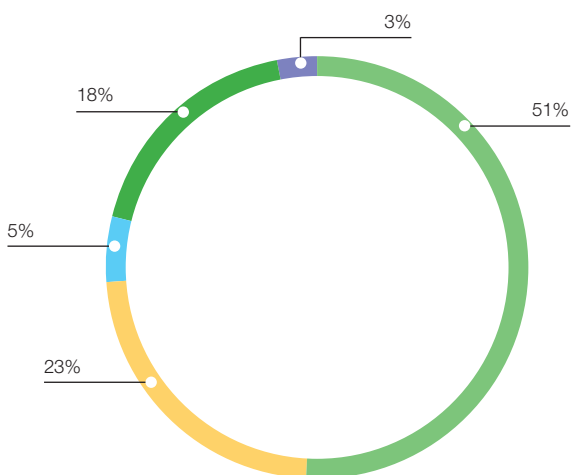


2006 TURNOVER BY BUSINESS SEGMENTS



■ LCD
 ■ PCB
 ■ Timepieces Manufacturing
 ■ Timepieces Retailing
 ■ Other Business

2007 TURNOVER BY BUSINESS SEGMENTS



■ LCD
 ■ PCB
 ■ Timepieces Manufacturing
 ■ Timepieces Retailing
 ■ Other Business

CHAIRMAN'S STATEMENT



It is my honor to present the 2007 Annual Report of CATIC Shenzhen Holdings Limited (“the Company”) and its subsidiaries (together the “Group”) on behalf of the board of directors.

During the year, the Group recorded the best results since its listing, as the consolidated revenue amounted to approximately RMB3.357 billion, representing an increase of approximately 27.66% over last year, consolidated profit attributable to shareholders (after minority interests) amounted to approximately RMB199 million, representing an increase of approximately 61.52% over last year, and earnings per share increased by 62% to RMB0.31.

2007 is a year to write a new chapter for the Group. During the year, the Group started to expand its operations and the total investment amount of 2007 exceeded the aggregate amount of the 10 years since listing. The Group has integrated the commercial real estate business into its business portfolio through the acquisition of the control interest of Guangdong International Building and the addition of shareholdings of CATIC Real Estate, by which the Group became the single largest shareholders of CATIC Real Estate Co., Ltd. The Group's major investment projects of production line of 4.5 G TFT-LCD and high-end PCB have been carried on smoothly and put into production during the year. The completion and attainment of target capacity will not only consolidate the leading position of the Group's LCD and PCB businesses in relevant sectors in the PRC, but also provide the Group with sustainable competitive advantages.

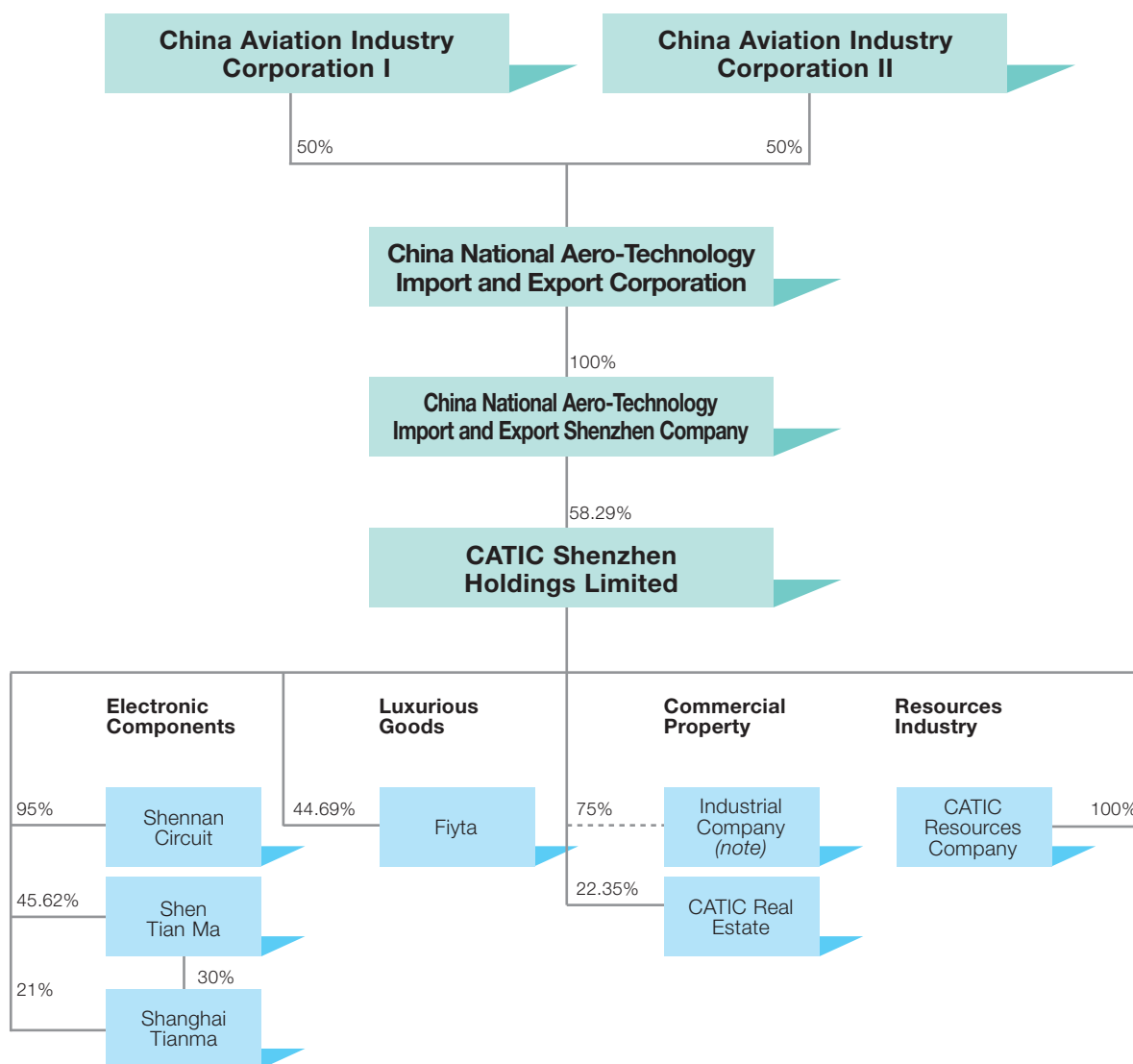
The Group will continue to implement the continuing value creation-oriented strategy and take the stable growth of earnings per share as the key indicator. We will be committed to build a diversified business portfolio with a more preponderant base, and impose efficient strategic planning and strategic management on each business segment, so as to obtain the leading position in the industry of principle businesses.

Looking ahead at 2008, there are many uncertainties in China's economy. Despite facing the great challenge from tightening monetary policy, surging price index and sharp appreciation of Renminbi, the Group continues to seek every opportunity to develop its commercial real estate business under the restructure of domestic real estate industry. Moreover, by purchasing the equity interests of Haixi CATIC Sanjiaguiye Company Limited (“CATIC Sanjia”) from its parent company, the Group entered the agriculture related resources industry and developed a new growing point of profit. As a result, the Group has effectively balanced the cycle of its existing business portfolio and became fully capable of resisting the potential risks from economic adjustment, so as to achieve a sustainable development.

I would like to take this opportunity to thank all shareholders, business partners, persons from all walks of life for their trust and support. I also would like to extend my most sincere gratitude to all the staff for their valuable contribution during the past year. We will continue to dedicate ourselves in creating better returns for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE ORGANIZATION CHART



Note: As at 31 December 2007, Guangdong International Building Industrial Company Limited was not a subsidiary of the Company and was not included in the consolidated financial statements of the Company. As at the date of this Annual Report, the procedures of equity transfer registration, industrial and commercial registration change and relevant property ownership certificate of Industrial Company to the Company had been completed and Industrial Company became a subsidiary of the Company in 2008.

MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW

The consolidated revenue and profit of the Company for 2007 were primarily derived from the following subsidiaries:

Name of subsidiary	Percentage of equity held by the Company	Principal activities
Shen Tian Ma	45.62%	Manufacture and sale of liquid crystal displays (LCD) and modules (LCM)
Shennan Circuit	95.00%	Manufacture and sale of printed circuit boards (PCB)
Fiyta	44.69%	Manufacture and sale of mid-to-high-end timepieces

In 2007, the Group recorded a consolidated revenue of approximately RMB3,357,210,000 (2006: RMB2,629,794,000), representing an increase of approximately 27.66% over the previous year. The overall gross profit posted approximately RMB774,564,000 (2006: RMB604,952,000), representing an increase of approximately 28.04 % over the previous year. The profit after taxation for the year was approximately RMB279,013,000 (2006: RMB180,362,000), representing an increase of approximately 54.7% over the previous year. The Group's consolidated profit attributable to shareholders (after minority interests) amounted to approximately RMB198,818,000 (2006: RMB123,095,000), representing an increase of approximately 61.52% over the previous year.

The two major investment projects of production line of 4.5 G TFT-LCD and high-end PCB have been carried on smoothly and put into trial production during the year. The completion and attainment of target capacity will not only consolidate the leading position of the Group's LCD and PCB electronic component manufacturing businesses in relevant sectors in the PRC, but also provide the Group with strong business growth and sustainable competitive advantages.

MANAGEMENT DISCUSSION AND ANALYSIS

**BUSINESS REVIEW** *(continued)*

For realizing a break-through development of core business and strengthening its leading position, both Shen Tian Ma and CATIC Real Estate Co., Ltd. ("CATIC Real Estate") captured the opportunities in capital market and completed the issue of new shares. In August 2007, Shen Tian Ma completed its private offering of 50.9 million A shares and raised a net proceeds of RMB484 million. In September 2007, CATIC Real Estate completed its private offering of 82.995 million A shares and raised a net proceeds of RMB1.054 billion, in which the Company subscribed for approximately 34.796 million new shares of CATIC Real Estate at a consideration of approximately RMB262 million. After completion of the above issues of new shares, the Company's interest in Shen Tian Ma is reduced from 52.62% to 45.62%, and the Company's interest in CATIC Real Estate is increased from 10.69% to 22.35%. In November 2007, Fiyta completed its share segregation reform according to the requirements on share segregation reform of China Securities Regulatory Commission, and the Company's interest in Fiyta is reduced from 52.24% to 44.69%. Shen Tian Ma and Fiyta remains the subsidiaries of the Company.

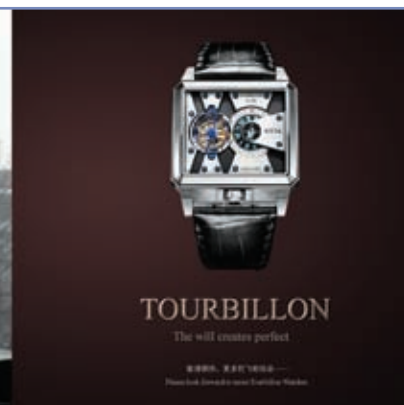
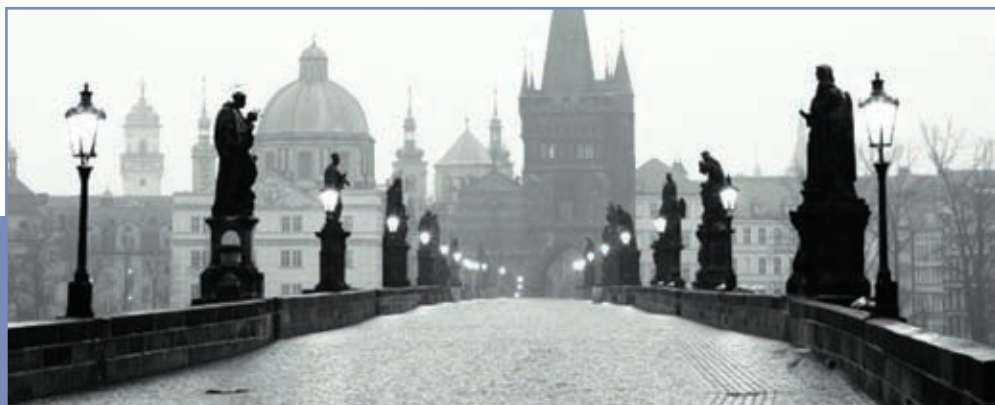
At the same time, in December 2007, the Company completed the placing of 47,199,999 overseas listed foreign invested shares ("H Shares") and raised a net proceeds of HK\$255 million to explore new point for business growth and satisfy the resource demand for subsequent development.

During the year, the Group changed its Chinese name to "深圳中航集團股份有限公司", indicating the significant role of the Group in the business operation system of China National Aero-Technology Import & Export Shenzhen Company ("Shenzhen CATIC"), being the controlling shareholder of the Group, and to be consistent with its new business strategy.

The analysis of the Group's revenue contributions to profit for 2007 by principal activities with the comparative figures for 2006 are as follows:

Revenue by activities	2007	2006 (Reclassified)
LCD	51.27%	57.72%
PCB	23.44%	21.76%
Timepieces	22.68%	17.24%
Other activities	2.61%	3.28%
Total	100%	100%

MANAGEMENT DISCUSSION AND ANALYSIS

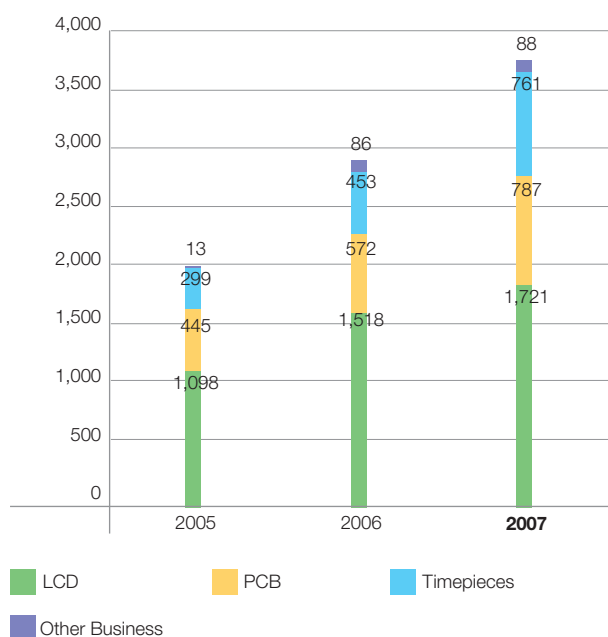
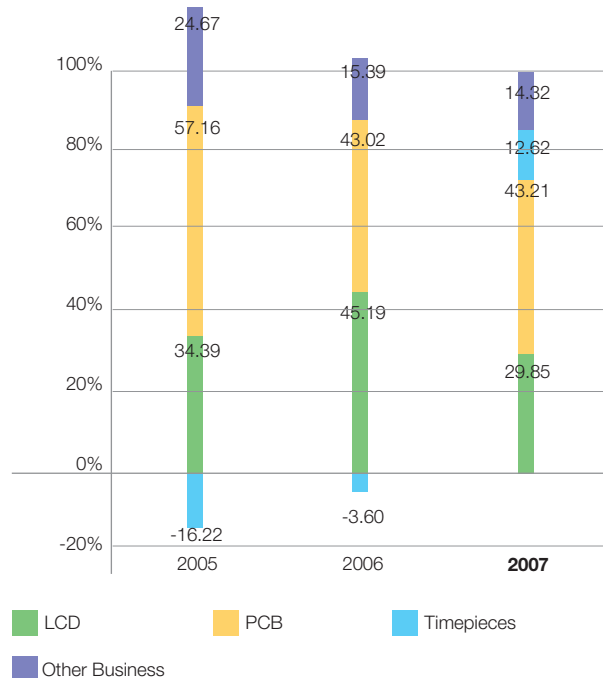
**BUSINESS REVIEW** (continued)

Contributions to profit by activities (before allocation of expenses to respective segments) (note1)	2007	2006 (Reclassified)
LCD	29.85%	45.19%
PCB	43.21%	43.02%
Timepieces	12.62%	-3.6%
Other activities	14.32%	15.39%
Total	100%	100%

Note 1: Contributions to profit by activities refer to ratios of the profit/(loss) after taxation (including minority interests) of respective segments to the profit after taxation (including minority interests) (before allocate the corporate expenses to the segments) of the Group and the comparative figures of 2006 have been reclassified to conform to the current year's presentation.

Revenue by activities

Unit: million

**Contributions to profit by activities**

MANAGEMENT DISCUSSION AND ANALYSIS

**BUSINESS REVIEW** *(continued)***LCD**

The Group carries on the research and development, design, production, sales and service of LCD and LCM products through Shen Tian Ma. The revenue of the LCD business of the Group for 2007 was approximately RMB1,721,220,000 (2006: RMB1,518,021,000), representing an increase of approximately 13.4% over the previous year. The profit after taxation for the year was approximately RMB82,300,000 (2006: RMB91,048,000), representing a decrease of approximately 9.6% over the previous year.

The LCD business maintains the competitive strategy of “technology-first, speed driven and personalized”. While consolidating the market of mobile phone display module and high end STN products, the Group increased its effort in the sales of cordless phone, MP3 and digital frame color display. As a result, the revenue of these products recorded significant growth over last year. Due to the technology development in the industry and the change of customers’ demand, the sales attributable to TFT products over the total sales is increased to 38.9% during the year, in which the percentage of module produces sales increased to 87.4%. Under the negative impact from the tight supply and sharp rise in price of TFT materials, and the significant appreciation of RMB during the year, the consolidated gross profit margin recorded a mild decrease and the profit growth was lower than expect.

Shanghai Tianma was incorporated in April 2006 and was jointly held as to 51% by the Company and Shen Tian Ma. Focusing on the research and development of small to medium sized display products, Shanghai Tianma has completed the first production line of 4.5 generation tube size thin film transistor liquid-crystal display (the TFT-LCD project) with full intellectual property rights in the PRC. Under the premium management and control on the project, the project progress, cost control and technological quality of product of the production line reached the advanced level in the industry. It only takes thirteen month from the foundation-laying of the project to the first trial production in September 2007, at least two months earlier than the average construction cycle in TFT-LCD industry.

As at the end of 2007, the TFT-LCD project started the research and development of a number of new technologies. The number of technologies filed for Chinese technological invention patents was 12 in aggregate (eight of those have been approved by the State Intellectual Property Office). A number of TFT display panels with full intellectual property rights has been successfully produced.

MANAGEMENT DISCUSSION AND ANALYSIS

**BUSINESS REVIEW** (continued)**Gross Profit Margin**

	2007	2006	2005
	RMB'000	RMB'000	RMB'000
Sales income	1,721,220	1,518,021	1,097,652
Cost of sale	1,448,550	1,255,681	912,045
Gross profit	272,670	260,819	185,607
Gross profit margin	15.84%	17.20%	16.91%

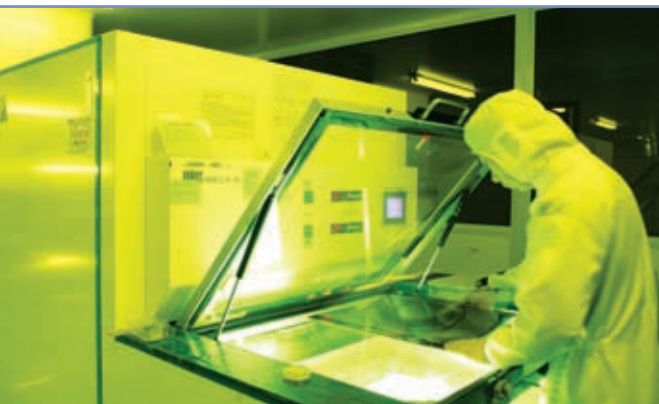
Market Structure

	2007	2006	2005
PRC	39%	40%	48%
Hong Kong	35%	30%	14%
Europe and America	14%	9%	20%
Southeast Asia and others	12%	21%	18%
Total	100%	100%	100%

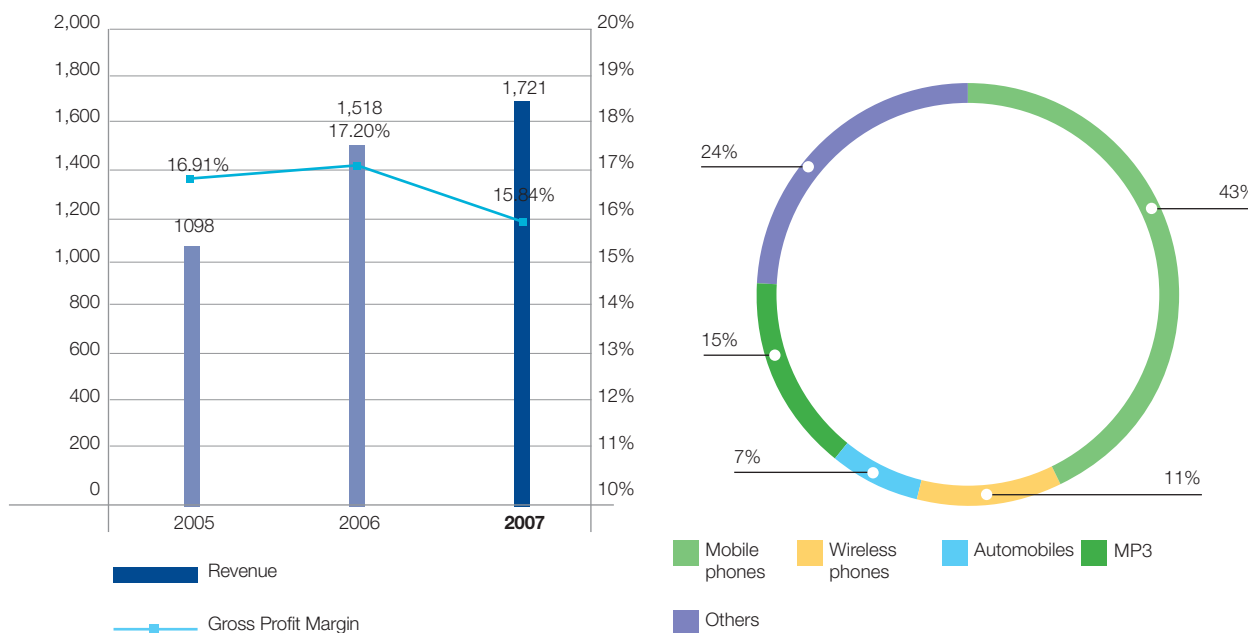
Product Structure

	2007	2006	2005
Mobile phones	43%	41%	49%
Wireless phones	11%	14%	12%
Automobiles	7%	8%	8%
MP3	15%	12%	5%
Others	24%	25%	26%
Total	100%	100%	100%

MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW *(continued)* Revenue



PCB

The Group carries on the production of high end PCB products through Shennan Circuit, which is mainly engaged in the high technology field such as telecommunication, defense and military, automobile and medical care. The revenue of the PCB business of the Group for 2007 was approximately RMB786,844,000 (2006: RMB572,236,000), representing an increase of approximately 37.5% over the previous year. The profit after taxation for the year was approximately RMB119,135,000 (2006: RMB86,676,000), representing an increase of approximately 37.5% over the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

**BUSINESS REVIEW** *(continued)***PCB** *(continued)*

Due to the booming development of the industry and the shifting of global electronic manufacturing industry to the PRC, the PCB market has witnessed a significant increase in demand. However, the increased output resulted in more severe competition and the rising price in raw materials imposed negative impact on the industry. Facing above challenges, Shennan Circuit on one hand kept strengthening the development of strategic/key customers, adjust product structure so as to mitigate the negative impact due to the slide in product prices; on the other hand it actively accelerated the research and development of new products and realized the bulk production of many new products, in particular it developed a technology that is able to produce PCB products up to 42 layers. Furthermore, Shennan Circuit extensively promoted the application of innovative management tools such as Lean Six Sigma so as to reduce costs, motivate the positivity of the staff, and significantly improved the production and efficiency. As a result, during the year of 2007 the sales revenue of the PCB business recorded sharp growth. Among this, the sales revenue of high-end products with more than ten layers grew by approximately 47.8 % and its gross profit margin recorded 28.4%, representing an increase of 1.5% over last year.

During the year, the construction work and mechanical system commissioning of Shennan Circuit's high end PCB project was basically completed, and full line trial manufacture commenced at the end of the year. The completion and operation of the project will remarkably improve the technology level and production scale of PCB business and further enhance the technologic level of Shennan Circuit in the industry.

In 2007, Shennan Circuit was proudly selected by the Shenzhen Enterprises Confederation (深圳市企業聯合會) as one of the "Top 100 Shenzhen Enterprises 2007". We received the titles of "Runner up of Technological Advancement in Guangdong Province" awarded by the Technology Office of Guangdong Province (廣東省科技廳), "Shenzhen Technological Innovation Award" by the Shenzhen Technology and Information Bureau. In addition, we passed the AS9100 aerospace industry quality management system recognition. Moreover, during the year under review, Shennan Circuit successfully filed for five patents. To date, we have a total of 11 patents (10 invention patents and one utility model patent). The Group also increase its commitment in environmental protection in order to reduce the impact from its business development on the environment. Shennan Circuit also received the titles of "Top 10 Enterprises of Recycling Economics in Shenzhen" awarded by the Shenzhen Enterprises Confederation and the Shenzhen Enterprises Association (深圳市企業家協會).

MANAGEMENT DISCUSSION AND ANALYSIS

**BUSINESS REVIEW** (continued)**PCB** (continued)**Gross Profit Margin**

	2007	2006	2005
	RMB'000	RMB'000	RMB'000
Sales income	786,844	572,236	445,002
Cost of sale	572,273	418,483	326,027
Gross profit	214,571	153,753	118,975
Gross profit margin	27.27%	26.87%	26.74%

Market Structure

	2007	2006	2005
PRC	79%	75%	82%
Europe and America	17%	14%	7%
Southeast Asia and others	4%	11%	11%
Total	100%	100%	100%

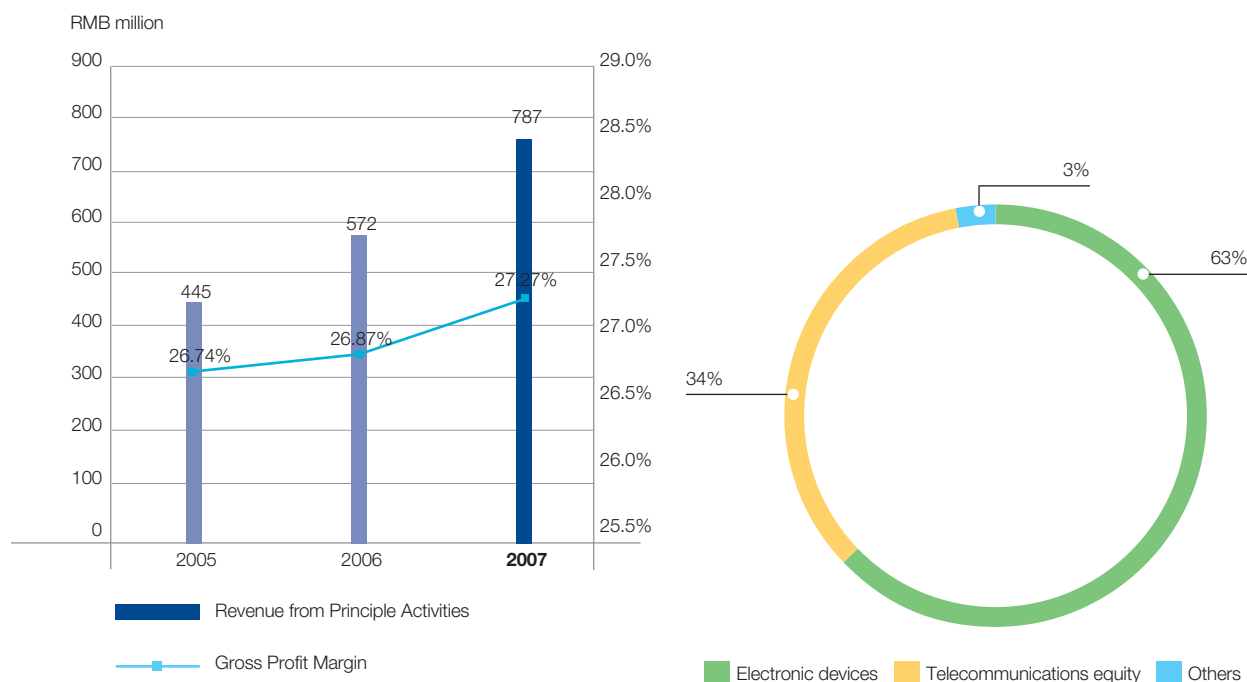
Product Structure

	2007	2006	2005
Telecommunications equipment	63%	64%	67%
Electronic devices	3%	5%	5%
Others	34%	31%	28%
Total	100%	100%	100%

MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW (continued)



Timepieces

The Group carries on the manufacture and chain sales of middle and high-end timepieces through Fiyta, including R&D, design, production and sales of timepieces under its self-owned brand and chain sales network operation of prestigious timepiece. In 2007, the revenue of the timepiece business of the Group was approximately RMB761,321,000, representing an increase of approximately 67.9% over RMB453,338,000 for the previous year. The profit after taxation for the year was approximately RMB34,788,000, against a loss of RMB7,252,000 for the previous year.

Adhere to its brand strategy, “FIYTA” launched a number of high-end products such as “Golden Marriage”, Tourbillon, machinery golden watch and highly intensified titanium watch. With enhancement in value and status of its brand name, the highest unit price for “FIYTA” watch reached over RMB300,000, resulting in positive effect on the sales, unit price and gross profit. During the year, “FIYTA” started to establish specialty stores for the brand, having set up 18 sales branches and 450 sales outlets in major cities nationwide. Meanwhile, with the entering into markets in Malaysia, Canada, Singapore and Spain, the sales channels in overseas markets have been extended at a gradual pace, and the process of internationalization has been accelerated.

Focusing on rapid expansion of its sales network, Harmony World Watch Center recorded rapid increase in both sales revenue and profits by strengthening operation management, distributing resources collectively and reasonably, and further implementing “three-level sales and marketing”. Currently, Harmony enjoys largely improved position and influence in the watch industry and solid cooperation relationship with major timepiece groups and important brands. During the year it opened 21 new shops. As of the end of 2007, the total number of chain shops reached 71.

MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW *(continued)*

Timepieces *(continued)*

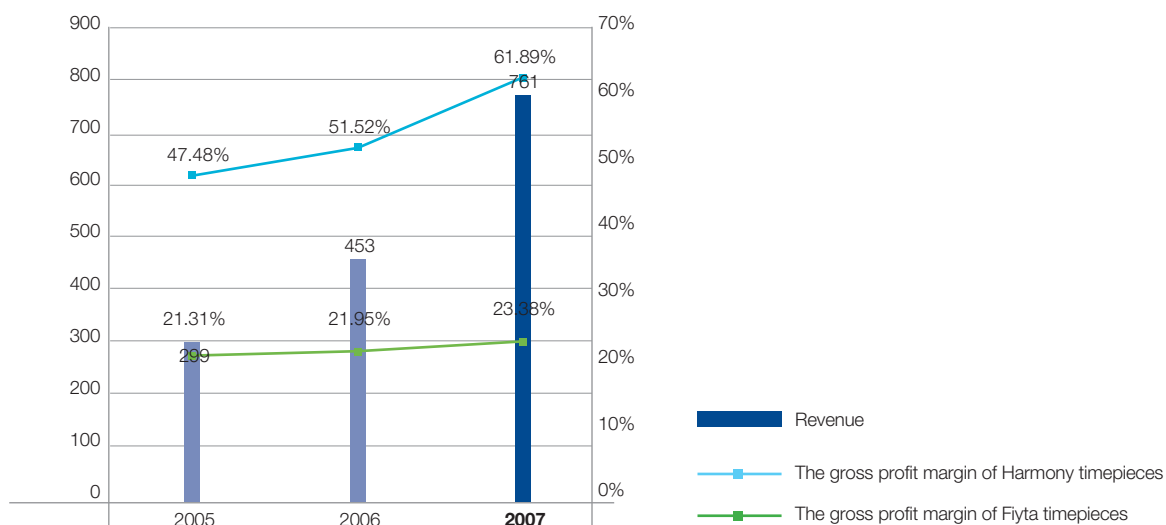
As at the end of 2007, "FIYTA" participated in and completed the amendments and formulation of ten industry standards and one national standard. Currently, it is participating in formulating and amending four international standards, four national standards and four industry standards. The number of patents accumulates to 119, with 3 invention patents, 9 utility model products and 107 patents of appearance. It also received many technological innovation awards including the "Special Merit in Technological Advancement" awarded by the National Federation of Light Industry (國家輕工業協會).

Gross Profit Margin

	2007 RMB'000	2006 RMB'000	2005 RMB'000
Sales income	761,321	453,338	298,898
Cost of sale	523,714	306,412	202,660
Gross profit	237,607	146,926	96,238
Gross profit margin	31.21%	32.41%	32.20%

	2007	2006	2005
The gross profit margin of Fiyta timepieces	61.89%	51.52%	47.48%
The gross profit margin of Harmony timepieces	23.38%	21.95%	21.31%

RMB million



MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS FOR 2008

In 2008, the Group will continue to seek to a rapid growth for our core businesses. We will spare no effort to speed up the production of the Shanghai Tianma's 4.5G TFT-LCD project and the Shennan Circuit high end PCB project, so as to achieve a leap in our electronic manufacture business. Meanwhile, we will focus on the expansion of our Harmony flagship store in core cities across the PRC, and expand our high-end timepiece retail network. Moreover, we will enter the agriculture related resources industry and cultivate and expand our resources business by leveraging on our potassium fertilizer business as a result of the acquisition of the potassium mine in Mahai Salt Lake and consolidation the peripheral small and medium mines.

In response to the change of portfolio of businesses and strategy, the Group will make efforts to enhance the construction of relevant corporate governance, promote the role and efficiency of the Board and the Profession Committee, and continue to improve and raise the level of risk management, so as to form a scientific and efficient decision-making system. In 2008, the Group will continue to advocate the Social Responsibility, promote the specific and humanized management, further implement the Lean Six Sigma, and enhance the construction of all basic work such as strategy management, IT system, financial management, risk control, strategic human resources management, brand building as well as corporate culture system.

LCD

It is expected that, the production value of global panel monitor industry for 2008 will amount to more than USD100 billion, of which, small and medium size products will account for approximately 25%. TFT-LCD will become a mainstream in the whole panel monitor market, while TFT will account for more than 85% in the small and medium size market. Benefited from the strong demand for the electronic end-products, the Group's TFT production line will commence production. However, with the heated price competition and rising price for raw materials, our foreign market will be affected by the appreciation of Renminbi.

In 2008, our LCD business will continue to focus on small and medium size products, expand of the sales of consumer electronic products, and solidify and promote the profit margin of the industrial products. The Group will promote the R&D of new products and the development of new customers, by enhancing the abilities of identifying customers' needs, project implementation and execution as well as technical application. Meanwhile, we will continue to improve our management efficiency, quality and cost control, by fully upgrading the ERP system and the Lean Six Sigma. For 2008, the Group will also further expand its machining production lines and module production lines.

Our 4.5 G TFT-LCD production line has completed its construction in the end of March 2008, and will commence operation on a normal basis in the second quarter. Currently, with strong demands in the market, it is expected that, we could achieve a balance between profit and loss in the first year upon commencement. The completion of the project will be helpful to speed up the adjustments of product structure and customer structure for our LCD business, so as to ensure the sustainability and stability of our profitability, enabling the Group to seize a leading position in the industry and becoming a mainstream supplier for the top customers across the globe.

PCB

For 2008, it is expected that, there will be no significant change in the PCB market in terms of demands and structure, despite the ever distinctive trend of an increasing number of orders for high-end products flowing into the PRC. Such a trend coincides with our strategic positioning of the PCB products, while the heated competition of prices and the raising prices of raw materials will continue to be a challenge for us.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS FOR 2008 *(continued)*

PCB *(continued)*

In 2008, Shennan Circuit will continue to enhance its efforts to expand its strategy and key customer bases, especially those of the international top customers, so as to keep the rapid growth of the orders for the key products. In addition, we will continue to enhance the R&D of new products and achieve a rapid expansion of our business, by focusing on the philosophy of Customer Satisfaction. Meanwhile, with the high-end PCB project put into production, we were able to tackle with the capacity bottleneck which has restricted the rapid expansion of our PCB business for long. For 2008, Shennan Circuit will conduct a number of adjustments to its internal structure and workflow systems, and complete its existing information system, so as to adapt to the management pattern of multi-facility upon the completion of the high-end PCB production line, as to ensure successful commencements of the projects. In addition, Shennan Circuit will further promote its Lean Six Sigma, complete the workflow and management system, construct a qualified staff, and continue to focus on environmental protection issues and the caring for the staff.

During the year, Shennan Circuit will seek every opportunity to commence the construction of the production line of R&D products and small scale products, so as to meet the demand from international high-end customers. Through the above measures, the Group is dedicated to further enlarge its competitive advantageous of its PCB business, maintain its position in the high-end market, and achieve a rapid growth of its business on a continuous basis.

Timepieces

Driven by the rapid and stable development of China's economy, the continuous increase of per capital income, the constant growth in the number of the well-off and wealth, the appreciation of Renminbi and the change in consumption concept, China's luxury consumption will enter a stage of fast growth. According to the estimation of the World Luxury Association (WLA), China's luxury consumption will increase by an average composite growth rate of 25% in the following years, by 2008 it will take up 20% of the world's market share. By 2015 this figure will reach 32%, surpassing Japan (being 28%) and China will become the world's largest consumer of luxury. China's sales of prestigious watches have been growing at an annual rate of 20%-30% in previous years, and this figure is expected to maintain above 30% in the coming 5 years. With great potential in the prestigious watch industry, international luxury brands including famous watches from Switzerland have accelerated their paces in entering the Chinese market.

In 2008, Fiyta will continue to implement its brand-building strategy and enhance its brand image, strengthen the coordinating effect among research, production and sales, insist the product developing strategy of independent innovation and concept-oriented, increase the systemization and standardization of Fiyta series products. Fiyta will also establish an advertising and public communication strategy systematically and consistently. Moreover, Fiyta will enhance the quality of sales channel, establish and improve its survey system of markets and customers.

At the same time, the business of chain sales of prestigious watches will reinforce the adverting and promoting of Harmony, the commercial and retail brand, so as to speed up the retail network expansion and achieve a leading position in competitiveness and realize the goal of fast growth. By 2008 it will open 15 to 20 new chain shops in key cities for its strategy development. Besides, the existing retail stores will be optimized and upgraded, the number of famous brands will be increased and the brand resources will be maintained and expanded. The financial and logistics management will also be standardized to achieve sound operation.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS FOR 2008 *(continued)*

Agriculture-related resources business

To meet the resources demand for its business growth and develop new growth points of profit, the Group acquired 95% equity interests of CATIC Sanjia in 2008, officially heading into the agriculture related resources industry which is monopolistic and can develop sustainably.

As the second largest producer of potassium chloride in China, CATIC Sanjia has the exclusive mining right in the Mahai Salt Lake, Qinghai, which processes a potassium chloride reserve of more than 63 million tons. In 2008, the Group will spare no effort in the production integration of CATIC Sanjia. It is expected that the annual output of potassium fertilizer will reach 250 thousand tons. Due to the positive outlook of the price of potassium fertilizer in China, we estimate that the business will have positive impact on the Group's results in 2008.

The global resources industry is still in the high-growth period and natural resources are becoming important strategy resources. Based on the business of CATIC Sanjia, the Group will further integrate potash-related resources and seek expansion opportunities to other types of resources, so as to establish the Group's competitive edge in the agriculture-related resources industry and create new growth points for its business.

FINANCIAL REVIEW

Capital Structure

	2007 RMB'000	2006 RMB'000
Total loans	3,725,844	948,548
Total liabilities	4,749,909	1,760,834
Minority interests	1,728,229	997,943
Shareholders' equity	1,971,412	1,297,354
Total assets	8,449,550	4,056,131
Loan-to-equity ratio	188.99%	73.11%
Debt-to-equity ratio	240.94%	135.72%

Loan-to-equity ratio = total loans at the year end to shareholders' equity at the year end.

Debt-to-equity ratio = total liabilities at the year end to shareholders' equity at the year end.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW *(continued)*

Liquidity and Capital Resources

As at 31st December 2007, the Group had cash and cash equivalents approximately totaling RMB1,286,628,000 (2006: RMB740,912,000), which was mainly derived from the following sources:

- Cash and bank deposits at the beginning of the year; and
- Revenue from operations.

As at 31st December 2007, the Group had current borrowings totaling approximately RMB1,780,208,000 (2006: RMB938,548,000), which carried annual interest rates ranging from 2.5% to 8.75% (2006: 1.80% to 6.14%), and non-current borrowings totaling approximately RMB1,945,636,000 (2006: RMB10,000,000) with an annual interest rate of 7.08% (2006: 5.76%).

Capital expenditure of the Group in 2007 amounted to approximately RMB2,462,492,000, of which approximately RMB1,955,370,000 was applied for the purchase of production equipment of TFT-LCD and LCD, and the construction of staff dormitory for the LCD operation, approximately RMB470,857,000 was applied for the purchase of production equipment for the PCB operations, approximately RMB26,351,000 was applied for the purchase of production equipment for the Timepieces operations and the new chain stores of “Harmony”, and approximately RMB9,914,000 was applied for other projects.

The Group's capital expenditure for 2008 is estimated to be approximately RMB1,612,830,000, of which approximately RMB457,400,000 will be used for the purchase of TFT-LCD equipments, land used for production, the construction of new production plant and the investment in oversea company, approximately RMB114,870,000 will be used for the purchase of production equipment and the construction of staff dormitory for the LCD operations, approximately RMB234,000,000 will be used for the purchase of production equipment and land used for production and the construction of new production plant for the PCB operations, approximately RMB172,060,000 will be used for the purchase of production equipment for the Timepieces operations, new stores of “Harmony”, approximately RMB100,000,000 will be used for the renovation of parking lots and guest room of Guangdong International Building, approximately RMB522,500,000 will be used for the acquisition of CATIC Sanjia's equity interests, and approximately RMB12,000,000 will be used for other projects. The proposed capital expenditure is expected to be financed by bank borrowings, bank deposits and the cash generated from the Group's operations.

TECHNOLOGICAL INNOVATION

The progress of technological innovation reflects the Group's technical strength and technical authority in the related fields. It's an efficient way for the Group to maximize the benefits of its patents with complete self owned intellectual property rights. It enables the Group to enhance its brand image and lays a solid technical foundation for the Group to maintain its competitive edge.

The research and development of a number of new technologies for the TFT-LCD project have started during the year. The number of technologies filed for patents accumulated to 8. The R&D of a number of display panels that possess complete self owned intellectual property rights have been successfully completed. Shennan Circuits successfully filed for five patents during the year, and received honors such as the “Runner up of Technological Advancement in Guangdong Province” awarded by the Technology Office of Guangdong Province (廣東省科技廳) and the “Shenzhen City Technological Innovation Award” by the Shenzhen City Technology and Information Bureau. During the year, Fiya participated in and framed 10 industry standards and 1 national standard. Currently, it is participating in amending 4 international standards, 4 national standards and 4 industry standards. So far, the number of patents accumulates to 119, with 3 invention patents, 9 practical new products and 107 patents of appearance.

MANAGEMENT DISCUSSION AND ANALYSIS

TECHNOLOGICAL INNOVATION *(continued)*

New progress of outstanding technological innovation

The Astronaut's Watch for Work of China's Manned Space Project Shenzhou V Spaceship (Fiyta)

In May 2007, The project of "Astronaut's Watch for Work of China's Manned Space Project Shenzhou V Spaceship" was granted the "China National Light Industry Council's National Special Awards for Technological Advancement" ("中國輕工業聯合會科學技術進步特別獎"), "Third Class Award of Technological Advancement in Guangdong Province" ("廣東省科技進步獎三等獎") and "CATIC Special Award for New Technological Progress" ("中航科技創新成果特等獎").

The Astronaut's Watch for Work of Shenzhou V Spaceship accompanied China's first astronaut Yang Liwei in his journey of completing the manned space assignment successfully. During the first manned space journey, the watch showed profound performance and precise timing. Its capabilities in shockproof, vibration tolerance, safety under negative pressure, rich oxygen endurance, anti-magnetic, human-machine function allocation all met the demand of manned spaceship's working and environment requirement.

With the successful research and production of watches for space project, Fiyta not only became the third watch brand entering the space in the world, but also made China be the second country capable of producing watches for space project following Switzerland.

Multi-layer communication backboard (Shennan Circuits)

The multi-layer communication backboard of Shennan Circuits adopts techniques such as new layer pressing contraposition technique (層壓對位工藝), guiding drilling and step drilling (引導鑽+分步鑽), high aspect ratio backboard drilling technology of direct and reverse drill (正反鑽的高厚徑比背板鑽孔技術), back drilling technique (背鑽工藝), turbulent electroplating technique under negative pressure (負壓式紊流電鍍技術) and the application of high frequency material. Currently, Shennan Circuits has established the production line of large-scale backboard. With a monthly output of more than 4,000 square meters of backboards in hundreds of types and a passing rate of more than 90%, Shennan Circuits has possessed the capability of mass production. Its products are widely adopted in fields such as communication, military item, medical equipment, industrial control, aerospace industry and super computer.

The R&D and mass production of small sized TFT (below 3.0) LCM module product (Shen Tianma)

Shen Tianma keeps optimizing TFT module product and resolves the technical problem of the whole process of TFT module production ranging from design to production, from LCD incision to module manufacture. It has successfully developed module products such as 1.5 inches 128x128Dots, 1.79 inches QQVGA, 2.0 inches QCIF, 2.0 inches QVGA, 2.2 inches QCIF, 2.2 inches QVGA, 2.4 inches QVGA and 2.8 inches QVGA. It has mastered technology in design, production and test, and is among the first companies in China which achieve the mass production of small sized TFT LCM.

MANAGEMENT DISCUSSION AND ANALYSIS

Review Ourselves, Treat Others Well, Tie Our Hearts to Society, Take Social Responsibility Boldly.

SOCIAL RESPONSIBILITY

While pursuing economic efficiency and protecting shareholders' interest, our Company also protects the legal rights of creditors and employees; treats our suppliers, customers and consumers with integrity; participates actively in public services such as environmental protection and community building, and hence encourages the coordinative and harmonious development between the whole society and us. During our business operations, we observe the principles of being voluntary, fair, honest and credible as well as making compensation for equal value. We also comply with social morality and business ethics, accept the supervision of the government and public, and shape our corporate culture with "altruism" as the core value. We take social responsibilities as the identity of a "corporate citizen", and seek our sustainable way to "get beyond business".

In December 2007, the Company released the *CATIC Shenzhen's Guidelines of Taking Social Responsibilities and CATIC Shenzhen's Guidelines of Humanistic Management* (draft for discussions), providing systematic guidelines of taking social responsibilities and implementing humanistic management within the Company and various investment enterprises of the Group. This further clarifies and enriches the Group's corporate value.

◎ Employees' Training

Our Group emphasizes employees' training and career promotion, hence, the Managers' Academy was established as the sole institute for the Group's internal training. One course for senior managers, nine for intermediate managers and eight for junior managers were offered by the Managers' Academy in 2007 to promote employees' management skills. More than 600 people have attended these courses. Meanwhile, the Academy also incorporated the actual needs of the enterprise to offer specialized training courses such as *Enterprise Acquisition Management and Risk Management*, etc.

◎ Environmental Protection

Our Group has been concerning about environmental protection and sustainable development for a long time. Our products are required to conform to business ethics and environmental protection requirements. While gaining economic efficiency, we also care about social and ecological benefits so as to accomplish the multi-win situation of harmonious development between the enterprise and the society.

Shennan Circuits Co., Ltd. was one of the first enterprises applied for participating in "Campaign of Reducing Wastes in Pengcheng". Through a series of effective energy-saving and waste-reducing measures such as conserving water and electricity, optimizing production lines, introducing new technologies, advocating green purchasing, etc., Shennan Circuits successfully achieved the first phase of reducing the release of pollutants. These made the company one of "Pengcheng's Excellent Enterprises in Reducing Pollution" of the Shenzhen City and the Enterprise of Clean Production of the Province. We are also included in Shenzhen City's enterprise crediting system as an environmental protective and creditable enterprise.

Shen Tian Ma possesses the ISO14001 certification for organizing, building and implementing the environmental management system. Moreover, we have fully implemented the environmental management system during our business operations. Through compiling environmental management system documents, offering relevant trainings to the management and operational levels, identifying important environmental factors and implementing internal audit, we have entered the virtuous circle of PDCA. In April 2007, Shen Tian Ma invited Germany's TUV Rheinland to offer HSPM QC080000 hazardous substances management training for the Company's management and operational levels.

MANAGEMENT DISCUSSION AND ANALYSIS

SOCIAL RESPONSIBILITY *(continued)*◎ **Tie Our Heart with Society; Take Social Responsibility Boldly**

- ◆ **Official Launch of Shenzhen Charity Foundation** – CATIC Shenzhen Benevolence Fund. With the Shenzhen Charity Foundation, the Group initiated the “Shenzhen Charity Foundation – CATIC Shenzhen Company Benevolence Fund”. The Group and the employees donated RMB\$22.85 million to the fund, which is mainly used for employees of CATIC Shenzhen who have serious illnesses or family difficulties, as well as for social welfare causes.
- ◆ **Army and Civilians Joins Hands to Create Harmony.** Our Group has been considering that paying close attention to and supporting the People’s Liberation Army Hong Kong Garrison is an important act to fulfill social responsibility. More than ten years since the establishment of the Garrison, we have been maintaining close relations with it. In August 2007, the Group held an evening party with the Hong Kong Garrison in the Grand Theatre of Shenzhen, reflecting the harmonious relationship featured by “Army for the civilian, civilian supporting the Army”.
- ◆ **The Group’s Leaders and Employees Enthusiastically Participate in Passing the Flame.** In September 2007, the Group funded Shenzhen City’s fourth “Recruiting Teachers for Aid Teaching” initiative. More than forty teachers started their aid teaching activities in schools located in poverty-stricken areas of Jiangxi and Sichuan Provinces. This shows our employees’ sincere hearts to support education in poor regions.
- ◆ **More Love to Pu’er, Yunnan.** In June 2007, the occurrence of a violent earthquake occurred in Pu’er City caused quite a great damage to civilian properties and the infrastructure. The damage of educational facilities was a big difficulty for the development of the local education industry. Our Group donated RMB\$500,000 to the Fifth Elementary School of Cimaog Region, Pu’er City of Yunnan Province to repair and rebuild its infrastructure.
- ◆ **“Start from Myself to Make Our Home Beautiful”.** In July 2007, the Group initiated a used battery recycle campaign named “Start from Myself to Make Our Home Beautiful”. This campaign lasted until the end of September and focused on enterprises in the Nanshanpian Region and the CATIC Zone. All the batteries recycled would be delivered to the Shenzhen Hazardous Waste Treatment Station for central processing.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wu Guang Quan, aged 46, is a senior accountant and holds a MBA of Tongji University of the PRC. Mr. Wu is currently the president of Shenzhen CATIC, Chairman of the Company, the chairman of the board of directors of Shen Tian Ma and the chairman of the board of directors of Fiyta, both of which are subsidiaries of the Company and are listed on the Shenzhen Stock Exchange, and the chairman of CATIC Real Estate which is an associated company of Shenzhen CATIC and is also listed on the Shenzhen Stock Exchange. Mr. Wu joined Shenzhen CATIC in 1982 and the Group in 2003. Mr. Wu has extensive experience in finance, administration and management. Mr. Wu has been appointed as an executive Director since 2003.

Mr. Lai Wei Xuan, aged 44, a senior accountant, is studying an EMBA at Peking University and holds a MBA from IVY University of USA. Mr. Lai is currently the general manager of Shenzhen Rainbow Department Store Holdings Co. Ltd., a subsidiary of Shenzhen CATIC, and a director of Fiyta. Mr. Lai joined Shenzhen CATIC in 1983 and the Group in 2004. Mr. Lai has extensive experience in finance, administration and management. Mr. Lai has been appointed as an executive Director since 2004.

Mr. Sui Yong, aged 50, a senior accountant, is a graduate of engineering administration of the Beijing University of Aeronautics and Astronautics of the PRC. Mr. Sui is currently the Chief Accountant of Shenzhen CATIC, the general manager of CATIC Resources Company Limited ("CATIC Resources Company"), a director of Fiyta, and a director of CATIC Real Estate. He joined Shenzhen CATIC in 1992 and the Group in 1997. Mr. Sui has long been engaged in corporate finance with extensive experience in financial management. Mr. Sui has been appointed as an executive Director since 2000.

Mr. Cheng Bao Zhong, aged 45, is a senior economist and holds a doctor's degree of Tongji University of the PRC. Mr. Cheng is currently the vice president of Shenzhen CATIC. He joined Shenzhen CATIC in 1993 and joined the Group in 2004 respectively. Mr. Cheng has rich experience in business and administration management. Mr. Cheng has been appointed as an executive Director since 2006.

Mr. Liu Rui Lin, aged 40, is a senior engineer. He holds a master's degree of engineering of Huazhong University of Science and Technology of the PRC. Mr. Liu is currently the managing director of Shen Tian Ma. He joined Shenzhen CATIC in 1992 and the Group in 1997. Mr. Liu has extensive experience in technology and business administration. Mr. Liu has been appointed as an executive Director since 2003.

Mr. Xu Dong Sheng, aged 42, is a senior engineer. He holds a MBA of Tongji University of the PRC. Mr. Xu is currently the managing director of Fiyta. He joined Shenzhen CATIC in 1992 and the Group in 1997. Mr. Xu has extensive experience in business and administration management. Mr. Xu has been appointed as an executive Director since 2003.

Mr. You Lei, aged 39, is a senior engineer. He holds a MBA of Tongji University of the PRC. Mr. You is currently the managing director of Shennan Circuit and a director of Shen Tian Ma. He joined Shenzhen CATIC in 1991 and the Group in 1997. Mr. You has extensive experience in business and administration management. Mr. You has been appointed as an executive Director since 2003.

Mr. Wang Bao Ying, aged 44, is a senior engineer. He holds a MBA of Southern California University for Professional Studies (SCUPS). Mr. Wang is currently the deputy general manager of CATIC Resources Company and a director of Fiyta. He joined Shenzhen CATIC in 1997 and joined the Group in 2004. He had been the vice general manager of CATIC Real Estate. Mr. Wang has extensive experience in enterprise management. Mr. Wang has been appointed as an executive Director since 2005.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Poon Chiu Kwok, aged 46, is currently an Executive Director of the Huabao International Holdings Limited. Mr. Poon holds a master degree in arts, majoring in international accounting, a postgraduate certificate in laws, a bachelor degree with honors in laws, and a bachelor degree with honors in arts, majoring in business studies. He is a member of the Hong Kong Securities Institute ("HKSI"), the Institute of Chartered Secretaries and Administrators, the Hong Kong Institute of Chartered Secretaries, and Professional Education Committee of HKSI. Mr. Poon has extensive experience in securities regulations and commercial and investment banking. He has been working as a regulator, investment banker and financial adviser in the financial and securities sector for around 22 years. Mr. Poon currently serves as an independent non-executive director of Tsingtao Brewery Company Limited being a H shares company listed on the Main Board of the Stock Exchange.

Ms. Wong Wai Ling, aged 47, received a bachelor degree of Arts from The University of Hong Kong and a postgraduate diploma in Accounting and Finance from the London School of Economics and Political Science, University of London, in the United Kingdom. Ms. Wong is a fellow member of Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. She has 20 years of rich experience in accounting, taxation and auditing. She had worked for more than seven years in major international accounting firms and major local accounting firms before she set up her own accounting firm in Hong Kong in 1994. Since then, she has been practicing as a Certified Public Accountant. Ms. Wong is also an independent non-executive director of two Hong Kong listed companies -Galaxy Semi-Conductor Holdings Limited and Overseas Chinese Town (Asia) Holdings Limited. She has been appointed as an independent non-executive Director since 19th March 2008.

Mr. Liu Xian Fa, aged 54, is a senior engineer and a part time professor of Nan Kai University of the PRC. He is the head of the Macroeconomic Research Centre of China development Institute of Shenzhen, the PRC and the guest researcher of China Society for Research on Economic System Reform. His major fields of studies are marco-economics, finance and capital market. Mr. Liu studied at the Economics department of Nan Kai University of the PRC and graduated in 1982. Mr. Liu has been appointed as an independent non-executive Director since 2004.

NON-EXECUTIVE DIRECTORS

Mr. Wang Bin Bin, aged 57, graduated from Beijing University of Aeronautics and Astronautics. He is currently the vice director of the Assets & Enterprises Administration Department of China Aviation Industry Corporation II. Mr. Wang has rich experience in the management of securities. Mr. Wang has been appointed as a non-executive Director since 1997.

Mr. Li Cheng Ning, aged 43, engineer, graduated from the University of Electronic Science and Technology of China. He is currently the manager of the Department I of Corporate Management of China National Aero-Technology Import and Export Corporation. Mr. Li has substantial experience in corporate management, investment management and investment analysis. Mr. Li has been appointed as a non-executive Director since 2005.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

SUPERVISORS

Mr. Huang Gao Jian, aged 52, is a senior engineering of administration and a graduate from Huazhong Normal University of the PRC (華中師範大學). Mr. Huang is currently the vice president of Shenzhen CATIC. He joined Shenzhen CATIC in 1991 and joined the Group in 2004 respectively. He was the vice general manager of a subsidiary of Shenzhen CATIC. Mr. Huang has rich experience in administrative management. He has been appointed as a supervisor since 2006.

Mr. Chen Gang, aged 52, a graduate of Wuhan University with a master degree in law, is currently a practising lawyer and a senior partner in Guangdong J.TONGUE Law Office (廣東金唐律師事務所). He has been appointed a supervisor since 2000.

Mr. Sheng Fan, aged 51, is an accountant, and a graduate in finance and economics of Zhengzhou Institute of Aeronautical Industry Management (鄭州航空工業管理學院) of the PRC. He is currently the manager of the Audit and Supervision Department of Shenzhen CATIC. He joined Shenzhen CATIC in 1989 and joined the Group in 2005 respectively. He was the general manager of a subsidiary of Shenzhen CATIC. Mr. Sheng has extensive working experience in financial management. He has been appointed as a supervisor since 2006.

COMPANY SECRETARY

Mr. Zeng Jun, aged 40, holds a MBA of Peking University. He joined Shenzhen CATIC in 1993. He was the managing director of a subsidiary of Shenzhen CATIC. Mr. Zeng has extensive working experience in capital operation and administration management and was the secretary of the 1st Board of Directors of the Company. In 2004, Mr. Zeng rejoined the Company and has been reappointed as a joint Secretary.

Mr. Huang Yong Feng, aged 34, an engineer, is a master of business engineering of the Beijing University of Aeronautics and Astronautics of the PRC. Mr. Huang is currently the manager of the Corporate strategy & Management Department of Shenzhen CATIC. Mr. Huang joined Shenzhen CATIC in 1998 and joined the Group in 2004 respectively. He has extensive experiences in business and investment management. Mr. Huang has been appointed as a joint Secretary since 2004, and resigned as a joint Secretary and was approved by the Board of the Company on 13th September 2007.

QUALIFIED ACCOUNTANT

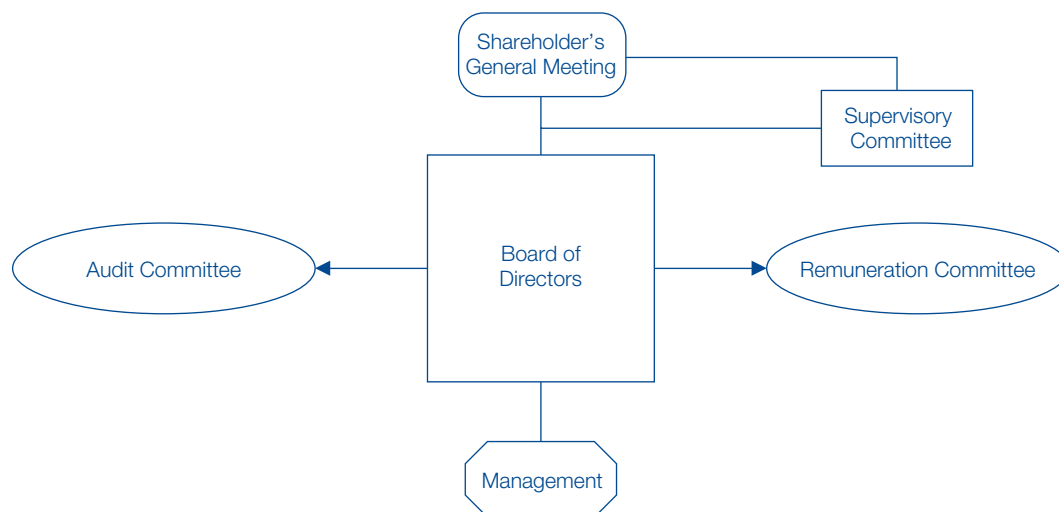
Mr. Chan Chun Wai, aged 36, holds a MBA of Manchester Business School of Britain. He is a certified public accountant, and a member of CPA Australia and HKICPA. He has broad experience in audit and commercial finance. Mr. Chan has been appointed as the qualified accountant of the Company since 2005.

CORPORATE GOVERNANCE REPORT

(I) CORPORATE GOVERNANCE

Throughout the financial year ended 31st December 2007, the Company has complied with all the code provisions of the Code on Corporate Governance Practices (“the Code”) set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) (save and except for the deviation from the code provision in respect of the segregation of duties of the roles of Chairman and Chief Executive Officer (General Manager) by two different individuals, which are explained in the following paragraphs). The Company has also directed its daily activities in strict compliance with various established corporate governance systems and reviewed from time to time its operations and management behaviors, enhanced its corporate governance standards on a continuous basis, ensured a stable development of the Company and strived for the enhancement of shareholder value.

(II) CORPORATE GOVERNANCE STRUCTURE



1. Shareholders and General meetings

The Company treats all shareholders equally and ensures that all shareholders have the rights to be informed of and to make decisions on material matters relating to the Company. The Company ensures that all shareholders, in particular, medium and small shareholders, are treated equally and may fully exercise their rights. Any shareholders of the Company are prohibited from any insider dealings with any insiders of the Company or any act that may jeopardize the interests of shareholders and the Company.

- *Shareholders' General Meeting*
Details of convening, holding and procedures of the shareholders' general meeting are set out in section (III) “Compliance with the Code on Corporate Governance Practices and Other Information”.
- *Substantial Shareholders*
Being the substantial shareholder of the Company, Shenzhen CATIC holds 58.29% of the Company's shares. Shenzhen CATIC is China National Aero-Technology Import and Export Corporation's wholly-owned subsidiary in Shenzhen. China Aviation Industry Corporation I and China Aviation Industry Corporation II each holds 50% of the shares of China National Aero-Technology Import and Export Corporation.

CORPORATE GOVERNANCE REPORT

(II) CORPORATE GOVERNANCE STRUCTURE *(continued)*

1. Shareholders and General meetings *(continued)*

– *Substantial Shareholders (continued)*

The Company's businesses, assets, staff, organization and finance are separated from those of the controlling shareholder, allowing the Company to have integral independence of its business as well as autonomy over its operations. The controlling shareholder exercises its right as a capital contributor strictly in accordance with the laws. There has been no circumstance in which the controlling shareholder makes use of its special position to pursue benefits that are beyond the entitlement of its legal rights.

2. Directors and the Board

The Board of the Company comprises a total of 13 directors, including 8 executive directors, 2 non-executive directors and 3 independent non-executive directors. In 2006, the election of all members of the new session of the Board was held and the fourth session of the Board was formed. The term of the directors is 3 years that commenced from 13th June 2006 and will end at the 2008 annual general meeting of the Company in 2009.

Details of the composition, members and operational procedures of the Board are set out in section (III) "Compliance with the Code on Corporate Governance Practices and Other Information".

– *Independent Non-executive Directors*

During the fiscal year ended 31st December 2007, the Company has 3 independent non-executive directors, namely Mr. Poon Chiu Kwok, Mr. Eugene Liu and Mr. Liu Xian Fa, of which Mr. Eugene Liu is a qualified accountant with substantial experience in accounting and financial matters. The Company has received the annual confirmation letters in respect of their independence from each of the independent non-executive directors pursuant to Rule 3.13 of the Listing Rules. The Company considers that the independent non-executive directors are independent parties.

The independent directors have been able to perform their obligations faithfully and diligently in compliance with the relevant laws, regulations and the Listing Rules. The independent directors have participated in the Board and its various specialized committees, and have given their opinions on the decision-making on significant matters by making use of their professional knowledge and experience. They have expressed their views on the standardized operation of the Company and have conscientiously examined the connected transactions and capital dealings with connected parties to ensure fairness and impartiality, expressing their independent opinions and performing their duties independently. They have ensured that their acts are not influenced by any substantial shareholders, de facto controllers of the Company or any other units or individuals that have interests in the Company. The independent directors have made active contribution to protecting the interests of the Company as a whole and the legitimate rights and interests of all shareholders, as well as promoting the healthy development of the Company.

During the reporting period, the independent directors of the Company expressed no disagreement on all matters regarding the Company.

CORPORATE GOVERNANCE REPORT

(II) CORPORATE GOVERNANCE STRUCTURE *(continued)***3. External Auditor**

The external auditor of the Group is PricewaterhouseCoopers, the amount of audit fee paid to external auditors for 2007 amounted to RMB5,800,000 (as the carrying accruals). In 2007, external auditor did not provide any non-audit services.

4. Supervisors and Supervisory Committee

On 13th June 2006, the election for all members of the Supervisory Committee of the Company was held and the fourth session of the Supervisory Committee was formed, for a term of 3 years ending at the date of the 2008 annual general meeting. The Supervisory Committee of the Company comprises of 3 supervisors. During the reporting period the Supervisory Committee met twice to discuss the annual results of 2006 and interim results of 2007.

The Supervisory Committee is accountable to all shareholders and exercises supervisory duty independently in accordance with the laws. Financial monitoring is the core responsibility among all of its specific duties. Besides, it is also responsible for supervising the due diligence of directors, managers and other senior management members of the Company. They also safeguard the Company's assets, lower the Company's financial and operational risks and protect the legitimate interests of the Company and shareholders.

5. The Management

The operational procedures of the Management are set out in section (III) "Compliance with the Code on Corporate Governance Practices and Other Information".

6. Audit Committee

The Board has established the Audit Committee to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. During the reporting period, the committee comprises all the independent non-executive directors, namely Mr. Poon Chiu Kwok (as Chairman), Mr. Eugene Liu and Mr. Liu Xian Fa. The independent non-executive director Mr. Eugene Liu is a qualified accountant with substantial experience in accounting and financial matters.

During 2007, the Audit Committee met twice (all members were present) to discuss the annual results of 2006 and interim results of 2007. The adequacy and effectiveness of the Company's internal control were also discussed in these meetings.

The duties and operational procedures of the Audit Committee are set out in section (III) "Compliance with the Code on Corporate Governance Practices and Other Information", resolutions proposed for consideration during the reporting period by the Audit Committee are set out in Audit Committee Report

7. Remuneration Committee

The Board of the Company has established the Remuneration Committee. The committee members comprise Mr. Poon Chiu Kwok, Mr. Eugene Liu, Mr. Liu Xian Fa, Mr. Wu Guang Quan (as Chairman) and Mr. Sui Yong, 3 of which are independent non-executive directors.

The duties and operational procedures of the Remuneration Committee are set out in section (III) "Compliance with the Code on Corporate Governance Practices and Other Information", resolutions proposed for consideration during the reporting period by the Remuneration Committee are set out in Remuneration Committee Report

CORPORATE GOVERNANCE REPORT

(III) COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES AND OTHER INFORMATION

The Board reviewed the daily governance of the Company in accordance with the relevant code provisions of the the Code on Corporate Governance Practices (the “Code”) during the reporting period and considered that, from 1st January 2007 to the date of this report, the Company regulated its operation and stringently governed in accordance with the relevant code provisions, save and except for the deviation from the code provision in respect of the segregation of duties of the roles of Chairman and Chief Executive Officer (General Manager) by two different individuals.

The Board and the management undertake to adhere to the code provisions of the Code. Detailed explanations on the Company’s compliance with the Code are set out below.

Compliance with the Code on Corporate Governance Practices**A. Directors****A1. The Board**

Code Principle

- The Board should assume responsibility for leadership and control of the issuer and be collectively responsible for directing and supervising the issuer’s affairs. Directors should make decisions objectively in the interests of the issuer.

The best corporate governance status

- The Board of the Company reports to shareholders’ general meetings and fully represents the interests of shareholders and formulates the Company’s development strategies in strict compliance with the “Rules of Proceedings for Board of Directors” within its terms of reference as stipulated by the Articles of Associations. The Board also monitors the implementation of the Company’s operation management and its financial performance, and is responsible for preparing financial statements, with the primary mission of achieving operating results that generate the best stable long-term returns.

CORPORATE GOVERNANCE REPORT

Compliance procedures of the Code – code provisions

Code provision	Compliance	Corporate governance procedures																																				
<ul style="list-style-type: none">Regular Board meetings to be held at least 4 times a year, approximately once every quarter. A regular Board meeting does not include the practice of obtaining Board approval through circulation of written resolutions	Yes	<ul style="list-style-type: none">In 2007, the Company convened 17 Board meetings, including 2 regular meetings and 15 extraordinary meetings.Each of the Board meetings was actively participated by the majority of directors who were entitled to attend, either voting in person or by proxy or by other means. Details of attendance of 2007 Board meetings: <table><tr><td>No. of meetings held during the year</td><td>17</td></tr><tr><td colspan="2">Executive Directors</td></tr><tr><td>Wu Guang Quan (chairman)</td><td>17/17</td></tr><tr><td>Lai Wei Xuan</td><td>17/17</td></tr><tr><td>Sui Yong</td><td>17/17</td></tr><tr><td>Cheng Bao Zhong</td><td>17/17</td></tr><tr><td>Liu Rui Lin</td><td>17/17</td></tr><tr><td>Xu Dong Sheng</td><td>17/17</td></tr><tr><td>You Lei</td><td>17/17</td></tr><tr><td>Wang Bao Ying</td><td>17/17</td></tr><tr><td colspan="2">Non-executive Directors</td></tr><tr><td>Wang Bin Bin</td><td>14/17</td></tr><tr><td>Li Cheng Ning</td><td>15/17</td></tr><tr><td colspan="2">Independent Non-executive Directors</td></tr><tr><td>Poon Chiu Kwok</td><td>16/17</td></tr><tr><td>Eugene Liu</td><td>12/17</td></tr><tr><td>Liu Xian Fa</td><td>17/17</td></tr><tr><td>Average attendance rate</td><td>95%</td></tr></table>	No. of meetings held during the year	17	Executive Directors		Wu Guang Quan (chairman)	17/17	Lai Wei Xuan	17/17	Sui Yong	17/17	Cheng Bao Zhong	17/17	Liu Rui Lin	17/17	Xu Dong Sheng	17/17	You Lei	17/17	Wang Bao Ying	17/17	Non-executive Directors		Wang Bin Bin	14/17	Li Cheng Ning	15/17	Independent Non-executive Directors		Poon Chiu Kwok	16/17	Eugene Liu	12/17	Liu Xian Fa	17/17	Average attendance rate	95%
No. of meetings held during the year	17																																					
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Average attendance rate	95%																																					

CORPORATE GOVERNANCE REPORT

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> All directors are given an opportunity to include matters in the agenda for regular Board meetings 	Yes	<ul style="list-style-type: none"> All directors were given an opportunity to include matters in the agenda for regular Board meetings, and any major decisions would only be taken after deliberation at Board meetings.
<ul style="list-style-type: none"> Notice of at least 14 days shall be given of a regular Board meeting 	Yes	<ul style="list-style-type: none"> Notice, agenda and the relevant information of each regular Board meeting were given 14 days prior to such meeting. Notice of the extraordinary Board meeting was also given within a reasonable time before the meeting so that all directors can arrange their time to attend the meeting to the best of their abilities.
<ul style="list-style-type: none"> All directors shall have access to the advice and services of the Secretary of the Board 	Yes	<ul style="list-style-type: none"> The Secretary of the Board maintained close communications with all directors and provided timely material information of the Company and the relevant updated rules, as well as contributed advice to the directors on matters arising from corporate governance and rules compliance, ensuring that the Board operation was in compliance with the procedures.
<ul style="list-style-type: none"> Minutes of meetings shall be kept by the Secretary of the Board and open for inspection by any director at any reasonable time 	Yes	<ul style="list-style-type: none"> The Secretary of the Board has been responsible for preparing and maintaining all minutes and the relevant meeting materials of the Company which were available for inspection by any director at any reasonable time.
<ul style="list-style-type: none"> Minutes of meetings shall record in sufficient detail the matters considered by the directors and decisions reached at meetings 	Yes	<ul style="list-style-type: none"> The minutes of meetings recorded the consideration, voting and opinions given by the directors in detail and were duly signed by directors attending the meetings.
<ul style="list-style-type: none"> Directors could seek independent advice under an agreed procedure at the Company's expense 	Yes	<ul style="list-style-type: none"> In respect of matters that require advice from professional institutions, the Company will appoint professional institutions including accountants, lawyers, valuation firms, and so forth to issue written reports for the perusal of directors at the Company's expense.
<ul style="list-style-type: none"> If a substantial shareholder or a director has a conflict of interest in respect of a material matter, the connected director must abstain from voting 	Yes	<ul style="list-style-type: none"> The Company has stated that, if a substantial shareholder or a director has a conflict of interest in respect of any material matter, the connected director must abstain from voting when a Board meeting is held.

CORPORATE GOVERNANCE REPORT

A2. Chairman and Chief Executive Officer

- | | |
|--------------------------------------|---|
| Code Principle | • There should be a clear division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority. |
| The best corporate governance status | • The positions of the Company's Chairman and General Manager were originally assumed by Mr. Wu Guang Quan. During the Board meeting held on 13th April 2007 the Board passed a resolution to approve the resignation of Mr. Wu Guang Quan as General Manager. The Board is currently in the process of selecting a new General Manager from suitable candidates. Since the Company is a holding company without daily operation businesses, the temporary vacant of General Manager has no material effect on the Company. |

Compliance procedures of the Code – code provisions

Code provision	Compliance	Corporate governance procedures
• Roles of the Chairman and the Chief Executive Officer should be separate and clearly established and set out in writing	No	• The positions of the Company's Chairman and General Manager were originally assumed by Mr. Wu Guang Quan. In order to better comply with the provisions stipulated in the Code, during the Board meeting held on 13th April 2007 the Board of Directors passed a resolution to approve the resignation of Mr. Wu Guang Quan as General Manager. The Board is currently in the process of selecting a new General Manager from suitable candidates. Since the Company is a holding company without daily operation businesses, the temporary vacant of General Manager has no material effect on the Company.
• The Chairman should ensure all directors be briefed on issues arising at Board meetings	Yes	• The Board has established a reporting system in which at each Board meeting, the Chairman reports to each director the most updated status of the Company. The Chairman also tabled the decision-making on any material matters of the Group to the Board for collective discussion and voting by the directors at the meeting.
• The Chairman should ensure that directors receive adequate information in a timely manner	Yes	• The Chairman has appointed the Secretary of the Board to timely provide all the information regarding the performance of the Board's obligations.

CORPORATE GOVERNANCE REPORT

A3. Board Composition

Code Principle

- The Board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The Board should also include a balanced composition of executive and non-executive directors (including independent non-executive directors) to ensure that independent judgment can be made effectively. Non-executive directors should be of sufficient calibre and number for their views to carry weight.

The best corporate governance status

- The Board of the Company comprises a total of 13 directors, including 8 executive directors, 2 non-executive directors and 3 independent non-executive directors. In 2006, the election of all members of the new session of the Board was held and the fourth session of the Board was formed. The term of the directors is 3 years that commenced from 13 June 2006 and will end at the 2008 annual general meeting in 2009.
- The directors are elected or replaced by Shareholders' General Meetings for a term of 3 years. The appointment of all directors is determined by the Shareholders' General Meeting. Directors are eligible for re-election when their terms expire. Directors appointed to fill casual vacancies should be subject to re-election by shareholders at the general meeting.
- Members of the Board have different industry background. They diversify in experience, competence and judgment, which make the Board more prudent and considerate when making decisions.
- There is no relationship among Board members, including financial, operational, family or other material relationship.

Compliance procedures of the Code – code provisions

Code provision

Compliance

Corporate governance procedures

- Identify the independent non-executive directors in all corporate communications

Yes

- The Board members are disclosed in all corporate communications according to the types of directorship (including executive directors, non-executive directors and independent non-executive directors).

CORPORATE GOVERNANCE REPORT

A4. Appointment, Re-election and Removal

Code Principle

- There should be a formal, considered and transparent procedure for the appointment of new directors and plans in place for orderly succession for appointments to the Board. All directors should be subject to re-election at regular intervals. The issuer should provide reasons for the resignation or dismissal of any director.

The best corporate governance status

- The Company does not have a Nomination Committee. The Board is responsible for the appointment of directors and nomination of suitable candidates for election at Shareholders' meetings to fill a vacancy or to increase new directors. To ensure an informed decision made by shareholders at the election, the notice of annual general meeting or relevant circular should enclose the details of director candidates, including the curriculum vitae of all candidates who stand for election or re-election. During the process of selection, criteria considered by the Board include the candidate's reputation, accomplishments and experience in the relevant industry, his/her professional and educational background, the amount of time that he/she can devote and related interests he/she has.
- During the reporting period, there is not any matter in relation to director's nomination required to be considered by the Board.

Compliance procedures of the Code – code provisions

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> • Non-executive directors should be appointed for a specific term, subject to re-election 	Yes	<ul style="list-style-type: none"> • The non-executive directors are appointed for a fixed term of 3 years. The current term of the existing non-executive directors will expire at the conclusion of the 2008 annual general meeting of the Company.
<ul style="list-style-type: none"> • Directors appointed to fill casual vacancies should be subject to election by shareholders at the first general meeting after their appointment. Each director should be subject to retirement by rotation at least once every 3 years 	Yes	<ul style="list-style-type: none"> • The Articles of Association of the Company stipulate that each director is appointed for a term of 3 years but is eligible for re-election at a Shareholders' General Meeting after retirement. • The election of all members of the new session of the Board was held at the 2005 annual general meeting of the Company held in 2006 and the fourth session of the Board was formed.

CORPORATE GOVERNANCE REPORT

A5. Responsibilities of Directors

Code Principle	<ul style="list-style-type: none"> Each director is required to keep abreast of responsibilities as a director of the issuer and of the conduct, business activities and development of the issuer.
The best corporate governance status	<ul style="list-style-type: none"> A comprehensive director's handbook is issued to every director, which sets out guidelines on conduct by making reference to the relevant sections of the statutes or the Listing Rules, and reminds directors of their responsibilities in making disclosure of their interests and potential conflict of interests. Orientation programmes are organized for providing an induction to new directors to help them familiarize with the Company's management, business and governance practices. The management provides appropriate and sufficient information to directors and committee members in a timely manner to keep them apprised of the latest development of the Group and to enable them to discharge their responsibilities. Directors also have independent and unrestricted access to senior executives of the Company.

Compliance procedures of the Code – code provisions

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> Each new director should receive an induction on the first occasion of his/her appointment to ensure he/she has a proper understanding of the business and operation of the issuer and of his/her responsibilities under legal requirements and the regulatory policy 	Yes	<ul style="list-style-type: none"> A comprehensive information package containing an introduction to the Group's operations, a brief introduction to directors' responsibilities and duties and other statutory requirements will be provided to new directors upon their appointment. All non-executive directors will be provided with reports on business progress, financial objectives, development plans and strategic plans regularly by the management. The Secretary of the Board is responsible for organizing the orientation programmes for providing an induction to new directors to help them familiarize with the Company's management, business and governance practices.

CORPORATE GOVERNANCE REPORT

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> Responsibilities of non-executive directors 	Yes	<ul style="list-style-type: none"> Non-executive directors have actively participated in Board meetings and served as committee members, reviewed the achievement of the Company's business objectives and provided independent opinions on the Board's decision making.
<ul style="list-style-type: none"> Each director should ensure that he/she can give sufficient time to deal with the affairs of the issuer 	Yes	<ul style="list-style-type: none"> All directors of the Company have worked hard and faithfully performed their duties. There was satisfactory attendance at Board meetings and meetings of various committees in 2007.
<ul style="list-style-type: none"> Directors must comply with the Model Code as set out in Appendix 10 	Yes	<ul style="list-style-type: none"> The Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 of the Listing Rules has been adopted as a code of securities transactions for directors and supervisors of the Company. The Company, having made specific enquiries to its directors and supervisors, confirms that, throughout the financial year ended 31st December 2007, all directors and supervisors met the criteria laid down in the said code for securities transactions for directors.
A6. Supply of and Access to Information		
Code Principle	•	Directors should be provided in a timely manner with appropriate information to enable them to make an informed decision and to discharge their duties and responsibilities.
The best corporate governance status	•	The Secretary of the Board is responsible for providing all information to directors, including meeting documents of all meetings of the Board and specialized committees; providing reports on business progress, financial objectives, development plans and strategic plans of the Company regularly and the latest information on the Listing Rules and other statutory requirements; and improving the quality and timeliness of information on a continuous basis.

CORPORATE GOVERNANCE REPORT

Compliance procedures of the Code – code provisions

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> Meeting documents should be sent to directors at least 3 days before the date of a Board/committee meeting 	Yes	<ul style="list-style-type: none"> Meeting materials were sent to directors at least 3 days before the date of each Board/committee meeting.
<ul style="list-style-type: none"> The management has the responsibility to provide sufficient information to the Board and its committees in a timely manner so that the Board can make informed decisions. Each director could have separate and independent access to the Company's senior management for making further enquiries 	Yes	<ul style="list-style-type: none"> The management provided sufficient information to the Board and its committees in a timely manner. Director could have separate and independent access to the Company's senior management for obtaining necessary information. The Board and the committees would make arrangements for relevant members of the senior management to attend their meetings and report the latest situation about operations, including the background or explanatory information on matters to be submitted to the Board for consideration, disclosure documents, budgets, forecasts and monthly financial statements and other relevant internal financial statements.
<ul style="list-style-type: none"> All directors are entitled to have access to Board papers and related materials. Steps must be taken by the issuer to respond as promptly and fully as possible to queries raised by directors 	Yes	<ul style="list-style-type: none"> All Board papers and related materials have been kept by the Secretary of the Board for inspection by directors at any time. The Board and the committees have also made arrangements for relevant members of the senior management to attend their meetings and report the latest situation about operations and respond to queries.

CORPORATE GOVERNANCE REPORT

B. *Remuneration of Directors and Senior Management*

B1. The Level and Make-up of Remuneration and Disclosure

Code Principle	<ul style="list-style-type: none"> The Company should establish a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration package for all directors. No director should be involved in deciding his/her own remuneration.
The best corporate governance status	<ul style="list-style-type: none"> The Company has established the Remuneration Committee, with its scope of duties including formulating and reviewing the remuneration policy and plan for the Company's directors and managers. No director was involved in deciding his/her own remuneration. During the year, the directors' fees paid by the Company to the independent non-executive directors Mr. Poon Chiu Kwok and Mr. Eugene Liu amounted to HK\$150,000 each person per annum and the directors' fees paid to the independent non-executive director Mr. Liu Xian Fa amounted to RMB50,000. Other than the directors' fees, the independent non-executive directors have not received other compensation from the Company. The fees for directors are determined with reference to the average market level and the Company's current status.

Compliance procedures of the Code – code provisions

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> The issuer should establish the Remuneration Committee with a majority of members of the committee are independent non-executive directors 	Yes	<ul style="list-style-type: none"> The Board of the Company has established the human resources and Remuneration Committee. During the reporting period, the committee members comprise Mr. Wu Guang Quan, Mr. Sui Yong, Mr. Poon Chiu Kwok, Mr. Eugene Liu and Mr. Liu Xian Fa, 3 of which are independent non-executive directors.
<ul style="list-style-type: none"> The Remuneration Committee should consult the Chairman or the Chief Executive Officer about their proposals relating to the remuneration of other executive directors 	Yes	<ul style="list-style-type: none"> The Chairman of the Board of the Company also acts as the Chairman of the Remuneration Committee.
<ul style="list-style-type: none"> The responsibilities of the Remuneration Committee 	Yes	<ul style="list-style-type: none"> The Board has established the Remuneration Committee with specific authority and responsibilities.

CORPORATE GOVERNANCE REPORT

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> The Remuneration Committee should make available its terms of reference and be provided with sufficient resources to discharge its duties 	Yes	<ul style="list-style-type: none"> The terms of reference of the Remuneration Committee have been disclosed in the 2007 Remuneration Committee Report and published on the website of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company also provides sufficient resources for the Committee to discharge its duties.
<p>C. <i>Accountability and Audit</i></p> <p>C1. Financial Reporting</p>		
Code Principle	<ul style="list-style-type: none"> The Board should present a balanced, clear and comprehensive assessment of the Company's performance, position and prospects. 	
The best corporate governance status	<ul style="list-style-type: none"> The Board has strived to provide comprehensive information in all regular financial reports issued to shareholders so as to comply with the regulatory requirements of the Stock Exchanges and continues to improve the "Management Discussion and Analysis" section, thereby disclosing comprehensive information on the Company's production and operation, finance and project development. Meanwhile, it also takes the initiative to increase the amount of information, including information on the Company's operating environment, development strategies and corporate culture, and to enhance the corporate governance report, so as to give a comprehensive, objective, fair and clear presentation of the Company's operating management conditions and prospects. 	

CORPORATE GOVERNANCE REPORT

Compliance procedures of the Code – code provisions

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> The management will provide sufficient explanation and information to enable the Board to make assessment of the relevant matters 	Yes	<ul style="list-style-type: none"> The management of the Company has provided comprehensive reports on the Company's business progress, financial objectives, development plans and strategic plans to the Board at all Board meetings to enable all directors to make assessment with merits on the financial and other information submitted to them for approval.
<ul style="list-style-type: none"> Directors should acknowledge their responsibilities for preparing the accounts; there should be a statement by the auditors about their responsibilities in the report 	Yes	<ul style="list-style-type: none"> Directors have been responsible for overseeing the preparation of annual accounts so that the accounts could give a comprehensive, true and fair view of the Company's operational results. The auditors' report stated their reporting responsibilities.
<ul style="list-style-type: none"> The Board should present a balanced, clear and comprehensible assessment of the Company's performance in regular reports, announcements on share price-sensitive information and other financial information required to be disclosed 	Yes	<ul style="list-style-type: none"> The Board gave an objective, fair and clear presentation of the Company's position and prospects in all circulars issued to shareholders. The information disclosed in the annual and interim results and reports released by the Company would be sufficient for shareholders to assess the performance, financial position and prospects of the Company.

CORPORATE GOVERNANCE REPORT

C2. Internal Control Code Principle

- The Board should ensure that the issuer maintains a sound and effective internal control system to safeguard shareholders' investment and the issuer's assets.

The best corporate governance status

- The Board has authorized the Audit Committee to establish and implement the internal control system and conduct reviews on the financial, operating and regulatory procedures to safeguard the Group's assets and shareholders' interests. Currently, the system is under further establishment and improvement.
- Through the Auditing Department and based upon the various businesses and workflows, the Company conducts inspection, supervision and assessment of financial position, operation and internal control of all subsidiaries on a regular basis. Besides, it has appointed external audit institutions to audit the financial reports of the Company regularly pursuant to Hong Kong Accounting Standards and provide independent and objective evaluations and recommendations in the form of an audit report.
- The Company has initiated a comprehensive risk management system, of which the legal risk control and management of ownership have been systemized, standardized with established procedures.
- The Company has appointed accountants with qualifications of the Hong Kong Institute of Certified Public Accountants pursuant to the requirements of the Stock Exchange to assist the accountants of the Company, and cooperated with the Audit Committee to audit the Company's financial reports and relevant accounts regularly and reported to the Board.

CORPORATE GOVERNANCE REPORT

Compliance procedures of the Code – code provisions

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> Directors should conduct at least once a year a review of the effectiveness of the internal control system (including financial control, operating control, compliance control and risk management functions) 	Yes	<ul style="list-style-type: none"> The Board, through the Audit Committee, reviews the internal control system over financial, operational and compliance issues every year. Through the Auditing Department of the parent company and based upon the various businesses and workflows, the Company conducts inspection, supervision and assessment of financial position, operation and internal control of all subsidiaries on a regular basis. The Audit Committee concluded that, in general, the Company has set up a sound control environment and installed necessary control mechanisms to monitor and correct non-compliance. The Board, through the review of the Audit Committee, is satisfied that the Group in 2007 fully complied with the code provisions on internal controls as set forth in the Code. The Company has ensured that the information disclosed in all circulars issued to shareholders is meaningful information and that the information do not contain misrepresentations, misleading statements or material omissions and is jointly and severally responsible for the truth, accuracy and integrity of the statements contained therein.

CORPORATE GOVERNANCE REPORT

C3. Audit Committee Code Principle

- The Board should make formal and transparent arrangements regarding how to apply principles related to financial reporting and internal control, as well as how to maintain a proper relationship with the Company's auditors. The terms of reference of the Audit Committee established by the issuer in compliance with the Listing Rules should be specified clearly.

The best corporate governance status

- The Board has established the Audit Committee to fulfill the functions of reviewing and monitoring the financial reporting and internal control of the Company. During the reporting period, the committee currently comprises all the independent non-executive directors, namely Mr. Poon Chiu Kwok (as Chairman), Mr. Eugene Liu and Mr. Liu Xian Fa. The independent non-executive director Mr. Eugene Liu is a qualified accountant with substantial experience in accounting and financial matters.
- During 2007, the Audit Committee met twice to discuss the annual results of 2006 and interim results of 2007. The adequacy and effectiveness of the Group's internal control are also discussed in these meetings.
- The Audit Committee makes at least one direct contact with external auditors of the Company each year to understand the procedures and principles for the preparation of the auditors' report so as to serve as a basis for evaluation.

CORPORATE GOVERNANCE REPORT

Compliance procedures of the Code – code provisions

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> Full minutes of the Audit Committee meetings should be kept by a duly appointed secretary of the meeting and should be confirmed by all members of the Committee 	Yes	<ul style="list-style-type: none"> The Secretary of the Board has been responsible for compiling and keeping the minutes and relevant meeting materials of the Committee. The minutes reflected the consideration and voting situation of the meetings in an objective and detailed way and were signed by all directors attending the meetings for confirmation.
<ul style="list-style-type: none"> A former partner of the existing auditors should not sit on the Audit Committee 	Yes	<ul style="list-style-type: none"> None of the Audit Committee members is a former partner of the external auditors.
<ul style="list-style-type: none"> The terms of reference of the Audit Committee should be made available 	Yes	<ul style="list-style-type: none"> The terms of reference of the Remuneration Committee of the Company have been specified and disclosed in the 2007 annual report of the Company.
<ul style="list-style-type: none"> The Board should obtain opinions from the Audit Committee on the selection or removal of external auditors 	Yes	<ul style="list-style-type: none"> The Audit Committee makes recommendations on the selection or removal of external auditors to the Board, subject to approval after consideration by the Board.
<ul style="list-style-type: none"> The Audit Committee should be provided with sufficient resources to discharge its duties 	Yes	<ul style="list-style-type: none"> The Audit Committee may seek necessary independent advice pursuant to the established procedures at the Company's expense.

CORPORATE GOVERNANCE REPORT

D. *Delegation by the Board*

D1. Management Functions

Code Principle	<ul style="list-style-type: none"> The issuer should specify matters reserved to the Board for its decision and those delegated to the management and should give directions to the management as to the matters that must be approved by the Board.
The best corporate governance status	<ul style="list-style-type: none"> The main functions and duties of the Board include convening shareholders' general meetings, being responsible for making the Company's operational plans, development strategies, investment and financing plans and establishment of the internal management organization; preparing the Company's annual budget, final accounts and profit distribution scheme; formulating corporate merger, demerger, dissolution proposals and significant acquisition or sale proposals; and implementing the resolutions passed at shareholders' general meetings. The Board may delegate part of its functions and duties to specialized committees and the management and specify matters requiring approval by the Board.

Compliance procedures of the Code – code provisions

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> When the Board delegates aspects of its management and administration functions to the management, it must at the same time give clear directions as to the authorities of the management 	Yes	<ul style="list-style-type: none"> The Board has delegated the day-to-day management responsibility to the management staff under the instruction and supervision of the Chief Executive Officer and various Board committees. The management is accountable to the Board. When exercising its power, the management cannot surpass its terms of reference and resolutions of Board meetings.
<ul style="list-style-type: none"> The issuer should separately identify functions reserved to the Board and those delegated to the management and conduct reviews on a regular basis 	Yes	<ul style="list-style-type: none"> The Company has specified the matters that required to be resolved at Board meetings in the Articles of Association and the Board conducted reviews regularly on functions delegated to the management.

CORPORATE GOVERNANCE REPORT

D2. Board Committees

Code Principle

- Board committees should be formed with specific written terms of reference that deal clearly with the committees' authorities and duties.

The best corporate governance status

- The Board of the Company has established 2 specialized committees, including the Audit Committee and the Remuneration Committee.
- Each committee has defined rules for operation that deal clearly with the committee's authority and duties as well as the procedures for handling matters.
- Meetings of all committees will be convened regularly to report their working progress and discussion results to the Board. Most members have actively participated in committee affairs. The Secretary of the Board offers comprehensive assistance to facilitate commencement of the work of all committees.

Compliance procedures of the Code – code provisions

Code provision

Compliance

Corporate governance procedures

- The Board should specify clearly the terms of reference of the committees so that the committees can perform their duties properly

Yes

- The two committees established by the Board have adopted their respective Detailed Rules of Operation to provide guidance on their decision-making procedures and performance of duties. For the terms of reference of the committees, please see "A4. Appointment, Re-election and Removal", "B1. The Level and Make-up of Remuneration and Disclosure" and "C3. Audit Committee".

- The terms of reference of the committees should require them to report to the Board their decisions and recommendations

Yes

- The committees have reported their decisions and recommendations to the Board after each meeting and submitted to the Board for consideration the matters that required to be decided by the Board.

CORPORATE GOVERNANCE REPORT

E. *Communication with Shareholders*

E1. Effective Communications

Code Principle	<ul style="list-style-type: none"> The Board should endeavor to maintain on-going dialogues with shareholders and in particular, by means of annual general meetings or other general meetings to communicate with shareholders and encourage their participation.
The best corporate governance status	<ul style="list-style-type: none"> The Board endeavored to maintain on-going communications with shareholders and regarded the annual general meeting as a major opportunity to contact individual shareholders. All shareholders holding shares of the Company are entitled to attend the annual general meeting. The Company issues the shareholders' notices at least 45 days before a shareholders' general meeting. The Company issues the notice and the attached annual report, which contain the matters for consideration at the meeting and the voting procedures in detail, at least 45 days before the annual general meeting.

Compliance procedures of the Code – code provisions

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> In respect of each substantially separate issue at a general meeting, a separate resolution should be proposed by the Chairman of that meeting 	Yes	<ul style="list-style-type: none"> Separate resolutions were proposed at the shareholders' general meeting on each substantially separate issue, including the election of individual directors.
<ul style="list-style-type: none"> The Chairman of the Board should attend the annual general meeting and arrange for the Chairmen or members of the committees to be available to answer questions at the meeting 	Yes	<ul style="list-style-type: none"> The Chairman of the Board has attended and presided over the annual general meeting and has arranged for representatives of all committees and the management of the Company to be available to answer questions raised by shareholders at the meeting.

CORPORATE GOVERNANCE REPORT

E2. Voting by Poll

Code Principle

- The issuer should notify shareholders on a regular basis regarding procedures related to the voting by poll and ensure the procedures are in compliance with the requirements related to voting by poll stipulated in the Listing Rules and the issuer's own Articles of Association.

The best corporate governance status

- The Company has formulated the "Corporate Governance Practices" specifying the voting format and the voting procedures of shareholders' general meetings and ensured that the format and procedures comply with the requirements contained in the Listing Rules and the Articles of Association.

Compliance procedures of the Code – code provisions

Code provision	Compliance	Corporate governance procedures
<ul style="list-style-type: none"> • The procedures for voting by poll and the right of shareholders demanding voting by poll should be disclosed in the circular of the shareholders' general meeting. The Chairman of a meeting and/or directors who individually or collectively hold proxies should disclose the votes represented by all proxies held by directors at the meeting 	Yes	<ul style="list-style-type: none"> • The circular of a shareholders' general meeting contained the details of the matters for consideration at the meeting and the voting procedures. The relevant procedures were also explained at the meeting. The Chairman of the meeting disclosed the voting rights represented by proxies during voting.
<ul style="list-style-type: none"> • Ensure the votes cast are properly counted and recorded 	Yes	<ul style="list-style-type: none"> • The Company appointed appropriate body as scrutineers to properly count and record the valid votes.
<ul style="list-style-type: none"> • The Chairman of a meeting should explain the procedures for voting by poll and for raising questions by shareholders before the commencement of the meeting 	Yes	<ul style="list-style-type: none"> • The Chairman of the meeting took care of the meeting procedures and questions raised by shareholders, and conducted a poll after all shareholders had gained a full understanding of the resolutions.

REPORT OF THE DIRECTORS

The board of directors (“the Board”) of the Company presents their report together with the audited financial statements of CATIC Shenzhen Holdings Limited (“the Company”) and its subsidiaries (together “the Group”) for the year ended 31st December 2007.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the current principal activities of its subsidiaries are set out in note 11 to the financial statements.

The Group is principally engaged in the design, manufacture and sale of certain industry and consumer electronic products, including LCD, PCB and mechanical and quartz timepieces. The Company has acquired Industrial Company and increased its equity interest in CATIC Real Estate in the view to consolidate and develop the commercial real estate business. In addition, the Company has established CATIC Resources Company as its first step into Agriculture-related resource business.

Details of the contribution from each of the businesses to profit attributable to shareholders of the Group for the year ended 31st December 2007 are set out in the business review under the section “Management Discussion and Analysis”.

SUBSIDIARIES

Information on the principal subsidiaries and associated companies of the Company is set out in note 11 and 12 to the financial statements respectively.

GEOGRAPHICAL LOCATION OF MARKETS

Information on major markets of the Group is set out in note 6 to the financial statements.

RESULTS

Details of the Group’s results for the year ended 31st December 2007 are set out in the consolidated income statement of the financial statements.

DISTRIBUTABLE RESERVES

As at 31st December 2007, the distributable reserves of the Group were approximately RMB177,890,000 (2006: approximately RMB58,481,781) as reported in the statutory accounts prepared in accordance with generally accepted accounting principles in the People’s Republic of China.

RESERVES

Details of movements during the year in the reserve of the Group and the Company are set out in the statement of changes in equity and note 22 to the financial statements.

REPORT OF THE DIRECTORS

DIVIDENDS

Given that the Group has declared an interim dividend (RMB6 cents per share, totaling RMB14,160,000 on the basis of shares in issue then of 236 million) for the six months ended 30th June 2007 through Bank of China (Hong Kong) Trustees Limited on 9th November 2007, the Board did not recommend a final dividend for the year ended 31st December 2007.

FIVE YEAR FINANCIAL SUMMARY

A summary of the Group's operating results, assets and liabilities for the past five years ended 31st December 2007 is set out in the section headed "Financial Highlights" of this Annual Report.

MANAGEMENT CONTRACTS

During the year, the Company did not sign or maintain any contracts in respect of the management or administration of overall business or any major business.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's purchases from the five largest suppliers accounted for approximately 30.4% of the Group's total purchases for the year ended 31st December 2007, and the purchase from the largest supplier accounted for approximately 9.92% of the Group's total purchases (2006: approximately 7.12%).

The Group's five largest customers accounted for approximately 26.82% (2006: approximately 30.89%) of the Group's revenue for the year ended 31st December 2007. Approximately 11.91% (2006: approximately 13.62%) of the Group's revenue was attributed to the largest customer.

As at 31st December 2007, the Company held about 2.7% equity interest in the largest customer of the Group. Save as aforesaid, as at 31st December 2007, none of the Directors, their associates, or any shareholders (who, to the knowledge of the Directors, owns more than 5% of the Company's share capital) had any beneficial interest in the Group's five largest customers and five largest suppliers.

INVESTMENT PROPERTIES

Details of major properties held for investment of the Group are set out in note 9 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in fixed assets of the Group are set out in note 8 to the financial statements.

PLEGDED ASSETS

Information on the pledged assets of the Group for the year is set out in note 8 to the financial statements.

BANK LOANS

Information on the bank loans of the Group for the year is set out in note 23 to the financial statements.

REPORT OF THE DIRECTORS

ENTRUSTED DEPOSITS AND OVERDUE TERM DEPOSITS

During the year ended 31st December 2007, the Company did not have any entrusted deposits or overdue term deposits in any form.

TAXATION

Details of the Group's taxation for the year are set out in note 31 to the financial statements.

TAXATION POLICY

The Company's taxation was determined under the relevant income tax laws of PRC and the tax relief policy of the Shenzhen Special Economic Zone, as applicable including 15% enterprise income tax, while companies established in other areas are subject to income tax at a rate of 33%.

SUBSTANTIAL SHAREHOLDER

As at 31st December 2007, as far as was known to the Directors or the chief executive of the Company, the following are the details of the persons (other than the Directors, supervisors or chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance ("SFO") or had otherwise notified to the Company:

Long position in the shares:

Name of shareholder	Capacity	Number and class of securities	Approximate percentage of the same class of securities	Approximate percentage of total registered share capital
Substantial Shareholders				
China Aviation Industry Corporation I (中國航空工業第一集團公司) (Note 1)	Interest of controlled corporation	395,709,091 domestic legal person shares	100%	58.29%
China Aviation Industry Corporation II (中國航空工業第二集團公司) (Note 2)	Interest of controlled corporation	395,709,091 domestic legal person shares	100%	58.29%
China National Aero-Technology Import and Export Corporation (中國航空技術進出口總公司) (Note 3)	Interest of controlled corporation	395,709,091 domestic legal person shares	100%	58.29%
Shenzhen CATIC (Note 4)	Beneficial owner	395,709,091 domestic legal person shares	100%	58.29%

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDER *(continued)*Long position in the shares: *(continued)*

Name of shareholder	Capacity	Number and class of securities	Approximate percentage of the same class of securities	Approximate percentage of total registered share capital
Other Shareholders				
Li Ka-Shing	Interest of controlled corporation and founder of discretionary trusts	15,156,000 H shares (Note 5)	5.35%	2.23%
Cheung Kong (Holdings) Limited	Interest of controlled corporation	15,156,000 H shares (Note 5)	5.35%	2.23%
Li Ka-Shing Unity Trustee Corporation Limited	Trustee and beneficiary of a trust	15,156,000 H shares (Note 5)	5.35%	2.23%
Li Ka-Shing Unity Trustcorp Limited	Trustee and beneficiary of a trust	15,156,000 H shares (Note 5)	5.35%	2.23%
Li Ka-Shing Unity Trustee Company Limited	Trustee and beneficiary of a trust	15,156,000 H shares (Note 5)	5.35%	2.23%
華銀集團投資發展有限公司	Beneficial owner	23,726,000 H Shares	8.38%	3.49%
Jiang Jian Jun (Note 6)	Interest of controlled corporation	23,726,000 H Shares	8.38%	3.49%

Note:

- (1) China Aviation Industry Corporation I (中國航空工業第一集團公司) owns 50% interest in China National Aero-Technology Import and Export Corporation (中國航空技術進出口總公司) which in turn owns 100% interest in Shenzhen CATIC. Hence it is deemed to be interested in the shares owned by Shenzhen CATIC;
- (2) China Aviation Industry Corporation II (中國航空工業第二集團公司) owns 50% interest in China National Aero-Technology Import and Export Corporation (中國航空技術進出口總公司) which in turn owns 100% interest in Shenzhen CATIC. Hence it is deemed to be interested in the shares owned by Shenzhen CATIC;

REPORT OF THE DIRECTORS

SUBSTANTIAL SHAREHOLDER *(continued)*

Long position in the shares: *(continued)*

Note:

- (3) China National Aero-Technology Import and Export Corporation (中國航空技術進出口總公司) owns 100% interest in Shenzhen CATIC. Hence it is deemed to be interested in the shares owned by Shenzhen CATIC;
- (4) Mr. Wu Guang Quan, Mr. Lai Wei Xuan, Mr. Sui Yong, Mr. Cheng Bao Zhong, Mr. Liu Rui Lin, Mr. Xu Dong Sheng, Mr. You Lei and Mr. Wang Bao Ying as executive directors of the Company did not hold any shares of the Company nor any equity interest in Shenzhen CATIC.
- (5) The above five references to the same equity interest of 15,156,000 H shares in the Company comprise:
 - (A) The 7,578,000 H shares held by Empire Grand Limited ("Empire Grand"), a wholly-owned subsidiary of Cheung Kong Investment Company Limited, which in turn is a wholly-owned subsidiary of Cheung Kong (Holdings) Limited ("CKH"); and
 - (B) The 7,578,000 H shares held by Hutchison International Limited ("HIL") which is a wholly-owned subsidiary of Hutchison Whampoa Limited ("HWL").

Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-Shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital, owns the entire issued share capital of Li Ka-Shing Unity Trustee Company Limited ("TUT1"). TUT1 as trustee of the Li Ka-Shing Unity Trust, together with certain companies which TUT1 as trustee of the Li Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of CKH. Certain subsidiaries of CKH are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of HWL.

In addition, Li Ka-Shing Unity Holdings Limited also owns the entire issued share capital of Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of the Li Ka-Shing Unity Discretionary Trust ("DT1") and Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2"). Each of TDT1 and TDT2 holds units in The Li Ka-Shing Unity Trust.

By virtue of the SFO, each of Mr. Li Ka-shing, being the settler and may being regarded as a founder of each of DT1 and DT2 for the purpose of the SFO, TUT1, TDT1, TDT2 and CKH is deemed to be interested in the aggregate 15,156,000 H shares of the Company held by Empire Grand and HIL.

- (6) Jiang Jian Jun was interested by virtue of his 100% beneficial interest in 華銀集團投資發展有限公司.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 21 to the financial statements.

REPORT OF THE DIRECTORS

ISSUE, PURCHASE, SALE OR REDEMPTION OF SHARES

As at 27th December 2007, the Company has issued and allotted 47,199,999 overseas listed foreign invested shares ("H Shares") (including 42,909,090 new shares ("New Shares") issued by the Company and 4,290,909 treasury shares ("Sale Shares") sold by holders of state-owned shares) to not less than six independent professional, institutional and/or individual investors at an issue price of HK\$6.00 per share. The placing will enable the Group to raise further equity capital and strengthen the capital base of the Company. The net proceeds of the placing of New Shares was used as the Company's general working capital. The entire net proceeds from the placing of the Sale Shares was remitted to the National Social Security Fund Council of the PRC. Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles of Association and the laws of the PRC, which provides the existing shareholders with pre-emptive rights to purchase new shares in any new issue of the Company according to their respective proportions of shareholding.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Wu Guang Quan *Chairman*
 Mr. Lai Wei Xuan
 Mr. Sui Yong
 Mr. Cheng Bao Zhong
 Mr. Liu Rui Lin
 Mr. Xu Dong Sheng
 Mr. You Lei
 Mr. Wang Bao Ying

Independent Non-executive Directors

Mr. Poon Chiu Kwok
 Mr. Eugene Liu (resigned on 17th March 2008)
 Ms. Wong Wai Ling (appointed on 19th March 2008)
 Mr. Liu Xian Fa

Non-executive Directors

Mr. Wang Bin Bin
 Mr. Li Cheng Ning

REPORT OF THE DIRECTORS

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS *(continued)*

Each of the executive Directors has entered into a service contract with the Company. Unless otherwise specified, terms of such contracts, which are identical in all material respects, are as follows:

- (i) Each of the service contracts will expire at the conclusion of the 2008 annual general meeting to be held in 2009;
- (ii) The annual basic salaries and aggregate allowances payable to the executive Directors is RMB2,560,000 (details set out in note 28 to the financial statements); and
- (iii) Each of the executive Directors is entitled to a discretionary annual bonus determined by the Board based on the Group's salary policy.

The service contract of the independent non-executive Directors Mr. Poon Chiu Kwok and Mr. Liu Xian Fa will expire at the conclusion of the 2008 annual general meeting to be held in 2009.

Mr. Eugene Liu resigned as an independent non-executive Director and a member of the audit committee and the remuneration committee of the Company with effect from 17th March 2008 due to a potential conflict of interest. Ms. Wong Wai Ling has been appointed as an independent non-executive director and a member of the audit committee and the remuneration committee of the Company by the Board on 19th March 2008. Ms. Wong Wai Ling's term of appointment is effective from 19th March 2008 to the conclusion of the 2007 annual general meeting of the Company to be held in 2008. The appointment of Ms. Wong Wai Ling by the Board will be presented in the 2007 annual general meeting for ratification. The Board of the Company will also propose to extend Ms. Wong Wai Ling's term of appointment to the conclusion of the 2008 annual general meeting to be held in 2009. Such resolutions will be presented in the 2007 annual general meeting for approval.

The emolument payable to aforesaid independent non-executive Director is approximately in aggregate RMB320,000 per annum (including: HKD300,000, equivalent to approximately RMB270,000) (details set out in note 28 to the financial statements).

Each service contract of the non-executive Directors will expire at the conclusion of the 2008 annual general meeting to be held in 2009. The emolument payable to the non-executive Directors is RMB100,000 per annum (details set out in note 28 to the financial statements).

No Director or Supervisor of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Profiles of the Directors and Senior Management are set out in the section headed "Directors, Supervisors and Senior Management" in this Annual Report.

REPORT OF THE DIRECTORS

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARES

As at 31st December 2007, so far as is known to the Directors and the chief executive of the Company, none of the Directors or supervisors or chief executive of the Company is interested in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or supervisors or chief executives were taken or deemed to have under such provisions of the SFO) or which are required to be entered into the register maintained by the Company under section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31st December 2007 was the Company and any of its subsidiaries or its holding company a party to any arrangement to enable any of the Company's Directors, Supervisors or members of its management to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

No contracts or arrangements of significance in relation to the Company's business to which the Company was a party and in which the Directors and Supervisors of the Company had material interests, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the emoluments of Directors and Supervisors are set out in note 28 to the financial statements.

CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

Mr. Huang Yong Feng, a joint company secretary of the Company, has resigned as joint company secretary on 13th September 2007. In the Board meeting held on 13th September 2007, the Board passed a resolution to approve the resignation of Mr. Huang Yong Feng as joint company secretary.

Mr. Eugene Liu resigned as an independent non-executive Director and a member of the audit committee and the remuneration committee of the Company with effect from 17th March 2008 due to a potential conflict of interest. Ms. Wong Wai Ling has been appointed as an independent non-executive director and a member of the audit committee and the remuneration committee of the Company by the Board on 19th March 2008. Ms. Wong Wai Ling's term of appointment is effective from 19th March 2008 to the conclusion of the 2007 annual general meeting of the Company to be held in 2008. The appointment of Ms. Wong Wai Ling by the Board will be presented in the 2007 annual general meeting for ratification. The Board of the Company will also propose to extend Ms. Wong Wai Ling's term of appointment to the conclusion of the 2008 annual general meeting to be held in 2009. Such resolutions will be presented in the 2007 annual general meeting for approval.

REPORT OF THE DIRECTORS

EMPLOYEES AND SALARIES

As at 31st December 2007, the Group had a total of approximately 10,325 employees (2006: 8,619 employees), with employee related costs of approximately RMB397,817,000 (2006: RMB293,290,000). The Group formulated its competitive salary policy based on the reference of market condition and individual employee's performance.

SOCIAL INSURANCE SCHEMES

Details of the Retirement Fund Scheme and Health Insurance Scheme maintained by the Group are set out in note 30 to the financial statements.

SIGNIFICANT CONNECTED TRANSACTIONS

During the year ended 31st December 2007, particulars of significant contracts entered into between the Group and its controlling shareholders or any of its subsidiaries are as follows:

1. Letting and Lease

Details of the leases entered into between the Group and Shenzhen CATIC's connected companies as at 31st December 2007 are set out in note 38(a) to the financial statements.

2. Loans from Shenzhen CATIC to the Group's subsidiaries

Details of the loans from Shenzhen CATIC to the Group's subsidiaries as at 31st December 2007 are set out in note 38(c) to the financial statements.

3. Guarantees provided by Shenzhen CATIC for the Group's subsidiaries

Details of the guarantees provided by Shenzhen CATIC for the Group's subsidiaries as at 31st December 2007 are set out in note 38(a) to the financial statements.

4. Details of other significant connected transactions of the Group during the year are set out under the section of "OTHER SIGNIFICANT EVENTS".

INDEPENDENT DIRECTORS' CONFIRMATION IN RESPECT OF THE CONNECTED TRANSACTIONS

The independent non-executive Directors of the Company have reviewed the above connected transactions and confirm that the transactions have been entered into in the ordinary and usual course of business of the Company on normal commercial terms and in accordance with the relevant agreement governing them, and such transactions are fair and reasonable and in the interests of the shareholders of the Company as a whole.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

Concessionaire Framework Agreement

On 10th August 2006, Fiyta, a non-wholly owned subsidiary of the Company, entered into the Concessionaire Framework Agreement with Shenzhen Rainbow Department Stores Co, Ltd ("Shenzhen Rainbow"), pursuant to which Fiyta is allowed to occupy designated areas in the Rainbow Department Stores owned by Shenzhen Rainbow and establish its own sales counters for the sale of Fiyta watches and world-famous watches, etc. for a term commencing from 10th August 2006 to 31st December 2008. It is agreed that the annual cap of the turnover commission payable by Fiyta to Shenzhen Rainbow under the Concessionaire Framework Agreement will not exceed RMB3,000,000, RMB7,000,000 and RMB9,000,000 respectively for the twelve-month periods ending 31st December 2006, 31st December 2007 and 31st December 2008, respectively.

Since Shenzhen Rainbow was controlled by Shenzhen CATIC, a promoter and a controlling shareholder of the Company, it was considered as a connected person of the Company under Chapter 14A of the Listing Rules and the Concessionaire Framework Agreement constituted a continuing connected transaction of the Company. The Company has complied with the reporting and announcement requirements according to the Listing Rules.

The independent non-executive Directors of the Company have reviewed the above continuing connected transaction and confirm that the transaction has been entered into:

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

During the year, the turnover commission paid by Fiyta to Shenzhen Rainbow under the Concessionaire Framework Agreement did not exceed the annual cap of RMB7,000,000.

FOREIGN CURRENCY RISK

The Group has no significant foreign currency risk due to that the Group's most products are distributed in domestic market and its export is mainly settled by US\$ and HK\$.

CONTINGENT LIABILITIES

The Company provided a one-year guarantee for a loan of RMB310,000,000 in favour of Fiyta, a subsidiary of the Company, a one-year guarantee for a loan of RMB50,000,000 in favour of Shennan Circuit, a subsidiary of the Company, and a long-term guarantee for a syndicated loan of RMB355,860,000 in favour of Shanghai Tianma, a subsidiary of the Company, respectively.

Shen Tian Ma, a subsidiary of the Company, provided a long-term guarantee for a syndicated loan of RMB508,370,000 in favour of Shanghai Tianma.

MATERIAL LITIGATION

During the year, the Company did not have any material litigation or arbitration.

REPORT OF THE DIRECTORS

OTHER SIGNIFICANT EVENTS

1. Acquisition of 75% of the investment interest and the transferred debt in the Industrial Company

On 30th January 2007, the Company entered into a transfer agreement with 廣東國際信託投資公司破產清算組 (Insolvency and Liquidation Committee of Guangdong International Trust Investment Company), 深圳市一浪投資有限公司 (Shenzhen Yilang Investment Company Limited) ("Shenzhen Yilang") and Shenzhen CATIC and a cooperation agreement with Shenzhen Yilang and Shenzhen CATIC, pursuant to which the Company would acquire the 75% investment interest in Industrial Company and a debt of RMB630,000,000. This transaction constitutes major and connected transactions. The Company has complied with the reporting, announcement and independent shareholders' approval requirements according to the Listing Rules. Further details please refer to the circular of the Company dated 29th March 2007. The aforesaid transfer agreement and cooperation agreement and the transactions contemplated thereunder were approved at the extraordinary general meeting held on 14th May 2007. As at the date of this Annual Report, the procedures of equity transfer registration, industrial and commercial registration change and relevant property ownership certificate had been completed.

2. Proposed change of company name and proposed amendment to articles of association

On 30th March 2007, the Board proposed to change the Chinese name of the Company from 深圳中航業股份有限公司 to 深圳中航集團股份有限公司. The English name of the Company remains unchanged. Further details please refer to the circular of the Company dated 4th April 2007. The resolution in relation to the change of the Company's name was passed in the general meeting held on 21st May 2007. On 8th August 2007, the Company completed the procedure of business license change in the relevant administrative authority for industry and commerce in the PRC. The Company has also obtained the Certificate of Registration of Change of Name of Oversea Company from the Registrar of Companies of Hong Kong on 22nd August 2007 evidencing such change. The Chinese stock short name for the Company's H shares listed on The Stock Exchange of Hong Kong Limited was changed from "深圳中航集團股份" to "深圳中航集團股份" with effect from 21st September 2007.

3. Subscription of Nanguang Issue

On 29th June 2007, the Board announced that it intended to increase its scale of investment in the issue of Shenzhen Nanguang (Group) PLC ("Nanguang Company", now called Shenzhen CATIC Real Estate Co., Ltd.), to subscribe for not more than 106,382,978 but not less than 53,333,333 new shares of Nanguang Company ("Nanguang New Shares"), at a price range of RMB7.52 to RMB15.00 per Nanguang New Share ("New Subscription Proposal"). The New Subscription Proposal also constitutes a discloseable and connected transaction of the Company. Further details please refer to the circular of the Company dated 20th July 2007. The resolution approving the New Subscription Proposal was considered and passed by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 7th September 2007 and superseded the ordinary resolution approving the subscription passed in the extraordinary general meeting held on 8th January 2007.

As at 21st September 2007, Nanguang Company completed the issue. The Company has subscribed for 34,796,318 Nanguang New Shares at the price of RMB7.52 each. The total consideration was approximately RMB262 million. Before the Subscription, the Company held 14,899,622 shares in Nanguang Company, representing 10.69% of Nanguang Company's total share capital. After the subscription, the Company held 49,695,940 shares in Nanguang Company, representing 22.35% of Nanguang's total share capital.

REPORT OF THE DIRECTORS

OTHER SIGNIFICANT EVENTS *(continued)***4. Specific Mandate to issue New H Shares and New Domestic Shares**

On 10th September 2007, the extraordinary general meeting and the class meetings of the Company duly passed a special resolution to grant the Board of the specific mandates to issue not more than 200,000,000 H shares ("New H shares") and not more than 150,000,000 domestic shares ("New Domestic Shares").

The New H Shares will not be issued at a discount of more than 20% to (i) the closing price of the H Shares of the Company on the date of signing of the relevant placing agreement; or (ii) the average closing price of the H Shares of the Company for the 5 trading days prior to the signing of relevant placing agreement, but in any event, the issue price will not be less than the latest audited net asset value per Share.

The New Domestic Shares will not be issued at a price more than the issue price of the New H Shares and in any event, such issue price will not be less than the latest audited net asset value per Share.

The Issue of New H Shares and New Domestic Shares are subject to the obtaining of the necessary approvals from the relevant PRC regulatory authorities. As at the date of this annual report, the Company has not made the relevant application to the China Securities Regulatory Commission, National Social Security Fund Council of the PRC and State-owned Assets Supervision and Administration Commission. Depending on market conditions, the Directors may or may not exercise the mandates to issue the New H Shares and/or the New Domestic Shares.

Further details please refer to the circular of the Company dated 26th July 2007.

5. Share Segregation Reform of Fiyta

On 28th September 2007, the Board of the Company has proposed the fourth proposal in relation to the share segregation reform of Fiyta, pursuant to which the Company, being the only holder of non-circulating shares of Fiyta, proposes to offer 3.1 shares for every 10 shares held by the holders of Fiyta A shares (being 18,832,500 shares in aggregate, representing 7.55% of the total shares of Fiyta) in exchange for the holders of Fiyta A shares to agree that all the non-circulating shares of Fiyta be changed to listed A Shares.

In November 2007, after the Fourth Fiyta Proposal had been implemented, (i) the Company's interest in Fiyta was reduced from 52.24% to 44.69%. Fiyta, however, remains a subsidiary of the Company as it is still under the control of the Company; (ii) the Company's non-circulating shareholding in Fiyta will be changed into circulating and tradable A Shares in the PRC; and (iii) based on the net asset per share of Fiyta as reported in the annual report 2006 of Fiyta, the net asset value of the Company will be reduced by approximately RMB41,054,850.

6. Placing of approximately 47,200,000 H shares

At the 2006 annual general meeting of the Company held on 3rd August 2007, a special resolution was passed to grant the Directors a general mandate to allot, issue and deal with a maximum of 47,200,000 H Shares (being 20% of the aggregate nominal value of H Shares in issue of the Company as at 3rd August 2007).

On 27th December 2007, the Company has issued and placed 47,199,999 H shares at a price of HK\$6 per share in accordance with the placing agreement. The placing shares comprise (1) 42,909,090 new H Shares issued by the Company and (2) 4,290,909 existing shares sold by the holders of state-owned shares. Further details please refer to the announcements of the Company dated 18th December 2007 and 27th December 2007, respectively.

REPORT OF THE DIRECTORS

OTHER SIGNIFICANT EVENTS *(continued)***6. Placing of approximately 47,200,000 H shares** *(continued)*

The changes of the shareholding of the Company as a result of the Placing are as follows:

	Immediately before completion of the Placing		Immediately after completion of the Placing	
	No. of shares	Percentage of issued capital (%)	No. of shares	Percentage of issued capital (%)
Holder of Domestic Shares or H Shares				
Shenzhen CATIC, being the sole holder of Domestic Shares	400,000,000	62.89%	395,709,091	58.29%
Holders of H Shares	236,000,000	37.11%	283,199,999	41.71%
	636,000,000	100%	678,909,090	100%

As to above connected transactions, the Company has complied with the reporting, announcement and independent shareholders' approval requirements according to the Listing Rules of the Stock Exchange and such continuing connected transactions did not exceed the defined caps.

SUBSEQUENT EVENTS**1. Acquisition of CATIC Real Estate Shares**

On 21st January 2008, the Company entered into a share transfer agreement with Shenzhen CATIC and Shenzhen CATIC City Development Limited ("CATIC City"), pursuant to which the Company agreed to acquire 45,835,127 and 15,942,619 shares in CATIC Real Estate ("CATIC Real Estate Share") (formerly known as Shenzhen Nanguang (Group) PLC), respectively from Shenzhen CATIC and CATIC City at the price of RMB20 per share, representing all CATIC Real Estate Shares currently held by Shenzhen CATIC and CATIC City and approximately 20.62% and 7.17% of the issued share capital of CATIC Real Estate respectively. The total consideration was RMB1,235,554,920. The Company will allot and issue 146,620,034 and 50,998,164 domestic legal person shares (being 197,618,198 domestic legal person shares in aggregate) to Shenzhen CATIC and CATIC City at a price of HK\$6.725 per share to satisfy the above considerations. The Proposed Share Transfers constitute a major and connected transaction of the Company. The Company has complied with the reporting, announcement and independent shareholders' approval requirements according to the Listing Rules. Further details please refer to the circular of the Company dated 9th April 2008.

REPORT OF THE DIRECTORS

SUBSEQUENT EVENTS *(continued)*

2. Acquisition of 95% equity interests in CATIC Sanjia

On 21st January 2008, CATIC Resources Company, a wholly-owned subsidiary of the Company, entered into acquisition agreements with Shenzhen CATIC Investment Management Company Limited, Mr. Yang Yong Gang and Qinghai Province Leng Hu Tiantian Potash Company Limited, pursuant to which CATIC Resources Company has agreed to acquire 60%, 30% and 5% equity interest (being 95% equity interest in aggregate) in the CATIC Sanjia from the three shareholders aforesaid respectively at a consideration of RMB522,500,000. The Acquisitions constitute discloseable and connected transactions of the Company. The Company has complied with the reporting, announcement and independent shareholders' approval requirements according to the Listing Rules. Further details please refer to the circular of the Company dated 3rd April 2008.

COMPLIANCE WITH THE CODE

The Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "Code"), as set out in Appendix 14 of the Listing Rules throughout the financial year ended 31st December 2007, save and except that the provision of Code 14A.2.1 requiring the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. In order to better comply with the provisions of the Code and to accelerate the operation and development of the Company, in the Board meeting held on 13th April 2007, the Board passed a resolution to approve the resignation of Mr. Wu Guang Quan as General Manager. The Board is currently in the process of seeking a new General Manager. Since the Company is a holding company without daily operation businesses, the temporary vacant of General Manager has no material effect on the Company.

Further details are set out in the section headed "Corporate Governance Report" of this annual report.

CONDUCT ON SHARE DEALINGS

The Model Code for Securities Transactions by Directors of Listed Companies set out in Appendix 10 of the Listing Rules has been adopted as a code of securities transactions for Directors and supervisors of the Company. The Company, having made specific enquiries with its Directors and supervisors, confirms that, throughout the financial year ended 31st December 2007, all directors and supervisors met the criteria laid down in the said code of securities transactions by Directors and supervisors.

AUDIT COMMITTEE

The Board has formed an audit committee in accordance with the Listing Rules to fulfill the functions of reviewing and monitoring the financial reporting procedure and internal control of the Company. The Audit Committee has reviewed and confirmed the Company's financial statements for the twelve months ended 31st December 2007. The Audit Committee members currently comprises all the independent non-executive Directors, namely Mr. Poon Chiu Kwok, Ms. Wong Wai Ling and Mr. Liu Xian Fa.

INDEPENDENCY OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board of the Company has obtained written confirmations from all independent non-executive Directors concerning their independence in accordance with Rule 3.13 of the Listing Rules of the Stock Exchange. The Directors believe that the incumbent independent non-executive directors are independent based on the guidelines set out in rule 3.13 of the Listing Rules.

REPORT OF THE DIRECTORS

PUBLIC FLOAT

Based on the publicly available information and to the best knowledge of the Board of the Company, the Company has maintained sufficient public float as at the latest practicable date of this annual report.

AUDITORS

On 10th May 2007, PricewaterhouseCoopers ("PwC") has been appointed as the auditors of the Company to fill in the vacancy left by the termination of Deloitte Touche Tohmatsu ("Deloitte")(further details please refer to the 2006 Annual Report of the Company). The attached financial statements of the Company for 2007 have been audited by PwC. A resolution to re-appoint PwC as the Company' s auditors will be proposed at the forthcoming 2007 Annual General Meeting.

By Order of the Board

Wu Guang Quan

Chairman

Shenzhen, PRC, 15th April 2008

THE BOARD'S SUBCOMMITTEES REPORT

AUDIT COMMITTEE REPORT

During the year 2007, the audit committee comprises Mr. Poon Chiu Kwok , Mr. Eugene Liu and Mr. Liu Xian Fa, and it is chaired by Mr. Poon Chiu Kwok.

The principal responsibilities of the audit committee are:

- To consider the internal audit work plan of the Company for the year;
- To monitor the internal audit quality and the disclosure of financial information of the Company, and review the interim and annual financial statements before submitting to the Board;
- To monitor the appointment or dismissal of the head of internal audit department, and make recommendations thereof;
- To review the effectiveness of internal control procedures of the Company, and accept complaints thereof;
- To review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;
- To develop and implement policy on the engagement of an external auditor to supply non-audit services;
- To be responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of the resignation or dismissal of the external auditor;
- To monitor the integrity of financial statement, annual report and interim report of the Company, and to review significant financial reporting judgements contained in them.

The audit committee conducted two meetings during the year of 2007, at which the audit committee had reviewed the audit financial statements of the Group for 2007.

During the year of 2007, the details of the audit committee meetings are as follow:

Subcommittee	Audit Committee
Members	Poon Chiu Kwok, Eugene Liu, Liu Xian Fa
Number of meetings held	2
Date of meetings held	3rd June 2007 14th August 2007
Proposals for consideration	<ol style="list-style-type: none"> 1. The Proposal of the Financial Report for 2006, Result Announcement for 2006 and Directors' Report 2. Profit Appropriation Plan of the Company for 2006 3. Interim Financial Report of the Company for 2007 4. The Proposal of the Compliance of the Connected Transactions of the Company 5. The Proposal of the Recognition Approach for the Loss of the Share Segregation Reform in 2006 6. The Proposal of the Gain or Loss of the Short-Term Investment in the Shares of Amoisonic Electronics in 2006 7. The Proposal of Enhancing Corporate Governance

THE BOARD'S SUBCOMMITTEES REPORT

REMUNERATION COMMITTEE REPORT

During the year 2007, the Remuneration Committee comprises Mr. Wu Guang Quan, Mr. Sui Yong, Mr. Poon Chiu Kwok, Mr. Eugene Liu and Mr. Liu Xian Fa, and it is chaired by Mr. Wu Guang Quan.

The principal responsibilities of the remuneration committee are:

- To make recommendations to the board on the policy or scheme for all remuneration of directors, supervisors, chief executive and other senior management, including but not limited to the criteria, procedures and primary assessment system for performance appraisal, principle schemes and policies of award and discipline;
- To review the execution of duties by the directors, supervisors, chief executive and other senior management, and assess their performance annually, and to be responsible for monitoring the implementation of the Company's remuneration policies;
- To have the delegated responsibility to determine the specific remuneration packages of all executive directors, supervisors, chief executive and other senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;
- To ensure that no director or any of his/her associates is involved in determining his/her own remuneration; and other things authorized by the Board of Directors.

REPORT OF THE SUPERVISORY COMMITTEE

To All Shareholders:

During the reporting period, all members of the Supervisory Committee of CATIC Shenzhen Holdings Limited (the "Company") have faithfully discharged their supervisory duties vested in them by the Articles of Association of the Company in compliance with the provisions of the Company Law of the People's Republic of China, the Securities Law of People's Republic of China, the Articles of Association of the Company and the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, to safeguard the interests of the Company and its shareholders and abiding by the principle of good faith in performing its work prudently and diligently.

During the reporting period of the supervisory committee, the supervisory committee made full use of the business specialty of each member of the supervisory committee and carried on various works smoothly. The members of the supervisory committee exercise supervision, by presenting board meetings and convening supervisory committee meetings, on major policies and decisions of the Company's management to determine their consistency with the law and regulations of the State, the Articles of Association of the Company and the interests of the shareholders. The supervisory committee has reviewed the interim report, annual report, auditor's report and budget proposal of the Company and made reasonable and practical recommendations, bringing forward reference opinions for the long term development strategy of the Group.

The supervisory committee has expressed following opinions in respect of the affairs of the Company in 2007:

- The Supervisory Committee has reviewed the accounting evidence, books and records, statements and other accounting information of the Company. We are of the opinion that the Company's financial statements have been properly prepared, and that the auditing work and financial management of the Company are in compliance of the relevant regulations. We have found nothing contained therein to be doubtful;

The supervisory committee has reviewed relevant information such as interim report 2007, annual report 2007 and auditor's report presented by the auditor of the Company with unqualified opinion. In our opinion the financial statement give a true and fair view of the state of affairs and the operation results of the Company in all material aspects and the presentation is true and reliable, and agree with the auditor's report presented by the auditor.

- The supervisory committee has been exercising an effective and timely supervision over the general operational activities of the Company and considers that the Company has established a comprehensive internal control system and has minimized different risks arising from corporate operation;
- The supervisory committee has reviewed the connected transactions of the Company and considers that the connected transactions between the Company and the controlling shareholder of the Company during the reporting period are fair and reasonable and are in the interest of the shareholders and the Company;
- The Supervisory Committee has also carefully reviewed the report of the Directors, the audited financial statements and the proposed profit appropriation plan to be submitted by the Board of Directors to the forthcoming Annual General Meeting. We are of the opinion that the directors and other senior management staff of the Company have strictly adhered to the principle of good faith and sincerely acted under the rights and obligations granted by shareholders in the best interests of the Company when they exercised their powers. They have not committed any acts in violation of any laws or regulations or the Articles of Association, nor have they been involved in any acts of abuse of power or infringement of the interests of the Company and its shareholders.

In 2008, the Supervisory Committee will continue faithfully to perform its supervisory duties and work diligently to safeguard the interests of all of the Company's investors in accordance with the provisions of the Company Law of the People's Republic of China, the Securities Law of People's Republic of China, the Articles of Association of the Company and the Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

By Order of the Supervisory Committee
Huang Gao Jian
Chairman of the Supervisory Committee

Shenzhen, PRC
15th April 2008

獨立核數師報告 INDEPENDENT AUDITOR'S REPORT



羅兵咸永道會計師事務所

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獨立核數師報告

致深圳中航集團股份有限公司

全體股東：

(於中華人民共和國成立之股份有限公司)

本核數師(以下簡稱「我們」)已審核列載於第138至240頁深圳中航集團股份有限公司(「貴公司」)及其附屬公司(以下合稱「貴集團」)的綜合財務報表，此綜合財務報表包括於二零零七年十二月三十一日的綜合及公司資產負債表與截至該日止年度的綜合收益表、綜合權益變動表和綜合現金流量表，以及主要會計政策概要及其他附註解釋。

董事就財務報表須承擔的責任

貴公司董事須負責根據國際財務報告準則及香港《公司條例》編製及真實而公平地列報該等綜合財務報表。這責任包括設計、實施及維護與編製及真實而公平地列報財務報表相關的內部控制，以使財務報表不存在由於欺詐或錯誤而導致的重大錯誤陳述；選擇和應用適當的會計政策；及按情況下作出合理的會計估計。

核數師的責任

我們的責任是根據我們的審核對該等綜合財務報表作出意見。我們已根據國際審計準則進行審核。這些準則要求我們遵守道德規範，並規劃及執行審核，以合理確定此等財務報表是否不存有任何重大錯誤陳述。

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CATIC SHENZHEN HOLDINGS LIMITED

(Established in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of CATIC Shenzhen Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 138 to 240, which comprise the consolidated and Company balance sheets as at 31st December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

獨立核數師報告 INDEPENDENT AUDITOR'S REPORT

截至二零零七年十二月三十一日止年度 For the year ended 31st December 2007

審核涉及執程序以獲取有關財務報表所載金額及披露資料的審核憑證。所選定的程序取決於核數師的判斷，包括評估由於欺詐或錯誤而導致財務報表存有重大錯誤陳述的風險。在評估該等風險時，核數師考慮與該公司編製及真實而公平地列報財務報表相關的內部控制，以設計適當的審核程序，但並非為對公司的內部控制的效能發表意見。審核亦包括評價董事所採用的會計政策的合適性及所作出的會計估計的合理性，以及評價財務報表的整體列報方式。

我們相信，我們所獲得的審核憑證是充足和適當地為我們的審核意見提供基礎。

意見

我們認為，該等綜合財務報表已根據國際財務報告準則真實而公平地反映貴公司及貴集團於二零零七年十二月三十一日的事務狀況及貴集團截至該日止年度的利潤及現金流量，並已按照香港《公司條例》妥為編製。

其他事項

本報告載有本核數師之意見，並僅向整體股東作出報告，除此以外本報告並無其他用途。本核數師不會就本報告的內容向任何其他人士承擔或負上任何責任。

羅兵咸永道會計師事務所
香港執業會計師

香港，二零零八年四月十五日

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and the Group as of 31 December 2007, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTERS

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15th April 2008

資產負債表

BALANCE SHEETS

於二零零七年十二月三十一日 As at 31st December 2007

			本集團 Group		本公司 Company	
			二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000	二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
		附註 Note				
資產	ASSETS					
非流動資產	Non-current assets					
租賃土地及土地使用權	Leasehold land and land use rights	7	183,814	50,706	-	-
物業、廠房及設備	Property, plant and equipment	8	894,474	759,763	10,825	11,634
投資物業	Investment properties	9	193,873	209,286	-	-
在建工程	Construction-in-progress	10	2,517,452	446,349	-	-
於附屬公司之投資	Investments in subsidiaries	11	-	-	787,064	661,269
於聯營公司之投資	Investments in associates	12	576,852	27,319	310,623	5,011
可供出售金融資產	Available-for-sale financial assets	14	231,282	235,890	1,400	139,073
遞延所得稅資產	Deferred income tax assets	15	40,136	34,090	-	-
其他非流動資產	Other non-current assets	16	545,681	8,335	464,700	-
			5,183,564	1,771,738	1,574,612	816,987
流動資產	Current assets					
存貨	Inventories	17	829,829	615,586	-	-
貿易及其他應收款項	Trade and other receivables	18	1,075,521	864,930	199	852
按公允值透過損益列賬之金融資產	Financial assets at fair value through profit or loss	19	74,008	62,965	74,008	60,826
現金及現金等價物	Cash and cash equivalents	20	1,286,628	740,912	310,161	175,833
			3,265,986	2,284,393	384,368	237,511
總資產	Total assets		8,449,550	4,056,131	1,958,980	1,054,498
權益	EQUITY					
本公司權益持有人應佔資本與儲備	Capital and reserves attributable to the Company's equity holders					
股本	Share capital	21	678,909	636,000	678,909	636,000
股份溢價	Share premium	21	357,849	161,105	357,849	161,105
其他儲備	Other reserves	22	587,093	313,346	70,001	149,671
未分配利潤／（累計虧損）	Retained earnings/(accumulated losses)		347,561	186,903	(306,788)	(242,689)
			1,971,412	1,297,354	799,971	704,087
少數股東權益	Minority interest in equity		1,728,229	997,943	-	-
總權益	Total equity		3,699,641	2,295,297	799,971	704,087

隨附的附註為本綜合財務報表的組成部份。

The accompanying notes are an integral part of these consolidated financial statements.

資產負債表

BALANCE SHEETS

於二零零七年十二月三十一日 As at 31st December 2007

		附註 Note	本集團 Group		本公司 Company	
			二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000	二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
負債	LIABILITIES					
非流動負債	Non-current liabilities					
貸款	Borrowings	23	1,945,636	10,000	—	—
遞延所得稅負債	Deferred income tax liabilities	15	33,540	26,794	—	14,059
政府補貼之遞延收入	Deferred income on government grants		19,407	12,897	—	—
			1,998,583	49,691	—	14,059
流動負債	Current liabilities					
貿易及其他應付款	Trade and other payables	24	956,622	758,050	54,963	16,268
貸款	Borrowings	23	1,780,208	938,548	1,104,000	320,000
流動所得稅負債	Current income tax liabilities		14,496	14,545	46	84
			2,751,326	1,711,143	1,159,009	336,352
總負債	Total liabilities		4,749,909	1,760,834	1,159,009	350,411
總權益和負債	Total equity and liabilities		8,449,550	4,056,131	1,958,980	1,054,498
流動淨資產／(負債)	Net current assets/(liabilities)		514,660	573,250	(774,641)	(98,841)
總資產減流動負債	Total assets less current liabilities		5,698,224	2,344,988	799,971	718,146

已於二零零八年四月十五日經董事會批准
Approved by the Board of Directors on 15th April 2008

董事長：吳光權
Chairman: Wu Guang Quan

董事：隋湧
Director: Sui Yong

隨附的附註為本綜合財務報表的組成部份。
The accompanying notes are an integral part of these consolidated financial statements.

綜合損益表

CONSOLIDATED INCOME STATEMENT

截至二零零七年十二月三十一日止年度 For the year ended 31st December 2007

		附註 Note	二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
收入	Revenue	6	3,357,210	2,629,794
銷售成本	Cost of sales	27	(2,582,646)	(2,024,842)
毛利	Gross profit		774,564	604,952
銷售費用	Distribution costs	27	(166,085)	(140,572)
行政費用	Administrative expenses	27	(319,831)	(228,102)
其他收入	Other income	25	24,590	9,216
其他收益－淨額	Other gains – net	26	43,183	24,523
經營溢利	Operating profit		356,421	270,017
融資收入	Finance income	29	7,529	4,429
融資成本	Finance costs	29	(101,584)	(63,149)
融資成本－淨額	Finance costs – net	29	(94,055)	(58,720)
所佔聯營公司 可辨認資產、負債及 或然負債淨公允值 超出投資成本之差額	Excess of the share of the net fair value of an associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment	12	60,065	–
應佔聯營公司(虧損)/溢利	Share of (loss)/profit of associates	12	(7,173)	70
除所得稅前溢利	Profit before income tax		315,258	211,367
所得稅開支	Income tax expense	31	(36,245)	(31,005)
本年度溢利	Profit for the year		279,013	180,362
應佔：	Attributable to:			
本公司權益持有人	Equity holders of the Company		198,818	123,095
少數股東權益	Minority interest		80,195	57,267
			279,013	180,362
年內本公司權益持有人 應佔每股盈利 (人民幣/每股)	Earnings per share for profit attributable to the holders of the Company during the year (RMB per share)			
－基本	– basic	33	0.3126	0.1924
－攤薄	– diluted	33	0.3126	0.1924
股息	Dividends	34	38,160	42,372

隨附的附註為本綜合財務報表的組成部份。

The accompanying notes are an integral part of these consolidated financial statements.

權益變動表

STATEMENTS OF CHANGES IN EQUITY

截至二零零七年十二月三十一日止年度 For the year ended 31st December 2007

		股本 Share capital	股份溢價 Share premium	其他儲備 Other reserves (附註22) (Note 22)	未分配利潤 Retained earnings	少數股東權益 Minority interest	總計 Total
	附註 Note	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000
本集團	GROUP						
於二零零六年一月一日結餘	Balance at 1st January 2006	642,000	165,198	241,644	116,772	607,893	1,773,507
可供出售金融資產之 公允值收益 (未扣除稅款)	Fair value gains from available-for-sale financial assets, gross of tax	14	-	-	-	37,084	178,628
可供出售金融資產之 公允值收益之稅款	Tax on fair value gains from available-for-sale financial assets	15	-	-	-	(5,359)	(26,794)
直接於權益確認之淨收入	Net income recognised directly in equity	-	-	120,109	-	31,725	151,834
本年度溢利	Profit for the year	-	-	-	123,095	57,267	180,362
二零零六年度已確認收入 及開支總額	Total recognised income and expense for 2006	-	-	120,109	123,095	88,992	332,196
少數股東注資	Capital contributed by minority interest	-	-	-	-	252,350	252,350
一附屬公司股權改革後 股權權益撥入 少數股東權益	Transfer of equity interest to minority interest following subsidiary's share segregation reform	-	-	(58,999)	-	58,999	-
二零零五年度股息	Dividends relating to 2005	34	-	-	(42,372)	(10,291)	(52,663)
購回H股	Repurchase of H shares	21	(6,000)	(4,093)	-	-	(10,093)
撥入法定盈餘公積金	Transfer to statutory general reserve fund	22	-	-	(10,592)	-	-
於二零零六年十二月三十一日 結餘	Balance as at 31st December 2006	636,000	161,105	313,346	186,903	997,943	2,295,297

隨附的附註為本綜合財務報表的組成部份。

The accompanying notes are an integral part of these consolidated financial statements.

權益變動表

STATEMENTS OF CHANGES IN EQUITY

截至二零零七年十二月三十一日止年度 For the year ended 31st December 2007

		股本 Share capital	股份溢價 Share premium	其他儲備 Other reserves (附註22) (Note 22)	未分配利潤 Retained earnings	少數股東權益 Minority interest	總計 Total
	附註 Note	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000
於二零零七年一月一日結餘	Balance at 1st January 2007	636,000	161,105	313,346	186,903	997,943	2,295,297
增持聯營公司股權 所產生的淨資產 公允值收益	Fair value gain arising from step-up of the share of acquired net assets of an associate directly credited to equity	12	-	-	191,029	-	191,029
沖回可供出售金融資產 公允值變動至 於聯營公司之投資 (未扣除稅款)	Reversal of fair value change of an available-for-sale financial assets to investments in associates, gross of tax	14	-	-	(93,729)	-	(93,729)
沖回可供出售金融資產 公允值收益之稅款	Reversal of tax on fair value gains from available-for-sale financial assets	15	-	-	14,059	-	14,059
可供出售金融資產 公允值收益 (未扣除稅款)	Fair value gains from available-for-sale financial assets, gross of tax	14	-	-	69,281	66,044	135,325
可供出售金融資產之 公允值收益之稅款	Tax on fair value gains from available-for-sale financial assets	15	-	-	(9,202)	(11,516)	(20,718)
直接於權益確認之淨收入	Net income recognised directly in equity	-	-	171,438	-	54,528	225,966
本年度溢利	Profit for the year	-	-	-	198,818	80,195	279,013
二零零七年度已確認收入 及開支總額	Total recognised income and expense for 2007	-	-	171,438	198,818	134,723	504,979
發行股本	Issue of share capital	21	42,909	196,744	-	-	239,653
少數股東注資	Capital contributed by minority interest	11/22	-	-	151,000	-	736,224
一附屬公司股權改革後 股權權益撥入 少數股東權益	Transfer of equity interest to minority interest following a subsidiary's share segregation reform	11/22	-	-	(49,055)	49,055	-
二零零六年度股息	Dividends relating to 2006	34	-	-	(38,160)	(32,455)	(70,615)
收購少數股東權益	Acquisition of minority interest	-	-	364	-	(4,863)	(4,499)
視作出售附屬公司	Deemed disposal of subsidiary	12	-	-	-	(1,398)	(1,398)
於二零零七年十二月三十一日 結餘	Balance at 31st December 2007	678,909	357,849	587,093	347,561	1,728,229	3,699,641

隨附的附註為本綜合財務報表的組成部份。

The accompanying notes are an integral part of these consolidated financial statements.

權益變動表

STATEMENTS OF CHANGES IN EQUITY

截至二零零七年十二月三十一日止年度 For the year ended 31st December 2007

		股本 Share capital	股份溢價 Share premium	其他儲備 Other reserves (附註22) (Note 22)	累計虧損 Accumulated losses	總計 Total
	附註 Note	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000
本公司	COMPANY					
於二零零六年一月一日結餘	Balance as at 1st January 2006	642,000	165,198	59,409	(232,210)	634,397
可供出售金融資產之公允值 收益(未扣除稅款)	Fair value gains from available-for-sale financial assets, gross of tax 14	-	-	93,729	-	93,729
可供出售金融資產之 公允值收益之稅款	Tax on fair value gains from available-for-sale financial assets 15	-	-	(14,059)	-	(14,059)
直接於權益確認之淨收入	Net income recognised directly in equity	-	-	79,670	-	79,670
本年度溢利	Profit for the year 32	-	-	-	42,485	42,485
二零零六年度已確認 收入及開支總額	Total recognised income and expense for 2006			79,670	42,485	122,155
二零零五年度股息	Dividends relating to 2005 34	-	-	-	(42,372)	(42,372)
購回H股	Repurchase of H shares 21	(6,000)	(4,093)	-	-	(10,093)
撥入法定盈餘公積金	Transfer to statutory general reserve fund 22	-	-	10,592	(10,592)	-
於二零零六年十二月三十一日結餘	Balance as at 31st December 2006	636,000	161,105	149,671	(242,689)	704,087
於二零零七年一月一日結餘	Balance as at 1st January 2007	636,000	161,105	149,671	(242,689)	704,087
沖回可供出售金融資產公允值 變動至於聯營公司之投資 (未扣除稅款)	Reversal of fair value change of an available-for-sale financial assets to investments in associates, gross of tax 14	-	-	(93,729)	-	(93,729)
沖回可供出售金融資產公允值 收益之遞延稅項負債	Reversal of deferred tax liability on fair value gains from available-for-sale financial assets 15	-	-	14,059	-	14,059
直接於權益確認之淨收入	Net income recognised directly in equity	-	-	(79,670)	-	(79,670)
本年度虧損	Loss for the year 32	-	-	-	(25,939)	(25,939)
二零零七年度已確認收入 及開支總額	Total recognised income and expense for 2007	-	-	(79,670)	(25,939)	(105,609)
發行股本	Issue of share capital 21	42,909	196,744	-	-	239,653
二零零六年度股息	Dividends to relating to 2006 34	-	-	-	(38,160)	(38,160)
於二零零七年十二月三十一日結餘	Balance as at 31st December 2007	678,909	357,849	70,001	(306,788)	799,971

隨附的附註為本綜合財務報表的組成部份。

The accompanying notes are an integral part of these consolidated financial statements.

綜合現金流量表

CONSOLIDATED CASH FLOW STATEMENT

截至二零零七年十二月三十一日止年度 For the year ended 31st December 2007

		附註 Note	二零零七年 2006 人民幣千元 RMB'000	二零零六年 2005 人民幣千元 RMB'000
營運活動產生之現金流量	Cash flows from operating activities			
經營業務產生(所用)/產生之現金	Cash (used in)/generated from operations	35	(89,069)	325,955
已付利息	Interest paid		(88,624)	(41,282)
已付所得稅	Income tax paid		(42,340)	(25,710)
營運活動(所用)/產生之淨現金	Net cash (used in)/generated from operating activities		(220,033)	258,963
投資活動產生之現金流量	Cash flows from investing activities			
於聯營公司之投資增加	Additions to investments in associates	12	(261,668)	-
購買物業、廠房及設備	Purchase of property, plant and equipment		(233,586)	(64,974)
購買租賃土地及土地使用權	Purchase of leasehold land and land use rights		(137,853)	(16,826)
在建工程增加	Additions to construction-in-progress		(2,093,888)	(347,879)
收購少數股東權益	Acquisition of minority interest		(4,499)	-
出售物業、廠房及設備所得款項	Proceeds from disposal of property, plant and equipment		855	2,054
視作出售附屬公司	Deemed disposal of subsidiaries		(2,739)	-
出售按公允價值透過損益列賬之金融資產之所得款項	Proceeds from disposal of financial assets at fair value through profit or loss		31,336	2,524
購買可供出售之金融資產	Purchase of available-for-sale financial assets		-	(31,700)
已收政府補助	Government grants received		12,211	5,793
已收利息	Interest received		7,529	4,429
其他非流動資產增加	Additions to other non-current assets		(234,507)	(5,274)
投資活動所用之淨現金	Net cash used in investing activities		(2,916,809)	(451,853)
融資活動之現金流量	Cash flows from financing activities			
購回H股	Repurchase of H shares		-	(10,093)
發行股本之所得款淨額	Net proceeds from issuance of share capital	21	239,653	-
新增貸款	Proceeds from borrowings		2,777,296	484,598
已付股息	Dividends paid		(38,160)	(42,372)
少數股東向附屬公司注資	Capital contribution to subsidiaries from minority shareholders		736,224	252,350
派付予附屬公司少數股東之股息	Dividends paid to minority shareholders of subsidiaries		(32,455)	(10,291)
融資活動產生之淨現金	Net cash generated from financing activities		3,682,558	674,192
現金及現金等價物之增加淨額	Net increase in cash and cash equivalents		545,716	481,302
年初之現金及現金等價物	Cash and cash equivalents at beginning of year		740,912	259,610
年終之現金及現金等價物	Cash and cash equivalents at end of the year		1,286,628	740,912

隨附的附註為本綜合財務報表的組成部份。

The accompanying notes are an integral part of these consolidated financial statements.

財務報表附註

NOTES TO THE FINANCIAL STATEMENTS

1 一般資料

深圳中航集團股份有限公司(「本公司」)為在中華人民共和國(「中國」)註冊成立之股份有限公司。本公司的股份已在香港聯合交易所有限公司主板上市。本公司及其附屬公司(以下統稱「本集團」)主要在中國從事生產和銷售機械及石英手錶、液晶體顯示器、印製電路板、有線電視系統器材及房地產開發業務。

本公司之辦公地址為中國深圳市福田區深南中路中航苑航都大廈25樓。

2 編製基準

本集團的綜合財務報表是根據國際財務報告準則(「國際財務報告準則」)編制。綜合財務報表按照歷史成本法編制，並就可供出售財務資產、按公允值透過損益記賬的財務資產和財務負債的重估而作出修訂。編製該綜合財務報表所採用之會計政策記基準與本集團編制法定賬目時採用的中國公認的會計準則及有關財務制度有所不同。因就符合國際財務報告準則而重列經營業績所產生之差異(如有)，均已於該財務報表內做出調整，但不會在本集團之賬冊中作出調整。

編製符合國際財務報告準則的財務報表需要使用若干關鍵會計估算。這亦需要管理層在應用本公司的會計政策過程中行使其判斷。涉及高度的判斷或高度複雜性的範疇，或涉及對綜合財務報表作出重大假設和估算的範疇，在附註4中披露。

1 GENERAL INFORMATION

CATIC Shenzhen Holdings Limited (the "Company") was established as a joint stock limited company in the People's Republic of China (the "PRC") and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited. The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the manufacture and sales of watches and clocks, liquid crystal displays, printed circuit boards, cable television equipment and property development in the PRC.

The office address of the Company is 25/F, Hangdu Building, CATIC Zone, Shennan Road Central, Futian District, Shenzhen, the PRC.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets at fair value through profit or loss. The accounting policies and bases adopted in the preparation of these financial statements differ from those used in the statutory accounts of the Group which are prepared in accordance with generally accepted accounting principles and relevant financial regulations in the PRC. The differences arising from the restatement of the results of operations for compliance with IFRS, if any, are adjusted in these financial statements but will not be taken up in the accounting books of the Group.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

2 編製基準(續)

(a) 在二零零七年已生效的準則、修訂及詮釋

- 國際會計準則第1號(修訂本)：財務報表之呈列方式－資本披露，要求實體披露資料必須令使用財務報表的人士能夠評估實體管理資本的目標、政策及程式。

本集團已從二零零七年一月一日採納此準則。

- 國際財務報告準則第7號「金融工具：披露」，要求披露有關金融工具所承受風險之品質及數量資料，最少要包括信貸風險、流動資金風險及包括敏感分析之市場風險披露。其取代國際會計準則第32號「金融工具：披露及呈報」之披露要求。本集團已從二零零七年一月一日採納此準則。
- 國際財務報告詮釋委員會－詮釋8「國際財務報告準則第2號的範圍」規定凡涉及發行權益工具的交易，當中所收取的可識別代價低於所發行權益工具的公允值，必須確定其是否屬於國際財務報告準則第2號的範圍內。此項詮釋並無對本集團的財務報表有任何重大影響。

2 BASIS OF PREPARATION (continued)

(a) Standards amendment and interpretations effective in 2007

- IAS 1 (Amendment), Presentation of Financial Statements: Capital Disclosures, requires an entity to disclose the information that enables users of its financial statements to evaluate the entity's objectives, policies and process of managing capital.

The Group has applied this standard from 1st January 2007.

- IFRS 7, Financial Instruments: Disclosures, requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The Group has applied this standard from 1st January 2007.
- IFRIC Interpretation 8, Scope of IFRS 2, requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instrument issued in order to establish whether or not they fall within the scope of IFRS 2. This interpretation does not have material impact on the Group's financial statements.

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

2 編製基準(續)

(a) 在二零零七年已生效的準則、修訂及詮釋(續)

- 國際財務報告詮釋委員會－詮釋10「中期財務報告和減值」禁止在中期期間確認按成本值列賬的商譽、權益工具的投資和財務資產投資的減值虧損，在之後的結算日撥回。此項詮釋並無對本集團的財務報表有任何重大影響。

(b) 在二零零七年起生效但與本集團營運無關的準則、修訂及詮釋

以下準則、修訂及詮釋必須在二零零七年一月一日或之後開始的會計期間採納，但與本集團的營運無關：

- 國際財務報告詮釋委員會－詮釋7「應用國際會計準則第29號「嚴重通脹經濟中的財務報告」下的重列法」及
- 國際財務報告詮釋委員會－詮釋9「重新評估勘入式衍生工具」。

(c) 仍未生效而本集團亦無提早採納的準則、修訂及對現有準則的詮釋。

以下為已公佈的準則、修訂及對現有準則的詮釋，而本集團必須在二零零八年一月一日或之後開始的會計期間或較後期間採納，但本集團並無提早採納：

國際會計準則第23號(修訂)「借貸成本」
國際財務報告準則第8號「營運分部」
國際財務報告詮釋委員會－詮釋11「國際財務報告準則第2號－集團及庫存股份交易」
國際會計準則第1號(修訂)「財務報表的呈報」
國際會計準則第27號(修訂)「綜合及獨立財務報表」

2 BASIS OF PREPARATION (continued)

(a) Standards amendment and interpretations effective in 2007 (continued)

- IFRIC Interpretation 10, Interim Financial Reporting and Impairment, prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation does not have material impact on the Group's financial statements.

(b) Standards, amendments and interpretations effective in 2007 but not relevant

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1st January 2007 but are not relevant to the Group's operations:

- IFRIC Interpretation 7, "Applying the restatement approach under IAS29, Financial reporting in hyper-inflationary economies"; and
- IFRIC Interpretation 9, "Re-assessment of embedded derivatives".

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.

The following standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1st January 2008 or later periods, but the Group has not early adopted them.

IAS 23 (Amendment), Borrowing costs

IFRS 8, Operating Segments

IFRIC Interpretation 11, IFRS 2

– Group and Treasury Share Transactions

IAS 1 (Revised), Presentation of Financial Statements

IAS 27 (Revised), Consolidated and Separate Financial Statements

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

2 編製基準(續)

(d) 仍未生效且與本集團營運無關的對現有準則的詮釋

以下為已公佈對現有準則的詮釋，本集團必須在二零零八年一月一日或之後開始的會計期間或較後期間採納，但與本集團的營運無關。

國際會計準則第32號及國際會計準則第1號(修訂本)「結算時衍生的可贖回金融衍生工具及債務」

國際財務報告準則第3號(修訂)「業務合併」

國際財務報告準則第2號(修訂本)「以股份支付的款項之行權條件及取消」

國際財務報告詮釋委員會－詮釋12「服務特許權安排」

國際財務報告詮釋委員會－詮釋13「客戶忠誠度計劃」

國際財務報告詮釋委員會－詮釋14「界定福利資產限額、最低資金要求及兩者相互關係」

3 主要會計政策

編製本綜合財務報表採用的主要會計政策載於下文。除另有說明外，此等政策在所呈報的所有年度內貫徹應用。

(a) 綜合

綜合財務報表包括本公司及其所有附屬公司截至十二月三十一日止的財務報表。

2 BASIS OF PREPARATION (continued)

(d) Interpretations to existing standards that is not effective and not relevant for the Group's operations

The following interpretations to existing standards have been published and are amendatory for the Group's accounting period beginning on or after 1st January 2008 on later periods but are not relevant for the Group's operations.

IAS 32 and IAS 1 Amendments "Puttable Financial Instrument and Obligation Arising on Liquidation"

IFRS 3 (Revised), Business Combination

IFRS 2 Amendment, Share-based Payment Vesting Conditions and Cancellations

IFRIC Interpretation 12, Service Concession Arrangements

IFRIC Interpretation 13, Customer Loyalty Programmes

IFRIC Interpretation 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

3 PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31st December.

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

3 主要會計政策(續)

(a) 綜合

(i) 附屬公司

附屬公司指本集團有權管控其財政及營運政策之所有實體(包括特定目的實體)，一般附帶超過半數投票權的股權。在評定本集團是否控制另一實體時，目前可行使或可兌換的潛在投票權的存在及影響均予考慮。

附屬公司在控制權轉移至本集團之日起全面綜合入賬，並在控制權終止之日起停止綜合入賬。

會計收購法乃用作本集團收購附屬公司的入賬方法。收購的成本根據於交易日期所給予資產、所發行的股本工具及所產生或承擔的負債的公允值計算，另加該收購直接應佔的成本。在企業合併中所收購可識別的資產以及所承擔的負債及或然負債，首先以彼等於收購日期的公允值計量，而不論任何少數股東權益的數額。收購成本超過本集團應佔所收購可識別淨資產公允值的數額列為商譽。若收購成本低於所購入附屬公司淨資產的公允值，該差額直接在損益表確認。

3 PRINCIPAL ACCOUNTING POLICIES

(continued)

(a) Consolidation (continued)

(i) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

3 主要會計政策(續)

(a) 綜合(續)

(i) 附屬公司(續)

集團內公司之間的交易、交易的結餘及未實現收益予以對銷。除非交易能提供所轉讓資產已減值之憑證，否則未實現虧損亦予以對銷。附屬公司的會計政策已按需要作出改變，以確保與本集團採用的政策符合一致。

在本公司的資產負債表內，於附屬公司的投資按成本值扣除減值虧損準備列賬。附屬公司之業績由本公司按已收及應收股息入賬。

(ii) 聯營公司

聯營公司指所有本集團對其有重大影響力而無控制權的實體，通常附帶有20%-50%投票權的股權。聯營公司投資以權益會計法入賬，初始按成本確認。本集團於聯營公司之投資包括收購時已識別的商譽(扣除任何累計減值虧損)。

3 PRINCIPAL ACCOUNTING POLICIES

(continued)

(a) Consolidation (continued)

(i) Subsidiaries (continued)

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

3 主要會計政策(續)

(a) 綜合(續)

(ii) 聯營公司(續)

本集團應佔收購後聯營公司的溢利或虧損於損益表內確認，而應佔收購後儲備的變動則於儲備賬內確認。投資賬面值會根據累計之收購後儲備變動而作出調整。如本集團應佔一家聯營公司之虧損等於或超過其在該聯營公司之權益，包括任何其他無抵押應收款，本集團不會確認進一步虧損，除非本集團已代聯營公司承擔責任或作出付款。

本集團與其聯營公司之間交易的未實現收益按集團在聯營公司權益的數額對銷。除非交易提供所轉讓資產減值之憑證，否則未實現虧損亦予以對銷。聯營公司的會計政策已按需要作出改變，以確保與本集團採用的政策符合一致。

於聯營公司的攤薄盈虧損於綜合損益表確認。

在本公司之資產負債表內，於聯營公司之投資按成本值扣除減值虧損撥備列賬(附註3(h))。聯營公司之業績由本公司按已收及應收股息入賬。

3 PRINCIPAL ACCOUNTING POLICIES

(continued)

(a) Consolidation (continued)

(ii) Associates (continued)

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognised in the consolidated income statement.

In the Company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses (Note 3(h)). The results of associated companies are accounted for by the Company on the basis of dividend received and receivable.

財務報表附註

NOTES TO THE FINANCIAL STATEMENTS

3 主要會計政策(續)

(b) 分部報告

業務分部指從事提供產品或服務的一組資產及業務，而產品或服務的風險和回報與其他業務分部的不同。地區分部指在某個特定經濟環境中從事提供產品或服務，其產品或服務的風險和回報與在其他經濟環境中營運的分部的不同。

(c) 外幣匯兌

(i) 功能和列賬貨幣

本集團每個實體的財務報表所列項目均以該實體營運所在的主要經濟環境的貨幣計量(「功能貨幣」)。綜合財務報表以人民幣(「人民幣」)呈報，人民幣為本公司的功能及列賬貨幣。

(ii) 交易及結餘

外幣交易採用交易日的匯率換算為功能貨幣。除了符合在權益中遞延入賬的現金流量對沖和淨投資對沖外，結算此等交易產生的匯兌盈虧以及將外幣計值的貨幣資產和負債以年終匯率換算產生的匯兌盈虧在損益表確認。

3 PRINCIPAL ACCOUNTING POLICIES

(continued)

(b) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

財務報表附註

NOTES TO THE FINANCIAL STATEMENTS

3 主要會計政策(續)

(c) 外幣匯兌(續)

(ii) 交易及結餘(續)

以外幣為單位被分類為可供出售的貨幣性證券的公平值變動，按照證券的攤銷成本變動與該證券賬面值的其他變動所產生的匯兌差額進行分析。與攤銷成本變動有關的匯兌差額確認為利潤或虧損，賬面值的其他變動則於權益中確認。

非貨幣性財務資產及負債的換算差額呈報為公平值盈虧的一部份。非貨幣性財務資產及負債(例如按公平值持有透過損益記賬的權益工具)的換算差額在損益表中呈報確認為公平值盈虧的一部份。非貨幣性財務資產(例如分類為可供出售的權益)的換算差額包括在權益中可供出售儲備內。

(iii) 集團公司

功能貨幣與列賬貨幣不同的所有集團實體(當中沒有嚴重通脹貨幣)的業績及財務狀況，按如下方式換算為列賬貨幣：

- 每份呈報的資產負債表內的資產及負債按該資產負債表日期的收市匯率換算；

3 PRINCIPAL ACCOUNTING POLICIES

(continued)

(c) Foreign currency translation (continued)

(ii) Transactions and balances (continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the other reserves in equity.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

3 主要會計政策(續)

(c) 外幣匯兌(續)

(iii) 集團公司(續)

- 每份損益表內的收入和費用按平均匯率換算(除非此匯率並不代表交易日期匯率的累計影響的合理約數;在此情況下,收支則按交易日期的匯率換算);及
- 所有由此而產生的匯兌差額確認為權益的獨立組成項目。

在綜合賬目時,換算海外業務的淨投資以及換算借貸及其他指定作為該等投資對沖的貨幣工具所產生的匯兌差額列入股東權益。當售出或清理部分海外業務時,該等匯兌差額在損益表確認為出售盈虧的一部分。

因收購海外實體產生的商譽及公平值調整視為海外實體資產和負債,並按收市匯率換算。

3 PRINCIPAL ACCOUNTING POLICIES

(continued)

(c) Foreign currency translation (continued)

(iii) Group companies (continued)

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

3 主要會計政策(續)

(d) 物業、廠房及設備

物業、廠房及設備按歷史成本減累計折舊列賬。歷史成本包括收購該項目直接應佔的開支，其後成本只有在與該項目有關的未來經濟利益有可能流入本集團，而該項目的成本能可靠計量時，才包括在資產賬面值。已更換零件的賬面值已被剔除入賬。所有其他維修及保養在產生的財政期間內於損益表支銷。

物業、廠房及設備折舊在扣除其估計剩餘價值後按其估計可使用年限以直線法計提。各類固定資產之估計可使用年限如下：

樓宇	20至35年
設備及機器	5至10年
運輸工具	5至6年

資產剩餘價值及可使用年期在每個結算日進行檢討，及在適當時調整。

若資產賬面值高於其預計可收回金額時，其賬面價值實時撇減至可收回金額(附註3(h))。

出售盈虧按所得款與賬面值的差額釐定，並在損益賬表的其他收益－淨額中確認。

3 PRINCIPAL ACCOUNTING POLICIES

(continued)

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is provided using the straight-line method over their estimated useful lives, after deducting the estimated residual value. The estimated useful lives are as follows:

Buildings	20 to 35 years
Equipment and machinery	5 to 10 years
Motor vehicles	5 to 6 years

When the assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 3(h)).

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within other gains-net, in the income statements.

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

3 主要會計政策(續)

(e) 投資物業

投資物業主要是指為獲得長期租金收入而持有且非本集團佔用之辦公物業。投資物業作為長期投資，以成本減累計折舊及累計減值損失(如有)列賬。

折舊按投資物業的成本及其估計可使用年限20至35年以直線法計提。當投資物業的賬面值高於其預計可收回金額時，將立即調整至其可收回金額。

其保養、維修以及細小設備的費用支出於發生時計入當期損益表；若為本集團帶來之日後經濟利益可能超過現有資產表現之原評估水平，重大的裝修及翻新的支出將被資本化。出售投資物業的損益為銷售收益淨額與該投資物業之賬面值的差額，並於損益表內確認。

(f) 租賃土地及土地使用權

租賃土地及土地使用權是指為獲得長期使用土地之權利而支付的款項，以成本入賬，並按土地剩餘租賃期限以直線法攤銷。

3 PRINCIPAL ACCOUNTING POLICIES

(continued)

(e) Investment properties

Investment properties, principally comprising office buildings, are held for long-term rental yields and are not occupied by the Group. Investment properties are treated as long-term investments and are carried at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided using the straight-line method to write off the cost of the investment properties over their estimated useful lives of 20–35 years. Where the carrying amount of an investment property is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

The cost of maintenance, repairs and minor equipment is charged to the income statement as incurred; the cost of major renovations and improvements is capitalised when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. The profit or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the investment property and is recognised in the income statement.

(f) Leasehold land and land use rights

Leasehold land and land use rights are up-front payments to acquire long-term interests in land. These payments are stated at cost and amortised over the remaining period of the leases on a straight-line basis.

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

3 主要會計政策(續)

(g) 在建工程

在建工程包括興建中之廠房、員工宿舍及其他物業、機械及設備，按成本列賬。成本包括建築成本、廠房及機械成本，以及於興建、安裝及測試期間之有關工程借款的利息支出。所有其他借款利息均列作支銷。在建工程達致可使用狀態，其成本轉入物業、廠房及設備，並按上述有關的政策提取折舊。

(h) 附屬公司投資、聯營公司投資及非金融資產的減值

沒有確定使用年期之資產無需攤銷，但每年須就減值進行測試。各項資產當有事件出現或情況改變顯示賬面值可能無法收回時就減值進行檢討。減值虧損按資產之賬面值超出其可收回金額之差額確認。可收回金額以資產之公允值扣除銷售成本或使用價值兩者之較高者為準。於評估減值時，資產按可分開識別現金流量(現金產生單位)的最低層次組合。除商譽外，已蒙受減值的非財務資產在每個報告日期均就減值是否可以撥回進行檢討。

(i) 財務資產

本集團把金融資產分為以下幾類：按公允值透過損益列賬的金融資產、貸款和應收款及可供出售的金融資產。分類視乎購入金融資產之目的。管理層在初始確認時釐定金融資產的分類。

3 PRINCIPAL ACCOUNTING POLICIES

(continued)

(g) Construction-in-progress

Construction-in-progress represents plant, staff quarters and other property, machinery and equipment under construction and is stated at cost. This includes the costs of construction, the costs of plant and machinery, and interest charges arising from borrowings used to finance these assets during the period of construction or installation and testing. All other borrowing costs are expensed. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policies as stated above.

(h) Impairment of investments in subsidiaries, associates and non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivable and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition.

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

3 主要會計政策(續)

(i) 財務資產(續)

(i) 按公平值透過損益記賬的財務資產

按公平值透過損益記賬的財務資產指持有作買賣用途的財務資產。財務資產若在購入時主要用作在短期內出售，則分類為此類別。衍生工具除非被指定為對沖，否則亦分類為持作買賣用途。在此類別之資產分類為流動資產。

(ii) 持有至到期日的投資

具有固定期限，且管理層有意並能夠持有至到期日的投資歸類為持有至到期日的投資，若該投資的到期日距結算日12個月以內，則歸類於流動資產，若其到期日距結算日12個月以上，則歸類於非流動資產。呈報年度本集團並無持有此類投資。

(iii) 貸款和應收款

貸款及應收款為有固定或可釐定付款且沒有在活躍市場上報價的非衍生財務資產。此等項目包括在流動資產內，但若到期日由結算日起計超過12個月者，則分類為非流動資產。貸款及應收款列在資產負債表中「貿易及其他應收款」及「現金及現金等價物」內(附註3(k)及3(n))。

3 PRINCIPAL ACCOUNTING POLICIES

(continued)

(i) Financial assets (continued)

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Held-to-maturity investments

Investments with fixed maturity that management has the intention and ability to hold to maturity are classified as held-to-maturity and are included in current assets if their respective maturity dates are 12 months or less from balance sheet date, or in non-current assets if their respective maturity dates are more than twelve months from balance sheet date. The Group did not hold any investment in this category during the year presented.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet (Notes 3(k) and 3(n)).

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

3 主要會計政策(續)

(i) 金融資產(續)

- (iv) 可供出售的金融資產
可供出售財務資產為被指定作為此類別或並無分類為任何其他類別之非衍生工具。除非管理層有意在結算日後12個月內出售該項投資，否則此等資產列在非流動資產內。

管理層取得投資時會決定適當的分類，並定期重新評估該分類的適當性。

定期購入及出售的財務資產在交易日確認－交易日指本集團承諾購入或出售該資產之日。對於並非按公平值透過損益記賬的所有財務資產，其投資初步按公平值加交易成本確認。按公平值透過損益列賬的財務資產，初步按公平值確認，而交易成本則在損益表支銷。當從投資收取現金流量的權利經已到期或經已轉讓，而本集團已將擁有權的所有風險和回報實際轉讓時，財務資產即終止確認。可供出售財務資產及按公平值透過損益記賬的財務資產其後按公允值列賬。貸款及應收款利用實際利息法按攤銷成本列賬。

3 PRINCIPAL ACCOUNTING POLICIES

(continued)

(i) Financial assets (continued)

- (iv) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

3 主要會計政策(續)

(i) 金融資產(續)

(iv) 可供出售的金融資產(續)

來自「按公平值透過損益記賬的財務資產」類別的公平值變動而產生的盈虧，列入產生期間損益表的其他收益－淨額中。來自按公平值透過損益記賬的財務資產的股息，當本集團收取有關款項的權利確定時，在損益表內確認為部份其他收入。

當分類為可供出售的證券售出或減值時，在權益中確認的累計公平值調整列入損益表「其他收益－淨額」內。

有報價之投資的公平值根據當時的買盤價計算。若某項財務資產的市場並不活躍（及就非上市證券而言），本集團利用重估技術設定公平值。這些技術包括利用近期公平原則交易、參考大致相同的其他工具、貼現現金流量分析和期權定價模式，充份利用市場數據而儘量少依賴實體特有的數據。

3 PRINCIPAL ACCOUNTING POLICIES

(continued)

(i) Financial assets (continued)

(iv) Available-for-sale financial assets (continued)

Gains or losses arising from changes in the fair value of the financial assets at fair value, through profit or loss category are presented in the income statement within other gains-net, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as "other gains-net".

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

3 主要會計政策(續)

(i) 金融資產(續)

(iv) 可供出售的金融資產(續)

本集團在每個結算日評估是否有客觀證據證明某項財務資產或某項財務資產經已減值。對於分類為可供出售股權證券，證券公平值若大幅度或長期跌至低於其成本值，會被視為證券已經顯示減值。若可供出售財務資產存在此等證據，累計虧損按收購成本與當時公平值的差額減該財務資產之前在損益確認的任何減值虧損計算，自權益剔除並在損益表內記賬。在損益表確認的權益工具減值虧損不會透過損益表撥回。貿易應收款之減值測試在附註3(k)中說明。

(j) 存貨

存貨按成本及可變現淨值兩者的較低者列賬。成本利用加權平均法釐定。製成品及在製品的成本包括設計成本、原材料、直接勞工、其他直接成本和相關的生產經常開支(依據正常營運能力)。這不包括貸款成本。可變現淨值為在通常業務過程中的估計銷售價，減適用的變動銷售費用。

3 PRINCIPAL ACCOUNTING POLICIES

(continued)

(i) Financial assets (continued)

(iv) Available-for-sale financial assets (continued)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a Group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 3(k).

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

3 主要會計政策(續)

(k) 貿易及其他應收款

貿易及其他應收款初步以公平值確認，其後利用實際利息法按攤銷成本扣除減值撥備計量。當有客觀證據證明本集團無法按應收款的原有條款收回所有款項時，即就貿易及其他應收款設定減值撥備。債務人之重大財政困難、債務人可能破產或進行財務重組，以及拖欠或逾期付款，均被視為其貿易應收款已減值的跡象。撥備面額為資產之賬面值與按原實際利率折現之估計未來現金流量之現值之差額。資產的賬面值透過使用備付賬戶削減，而有關的虧損數額則在損益表內的「銷售和推廣成本」中確認。如一項貿易應收款無法收回，其會與貿易應收款內的備付賬戶撇銷。之前已撇銷的款項如其後收回，將撥回損益表中的「銷售和推廣成本」內。

(l) 當期及遞延所得稅

當期所得稅支出根據本公司及其附屬公司及聯營公司營運及產生應課稅收入的國家於結算日已頒布或實質頒布的稅務法例計算。管理層就適用稅務法例詮釋所規限的情況定期評估報稅表的狀況，並在適用情況下根據預期須向稅務機關支付的稅款設定撥備。

3 PRINCIPAL ACCOUNTING POLICIES

(continued)

(k) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'administrative expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against "administrative expenses" in the income statement.

(l) Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

3 主要會計政策(續)

(l) 當期及遞延所得稅(續)

遞延所得稅乃按負債法就各項資產或負債於綜合財務報表中所載之賬面金額與其計稅基數之間的暫時性差異作出全數撥備。然而，若遞延所得稅來自在交易(不包括企業合併)中對資產或負債的初步確認，而在交易時不影響會計損益或應課稅盈虧，則不作記賬。遞延所得稅採用在結算日前已實行或大致實行，並在有關之遞延所得稅資產變現或遞延所得稅負債結算時預期將會適用之稅率(及法例)而釐定。

遞延所得稅資產是就可能有未來應課稅盈利而就此可使用暫時差異而確認。

遞延所得稅就於附屬公司及聯營公司投資產生之暫時差異提取撥備，但假若本集團可以控制暫時差異之撥回時間，而暫時差異在可預見將來有可能不會撥回則除外。

(m) 退休福利成本

本集團已參與由深圳市社會保險局(「社會保險局」)管理的退休及醫療保險計劃。根據有關規定，本集團須每月按職工月薪向社會保險局作出關於上述保險計劃之供款。本集團應負責的供款部份於發生時計入損益表。除上述每月供款外，本集團並無其他重大員工福利承擔。

3 PRINCIPAL ACCOUNTING POLICIES

(continued)

(l) Current and deferred income tax (continued)

Deferred income tax 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 consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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 income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(m) Retirement benefit costs

The Group participates in the retirement and medical insurance scheme organised by Shenzhen Municipal Social Security Administration Bureau ("SMSSAB"). Pursuant to the relevant provisions, the Group is required to make monthly contributions in respect of the above insurance scheme to SMSSAB based on the monthly salaries of its employees. The Group's contributions under the scheme are charged to the income statement as incurred. Apart from the above monthly contributions, the Group does not have other significant commitments to benefits of its employees.

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

3 主要會計政策(續)

(m) 退休福利成本(續)

根據上述社會保險計劃，社會保險局承諾將承擔本集團現有和未來退休員工的退休福利責任。

(n) 現金及現金等價物

現金及現金等價物包括手頭現金、銀行通知存款、原到期日為三個月或以下的其他短期高流動性投資、銀行透支。

(o) 股本

普通股列為權益。

直接歸屬於發行新股或購股權的新增成本在權益中列為所得款的減少(扣除稅款)。

如任何本集團公司購入本公司的權益股本，所支付的代價，包括任何直接所佔的新增成本(扣除所得稅後)，由本公司權益持有人的應佔權益中扣除，直至股份被註銷或重新發行為止。如股份其後被重新發行，任何已收取的代價(扣除任何直接所佔的新增交易成本及相關的所得稅影響)計入本公司權益持有人的應佔權益內。

(p) 貿易應付款

貿易應付款初步以公允值確認，其後利用實際利息法按攤銷成本計量。

3 PRINCIPAL ACCOUNTING POLICIES

(continued)

(m) Retirement benefit costs (continued)

Pursuant to the above social insurance scheme, SMSSAB undertakes to assume the retirement benefit obligations of existing and future retired employees of the Group.

(n) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, overdrafts.

(o) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital, the consideration paid, including any directly attributable incremental costs (net of income taxes,) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

(p) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

3 主要會計政策(續)

(q) 貸款

貸款初步按公允值扣除產生的交易成本確認。貸款其後按攤銷成本列賬；所得款(扣除交易成本)與贖回價值的任何差額利用實際利息法於借貸期間內在損益表確認。

除非本集團有無條件權利將負債的結算遞延至結算日後最少12個月，否則貸款分類為流動負債。

(r) 研究及開發

研究開支在發生時作為費用支銷。當一個開發項目在考慮其商業和技術可行性時認為有可能會成功，而成本能夠可靠計量，則將開發項目(涉及新產品或改良產品的設計和測試)產生的成本確認為無形資產。其他不符合該等標準的開發成本在發生時作為費用支銷。已入賬為費用之開發成本不會在往後期間確認為資產。已資本化的開發成本列為無形資產，由資產可以使用時起按其可用年期(不超過五年)以直線法攤銷。

(s) 租賃(作為經營租賃之承租人)

如租賃資產擁有權的重大部分風險和回報由出租人保留，相關租賃則分類為經營租賃。根據經營租賃支付的款項(扣除自出租人收取之任何獎勵金後)，於租賃期內以直線法在損益表支銷。

3 PRINCIPAL ACCOUNTING POLICIES

(continued)

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(r) Research and development

Research expenditure is recognised as an expense as incurred. Cost incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, and its cost can be measured reliably. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years.

(s) Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

3 主要會計政策(續)

(t) 收入確認

收入包括本集團正常經營過程中銷售貨品已收或應收代價的公允值，並扣除增值稅、退貨、回扣和折扣，以及對銷集團內部銷售。

當收入的數額能夠可靠計量、未來經濟利益有可能流入有關實體，而本集團每項活動均符合具體條件時（如下文所述），本集團便會將收入確認。除非與銷售有關的所有或然事項均已解決，否則收入的數額不被視為能夠可靠計量。本集團會根據其往績並考慮客戶類別、交易種類和每項安排的特點作出估計。

(i) 銷售貨品

銷售貨品在集團實體已將貨品交付予顧客，顧客已接收產品，以及有關應收款的收回可合理確保時確認。

(ii) 租金收入

按經營租約出租的投資物業所得的租金收入以直線法按租賃期於損益表內確認。

3 PRINCIPAL ACCOUNTING POLICIES

(continued)

(t) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminated sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sales of goods

Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(ii) Rental income

Rental income from investment properties leased out under an operating lease is recognised in the income statement on a straight-line basis over the term of the lease.

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

3 主要會計政策(續)

(t) 收入確認(續)

(iii) 利息收入

利息收入採用實際利息法按時間比例基準確認。倘應收款項出現減值時，本集團會將賬面值撇減至可收回款額，即估計的未來現金流量按該工具之原有效利率貼現之現值，並繼續將貼現計算並確認為利息收入。已減值貸款之利息收入利用原實際利率確認。

(iv) 股息收入

股息收入在收取款項的權利確定時確認。

(u) 股息分派

向本公司股東分派的股息在股息獲本公司股東批准的期間內於本集團的財務報表內列為負債

(v) 政府補貼

當能夠合理地保證政府補貼將可收取，而本集團將會符合所有附帶條件時，政府提供的補貼將按其公允值確認入賬。

與成本有關之政府補貼遞延入賬，並按擬補償之成本配合所需期間在損益賬中確認。

與物業、廠房及設備有關之政府補貼列入非流動負債作為政府補貼之遞延收入，並按有關資產之預計使用年期以直線法在損益表內確認。

3 PRINCIPAL ACCOUNTING POLICIES

(continued)

(t) Revenue recognition (continued)

(iii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

(u) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

(v) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income on government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

4 財務風險管理

本集團的活動承受著多種的財務風險：市場風險（包括貨幣風險、公允值利率風險及現金流量利率風險）、信貸風險及流動資金風險。本集團的整體風險管理計劃專注於財務市場的難預測性，並尋求儘量減低對本集團財務表現的潛在不利影響。

(a) 市場風險

(i) 外匯風險

本集團之業務主要以人民幣進行。本集團之大部份資產及負債均以人民幣列值。本集團須承擔並非以人民幣列值之未來商業交易和已確認資產及負債所帶來的外匯風險。本集團的大部份外幣交易和結餘均以美元和港元列值。本集團現時並無外幣對沖政策。然而，本集團利用銷售合約來管理若干已確認負債所帶來的風險。本集團通過緊密監督外匯匯率的變動管理其外匯風險。

4 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group's businesses are principally conducted in RMB. The majority of the Group's assets and liabilities were denominated in RMB. The Group is subject to foreign exchange risk arising from future commercial transactions and recognised assets and liabilities which are denominated in non-RMB. The majority of the Group's foreign currency transactions and balances are denominated in US dollar and HK dollar. The Group currently does not have a foreign currency hedging policy. Also, the Group has negotiated sales contracts to manage the risk arising from certain recognized liabilities. The Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

4 財務風險管理(續)

(a) 市場風險(續)

(i) 外匯風險(續)

本集團以外幣列值之貨幣資產及貨幣負債於各個結算日之賬面值如下：

		二零零七年 十二月三十一日 31st December 2007 人民幣千元 RMB'000	二零零六年 十二月三十一日 31st December 2006 人民幣千元 RMB'000
流動資產	Current Assets		
美元	US dollar	310,437	216,196
港元	HK dollar	304,845	57,586
歐元	EUR dollar	9,162	16,850
總計	Total	624,444	290,632
流動負債	Current Liabilities		
美元	US dollar	410,230	71,599
港元	HK dollar	34,614	3,755
歐元	EUR dollar	2,988	71
總計	Total	447,832	75,425

若人民幣兌其他貨幣升值5%，本年度溢利將減少人民幣8,096,000元。

(ii) 價格風險

由於本集團持有的投資在綜合資產負債表中分類為可供出售金融資產或按公允值透過損益列賬的金融資產，故此本集團承受股權證券的價格風險。本集團不承受商品價格風險。

4 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

		二零零七年 十二月三十一日 31st December 2007 人民幣千元 RMB'000	二零零六年 十二月三十一日 31st December 2006 人民幣千元 RMB'000
流動資產	Current Assets		
美元	US dollar	310,437	216,196
港元	HK dollar	304,845	57,586
歐元	EUR dollar	9,162	16,850
總計	Total	624,444	290,632
流動負債	Current Liabilities		
美元	US dollar	410,230	71,599
港元	HK dollar	34,614	3,755
歐元	EUR dollar	2,988	71
總計	Total	447,832	75,425

If there is a 5% increase in RMB against other currencies, the effect in the profit for the year is a decrease in profit of RMB8,096,000.

(ii) Price risk

The Group is exposed to equity securities price risk because investments held by the Group are classified on the consolidated balance sheet either as available-for-sale financial assets or as financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

4 財務風險管理(續)

(a) 市場風險(續)

- (iii) 現金流量及公允值利率風險
由於本集團並無重大計息資產，故本集團之收入及經營現金流量大致上不受市場利率變動影響。

本集團的利率風險主要來自長期貸款。按變動利率發行的貸款令本集團承受現金流量利率風險，按固定利率發行的貸款令本集團承受公平值利率風險。本集團貸款之利率及還款期於附註23披露。

本集團目前並無使用任何利率掉期對沖其利率風險。然而，本集團會於有需要時考慮對沖重大利率風險。

- (iv) 信貸風險
本集團因貿易及其他應收款以及銀行現金存款承受信貸風險。

貿易及其他應收款以及現金及現金等價物之賬面值，乃本集團就金融資產所面對的最大信貸風險。於二零零七年十二月三十一日，前五大客戶佔貿易及其他應收款結餘的逾30% (二零零六年：23%)。

4 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

- (iii) Cash flow and fair value interest rate risk
As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The interest rates and terms of repayment of borrowings of the Group are disclosed in Note 23.

The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk. However, the Group will consider hedging significant interest rate exposure should the need arise.

- (iv) Credit risk
The Group is exposed to credit risk in relation to its trade and other receivables, and cash deposits with banks.

The carrying amounts of trade and other receivables and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets. The top 5 customers accounted for more than 30% of the balance of trade and other receivables as at 31st December 2007 (2006: 23%).

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

4 財務風險管理(續)

(a) 市場風險(續)

(iv) 信貸風險(續)

為管理此風險，銀行存款主要被存入國有銀行，該等銀行均為擁有較高信用等級的金融機構。本集團大部份貿易及其他應收款結餘為提供服務或銷售產品所產生之第三方客戶應付款項。本集團對其客戶進行持續的信用評估，本集團對貿易及其他應收款結餘一般不要求提供擔保。本集團根據未收回餘款的收回可能及時間確認呆賬撥備，所產生的實際虧損均無超出管理層預期。

(v) 流動資金風險

審慎的流動資金風險管理指維持充足的現金和有價證券，透過已承諾信貸融資的足夠額度備有資金，和有能力結算市場持倉。

本集團致力維持充足的現金及現金等價物，或透過充足融資金額（包括短期及長期銀行貸款）取得資金來應付其資金需求。由於有關業務的多變性質，本集團的融資部門透過維持充足的現金及現金等價物以及可動用融資來源維持資金的靈活性。

4 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(iv) Credit risk (continued)

To manage this risk, deposits are mainly placed with state-owned banks which are all high-credit-quality financial institutions. The majority of the Group's trade and other receivable balances are due from third party customers as a result of rendering services or sales of products. The Group performs ongoing credit evaluations of its customers trade and other receivables financial condition and generally does not require collateral from the customers trade and other receivables account on the outstanding balances. Based on the expected realizability and timing for collection of the outstanding balances, the Group maintains a provision for doubtful accounts and actual losses incurred have been within management's expectation.

(v) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The Group aims to maintain sufficient cash and cash equivalents and ensure the availability of funding through an adequate amount of available financing, including short-term and long-term bank loans. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents and flexibility in funding through various sources of financing made available to the Group.

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

4 財務風險管理(續)

(a) 市場風險(續)

(v) 流動資金風險(續)

下表根據結算日餘下期間至合約到期日的分析，將本集團的非衍生財務負債分為有關到期日組別。該表所披露的金額為合約未貼現現金流。由於折現的影響不大，故於十二個月內到期的結餘相等於其賬面結餘。

於二零零七年十二月三十一日 At 31st December 2007

借貸 Borrowings
貿易及其他應付款 Trade and other payables

總計 Total

4 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(v) Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

少於一年 Less than 1 years 人民幣千元 RMB'000	一年至二年 Between 1 and 2 years 人民幣千元 RMB'000	二年至五年 Between 2 and 5 years 人民幣千元 RMB'000	五年以上 Over 5 years 人民幣千元 RMB'000	總計 Total 人民幣千元 RMB'000
(1,780,208)	-	(251,059)	(1,694,577)	(3,725,844)
(956,622)	-	-	-	(956,622)
(2,736,830)	-	(251,059)	(1,694,577)	(4,682,466)

少於一年 Less than 1 years 人民幣千元 RMB'000	一年至二年 Between 1 and 2 years 人民幣千元 RMB'000	二年至五年 Between 2 and 5 years 人民幣千元 RMB'000	五年以上 Over 5 years 人民幣千元 RMB'000	總計 Total 人民幣千元 RMB'000
(938,548)	(10,000)	-	-	(948,548)
(758,050)	-	-	-	(758,050)
(1,696,598)	(10,000)	-	-	(1,706,598)

於二零零六年十二月三十一日 At 31st December 2006

借貸 Borrowings
貿易及其他應付款 Trade and other payables

總計 Total

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

4 財務風險管理(續)

(a) 市場風險(續)

(v) 流動資金風險(續)

於二零零七年十二月三十一日，本公司之累計虧損為人民幣 306,788,000 元，流動負債淨額為人民幣 774,641,000 元。管理層將緊密監察本公司之現金流量水準，並確保本公司之附屬公司於可預見將來能夠及時向本公司分派股息。

(b) 資本風險管理

本集團管理資本的目的為保障本集團繼續以持續經營方式為股東提供回報以及為其他利益相關者帶來利益，並且維持最佳資本結構以減少資金成本。

為維持或調整資本結構，本集團可調整向股東支付股息的金額、發行新股份或出售資產以減少債項。

與業內其他公司一樣，本集團根據資本負債比率監控資本。資本負債比率乃按負債淨額除以資本總額計算。負債淨額乃按借貸總額(包括「流動及非流動借貸」，如綜合資產負債表中所示)減現金及現金等價物計算。資本總額乃按「權益」(如綜合資產負債表所示)加負債淨額計算。

4 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(v) Liquidity risk (continued)

The Company had accumulated losses of RMB306,788,000 and net current liabilities of RMB 774,641,000 as at 31st December 2007. Management will closely monitor the cash flow position of the Company and ensure that the subsidiaries of the Company will distribute dividends to the Company in the foreseeable future on a timely basis.

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

4 財務風險管理(續)

(b) 資本風險管理(續)

於二零零七年及二零零六年十二月三十一日之資本負債比率如下：

		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
借貸總額(附註23)	Total borrowings (note 23)	3,725,844	948,548
減：現金及現金等價物 (附註20)	Less: cash and cash equivalents (note 20)	(1,286,628)	(740,912)
負債淨額	Net debt	2,439,216	207,636
總權益	Total equity	3,699,641	2,295,297
總資本	Total capital	6,138,857	2,502,933
資本負債比率	Gearing ratio	40%	8%

二零零七年度資本負債比例大幅上升，主要是由於新增商業銀行及關連方貸款，以為於廣東國際大廈實業有限公司(附註16)之投資以及上海天馬微電子股份有限公司之新工廠建設提供資金(附註10)所致。

(c) 公允值估計

在活躍市場之公平值根據結算日的市場報價列賬。本集團根據各結算日當時之市場情況使用多種方法並作出假設。

貿易應收款和應付款的賬面值減減值撥備，被假定接近其公允值。作為披露目的，財務負債公平值的估計按未來合約現金流量以本集團類似金融工具可得的現有市場利率貼現計算。

4 FINANCIAL RISK MANAGEMENT (continued)

(b) Capital risk management (continued)

The gearing ratios at 31st December 2007 and 2006 are as follows:

		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
Borrowings (note 23)	Total borrowings (note 23)	3,725,844	948,548
Less: cash and cash equivalents (note 20)	Less: cash and cash equivalents (note 20)	(1,286,628)	(740,912)
Net debt	Net debt	2,439,216	207,636
Total equity	Total equity	3,699,641	2,295,297
Total capital	Total capital	6,138,857	2,502,933
Gearing ratio	Gearing ratio	40%	8%

The significant increase in the gearing ratio during 2007 resulted primarily from the new borrowings extended from commercial banks and related parties in order to finance the investment made in Guangdong International Building Industrial Co., Ltd (Note 16) and the construction of new plant of Shanghai Tian Ma Microelectronics Company Limited (Note 10).

(c) Fair value estimation

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

5 關鍵會計估算及判斷

估算及判斷會持續予以評估，並以過往經驗及其他因素(包括在某些情況下對未來事件的合理預計)為依據。

本集團對未來作估算及假設。根據定義，所得的會計估算極少與相關的實際結果相同。所作的推算及假設可能存在重大風險，並導致下一財政年度的資產及負債賬面值有重大調整的項目在下文論述。

(a) 所得稅

本集團需要在中國繳納所得稅。在釐定所得稅撥備時，需要作出重大判斷。在一般業務過程中，有許多交易和計算可能令最終稅務難以確定。本集團根據對額外稅款是否到期之估計，確認預期稅務審計之負債。如此等事件的最終稅務後果與最初記錄的金額不同，此等差額將影響作出此等釐定期間的所得稅和遞延稅項撥備。

(b) 機器和設備的可使用年期

本集團管理層就其廠房和設備，根據其預計之產品壽命周期估計其可使用年期和相關折舊費用。該等估計可能會因為技術創新和競爭者針對嚴峻行業形勢採取之行動而大幅度改變。如可使用年期低於先前的估計年期，管理層會增加折舊費用，或將經已棄置或出售的技術陳舊或非策略資產撤銷或撇減。

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income taxes

The Group is subject to income taxes in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(b) Useful lives of plant and equipment

The Group's management determines the estimated useful lives and related depreciation expenses for its plant and equipment. This estimate is based on projected product lifecycles for its plant and equipment. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation expense where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

5 關鍵會計估算及判斷(續)

(c) 收購資產及負債之公允值估算

於二零零七年十一月二十三日，本公司收購深圳中航地產股份有限公司(「深圳中航地產」)之11.66%權益，總現金代價為人民幣261,668,000元。加上之前於二零零六年四月七日收購之深圳中航地產之10.69%權益，本公司於深圳中航地產之總權益增至22.35%。本公司開始對深圳中航地產行使重大影響力，於深圳中航地產之投資乃列為於聯營公司之投資。深圳中航地產是一家深圳證交所A股上市公司。其公司名稱於二零零七年十一月十一日從深圳市南光(集團)股份有限公司更改為目前之名稱。收購詳情載於附註12。

根據國際會計準則第28號，收購聯營公司投資時，投資成本與投資者所佔聯營公司可辨認資產、負債及或然負債淨公允值之差額，應根據國際財務報告準則第3號「業務合併」入賬。因此，投資者所佔聯營公司可辨認資產、負債及或然負債淨公允值超出投資成本之差額從投資賬面值中分離，並於收購投資期間釐定投資者所佔聯營公司盈虧時計入為收入。

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

(c) Estimate of fair values of acquired assets and liabilities from acquisition

On 23rd November 2007, the Company acquired 11.66% equity interests in Shenzhen CATIC Real Estate Co., Ltd ('CATIC Real Estate') at a total cash consideration of RMB261,668,000. In addition to the 10.69% equity interests in CATIC Real Estate acquired previously on 7th April 2006, the Company's aggregate shareholding in CATIC Real Estate increased to 22.35%. The Company started to exercised significant influence over CATIC Real Estate and it is accounted for as an investment in associates. CATIC Real Estate is a company with its A shares listed on the Shenzhen Stock Exchange. It changed its name from Shenzhen Nanguang (Group) PLC to the present name on 11th November 2007. Details of the acquisition are set out in Note 12.

In accordance with IAS 28, on acquisition of the investments in associates, any difference between the cost of the investment and the investor's share of the net fair values of the associate's identifiable assets, liabilities and contingent liabilities should be accounted for in accordance with IFRS 3 Business Combinations. Therefore, any excess of the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is included as income in the determination of the investor's share of the associate's profit or loss in the period in which the investment is acquired.

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

5 關鍵會計估算及判斷(續)

(c) 收購資產及負債之公允值估算(續)

由於對上述本集團進行之收購並不存在活躍的市場，為確定所收購資產及所承擔負債於二零零六年四月七日及二零零七年十一月二十三日收購日期的公允值，本公司董事已參考獨立專業估值師之評估作出估算，以確定此項交易的可辨認資產及負債的公允值，概述如下：

- 深圳中航地產的所有營運資金項目的公允值以其賬面淨值，於根據最近經審計的結果進行相關調整後列賬；
- 有重大公允值調整之長期資產由獨立專業估值師評估。採用市場法及折舊替代成本法釐定該等長期資產之公允值；

鑒於上述評估，本公司董事已如附註12所述釐定此項交易所收購可辨認淨資產之公允值。基於該等釐定，於本年度，就收購深圳中航地產於損益表及權益分別確認人民幣60,065,000元及人民幣191,029,000元。

5 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

(c) Estimate of fair values of acquired assets and liabilities from acquisition (continued)

In the absence of an active market for the above acquisition undertaken by the Group, in order to determine the fair values of assets acquired and liabilities assumed as at the acquisition dates of 7th April 2006 and 23rd November 2007, the directors of the Company had made estimates with reference to the assessment by an independent professional valuer, in order to determine the fair values of identifiable assets and liabilities in the transaction, as summarised below:

- Fair values of all working capital items of CATIC Real Estate are stated at their net book value, after making applicable adjustments according to the latest audited results;
- The long-term assets which were subject to significant fair value adjustment were assessed by an independent professional valuer. The market approach and depreciated replacement cost approach were applied in determining the fair value of these long-term assets;

As a result of the above assessment, the directors of the Company determined the fair value of the net identifiable assets acquired in the transaction as detailed in note 12. Based on such determination, the amounts of RMB60,065,000 and RMB191,029,000 have been recognised in income statement and equity respectively in relation to the acquisition of CATIC Real Estate for the year.

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

6 收入及分部資料

本集團的主要業務包括以下主要業務分部：

- 鐘錶－生產和銷售機械及石英錶
- 鐘錶－銷售名牌石英錶
- 電子產品－生產和銷售液晶體顯示器、印制電路板及有線電視系統器材
- 投資物業－提供經營租約服務

營業額包括鐘錶及電子產品銷售收入及投資物業之租金收入。

各業務分部之間並無任何銷售及其他交易往來。分部資產主要包括物業、廠房及設備、在建工程、其他非流動資產、投資物業、租賃土地及土地使用權、存貨、應收款項和營運現金，但不包含聯營公司投資。分部負債包括營運負債，不包括少數股東權益。資本支出主要包含物業、廠房及設備(附註8)、投資物業(附註9)、在建工程(附註10)和租賃土地及土地使用權(附註7)的支出。

6 REVENUE AND SEGMENTAL INFORMATION

The Group's principal activities comprise the following major business segments:

- Clocks and watches – manufacture and sales of mechanical and quartz timepieces
- Clocks and watches – retailing sales of branded quartz timepieces
- Electronic products – manufacture and sale of liquid crystal displays, printed circuit boards and cable television equipment
- Investment properties – rental services under operating lease

Turnover consists of sales of clock and watches and electronic products and rental income derived from investment properties.

There were no sales or other transactions between the business segments. Segment assets consist primarily of property, plant and equipment, construction-in-progress, other non-current assets, investment properties, leasehold land and land use rights, inventories, receivables and operating cash, and exclude investments in associates. Segment liabilities comprise operating liabilities and exclude minority interest. Capital expenditure mainly comprises additions to property, plant and equipment (Note 8), investment properties (Note 9), construction-in-progress (Note 10) and leasehold land and land use rights (Note 7).

財務報表附註

NOTES TO THE FINANCIAL STATEMENTS

6 收入及分部資料(續)

本集團的分部資料分析如下：

(a) 主要分部報告形式－業務分部

		鐘表生產業務		鐘表銷售業務		液晶顯示器業務		印制電路板業務		有線電視系統器材業務		投資物業		未分配企業項目		總計	
		二零零七年	二零零六年	二零零七年	二零零六年	二零零七年	二零零六年	二零零七年	二零零六年	二零零七年	二零零六年	二零零七年	二零零六年	二零零七年	二零零六年	二零零七年	二零零六年
		人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元	人民幣千元
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	收入	154,803	132,611	606,518	320,727	1,721,220	1,518,021	786,844	572,236	25,069	35,018	62,756	51,181	-	-	3,357,210	2,629,794
Results	業績																
Segment result	分部業績	14,964	(1,199)	37,846	873	113,663	134,825	122,150	98,175	(7,028)	(6,699)	48,090	39,503	(41,037)	(29,200)	288,648	236,278
Other income (note 25)	其他收入(附註25)	1,051	467	4,335	2,371	514	1,141	16,399	4,066	2,291	1,171	-	-	-	-	24,590	9,216
Other gain/(loss)-net (note 26)	其他收益/(虧損)－淨額(附註26)	1,276	1,357	-	-	(864)	1,379	-	-	(376)	-	-	-	43,147	21,787	43,183	24,523
Operating profit/(loss)	經營溢利/(虧損)	17,291	625	42,181	3,244	113,313	137,345	138,549	102,241	(5,113)	(5,528)	48,090	39,503	2,110	(7,413)	356,421	270,017
Excess of the share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment (note 12)	所佔聯營公司可辨認資產、負債及或然負債淨公允價值超出投資成本之差額(附註12)	-	-	-	-	-	-	-	-	-	-	-	-	60,065	-	60,065	-
Finance (costs)/income, net (note 29)	融資(成本)/收入－淨額(附註29)	(957)	(601)	(17,838)	(4,877)	(23,354)	(36,762)	1,034	(1,484)	(1,006)	(809)	-	-	(51,934)	(14,187)	(94,055)	(58,720)
Share of results of associates (note 12)	應佔聯營公司之業績(附註12)	-	-	-	-	(244)	(395)	-	-	-	-	-	-	(6,929)	465	(7,173)	70
Income tax charge (note 31)	所得稅支出(附註31)	(1,588)	(2,624)	(4,301)	(3,019)	(7,415)	(9,140)	(20,448)	(14,081)	-	-	(2,493)	(2,141)	-	-	(36,245)	(31,005)
Profit/(loss) for the year	年內溢利/(虧損)	14,746	(2,600)	20,042	(4,652)	82,300	91,048	119,135	86,676	(6,119)	(6,337)	45,597	37,362	3,312	(21,135)	279,013	180,362
Other information	其他資料																
Segment assets	分部資產	362,330	246,370	549,447	362,480	4,717,313	2,196,386	1,100,220	574,373	32,306	36,154	208,958	224,369	902,124	388,680	7,872,698	4,028,812
Investments in associates (note 12)	在聯營公司之投資(附註12)	-	-	-	-	211	454	-	-	-	-	-	-	576,641	26,865	576,852	27,319
Total assets	總資產	362,330	246,370	549,447	362,480	4,717,524	2,196,840	1,100,220	574,373	32,306	36,154	208,958	224,369	1,478,765	415,545	8,449,550	4,056,131
Total liabilities	總負債	155,047	67,796	288,041	164,716	2,481,695	928,329	643,052	219,776	32,076	29,806	-	-	1,149,998	350,411	4,749,909	1,760,834
Capital expenditure	資本性支出	16,153	12,510	10,198	12,602	1,955,370	419,939	470,857	83,423	17	70	-	-	9,897	17	2,462,492	528,561
Non-cash expenses	非現金開支																
- Depreciation of property, plant and equipment, and investment properties (note 8 and note 9)	物業、廠房及設備及投資物業折舊(附註8及附註9)	10,249	8,846	8,031	6,656	58,561	54,169	39,904	48,382	450	540	7,397	7,664	873	941	125,465	127,198
- Amortisation of leasehold land and land use rights (note 7)	租賃土地及土地使用權攤銷(附註7)	461	-	-	-	3,975	832	309	280	-	-	-	461	-	-	4,745	1,573
- Provision for/(reversal of) impairment loss of receivables	應收賬項減值虧損撥備/(撥回)	513	1,095	-	238	115	(10,375)	2,228	(659)	789	(1,444)	-	-	-	-	3,645	(11,145)
- Provision for/(reversal of) inventory obsolescence (note 27)	陳舊存貨撥備/(撥回)(附註27)	1,870	(3,181)	-	-	4,359	29,078	528	4	3,969	6	-	-	-	-	10,726	25,907

6 REVENUE AND SEGMENTAL INFORMATION (continued)

An analysis of the Group's segmental information is as follows:

(a) Primary reporting format – business segments

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

6 收入及分部資料(續)

(a) 主要分部報告形式－業務分部(續)

分部資產及負債與實體之資產及負債對賬如下：

		資產 Assets	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
分部資產	Segment assets	6,970,785	3,640,586
未分配：	Unallocated:		
於聯營公司之投資	Investments in associates	576,641	26,865
可供出售金融資產	Available-for-sale financial assets	2,098	139,771
其他非流動資產	Other non-current assets	473,020	—
現金及現金等價物	Cash and cash equivalents	330,460	175,833
固定資產	Fixed assets	11,451	11,634
其他流動資產	Other current assets	11,087	616
按公允值透過損益 列賬的金融資產	Financial assets at fair value through profit or loss	74,008	60,826
		8,449,550	4,056,131

		負債 Liabilities	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
分部負債	Segment liabilities	3,599,911	1,410,423
未分配：	Unallocated:		
當期所得稅負債	Current income tax liabilities	64	86
借貸	Borrowings	854,000	320,000
其他應付款項	Other payables	295,934	30,325
		4,749,909	1,760,834

6 REVENUE AND SEGMENTAL INFORMATION

(continued)

(a) Primary reporting format – business segments (continued)

Segment assets and liabilities are reconciled to entity assets and liabilities as follows:

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

6 收入及分部資料(續)

(b) 次要分部報告形式－地區分部

收入	Revenue
中國內地	Mainland China
香港	Hong Kong
歐美	Europe and America
東亞及東南亞	East and Southeast Asia
其他國家	Other countries

二零零七年
2007
人民幣千元
RMB'000

二零零六年
2006
人民幣千元
RMB'000

2,145,119	1,539,444
602,236	492,520
393,337	222,000
93,513	263,027
123,005	112,803

3,357,210	2,629,794
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收入乃按客戶所在國家進行分配。

Revenue is allocated based on the country in which customers are located.

總資產	Total assets
中國內地	Mainland China
香港	Hong Kong
歐美	Europe and America
東亞及東南亞	East and Southeast Asia

二零零七年
2007
人民幣千元
RMB'000

二零零六年
2006
人民幣千元
RMB'000

7,817,832	4,027,728
9,458	—
35,454	990
9,954	94

7,872,698	4,028,812
576,852	27,319

8,449,550	4,056,131
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總資產按資產所在地進行分配。

Total assets are allocated based on where the assets are located.

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

6 收入及分部資料(續)

(b) 次要分部報告形式－地區分部(續)

資本支出	Capital expenditure
中國內地	Mainland China
香港	Hong Kong
歐美	Europe and America
東亞及東南亞	East and Southeast Asia

		2,458,676	527,477
		3,051	—
		765	990
		—	94
		2,462,492	528,561

資本支出按資產所在地進行分配。

6 REVENUE AND SEGMENTAL INFORMATION

(continued)

(b) Secondary reporting format – geographical segments (continued)

二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
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Capital expenditure is allocated based on where the assets are located.

分類收入分析	Analysis of revenue by category
貨品銷售	Sales of goods
租金收入	Rental income

		3,294,454	2,578,296
		62,756	51,498
		3,357,210	2,629,794

二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
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財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

7 租賃土地及土地使用權

7 LEASEHOLD LAND AND LAND USE RIGHTS

		本集團 Group	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
於一月一日之賬面淨值	Net book value at 1st January	50,706	35,453
添置	Additions	137,853	16,826
攤銷	Amortisation	(4,745)	(1,573)
於十二月三十一日之賬面淨值	Net book value at 31st December	183,814	50,706
按性質代表：	Representing by nature:		
投資物業	Investment properties	14,623	15,084
其他物業	Other properties	169,191	35,622
		183,814	50,706

本集團之租賃土地均位於中國境內，並由城市規劃及土地管理局授予30至50年使用期，該期間自授出之日起計。

The Group's leasehold land is in situated in the mainland China and was granted by the Town Planning and Land Administration Bureau for periods of 30–50 years from the date of grant.

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

8 物業、廠房及設備
本集團

8 PROPERTY, PLANT AND EQUIPMENT
Group

		二零零六年 2006			
		樓宇 Buildings 人民幣千元 RMB'000	設備及機器 Equipment and machinery 人民幣千元 RMB'000	汽車 Motor vehicles 人民幣千元 RMB'000	總額 Total 人民幣千元 RMB'000
成本	Cost				
截至二零零六年十二月三十一日止年度	Year ended 31st December 2006				
年初	At beginning of year	485,680	851,805	31,484	1,368,969
在建工程轉入 (附註10)	Transfer from construction-in-progress (Note 10)	4,904	5,017	–	9,921
添置	Additions	19,986	36,511	8,477	64,974
出售	Disposals	(2,045)	(17,060)	(1,705)	(20,810)
投資物業轉入 (附註9)	Transfer from investment properties (Note 9)	3,783	–	–	3,783
轉撥至投資物業 (附註9)	Transfer to investment properties (Note 9)	(17,817)	–	–	(17,817)
年末	At end of year	494,491	876,273	38,256	1,409,020
代表：	Representing:				
按成本	At cost	494,491	876,273	38,256	1,409,020
累計折舊	Accumulated depreciation				
年初	At beginning of year	131,739	397,411	19,837	548,987
本年度計提	Charge for the year	24,792	91,094	3,645	119,531
出售	Disposals	(668)	(15,116)	(1,622)	(17,406)
投資物業轉入 (附註9)	Transfer from investment properties (Note 9)	1,053	–	–	1,053
轉撥至投資物業 (附註9)	Transfer to investment properties (Note 9)	(2,908)	–	–	(2,908)
年末	At end of year	154,008	473,389	21,860	649,257
賬面淨值	Net book amount				
年末	At end of year	340,483	402,884	16,396	759,763
年初	At beginning of year	353,941	454,394	11,647	819,982

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

8 物業、廠房及設備(續)

本集團(續)

8 PROPERTY, PLANT AND EQUIPMENT

(continued)

Group (continued)

		二零零七年 2007			
		樓宇 Buildings 人民幣千元 RMB'000	設備及機器 Equipment and machinery 人民幣千元 RMB'000	汽車 Motor vehicles 人民幣千元 RMB'000	總額 Total 人民幣千元 RMB'000
成本	Cost				
截至二零零七年十二月三十一日止年度	Year ended 31st December 2007				
年初	At beginning of year	494,491	876,273	38,255	1,409,019
在建工程轉入 (附註10)	Transfer from construction-in-progress (Note 10)	1,462	29,278	-	30,740
添置	Additions	20,419	192,199	4,912	217,530
出售	Disposals	(4,381)	(18,882)	(1,663)	(24,926)
投資物業轉入 (附註9)	Transfer from investment properties (Note 9)	12,539	-	-	12,539
出售附屬公司	Disposal of subsidiaries	(720)	(4,493)	(218)	(5,431)
年末	At end of year	523,810	1,074,375	41,286	1,639,471
代表：	Representing:				
按成本	At cost	523,810	1,074,375	41,286	1,639,471
累計折舊	Accumulated depreciation				
年初	At beginning of year	154,007	473,389	21,860	649,256
本年度計提	Charge for the year	28,012	85,099	4,956	118,067
出售	Disposals	(3,995)	(17,180)	(2,298)	(23,473)
投資物業轉入 (附註9)	Transfer from investment properties (Note 9)	4,524	-	-	4,524
出售附屬公司	Disposal of subsidiaries	(720)	(2,454)	(203)	(3,377)
年末	At end of year	181,828	538,854	24,315	744,997
賬面淨值	Net book amount				
年末	At end of year	341,982	535,521	16,971	894,474
年初	At beginning of year	340,484	402,884	16,395	759,763

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

8 物業、廠房及設備(續)

本公司

8 PROPERTY, PLANT AND EQUIPMENT

(continued)

Company

		二零零六年 2006			
		樓宇 Buildings 人民幣千元 RMB'000	設備及機器 Equipment and machinery 人民幣千元 RMB'000	汽車 Motor vehicles 人民幣千元 RMB'000	總額 Total 人民幣千元 RMB'000
成本	Cost				
截至二零零六年十二月 三十一日止年度	Year ended 31st December 2006				
年初	At the beginning of year	21,925	110	4,070	26,105
添置	Additions	-	17	-	17
年末	At end of year	21,925	127	4,070	26,122
代表：	Representing:				
按成本	At cost	21,925	127	4,070	26,122
累計折舊	Accumulated depreciation				
年初	At beginning of year	9,738	93	3,722	13,553
本年度計提	Charge for the year	856	3	76	935
年末	At end of year	10,594	96	3,798	14,488
賬面淨值	Net book amount				
年末	At end of year	11,331	31	272	11,634
年初	At beginning of year	12,187	17	348	12,552

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

8 物業、廠房及設備(續)

本公司(續)

成本
截至二零零七年十二月
三十一日止年度

Cost
Year ended 31st December 2007

年初 At the beginning of year
添置 Additions
出售 Disposals

年末 At end of year

代表：**Representing:**

按成本 At cost

累計折舊 **Accumulated depreciation**

年初 At beginning of year
本年度計提 Charge for the year
出售 Disposal

年末 At end of year

賬面淨值 **Net book amount**

年末 At end of year

年初 At beginning of year

8 PROPERTY, PLANT AND EQUIPMENT

(continued)

Company (continued)

二零零七年 2007			
樓宇 Buildings 人民幣千元 RMB'000	設備及機器 Equipment and machinery 人民幣千元 RMB'000	汽車 Motor vehicles 人民幣千元 RMB'000	總額 Total 人民幣千元 RMB'000
21,925	127	4,070	26,122
-	20	37	57
-	(7)	-	(7)
21,925	140	4,107	26,172
21,925	140	4,107	26,172
10,594	96	3,798	14,488
858	7	-	865
-	(6)	-	(6)
11,452	97	3,798	15,347
10,473	43	309	10,825
11,331	31	272	11,634

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

8 物業、廠房及設備(續)

本集團之樓宇及其他物業、廠房及設備乃按照歷史成本列賬。

折舊費用之人民幣88,545,000元(二零零六年：人民幣91,368,000元)在銷售成本中支銷，人民幣7,119,000元(二零零六年：人民幣6,049,000元)計入分銷成本，而人民幣22,403,000元(二零零六年：人民幣22,114,000元)則計入行政費用中。

本集團之所有樓宇均位於中國境內。

本集團和本公司所擁有的樓宇中包括租賃物業，其中包括租賃土地和樓宇，於二零零七年十二月三十一日其各自的賬面淨值總額分別為人民幣104,308,000元(二零零六年：人民幣104,647,000元)和人民幣10,473,000元(二零零六年：人民幣11,331,000元)。因不能可靠地估計租賃物業中租賃土地之應佔價值，該等物業之租賃土地及土地使用權未能於本財務報表附註7披露之「租賃土地及土地使用權」中單獨分類。然而，由於該等租賃物業乃按20至35年計提折舊，與其剩餘租賃期限相若，該分類對本集團及本公司並無重大影響。

於二零零七年十二月三十一日，賬面淨值約為人民幣2,730,000元的一間制造工廠廠房(二零零六年：賬面淨值為人民幣2,893,000元的一棟工廠廠房)已作為附屬公司深圳邁威有線電視器材有限公司取得短期銀行貸款人民幣3,000,000元(二零零六年：人民幣2,600,000元)之抵押。另一賬面淨值總額約為人民幣156,352,000元(二零零六年：人民幣175,568,000元)的兩間工廠已作為本集團之另外一間附屬公司深圳天馬微電子股份有限公司取得長期銀行貸款人民幣42,000,000元(二零零六年：人民幣35,000,000元)之抵押。

8 PROPERTY, PLANT AND EQUIPMENT (continued)

The buildings and other property, plant and equipment of the Group were stated at the historical cost.

Depreciation expense of RMB88,545,000 (2006: RMB91,368,000) had been charged to cost of sales, RMB7,119,000 (2006: RMB6,049,000) to distribution costs and RMB22,403,000 (2006: RMB22,114,000) to administrative expenses.

The Group's buildings are all situated in the mainland China.

Included in buildings of the Group and the Company are leasehold properties, including both leasehold land and buildings, with aggregate net book values of RMB140,308,000 (2006: RMB104,647,000) and RMB10,473,000 (2006: RMB11,331,000) as at 31st December 2007, respectively. Because of the inability to estimate reliably the element of leasehold land value attributable to the leasehold properties, leasehold land and land use rights in respect of these properties are not separately classified under the heading of "Leasehold land and land use rights" as disclosed in Note 7 to the financial statements. However, such classification did not have a significant financial effect to the Group and the Company because the leasehold properties are depreciated over a period of 20–35 years, which approximate the remaining period of the related leases.

As of 31st December 2007, the premise of one manufacturing plant building with a net book value of approximately RMB2,730,000 (2006: one plant buildings with a net book value of RMB2,893,000) has been pledged for short-term bank loans of RMB3,000,000 (2006: RMB2,600,000) made available to Shenzhen Maiwei Cable TV Equipments Co., Ltd, a subsidiary. Another two plants with an aggregate net book value of approximately RMB156,352,000 (2006: RMB175,568,000) had been pledged for a long-term bank loan of RMB42,000,000 (2006: RMB35,000,000) made available to Shenzhen Tian Ma Microelectronics Co., Ltd., another subsidiary of the Group.

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

9 投資物業

9 INVESTMENT PROPERTIES

		本集團 Group	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
賬面值	Carrying amount		
年初	At beginning of year	293,855	279,821
物業、廠房及設備轉入 (附註8)	Transfer from property, plant and equipment (Note 8)	–	17,817
轉撥至物業、廠房及設備 (附註8)	Transfer to property, plant and equipment (Note 8)	(12,539)	(3,783)
年末	At end of year	281,316	293,855
累計折舊	Accumulated depreciation		
年初	At beginning of year	84,569	75,047
本年度計提	Charge for the year	7,398	7,667
物業、廠房及設備轉入 (附註8)	Transfer from property, plant and equipment (Note 8)	–	2,908
轉撥至物業、廠房及設備 (附註8)	Transfer to property, plant and equipment (Note 8)	(4,524)	(1,053)
年末	At end of year	87,443	84,569
賬面淨值	Net book value		
年末	At end of year	193,873	209,286
年初	At beginning of year	209,286	204,774
董事估值	Directors' valuation		
— 包括相關租賃土地 款項估值	– including the valuation of the relevant leasehold land payments	361,210	519,821

本集團的投資物業均位於中國境內。

The investment properties of the Group are situated in the PRC.

此等投資物業於二零零七年及二零零六年十二月三十一日之估值乃由董事按公開市場價格釐定。

The valuation for the investment properties at 31st December 2007 and 2006 were determined by the directors based on an open market value basis.

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

10 在建工程

10 CONSTRUCTION-IN-PROGRESS

		本集團 Group	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
年初	At beginning of year	446,349	9,509
添置	Additions	2,101,843	446,761
轉撥至物業、廠房及設備 (附註8)	Transfer to property, plant and equipment (Note 8)	(30,740)	(9,921)
年末	At end of year	2,517,452	446,349

於二零零七年十二月三十一日，人民幣2,024,730,000元（二零零六年：人民幣379,908,000元）乃由附屬公司上海天馬微電子股份有限公司建立一間新廠所致。

As at 31st December 2007, RMB 2,024,730,000 (2006: RMB 379,908,000) was incurred for a new production plant of a subsidiary, Shanghai Tian Ma Microelectronics Company Limited.

11 於附屬公司之投資

11 INVESTMENTS IN SUBSIDIARIES

		本公司 Company	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
投資，按成本：	Investments at cost:		
— 上市公司股份	— shares in listed companies	352,838	369,045
— 非上市股份	— unlisted equity interests	445,276	292,224
— 減值	— impairment	(11,050)	—
		787,064	661,269

於二零零七年十二月三十一日，上市公司股份之市值為人民幣9,385,584,000元（二零零六年：人民幣2,368,149,000元）。

As at 31st December 2007, the market value of shares in listed companies was approximate to RMB9,385,584,000 (2006: RMB2,368,149,000).

財務報表附註

NOTES TO THE FINANCIAL STATEMENTS

11 於附屬公司之投資(續)

於二零零七年十二月三十一日，本公司於下列主要附屬公司中擁有股權權益(本公司董事認為該等附屬公司(均於中國註冊/成立)在本集團淨收益或本集團資產及負債中佔有重大比例)：

附屬公司名稱 Name of subsidiary	註冊／成立日期 Date of incorporation/ establishment	所佔股權權益				註冊資本 Registered capital	企業類別 Type of legal entity	主要業務 Principal activities
		Attributable equity interest						
		二零零七年 2007		二零零六年 2006				
		直接 Direct	間接 Indirect	直接 Direct	間接 Indirect			
深圳天馬微電子股份 有限公司(「深圳天馬」) (附註a) Shenzhen Tian Ma Microelectronics Company Limited ("Shenzhen Tian Ma") (Note a)	一九八三年 十一月八日 8th November 1983	45.62%	-	52.62%	-	人民幣265,540,000元 RMB265,540,000	股份有限公司(深圳 證交所上市公司) Joint stock company (listed on the Shenzhen Stock Exchange)	製造及銷售液晶 顯示器 Manufacture and sale of liquid crystal displays
深圳深南電路有限公司 Shenzhen Shennan Circuit Co., Ltd.	一九八四年 七月三日 3rd July 1984	95%	-	95%	-	人民幣130,000,000元 RMB130,000,000	有限責任公司 Limited liability company	製造及銷售印製 電路板 Manufacture and sale of printed circuit boards
深圳市飛亞達(集團) 股份有限公司 (「飛亞達」)(附註b) Shenzhen Fiyta Holdings Limited ("Fiyta") (Note b)	一九九零年 三月三十日 30th March 1990	44.69%	-	52.24%	-	人民幣249,318,000元 RMB249,318,000	股份有限公司(深圳 證交所上市公司) Joint stock company (listed on the Shenzhen Stock Exchange)	製造及銷售鐘錶 Manufacture and sale of watches and clocks
深圳邁威有線電視器材 有限公司 Shenzhen Maiwei Cable TV Equipments Co., Ltd.	一九九一年 八月三日 3rd August 1991	60%	-	60%	-	人民幣20,000,000元 RMB20,000,000	合資企業 Contractual joint venture	製造及銷售有線電視 系統器材之 電子組件 Manufacture and sale of electronic components of cable television appliances
上海天馬微電子股份 有限公司(附註a) Shanghai Tian Ma Microelectronics Company Limited (Note a)	二零零七年 四月七日 7th April 2007	21%	30%	21%	30%	人民幣1,030,000,000元 RMB1,030,000,000	合資企業 Contractual joint venture	製造及銷售液晶 顯示器 Manufacture and sale of liquid crystal displays

11 INVESTMENTS IN SUBSIDIARIES (continued)

As at 31st December 2007, the Company had equity interests in the following major subsidiaries which, in the opinion of the directors, materially contribute to the net results of the Group or held a material portion of the assets or liabilities of the Group (all incorporated/established and operated in the PRC):

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

11 於附屬公司之投資(續)

附註：

- a 於二零零七年十二月三十一日，本公司於深圳天馬(深圳證交所上市公司)擁有45.62%之權益。

在發行新股份於二零零六年九月二十九日經深圳天馬股東批准之前，本公司於深圳天馬擁有52.62%之權益，其被列為本公司之附屬公司。

於二零零七年八月二十八日，深圳天馬以每股人民幣9.81元之價格向位於中國之獨立機構投資者發行50,900,000股新股。本公司於深圳天馬之權益被攤薄至45.62%。然而，本公司仍維持對深圳天馬主要經營及財務決策之實際控制，因此，於截至二零零七年十二月三十一日止年度，深圳天馬仍被列為本公司之附屬公司。

於本集團之綜合財務報表中，上述新股發行令本公司股東應佔資本儲備增加人民幣151,000,000元，少數股東權益增加人民幣332,874,000元。

此外，於本年度，上海天馬微電子股份有限公司(「上海天馬」)之投資者注資人民幣515,000,000元。少數股東注資增加人民幣252,350,000元。

11 INVESTMENTS IN SUBSIDIARIES (continued)

Notes:

- a As at 31st December 2007, the Company had 45.62% of equity interest in Shenzhen Tianma, a company listed on the Shenzhen Stock Exchange.

Prior to a new shares issue which was approved by the shareholders of Shenzhen Tianma on 29th September 2006, the Company owned 52.62% of equity interest in Shenzhen Tianma and it was accounted for as a subsidiary of the Company.

Shenzhen Tianma issued 50,900,000 new shares at RMB9.81 per share to independent institutional investors in the PRC on 28th August 2007. The Company's equity interest in Shenzhen Tianma was diluted to 45.62%. Nevertheless, the Company maintains de facto control over Shenzhen Tianma in its major operational and financial decisions, thus Shenzhen Tianma continues to be accounted for as a subsidiary of the Company for year ended 31st December 2007.

In the Group's consolidated financial statements, the above new shares issue had increased the capital reserve attributable to the shareholders of the Company and minority interest by RMB151,000,000 and RMB332,874,000 respectively.

In addition, all investors of Shanghai Tian Ma Microelectronics Company Limited ("Shanghai Tianma") have contributed additional capital totalling RMB515,000,000 during the year. The share of capital contribution of the minority interest increased by RMB252,350,000.

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

11 於附屬公司之投資(續)

附註：(續)

- b 於二零零七年十二月三十一日，本公司於飛亞達(深圳證交所上市公司)擁有44.69%之權益。

在股權分置改革於二零零七年十一月十日經飛亞達股東批准之前，本公司於飛亞達擁有52.24%之權益。

根據股權分置改革，本公司向飛亞達股東於二零零七年十一月八日持有之流通股份按每10股提供3.1股非流通股份之價格，換取該等非流通股份股東同意將所有飛亞達非流通股份轉化為流通股份。

本公司已向飛亞達非上市股份股東授出合共18,832,500股股份，於股權分置改革後，本公司於飛亞達之權益從52.24%降低至44.69%。然而，本公司仍維持對飛亞達主要經營及財務決策之實際控制，因此，於截至二零零七年十二月三十一日止年度，飛亞達仍被列為本公司之附屬公司。

於本集團之綜合財務報表內，上述股權分置改革令本公司股東應佔資本儲備減少人民幣49,055,000元，而少數股東權益則相應增加同等金額。於本公司之財務報表內，於附屬公司之投資已減少人民幣16,208,000元，減少之金額已於損益表中處理。

11 INVESTMENTS IN SUBSIDIARIES (continued)

Notes: (continued)

- b As at 31st December 2007, the Company had 44.69% of equity interest in Fiyta, a company listed on the Shenzhen Stock Exchange.

Prior to the share segregation reform which was approved by the shareholders of Fiyta on 10th November 2007, the Company owned 52.24% of equity interest in Fiyta.

Under the share segregation reform, the Company offered 3.1 non-circulated share of Fiyta for every 10 circulated shares held on 8th November 2007 in consideration for such non-circulated shareholders to agree that all the Fiyta's non-circulated shares be converted into circulated shares.

The Company has granted a total of 18,832,500 shares of Fiyta to the holders of unlisted shares, which resulted in the shareholding in Fiyta held by the Company decreased from 52.24% to 44.69% after the share segregation reform. Nevertheless, the Company still maintains de facto control over Fiyta in its major operational and financial decision, Fiyta continues to be accounted for as a subsidiary of the Company for year ended 31st December 2007.

In the Group's consolidated financial statements, the above share segregation reform had reduced the capital reserve attributable to the shareholders of the Company by RMB49,055,000 and increased minority interest by the same amount. In the Company's financial statements, the investments in subsidiaries had been decreased by RMB16,208,000 and this reduction has been dealt with in the income statement.

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

12 於聯營公司之投資

12 INVESTMENTS IN ASSOCIATES

		本集團 Group		本公司 Company	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000	二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
年初	At beginning of year	27,319	27,249	5,011	5,011
收購深圳中航地產之 成本 (附註a)	Cost of acquisition of Catic Real Estate (Note a)	261,668	—	261,668	—
可供出售投資轉入 (附註14)及(附註a)	Transfer from available-for-sale investment (Note 14) and (Note a)	43,944	—	43,944	—
逐步收購深圳中航地產 產生之公平值變動 (附註a)	Fair value change arising from acquisition of Catic Real Estate achieved in stages (Note a)	191,029	—	—	—
所佔深圳中航地產 可辨認資產、 負債及或然 負債淨公允值 超出投資成本 之差額(附註a)	Excess of the share of the net fair value of Catic Real Estate's identifiable assets, liabilities and contingent liabilities over the cost of the investment (Note a)	60,065	—	—	—
應佔聯營公司 (虧損)/溢利	Share of (loss)/profit of associates	(7,173)	70	—	—
於附屬公司之投資 轉換為於聯營公司 之投資(附註b)	Conversion from investment in subsidiary to investment in an associate (Note b)	1,455	—	5,100	—
減值撥備	Impairment provision	(1,455)	—	(5,100)	—
年末	At end of year	576,852	27,319	310,623	5,011

財務報表附註

NOTES TO THE FINANCIAL STATEMENTS

12 於聯營公司之投資(續)

於二零零七年十二月三十一日，本公司擁有直接權益之主要聯營公司如下：

12 INVESTMENTS IN ASSOCIATES (continued)

As at 31st December 2007, the Group had direct interests in the following major associates:

聯營公司名稱 Name of associate	註冊／成立日期 Date of incorporation/ establishment	本公司應佔權益 Attributable equity interest		註冊資本 Registered capital	企業類別 Type of legal entity	主要業務／ 註冊及營業地 Principal activities/ place of incorporation and operation
		二零零七年 2007	二零零六年 2006			
深圳中施機械設備有限公司 CASTIC-SMP Machinery Corporation Limited	一九八六年十一月十五日 15th November 1986	50%	50%	1,595,000美元 USD1,595,000	合資企業 Contractual joint venture	製造及銷售乾洗洗衣機，中國 Manufacture and sale of dry cleaning machines, PRC
深圳深蓉工程塑料有限公司 Shenzhen Shenrong Engineering Plastics Co., Ltd.	一九八九年一月十七日 17st January 1989	30%	30%	人民幣3,400,000元 RMB3,400,000	合資企業 Contractual joint venture	製造及銷售注塑製品，中國 Manufacture and sale of plastic casings, PRC
漢維克斯公司 HYVIX Co., Ltd.	二零零四年三月五日 5th March 2004	25%	25%	1,500,000美元 USD1,500,000	合資企業 Contractual joint venture	生產、研發及銷售液晶顯示器相關產品，韓國 Manufacture, research and sale of liquid crystal displays, Korea
深圳中航地產股份有限公司(附註a) Shenzhen CATIC Real Estate Co., Ltd (note a)	一九八五年五月二十九日 29th May 1985	22.35%	10.69%	人民幣222,320,472元 RMB222,320,472	股份有限公司(深圳證交所上市公司) Joint Stock Company (Listed on the Shenzhen Stock Exchange)	物業開發及建築、投資、零售及酒店 Property developing and construction, investment, retailing and hoteling
深圳中航數碼顯示科技有限公司(「中航數碼」)(附註b) Shenzhen CAERO Digital Display Inc. ("CAERO") (note b)	二零零五年二月二十六日 26th February 2005	39.51%	51%	人民幣10,000,000元 RMB10,000,000	合資企業 Contractual joint venture	數字顯示器的研究、開發及銷售 Research and development and sale of digital displays

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

12 於聯營公司之投資(續)

- (a) 於二零零六年四月五日，本集團向深圳中航地產(前稱為深圳市南光(集團)股份有限公司)當時之股東以每股人民幣2.62元之價格收購其發起人股份，佔其股權之12.06%，總代價為人民幣43,944,000元。此項投資按可供出售投資(「可供出售投資」)入賬。

於二零零六年四月十一日深圳中航地產之股權分置改革完成後，所有發起人股份已從非流通股份轉換為流通股份，本集團於深圳中航地產之權益降低至10.69%。於截至二零零六年十二月三十一日止年度，此項投資繼續列為可供出售投資。

於二零零六年十二月三十一日，本公司於深圳中航地產之投資按公平值進行重估，公平值增加所產生之重估盈餘人民幣79,670,000元於權益中確認。

年內，根據深圳中航地產於二零零六年十月之建議新股發行，本公司以每股人民幣7.52元之價格認購34,796,318股股份，總代價為人民幣261,668,000元。於二零零七年十一月二十三日認購完成後，本公司於深圳中航地產之權益增加至22.35%，並取得對深圳中航地產的重大影響力。於深圳中航地產之投資已從可供出售金融資產轉撥至於聯營公司之投資。本公司開始對深圳中航地產施加重大影響，而此項投資之分類從可供出售投資改變為於聯營公司之投資。

此項投資採用權益法入賬。受此影響，之前已於權益確認之可供出售投資公平值增加所產生之已確認重估盈餘人民幣79,670,000元予以撥回。此外，本公司所佔深圳中航地產可辨認資產、負債及或然負債之淨公平值超出二零零六年四月七日及二零零七年十一月二十三日收購時之投資成本之差額人民幣60,065,000元已於本集團截至二零零七年十二月三十一日止年度之損益表確認。初步收購之10.69%股權於增持期間至二零零七年十一月二十三日產生之公平值收益人民幣191,029,000元已直接計入權益(附註22)。

12 INVESTMENTS IN ASSOCIATES (continued)

- (a) On 5th April 2006, the Group acquired promoters' shares in CATIC Real Estate (formerly known as Shenzhen Nanguang (Group) PLC) which represented 12.06% equity interest, from its then shareholders at a price of RMB2.62 per share, amounting to a total consideration of RMB43,944,000. This investment was accounted for as an available-for-sale investment ("AFS Investment").

On completion of a share segregation reform of CATIC Real Estate on 11th April 2006, all the promoters' shares were converted from non-circulated shares to circulated shares and the Group's shareholding in CATIC Real Estate was reduced to 10.69%. This investment continued to be accounted for as an AFS Investment for the year ended 31st December 2006.

As at 31st December 2006, the Company's investment in CATIC Real Estate was revalued to its fair value and the resulting revaluation surplus of RMB79,670,000 arising from the increase in the fair value had been recognised in equity.

Pursuant to a proposed new share issue of CATIC Real Estate in October 2006, the Company subscribed for 34,796,318 shares of CATIC Real Estate at a price of RMB7.52 per share during this year, representing a total consideration of RMB261,668,000. The subscription was completed on 23rd November 2007 and the Company's shareholding in CATIC Real Estate increased to 22.35%. The Company has started to exercise significant influence over CATIC Real Estate and the classification of this investment was then changed from available-for-sale financial asset to an investment in associates.

Equity method of accounting is adopted to account for this investment. As a result, the previously recognised revaluation surplus recognised in equity of RMB79,670,000 arising from the increase in fair value of the AFS Investment was reversed. In addition, the excess of the Company's share of the respective net fair value of the CATIC Real Estate's identifiable assets, liabilities and contingent liabilities over the costs of the investment as at the two acquisition dates of 7th April 2006 and 23rd November 2007 amounting to RMB60,065,000 has been recognised in the income statement of the Group for the year ended 31st December 2007. The fair value gain arising from the initial acquired shareholding of 10.69% during the step-up period to 23rd November 2007 amounting to RMB191,029,000 has been directly credited to equity (Note 22).

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

12 於聯營公司之投資(續)

- (b) 於二零零六年九月二十二日，科橋電子股份有限公司(「科橋」，中航數碼現有股東之一)同意將其根據增值協議向中航數碼作出的360,000美元(人民幣2,910,000元)之注資(「增資」)從人民幣4,000,000元增至人民幣6,910,000元。

增資已於二零零七年二月完成，中航數碼之註冊股本增至人民幣12,910,000元。於增資完成後，科橋於中航數碼之權益從40%增至53.52%，而本公司於中航數碼之權益從51%攤薄至39.51%(「視作出售」)。由於本公司對中航數碼保留重大影響力，故於中航數碼之投資開始按本集團之聯營公司列賬。

於本集團之綜合財務報表內，視作出售令少數股東權益減少人民幣1,398,000元。

經考慮中航數碼之持續虧損狀況，由於預期此項投資將不會產生任何未來經濟利益，本集團及本公司已對此項投資之賬面值全數計提減值虧損(二零零六年：無)。

12 INVESTMENTS IN ASSOCIATES (continued)

- (b) On 22nd September 2006, K-Bridge Electronic Co. Ltd ("K-Bridge"), one of the existing shareholders of CAERO, agreed to increase its capital contribution (the "Capital Increase") in an amount of USD360,000 (i.e. RMB2,910,000) to CAERO from RMB4,000,000 to RMB6,910,000 pursuant to a Capital Increase Agreement.

The Capital Increase was completed in February 2007 with the registered capital of CAERO increased to RMB12,910,000. Consequently, K-Bridge's equity interest in CAERO was increased from 40% to 53.52%, and the Company's equity interest in CAERO was diluted from 51% to 39.51% (the "Deemed Disposal"). The Company retains significant influence over CAERO and thus the investment started to be accounted for an associate of the Group.

In the Group's consolidated financial statements, the Deemed Disposal has reduced the minority interest by RMB1,398,000.

Considering the continuing loss position of CAERO, the Group and the Company have fully provided for impairment loss for the carrying value of the investment (2006:Nil) as no future economic benefit is expected to be realised from it.

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

12 於聯營公司之投資(續)

(b) (續)

本集團應佔主要聯營公司之業績及應佔資產(包括負債)如下:

12 INVESTMENTS IN ASSOCIATES (continued)

(b) (continued)

The Group's share of the results of its principal associates and its share of the assets (including liabilities) are as follows:

名稱 Name	註冊地及企業類別 Place of incorporation and kind of legal entity	授權/註冊資本 Authorised/ Registered capital	已繳足股本 Paid up capital	二零零七年 2007				持有權益 百分比 % Interest held
				資產	負債	收入	溢利/(虧損)	
				Assets	Liabilities	Revenues	Profit/ (loss)	
				人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	
深圳中施機械設備有限公司 CASTIC-SMP Machinery Corporation Limited	中國·有限責任公司 The PRC, Limited Liability company	人民幣 7,861,000元 RMB7,861,000	人民幣 7,861,000元 RMB7,861,000	28,880	8,205	28,306	576	50.00%
深圳深蓉工程塑料有限公司 Shenzhen Shenrong Engineering Plastics Co., Ltd.	中國·有限責任公司 The PRC, Limited Liability company	人民幣 3,600,000元 RMB3,600,000	人民幣 3,600,000元 RMB3,600,000	6,023	1,418	8,236	495	30.00%
漢維克斯公司 HYVIX Co., Ltd.	韓國·有限責任公司 Republic of Korea, Limited Liability company	800,000,000韓圓 Korea WON800,000,000	800,000,000韓圓 Korea WON800,000,000	2,025	1,778	778	(243)	25.00%
深圳中航數碼顯示科技 有限公司 Shenzhen CAERO Digital Display Inc.	中國·有限責任公司 The PRC, Limited Liability company	人民幣 12,910,000元 RMB12,910,000	人民幣 12,910,000元 RMB12,910,000	2,966	1,741	517	(1,454)	39.50%
深圳中航地產股份有限公司 Shenzhen CATIC Real Estate Co., Ltd	股份有限公司 (深圳證交所上市公司) Joint Stock Company (Listed on the Shenzhen Stock Exchange)	人民幣 222,320,472元 RMB222,320,472	人民幣 222,320,472元 RMB222,320,472	1,199,712	680,383	24,092	(8,000)	22.35%
				1,239,606	693,525	61,929	(8,626)	

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

12 於聯營公司之投資(續)

(b) (續)

名稱 Name	註冊地及企業類別 Place of incorporation and kind of legal entity	授權/註冊資本 Authorised/ Registered capital	已繳足股本 Paid up capital	二零零六年 2006				持有權益 百分比 % Interest held
				資產 Assets 人民幣千元 RMB'000	負債 Liabilities 人民幣千元 RMB'000	收入 Revenues 人民幣千元 RMB'000	溢利/(虧損) Profit/ (loss) 人民幣千元 RMB'000	
深圳中施機械設備 有限公司 CASTIC-SMP Machinery Corporation Limited	中國·有限責任公司 The PRC, Limited Liability company	人民幣 7,861,000元 RMB7,861,000	人民幣 7,861,000元 RMB7,861,000	24,625	3,512	23,093	261	50.00%
深圳深蓉工程塑料 有限公司 Shenzhen Shenrong Engineering Plastics Co., Ltd.	中國·有限責任公司 The PRC, Limited Liability company	人民幣 3,600,000元 RMB3,600,000	人民幣 3,600,000元 RMB3,600,000	5,159	1,048	6,596	206	30.00%
漢維克斯公司 HYVIX Co., Ltd.	韓國 Republic of Korea	800,000,000韓圓 Korea WON800,000,000	800,000,000韓圓 Korea WON800,000,000	2,473	2,020	757	(397)	25.00%
				32,257	6,580	30,446	70	

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

13 按類別分類的金融工具
本集團：

13 FINANCIAL INSTRUMENTS BY CATEGORY
The Group:

		貸款及 應收款項 Loans and receivables	按公允價值透過 損益列賬之 金融資產 Financial assets at fair value through the profit and loss	可供出售 金融資產 Available- for-sale financial assets	總計 Total
		人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000	人民幣千元 RMB'000
資產，如綜合資產 負債表所載	Assets as per consolidated balance sheet				
二零零七年十二月三十一日	31st December 2007				
可供出售金融資產 (附註14)	Available-for-sale financial assets (Note 14)	-	-	231,282	231,282
貿易應收款(附註18)	Trade receivables (Note 18)	668,561	-	-	668,561
應收票據(附註18)	Notes receivables (Note 18)	272,854	-	-	272,854
其他應收款項(附註18)	Other receivables (Note 18)	76,792	-	-	76,792
按公允價值透過損益列賬 之金融資產(附註19)	Financial assets at fair value through profit or loss (Note 19)	-	74,008	-	74,008
現金及現金等價物(附註20)	Cash and cash equivalents (Note 20)	1,286,628	-	-	1,286,628
總計	Total	2,304,835	74,008	231,282	2,610,125
二零零六年十二月三十一日	31st December 2006				
可供出售金融資產 (附註14)	Available-for-sale financial assets (Note 14)	-	-	235,890	235,890
貿易應收款(附註18)	Trade receivables (Note 18)	504,870	-	-	504,870
應收票據(附註18)	Notes receivables (Note 18)	265,741	-	-	265,741
其他應收款項(附註18)	Other receivables (Note 18)	67,321	-	-	67,321
按公允價值透過損益列賬 之金融資產(附註19)	Financial assets at fair value through profit or loss (Note 19)	-	62,965	-	62,965
現金及現金等價物(附註20)	Cash and cash equivalents (Note 20)	740,912	-	-	740,912
總計	Total	1,578,844	62,965	235,890	1,877,699

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

13 按類別分類的金融工具(續)

本公司：

13 FINANCIAL INSTRUMENTS BY CATEGORY

(continued)

The Company:

		貸款及 應收款項 Loans and receivables 人民幣千元 RMB'000	按公允價值透過 損益列賬之 金融資產 Financial assets at fair value through the profit and loss 人民幣千元 RMB'000	可供出售 金融資產 Available- for-sale financial assets 人民幣千元 RMB'000	總計 Total 人民幣千元 RMB'000
資產，如資產負債表所載	Assets as per balance sheet				
二零零七年十二月三十一日	31st December 2007				
其他應收款項(附註18)	Other receivables (Note 18)	199	—	—	199
按公允價值透過損益列賬 之金融資產(附註19)	Financial assets at fair value through profit or loss (Note 19)	—	74,008	—	74,008
現金及現金等價物(附註20)	Cash and cash equivalents (Note 20)	310,161	—	—	310,161
總計	Total	310,360	74,008	—	384,368
二零零六年十二月三十一日	31st December 2006				
其他應收款項(附註18)	Other receivables (Note 18)	852	—	—	852
按公允價值透過損益列賬 之金融資產(附註19)	Financial assets at fair value through profit or loss (Note 19)	—	60,826	—	60,826
現金及現金等價物(附註20)	Cash and cash equivalents (Note 20)	175,833	—	—	175,833
總計	Total	176,685	60,826	—	237,511

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

14 可供出售金融資產(續)

年內可供出售金融資產之變動如下：

		本集團 Group	本公司 Company
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
年初	At beginning of year	235,890	12,768
添置	Additions	-	44,494
可供出售金融資產 之公允值變動	Reversal of fair value change of an available-for-sale financial assets to investments		
撥回於聯營公司 之投資(未扣除稅款)	in associates, gross of tax	(93,729)	-
轉撥至於聯營公司 之投資(附註12)	Transfer to investments in associates (Note 12)	(43,944)	-
淨收益撥入權益 (未扣除稅款)	Net gains transfer to equity, gross of tax	135,325	178,628
減值撥備	Impairment provision	(2,260)	-
年末	At end of year	231,282	235,890

14 AVAILABLE-FOR-SALE FINANCIAL ASSETS
(continued)

The movements of available-for-sale financial assets during the year are as follows:

		本集團 Group	本公司 Company
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
年初	At beginning of year	235,890	12,768
添置	Additions	-	44,494
可供出售金融資產 之公允值變動	Reversal of fair value change of an available-for-sale financial assets to investments		
撥回於聯營公司 之投資(未扣除稅款)	in associates, gross of tax	(93,729)	-
轉撥至於聯營公司 之投資(附註12)	Transfer to investments in associates (Note 12)	(43,944)	-
淨收益撥入權益 (未扣除稅款)	Net gains transfer to equity, gross of tax	135,325	178,628
減值撥備	Impairment provision	(2,260)	-
年末	At end of year	231,282	235,890

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15 遞延所得稅

當有法定可執行權力將現有稅項資產與現有稅務負債抵銷，且遞延所得稅涉及同一財政機關，則將遞延所得稅資產與負債互相抵銷。抵銷的金額如下：

		本集團 Group		本公司 Company	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000	二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
遞延稅項資產：	Deferred tax assets:				
— 超過十二個月後撥回	– to be recovered after more than 12 months	31,055	32,188	–	–
— 十二個月內撥回	– to be recovered within 12 months	9,081	1,902	–	–
		40,136	34,090	–	–
遞延稅項負債：	Deferred tax liabilities:				
— 超過十二個月後撥回支銷	– to be settled after more than 12 months	(33,540)	(26,794)	–	(14,059)
遞延稅項資產／(負債) — 淨額	Deferred tax assets/ (liabilities)-net	6,596	7,296	–	(14,059)

遞延所得稅款項之總變動如下：

The gross movements on the deferred income tax account are as follows:

		本集團 Group		本公司 Company	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000	二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
年初	Beginning of the year	7,296	31,645	(14,059)	–
於損益表中計入 (附註31)	Credited to income statement (Note 31)	2,593	2,445	–	–
稅率變動之影響 (附註31)	Effect of change in tax rates (Note 31)	3,366	–	–	–
可供出售金融資產之 公允值收益導致 已確認之遞延稅項 負債撥回	Reversal of deferred tax liabilities recognised on fair value gains from available-for-sale financial assets	14,059	–	14,059	–
直接於權益中扣除之稅項	Tax charged directly to equity	(20,718)	(26,794)	–	(14,059)
年末	End of year	6,596	7,296	–	(14,059)

財務報表附註
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15 遞延所得稅(續)

年內遞延稅項資產及負債之變動(未計入在同一徵稅區內之抵銷結餘)如下:

遞延稅項資產:

		貿易及其他 應收款的 減值虧損撥備 Provision for impairment losses on trade and other receivables 人民幣千元 RMB'000	陳舊存貨撥備 Provision for inventory obsolescence 人民幣千元 RMB'000	本集團 Group 交易投資之 公允價值虧損 Fair value losses of trading investments 人民幣千元 RMB'000	其他 Others 人民幣千元 RMB'000	總計 Total 人民幣千元 RMB'000
於二零零六年一月一日	At 1st January 2006	20,482	9,678	1,485	-	31,645
於損益表中 (扣除)/計入	Credited/(Charged) to the income statement	(3,267)	4,222	(412)	1,902	2,445
於二零零六年十二月三十一日	At 31st December 2006	17,215	13,900	1,073	1,902	34,090
於損益表中 (扣除)/計入	(Charged)/credited to the income statement	2,245	(4,428)	(654)	8,883	6,046
於二零零七年十二月三十一日	At 31st December 2007	19,460	9,472	419	10,785	40,136

遞延稅項負債:

		加速稅項折舊 Accelerated tax depreciation 人民幣千元 RMB'000	本集團 Group 可供出售金融資產 之公允價值收益 Fair value gains of available-for-sale financial assets 人民幣千元 RMB'000	總計 Total 人民幣千元 RMB'000	本公司 Company 可供出售金融資產 之公允價值收益 Fair value gains of available-for-sale financial assets 人民幣千元 RMB'000
於二零零六年一月一日	At 1st January 2006	-	(26,794)	(26,794)	(14,059)
直接於權益中扣除	Charged directly to equity	-	(26,794)	(26,794)	(14,059)
於二零零六年十二月三十一日	At 31st December 2006	-	(26,794)	(26,794)	(14,059)
於損益表中扣除	Charge to income statement	(87)	-	(87)	-
可供出售投資之公允價值 收益導致已確認之 遞延稅項負債撥回	Reversal of deferred tax liabilities recognised on fair value gains from available-for-sale investment	-	14,059	14,059	14,059
直接於權益中扣除	Charged directly to equity	-	(20,718)	(20,718)	-
於二零零七年十二月三十一日	At 31st December 2007	(87)	(33,453)	(33,540)	-

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

15 遞延所得稅(續)

遞延稅項負債：(續)

未列賬之潛在遞延稅項資產金額如下：

		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
結轉之稅項虧損	Tax losses carried forward	14,937	18,646
按公允價值透過損益列賬的 金融資產之公允價值虧損	Fair value losses of financial assets at fair value through profit or loss	11,889	16,028
		26,826	34,674

由於可預見將來內不可能有應課稅溢利而就此可動用上述可扣稅虧損及暫時差異，故並無確認遞延所得稅資產。

於二零零七年十二月三十一日，與結轉之稅項虧損相關的未列賬之遞延稅項資產到期日如下：

		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
一年內到期	Expire within 1 year	5,668	5,298
一至二年內到期	Expire in 1 – 2 years	2,729	5,668
二至三年內到期	Expire in 2 – 3 years	3,246	2,729
三至四年內到期	Expire in 3 – 4 years	1,705	3,246
四至五年內到期	Expire in 4 – 5 years	1,589	1,705
		14,937	18,646

根據中國企業所得稅暫行條例第十一條，中國公司稅項虧損可結轉用以抵銷於未來五年內之應課稅溢利。

15 DEFERRED INCOME TAX (continued)

Deferred tax liabilities: (continued)

The potential deferred tax assets not accounted for in the accounts amounted to:

Deferred income tax assets have not been provided for because it is not probable that taxable profit will be available against which above deductible tax losses and temporary difference can be utilised within a foreseeable future.

The expiry date of deferred tax assets not accounted for in respect of tax losses carried forward as at 31st December 2007 is as follows:

According to Provisional Regulations on PRC Enterprise Income Tax No.11, tax losses of the PRC companies can be carried forward to offset future assessable profit for a period of 5 years.

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

16 其他非流動資產

於廣東國際大廈實業 有限公司投資的 預付款(附註a)	Prepayment for investment in Guangdong International Building Industrial Co., Ltd. (Note a)
其他(附註b)	Others (Note b)

16 OTHER NON-CURRENT ASSETS

本集團 Group		本公司 Company	
二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000	二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
464,700	—	464,700	—
80,981	8,335	—	—
545,681	8,335	464,700	—

(a) 於二零零七年一月三十日，本公司與廣東國際信託投資公司(「廣國投」)破產清算組、深圳市一浪投資有限公司(「深圳一浪」，一間於中國成立的獨立公司)以及本公司最終控股公司中國航空技術進出口深圳公司(以下簡稱「深圳中航」)簽訂轉讓協議，另與深圳一浪及深圳中航訂立一份合作協議。根據上述兩份協議，本公司將收購廣國投附屬公司廣東國際大廈實業有限公司75%股權權益及承擔廣東國際大廈之債務，總代價為人民幣930,000,000元。於二零零七年十二月三十一日，該項交易並未完成，該金額指本集團就該項交易支付的預付款。列為資本承擔的未支付金額於附註36(a)披露。

(b) 其他非流動資產主要包括收購中國西安市一間酒店的預付款人民幣60,000,000元。該酒店的總收購價為人民幣200,000,000元。未支付資本承擔於附註36(a)披露。

(a) On 30th January 2007, the Company entered into a transfer agreement with the Insolvency and Liquidation Committee of Guangdong International Trust Investment Company ("GITIC"), Shenzhen Yilang Investment Co., Ltd. ("Shenzhen Yilang"), an independent company established in the PRC, and China National Aero-Technology Import and Export Shenzhen Company ("Shenzhen CATIC"), its ultimate holding company, as well as a cooperation agreement with Shenzhen Yilang and Shenzhen CATIC. Pursuant to these two agreements, the Company will acquire 75% equity interest and assume the debts of Guangdong International Building Industrial Co., Ltd., a subsidiary company of GITIC at a total consideration of RMB930,000,000. As of 31st December 2007, the transaction had not been completed and the amount represents prepayment made by the Group for the transaction. The outstanding amount as a capital commitment is disclosed in Note 36(a).

(b) Others mainly comprised prepayment for the purchase of a hotel located in Xian city of the PRC amounting to RMB 60,000,000. The total purchase price of the hotel is RMB 200,000,000 and the outstanding capital commitment is disclosed in Note 36(a).

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

17 存貨

17 INVENTORIES

		本集團 Group	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
原材料	Raw materials	158,405	121,777
在製品	Work-in-progress	56,299	46,465
製成品	Finished goods	615,125	447,344
		829,829	615,586

確認為開支並列入銷售成本的存貨成本為人民幣2,291,371,000元(二零零六年：人民幣1,826,284,000元)(附註27)。

The cost of inventories recognized as expense and included in cost of sales amounted to RMB2,291,371,000 (2006: RMB1,826,284,000) (Note 27).

18 貿易及其他應收款

18 TRADE AND OTHER RECEIVABLES

		本集團 Group		本公司 Company	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000	二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
貿易應收款	Trade receivables	736,606	575,085	-	-
減：應收款減值撥備	Less: provision for impairment of receivables	(68,045)	(70,215)	-	-
貿易應收款－淨額	Trade receivables – net	668,561	504,870	-	-
應收票據	Notes receivables	272,854	265,741	-	-
預付款	Prepayments	27,700	26,998	-	-
預付增值稅款	Prepayments of value added tax	29,614	-	-	-
其他流動資產	Other current assets	76,792	67,321	199	852
		1,075,521	864,930	199	852

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

18 貿易及其他應收款(續)

本集團貨物銷售之信用期限介乎於30至90日不等。貿易應收款之賬齡分析如下：

		本集團 Group	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
即期	Current	267,126	245,947
30至60日	30-60 days	178,199	143,453
60至90日	60-90 days	128,024	81,917
90日以上	over 90 days	163,257	103,768
		736,606	575,085
減：減值虧損撥備	Less: provision for impairment losses	(68,045)	(70,215)
		668,561	504,870

即期貿易及其他應收款之賬面值與其公允值相若。

The carrying amount of current trade receivables and other receivables approximates their fair values.

本集團貿易應收款之賬面值以下列貨幣計值：

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

		本集團 Group	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
人民幣	RMB	559,102	373,221
美元	USD	137,378	148,239
港元	HKD	32,699	39,875
其他貨幣	Other currencies	7,427	13,750
		736,606	575,085

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

18 貿易及其他應收款(續)

貿易應收款減值撥備之變動如下：

		二零零七年 2007	二零零六年 2006
於一月一日	At 1st January	70,215	81,360
應收款減值撥備	Provision for receivable impairment	3,645	(11,145)
年內作為不可回收款進行 撤銷之應收款	Receivables written off during the year as uncollectible	(5,815)	-
於十二月三十一日	At 31st December	68,045	70,215

逾期少於三個月的貿易應收款不計提減值。
於二零零七年十二月三十一日，逾期超過三
個月的貿易應收款並無計提減值。該等貿易
應收款涉及多個近期並無拖欠記錄的獨立客
戶。

減值應收款撥備的增設及撥回已計入損益
表。計入撥備賬目的金額一般於預期不可收
回額外現金時撤銷。

於報告日期，信貸風險的上限為上述各類應
收款的公允值。本集團並無持有任何抵押品
作為擔保。

18 TRADE AND OTHER RECEIVABLES
(continued)

Movements on the provision for impairment of trade
receivables are as follows:

Trade receivables that are less than three months past
due are not considered impairment. As of 31st December
2007, trade receivables over three months were past
due but not impaired. These relate to a number of
independent customers for whom there is no recent
history of default.

The creation and release of provision for impaired
receivables have been included in the income statement.
Amount charged to the allowance account are generally
written off when there is no expectation of recovering
additional cash.

The maximum exposure to credit risk at the reporting
date is the fair value of each class of receivable
mentioned above. The Group does not hold any collateral
as security.

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

19 按公允值透過損益列賬之金融資產

於中國上市之 投資市值 — 權益股份	Market value of investments listed In China — Equity shares
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按公允值透過損益列賬之金融資產呈列於現金流量表「經營活動」項下，作為營運資本變動之一部份(附註35)。

按公允值透過損益列賬之金融資產的公允值變動計入損益表，總金額為人民幣42,379,000元(二零零六年：人民幣21,787,000元)(附註26)。

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

本集團 Group		本公司 Company	
二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000	二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
74,008	62,965	74,008	60,826

Financial assets at fair value through profit or loss are presented within 'operating activities' as part of changes in working capital in the cash flow statement (Note 35).

Changes in fair values of financial assets at fair value through profit or loss are recorded in the income statement amounted to RMB42,379,000 (2006: RMB21,787,000) (Note 26).

20 現金及現金等價物

本集團現金及現金等價物之結餘以下列貨幣計值：

20 CASH AND CASH EQUIVALENTS

The balance of the Group's cash and cash equivalents are denominated in the following currencies:

		本集團		本公司	
		Group		Company	
		二零零七年	二零零六年	二零零七年	二零零六年
		2007	2006	2007	2006
		人民幣千元	人民幣千元	人民幣千元	人民幣千元
		RMB'000	RMB'000	RMB'000	RMB'000
人民幣	RMB	815,346	670,363	46,512	175,483
美元	USD	165,344	39,718	—	—
港元	HKD	266,284	17,767	263,649	350
其他貨幣	Other currencies	39,654	13,064	—	—
		1,286,628	740,912	310,161	175,833
信貸風險上限	Maximum exposure to credit risk	1,049,541	734,863	303,762	174,777

財務報表附註
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21 股本及股份溢價

21 SHARE CAPITAL AND SHARE PREMIUM

		內資股 Domestic Shares (千股) (附註b) (thousands) Note (b)	H股 H Shares (千股) (附註c) (thousands) Note (c)	股份數 Number of shares (千股) (附註a) (thousands) Note (a)	普通股 Ordinary shares (人民幣千元) (RMB'000)	股份溢價 Share premium (人民幣千元) (RMB'000)	總計 Total (人民幣千元) (RMB'000)
於二零零六年一月一日	At 1st January 2006	400,000	242,000	642,000	642,000	165,198	807,198
購回H股	Repurchase of H shares	-	(6,000)	(6,000)	(6,000)	(4,093)	(10,093)
於二零零六年十二月三十一日	At 31st December 2006	400,000	236,000	636,000	636,000	161,105	797,105
內資股轉換為H股	Transfer of Domestic Shares to H shares	(4,291)	4,291	-	-	-	-
發行新股	New issues	-	42,909	42,909	42,909	196,744	239,653
於二零零七年十二月三十一日	At 31st December 2007	395,709	283,200	678,909	678,909	357,849	1,036,758

附註：

- (a) 普通股之註冊總數為678,909,090股(二零零六年：636,000,000股)，每股面值人民幣1元(二零零六年：每股面值人民幣1元)。所有已發行股份均已繳足。
- (b) 於一九九七年六月二十日，本公司透過向深圳中航(其最終控股公司)發行400,000,000股每股面值人民幣1元之普通內資股(「內資股」)而成立，以交換其旗下若干附屬公司、聯營公司及物業之權益。該等內資股概無於任何證交所流通。
- (c) 於一九九七年九月二十二日，本公司以每股1.73港元之價格透過配售及公開招股，新發行每股面值人民幣1元之242,000,000股H股。該等新發行之H股於一九九七年九月二十九日於香港聯合交易所有限公司上市。

Notes:

- (a) The total registered number of ordinary shares is 678,909,090 shares (2006: 636,000,000 shares) with a par value of RMB1 per share (2006: RMB1 per share). All issued shares are fully paid.
- (b) On 20th June 1997, the Company was established by issuance of 400,000,000 Ordinary domestic shares ("Domestic Shares") of RMB1 each to Shenzhen CATIC, its ultimate holding company, in exchange for its interests in certain subsidiaries, associates and properties. These Domestic Shares are not circulated on any stock exchanges.
- (c) On 22nd September 1997, the Company newly issued 242,000,000 H Shares of RMB1 each by way of placement and public offer at a price of HKD1.73 each. These newly issued H Shares have been listed on The Stock Exchange of Hong Kong Limited on 29th September 1997.

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

21 股本及股份溢價(續)

附註：(續)

- (c) 於二零零六年八月，本公司購回於香港聯合交易所有限公司上市的6,000,000股H股。購買該等H股之代價總額(已從股東權益中扣除)為9,702,000港元(相當於人民幣10,093,000元)。

於二零零七年十二月二十七日，本公司以每股6港元之價格，透過配售發行每股面值人民幣1元之42,909,090股H股。新發行H股代價淨值超出該等股份面值的部份已於股份溢價確認，總金額為人民幣196,744,000元。根據國務院國有資產監督管理委員會(「國資委」)於二零零七年五月十日之批核，國資委已批准，作為上述發行新股的一部份，深圳中航將其持有的4,290,909股內資股轉讓予全國社會保障基金理事會並兌換為H股。

21 SHARE CAPITAL AND SHARE PREMIUM
(continued)

Notes: (continued)

- (c) The Company repurchased 6,000,000 shares of its H Shares on the Stock Exchange of Hong Kong Limited in August 2006. The total amount paid to acquire the H Shares was HKD9,702,000 (an equivalent of RMB10,093,000) which was deducted from shareholders' equity.

On 27th December 2007, the Company issued 42,909,090 H shares of RMB 1 each by way of placement at a price of HKD 6.00 each. The excess of net consideration for newly issued H Shares over the par value of the shares has been recognised in share premium amounting to RMB 196,744,000. Pursuant to the approval of the State-owned Assets Supervision and Administration Commission of the State Council ("State Assets Commission") dated 10th May 2007, State Assets Commission has approved, as part of the above new issue, the transfer of the 4,290,909 of Domestic Shares held by Shenzhen CATIC to the National Social Security Fund Council of the PRC as H Shares.

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

22 其他儲備

22 OTHER RESERVES

		資本儲備 Capital reserve 人民幣千元 RMB'000	法定盈餘 公積金 Statutory general reserve fund 人民幣千元 RMB'000	法定公益金 Statutory general welfare fund 人民幣千元 RMB'000	可供出售金融 資產重估儲備 Available-for- sale financial assets revaluation reserve 人民幣千元 RMB'000	總額 Total 人民幣千元 RMB'000
本集團	GROUP					
於二零零六年一月一日之結餘	Balance as at 1st January 2006	182,235	33,006	26,403	–	241,644
一附屬公司股權改革後 股權權益撥入 少數股東權益	Transfer of equity interest to minority interests following a subsidiary's share segregation reform	(58,999)	–	–	–	(58,999)
可供出售金融資產之 公允價值收益(已扣除稅款)	Fair value gains from available-for-sale financial assets, net of tax	–	–	–	120,109	120,109
法定公益金撥入法定盈餘公積金	Transfer of statutory common welfare fund to statutory general reserve fund	–	26,403	(26,403)	–	–
從未分配利潤撥出， 如法定賬目所列	Transfer from retained earnings as reported in statutory accounts	–	10,592	–	–	10,592
於二零零六年十二月三十一日之結餘	Balance as at 31st December 2006	123,236	70,001	–	120,109	313,346
於二零零七年一月一日結餘， 如上文所述	Balance as at 1st January 2007 as per above	123,236	70,001	–	120,109	313,346
一附屬公司股權改革後 股權權益撥入少數股東權益 (附註11)	Transfer of equity interest to minority interest following a subsidiary's share segregation reform (Note 11)	(49,055)	–	–	–	(49,055)
可供出售金融資產之 公允價值收益(已扣除稅款)	Fair value gains from available-for-sale financial assets, net of tax	–	–	–	60,079	60,079
少數股東權益注資(附註11)	Capital contributed by minority interest (Note 11)	151,000	–	–	–	151,000
沖回可供出售金融資產公允價值 變動至於聯營公司之投資	Reversal of fair value change of an available-for-sale financial assets to investments in associates	–	–	–	–	–
一毛額(附註14)	– gross amount (Note 14)	–	–	–	(93,729)	(93,729)
一稅款(附註15)	– tax (Note 15)	–	–	–	14,059	14,059
增持聯營公司股權所產生的淨資產 公允價值收益(附註12)	Fair value gain arising from step-up of the share of acquired net assets of an associate directly credited to equity (Note 12)	191,029	–	–	–	191,029
收購少數股東權益	Acquisition of minority interest	364	–	–	–	364
於二零零七年十二月三十一日之結餘	Balance as at 31st December 2007	416,574	70,001	–	100,518	587,093

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

22 其他儲備(續)

22 OTHER RESERVES (continued)

		法定盈餘 公積金 Statutory general reserve fund 人民幣千元 RMB'000	法定公益金 Statutory general welfare fund 人民幣千元 RMB'000	可供出售金融 資產重估儲備 Available-for- sale financial assets revaluation reserve 人民幣千元 RMB'000	總額 Total 人民幣千元 RMB'000
本公司	COMPANY				
於二零零六年一月一日 之結餘	Balance as at 1st January 2006	33,006	26,403	–	59,409
可供出售金融資產之 公允值收益 (扣除稅款)	Fair value gains from available-for-sale financial assets, net of tax	–	–	79,670	79,670
法定公益金撥入 法定盈餘公積金	Transfer of statutory general welfare fund to statutory general reserve fund	26,403	(26,403)	–	–
從未分配利潤撥出， 如法定賬目所列	Transfer from retained earnings as reported in statutory accounts	10,592	–	–	10,592
於二零零六年 十二月三十一日之結餘	Balance as at 31st December 2006	70,001	–	79,670	149,671
於二零零七年一月一日 之結餘，同上	Balance as at 1st January 2007 as per above	70,001	–	79,670	149,671
沖回可供出售金融資產 公允值變動至於聯營 公司之投資(未扣除 稅款)(附註14)	Reversal of fair value change of an available-for-sale financial assets to investments in associates, gross of tax (Note 14)	–	–	(93,729)	(93,729)
沖回可供出售金融資產 公允值收益之稅款 (附註15)	Reversal of tax on fair value gains from available-for-sale financial assets (Note 15)	–	–	14,059	14,059
於二零零七年 十二月三十一日之結餘	Balance as at 31st December 2007	70,001	–	–	70,001

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

22 其他儲備(續)

根據中國公司法及本公司之組織章程細則，於每年分派淨溢利時，本公司須分別將中國法定賬目所載淨溢利的10%撥作法定盈餘公積金(除非該公積金已達本公司註冊股本金額的50%)。除儲備設立之目的外，該儲備不得用作其他用途及不得用作現金股息進行分派。

法定盈餘公積金

經股東大會決議後，法定盈餘公積金可轉為股本，但以留存的該項公積金不得少於註冊股本金額的25%為限。

於截至二零零七年十二月三十一日止年度，本公司董事建議不提取法定盈餘公積金(二零零六年：人民幣10,952,000元)。

法定公益金

根據自二零零六年一月起生效的對中國公司法之修訂，中國公司無需再向法定公益金作出供款。該等公司已根據相關會計規定，將法定公益金結餘撥入法定盈餘公積金。

22 OTHER RESERVES (continued)

According to the Company Law of the PRC and the Articles of Association of the Company, when distributing net profit each year, the Company shall set aside 10% of its net profit as reported in the PRC statutory accounts for the statutory general reserve fund (except where the fund has reached 50% of the Company's registered share capital). This reserve cannot be used for purposes other than those for which they are created and are not distributable as cash dividends.

Statutory General Reserve Fund

The statutory general reserve fund may be converted into share capital provided it is approved by a resolution at a shareholders' general meeting and the balance of the statutory general reserve fund does not fall below 25% of the registered share capital.

The directors of the Company did not propose the appropriation to the statutory general reserve fund for the year ended 31st December 2007 (2006: RMB 10,952,000).

Statutory General Welfare Fund

Pursuant to the amendment to the Company Law in the PRC effective, January 2006, the PRC companies are not required to provide statutory general welfare fund. According to the relevant accounting regulations, these companies transferred the balance of statutory general welfare fund to statutory general reserve fund.

財務報表附註

NOTES TO THE FINANCIAL STATEMENTS

23 借貸

借貸包括銀行借貸及其他借貸，分析如下：

		本集團		本公司	
		Group		Company	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000	二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
非流動	Non-current				
銀行借貸	Bank borrowings	1,945,636	10,000	-	-
流動	Current				
流動銀行借貸	Current bank borrowings	1,380,950	898,690	854,000	320,000
非流動銀行借貸之 即期部分	Current portion of non-current bank borrowings	150,000	30,000	-	-
關連方提供之其他借貸 (附註38(c))	Other borrowings from related party (Note 38(c))	249,258	9,858	250,000	-
		1,780,208	938,548	1,104,000	320,000
借貸總額	Total borrowings	3,725,844	948,548	1,104,000	320,000

借貸總額包括授予本集團若干附屬公司之流動有抵押銀行借貸人民幣45,000,000元(二零零六年：人民幣37,600,000元)，以本集團之工廠樓宇為抵押(附註8)。於二零零七年十二月三十一日，流動銀行借貸人民幣1,327,000,000元(二零零六年：非流動銀行借貸人民幣485,000,000元)由深圳中航提供擔保。

關連方提供之其他借貸為無擔保、以年利率6%(二零零六年：6%)計息及須於要求時償還。

於各結算日，借貸之賬面值與其公允值相若。該公允值乃根據類似條款及到期日之借貸的普遍適用利率計算。

23 BORROWINGS

Borrowings include bank borrowings and other borrowings which are analysed as follows:

		本集團		本公司	
		Group		Company	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000	二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
Non-current					
Bank borrowings		1,945,636	10,000	-	-
Current					
Current bank borrowings		1,380,950	898,690	854,000	320,000
Current portion of non-current bank borrowings		150,000	30,000	-	-
Other borrowings from related party (Note 38(c))		249,258	9,858	250,000	-
		1,780,208	938,548	1,104,000	320,000
Total borrowings		3,725,844	948,548	1,104,000	320,000

Total borrowings include current secured bank borrowings of RMB 45,000,000 (2006: RMB37,600,000) made to certain subsidiaries of the Group, which are secured by plant buildings of the Group (Note 8). As at 31st December 2007, current bank borrowings of RMB 1,327,000,000 (2006: non-current bank borrowings of RMB485, 000,000) are guaranteed by Shenzhen CATIC.

Other borrowings from related party were unsecured, interest bearing at the rate of 6% per annum (2006: 6%) and repayable on demand.

The carrying amount of the borrowings at the respective balance sheet dates approximated their fair values based on the prevailing borrowing rates available for borrowings with similar terms and maturities.

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

23 借貸(續)

借貸之賬面值以下列貨幣計值：

		本集團 Group		本公司 Company	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000	二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
人民幣	RMB	2,875,808	874,187	1,104,000	320,000
美元	USD	850,036	66,997	-	-
日圓	JPY	-	7,364	-	-
		3,725,844	948,548	1,104,000	320,000

於結算日，借貸面臨之利率變動及合約重新定價日期風險如下：

		本集團 Group		本公司 Company	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000	二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
一年內	Within 1 year	383,061	21,763	-	-
一至兩年	Between 1 and 2 years	1,694,577	10,000	-	-
		2,077,638	31,763	-	-

23 BORROWINGS (continued)

The carrying amounts of the borrowings are denominated in the following currencies:

The exposure of the borrowings to interest-rate changes and the contractual repricing dates at the balance sheet dates are as follows:

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

23 借貸(續)

非流動銀行借貸之到期日如下：

		本集團 Group		本公司 Company	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000	二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
一至兩年	Between 1 and 2 years	141,490	10,000	50,000	—
兩至五年	Between 2 and 5 years	109,569	—	—	—
須於五年內全數償還	Wholly repayable within 5 years	251,059	10,000	50,000	—
五年以上	Over 5 years	1,694,577	—	—	—
總計	Total	1,945,636	10,000	50,000	—

(a) 於結算日之實際利率如下：

(a) The effective interest rates at the balance sheet dates are as follows:

		本集團 Group			本公司 Company		
		二零零七年 2007	二零零六年 2006		二零零七年 2007	二零零六年 2006	
		人民幣 RMB	美元 USD	日圓 JPY	人民幣 RMB	美元 USD	日圓 JPY
銀行借貸	Bank borrowings	6.9%	6.9%	—	5.2%	5.3%	1.6%
其他借貸	Other borrowings	6.0%	—	—	6.0%	—	—

		本公司 Company			本公司 Company		
		二零零七年 2007	二零零六年 2006		二零零七年 2007	二零零六年 2006	
		人民幣 RMB	美元 USD	日圓 JPY	人民幣 RMB	美元 USD	日圓 JPY
銀行借貸	Bank borrowings	6.4%	—	—	5%	—	—

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

23 借貸(續)

(b) 本集團及本公司之借貸面臨的利率風險如下：

		本集團 Group		本公司 Company	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000	二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
浮息借貸	Borrowings at floating rates	2,077,638	31,763	50,000	—
定息借貸	Borrowings at fixed rates	1,648,206	916,785	1,054,000	320,000
總計	Total	3,725,844	948,548	1,104,000	320,000

23 BORROWINGS (continued)

(b) The interest rate exposure of the borrowings of the Group and the Company are as follows:

24 貿易及其他應付款

		本集團 Group		本公司 Company	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000	二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
貿易應付款	Trade payables	617,587	447,832	—	—
應付薪金及員工福利	Salary and staff welfare payable	78,392	63,596	3,000	—
應計費用及其他應付款項	Accruals and other payables	260,643	246,622	51,963	16,268
		956,622	758,050	54,963	16,268

24 TRADE AND OTHER PAYABLES

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

24 貿易及其他應付款(續)

於二零零七年十二月三十一日，貿易應付款之賬齡分析如下：

		本集團 Group		本公司 Company	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000	二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
即期	Current	489,925	253,684	-	-
30至60日	30-60 days	44,310	120,919	-	-
60至90日	60-90 days	51,731	37,397	-	-
90日以上	Over 90 days	31,621	35,832	-	-
		617,587	447,832	-	-

本集團貿易應付款之賬面值以下列貨幣計值：

24 TRADE AND OTHER PAYABLES (continued)

At 31st December 2007, the ageing analysis of the trade payables is as follows:

		本集團 Group		本公司 Company	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000	二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
即期	Current	489,925	253,684	-	-
30至60日	30-60 days	44,310	120,919	-	-
60至90日	60-90 days	51,731	37,397	-	-
90日以上	Over 90 days	31,621	35,832	-	-
		617,587	447,832	-	-

The carrying amounts of the Group's trade payables are denominated in the following currencies:

		本集團 Group		本公司 Company	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000	二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
人民幣	RMB	514,555	384,394	-	-
美元	USD	77,151	43,153	-	-
港元	HKD	10,598	3,220	-	-
其他貨幣	Other currencies	15,283	17,065	-	-
		617,587	447,832	-	-

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

25 其他收入

25 OTHER INCOME

		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
手錶維修收入	Income from maintenance of timepieces	2,658	669
副產品銷售收入	Sales of by-products	11,021	6,453
增值稅及所得稅退稅	Value-added tax and income tax refund	5,701	—
其他	Others	5,210	2,094
		24,590	9,216

26 其他收益—淨額

26 OTHER GAINS-NET

		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
按公允值透過損益列賬之金融資產之 公允值收益(附註18)	Fair value gain from financial assets at fair value through profit or loss (Note 18)	42,379	21,787
於聯營公司投資減值(附註12)	Impairment for investments in associates (Note 12)	(1,455)	—
可供出售金融資產減值	Impairment for available-for-sale financial assets	(2,260)	—
其他	Others	4,519	2,736
		43,183	24,523

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

27 按性質分類的費用

27 EXPENSES BY NATURE

		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
製成品及在製品的存貨變動	Changes in inventories of finished goods and work in progress	545,017	136,387
使用的原材料及消耗品	Raw materials and consumables used	1,746,354	1,689,897
員工福利成本	Employee benefits expenses	397,817	293,290
維修保養支出	Repairs and maintenance expenditure	29,454	16,586
研究及開發支出	Research and development expenditure	65,981	18,184
陳舊存貨撥備	Provisions for inventory obsolescence	10,726	25,907
計提／(沖回)應收款項	Provisions for/(reversal of) receivables	3,645	(11,145)
固定資產折舊	Depreciation of fixed assets	118,067	119,531
投資物業折舊	Depreciation of investment property	7,398	7,667
租賃土地及土地使用權攤銷	Amortisation of leasehold land and land use right	4,745	1,573
其他非流動資產攤銷	Amortisation of other non-current assets	7,162	2,316
有關寫字樓物業之經營租賃支出	Operating lease rentals in respect of office buildings	14,023	11,435
核數師酬金	Auditors' remuneration	7,605	6,760
水電費	Utility expenses	52,530	50,128
法律及專業諮詢費，開辦費以及其他費用	Legal and professional, pre-operating and other expenses	58,038	25,000
銷售成本，銷售費用及一般及行政費用總額	Total cost of sales, distribution expenses and general and administrative expenses	3,068,562	2,393,516

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

28 董事及高級行政人員之酬金

(a) 董事之酬金

截至二零零七年十二月三十一日止
年度，每名董事的薪酬如下：

董事姓名：	Name of directors:
吳光權先生	Mr. Wu Guang Quan
賴偉宣先生	Mr. Lai Wei Xuan
隋湧先生	Mr. Sui Yong
程保忠先生	Mr. Cheng Bao Zhong
劉瑞林先生	Mr. Liu Rui Lin
徐東升先生	Mr. Xu Dong Sheng
由鐳先生	Mr. You Lei
王寶瑛先生	Mr. Wang Bao Ying
潘昭國先生	Mr. Poon Chiu Kwok
廖於勤先生	Mr. Eugene Liu
劉憲法先生	Mr. Liu Xian Fa
王濱濱先生	Mr. Wang Bin Bin
李承寧先生	Mr. Li Cheng Ning

28 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

The remunerations of the directors for the year ended 31st December 2007 are set out below:

袍金 Fee 人民幣千元 RMB'000	薪金 Salary 人民幣千元 RMB'000	酌情花紅 Discretionary bonuses 人民幣千元 RMB'000	員工 退休福利供款 Employer's contribution to pension schemes 人民幣千元 RMB'000	合計 Total 人民幣千元 RMB'000
-	324	900	98	1,322
-	324	900	98	1,322
-	496	653	71	1,220
-	265	795	70	1,130
-	307	993	-	1,300
-	307	893	-	1,200
-	307	1,523	-	1,830
-	230	531	56	817
135	-	-	-	135
135	-	-	-	135
50	-	-	-	50
50	-	-	-	50
50	-	-	-	50
420	2,560	7,188	393	10,561

財務報表附註
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28 董事及高級行政人員之酬金(續)

(a) 董事之酬金(續)

截至二零零六年十二月三十一日止
年度，每名董事的薪酬如下：

董事姓名： Name of directors:

吳光權先生	Mr. Wu Guang Quan
賴偉宣先生	Mr. Lai Wei Xuan
隋湧先生	Mr. Sui Yong
程保忠先生	Mr. Cheng Bao Zhong
劉瑞林先生	Mr. Liu Rui Lin
徐東升先生	Mr. Xu Dong Sheng
由鑑先生	Mr. You Lei
王寶瑛先生	Mr. Wang Bao Ying
潘昭國先生	Mr. Poon Chiu Kwok
廖於勤先生	Mr. Eugene Liu
劉憲法先生	Mr. Liu Xian Fa
王濱濱先生	Mr. Wang Bin Bin
李承寧先生	Mr. Li Cheng Ning

28 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

The remunerations of the directors for the year
ended 31st December 2006 are set out below:

袍金 Fee 人民幣千元 RMB'000	薪金 Salary 人民幣千元 RMB'000	酌情花紅 Discretionary bonuses 人民幣千元 RMB'000	員工 退休福利供款 Employer's contribution to pension schemes 人民幣千元 RMB'000	合計 Total 人民幣千元 RMB'000
-	255	431	52	738
-	255	431	52	738
-	216	310	40	566
-	216	310	40	566
-	244	957	16	1,217
-	244	458	16	718
-	244	1,072	16	1,332
-	165	218	16	399
151	-	-	-	151
151	-	-	-	151
50	-	-	-	50
50	-	-	-	50
50	-	-	-	50
452	1,839	4,187	248	6,726

上述董事袍金包括支付予獨立非執
行董事之袍金人民幣320,000元(二
零零六年：人民幣352,000元)。

Directors' fees disclosed above include
RMB320,000 (2006: RMB352,000) paid to
independent non-executive directors.

本年度並無董事放棄任何酬金(二零
零六年：無)。

None of the directors waived any emoluments
during the year (2006: Nil).

(b) 五位最高薪酬人士

二零零七年及二零零六年度本集團
之五位最高薪酬人員皆為本公司董
事，其薪酬詳情已於上文分析中披
露。

(b) Five highest paid individuals

All of the five highest paid individuals in the Group
for the years of 2007 and 2006 are directors of
the Company whose emoluments are reflected in
the analysis presented above.

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

29 融資成本－淨額

29 FINANCE COSTS – NET

		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
利息支出	Interest expenses		
－須於五年內全數償還之 銀行借貸	– bank borrowings wholly repayable within 5 years	88,139	37,568
－須應要求償還予關連方 之借貸	– borrowings from related party repayable on demand	5,710	577
－貼現票據	– discounted bills	–	3,137
融資活動之匯兌(收益)/ 虧損淨額	Net foreign exchange (gain)/losses on financing activities	(417)	16,864
其他	Others	8,152	5,003
融資成本	Finance costs	101,584	63,149
利息收入	Interest income		
－銀行存款	– bank deposits	(7,529)	(4,429)
融資成本淨額	Net finance costs	94,055	58,720

30 僱員福利費用

30 EMPLOYEE BENEFIT EXPENSES

		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
工資、薪金及獎金	Wages, salaries and bonuses	339,603	233,352
福利、醫療及其他費用	Welfare, medical and other expenses	35,251	37,417
社會保險成本	Social security costs	22,963	22,521
		397,817	293,290

本集團已參與由政府機關組織及管理，並於中國實行的僱員社會保險計劃，包括退休金、醫療及其他社會福利。根據有關規定，本集團每月須向政府機構繳納養老保險基金及醫療保險基金，供款額分別為僱員月薪的19%及9%。本集團分別承擔其中的14%及7%，其餘的款項由僱員本身承擔。

The Group has participated in employee social security plans enacted in the PRC, which cover pension, medical and other welfare benefits. The plans are organised and administered by the governmental authorities. Pursuant to the relevant provisions, the Group is required to make monthly contributions in respect of retirement insurance and health insurance to governmental authorities, equivalent to 19% and 9% respectively based on the monthly salaries of its employees, of which, the Group bears 14% and 7% respectively, and the employees bear the rest.

財務報表附註

NOTES TO THE FINANCIAL STATEMENTS

31 所得稅開支

根據中國有關所得稅法，本集團及其於深圳經濟特區內成立的聯營公司，適用所得稅率為15%，而於其他地區成立的公司，適用所得稅率為33%。此外，集團內某些公司為中外合資企業，因而於抵銷過往年度結轉稅務虧損後首個獲利年度起，首兩年獲豁免全部中國企業所得稅，而隨後三年則享受50%的稅率優惠。

本年度所得稅開支如下：

31 INCOME TAX EXPENSE

Pursuant to the relevant income tax laws of the PRC, the Group and its associates established in the Shenzhen Special Economic Zone are subject to income tax at a rate of 15% while those established in other areas are subject to income tax at a rate of 33%. Further, certain Group companies are Sino-foreign joint ventures which are entitled to full exemption from PRC income tax for two years and a 50% reduction in the next three years starting from the first profit-making year after offsetting available tax losses carried forward from prior years.

Income tax charged for the year represents:

		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
本年度企業所得稅	Current enterprise income tax	42,204	33,450
有關來自及撥回暫時性差異之 遞延所得稅(附註15)	Deferred income taxes related to the origination and reversal of temporary differences (Note 15)	(2,593)	(2,445)
因稅率變動而產生之 遞延所得稅(附註15)	Deferred income taxes resulting from change in the tax rates (Note 15)	(3,366)	—
		36,245	31,005

財務報表附註

NOTES TO THE FINANCIAL STATEMENTS

31 所得稅開支(續)

本集團除稅前溢利產生之稅項與根據本公司及其附屬公司所在國稅率計算之理論稅項差額如下：

31 INCOME TAX EXPENSE (continued)

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the tax rates of the home country of the Company and its subsidiaries as follows:

		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
除所得稅前溢利	Profit before income tax	279,013	211,367
按本公司及其附屬公司各自適用之稅率(15%至33%)計算之稅項(二零零六年：15%至33%)	Tax calculated at the tax rates applicable to the Company and its subsidiaries ranging from 15% to 33% (2006: 15% to 33%)	47,710	32,112
因稅率變動而產生之遞延所得稅(附註15)	Deferred income taxes resulting from change in the tax rates (Note 15)	(3,366)	—
未確認稅項虧損之稅務影響	Tax effect on unrecognised tax losses	9,042	1,705
獲豁免或減免所得稅之附屬公司之稅務影響	Tax effect of subsidiaries which were entitled to exemption or reduction of income tax	(6,425)	(7,082)
不得作稅項抵扣用途之費用	Expenses not deductible for tax purpose	809	7,915
毋須繳稅之收入	Income not subject to tax	(11,525)	(3,645)
稅項支出	Tax charge	36,245	31,005

根據二零零七年三月十六日第十屆全國人民代表大會通過的中國企業所得稅法，國內及外資企業的新企業所得稅率統一為25%，於二零零八年一月一日起生效。此外，中國企業所得稅法亦會提供由生效日起五年的過渡期予所有於新稅法頒佈前成立，且根據當時有效稅法或規例有權享受優惠低稅率的企業。

Pursuant to the PRC Enterprise Income Tax Law passed by the Tenth National People's Congress on 16th March 2007, the new enterprise income tax for domestic and foreign enterprises is unified at 25%, effective 1st January 2008. In addition, the PRC Enterprise Income Tax Law also provides a five-year transitional period starting from its effective date for those enterprises which were established before the promulgation date of the new tax law and which were entitled to a preferential lower income tax rates under the then effective tax laws or regulations.

財務報表附註

NOTES TO THE FINANCIAL STATEMENTS

31 所得稅開支(續)

於二零零七年十二月二十六日，國務院頒佈《實施企業所得稅過渡優惠政策的通知》。根據該通知，本集團在二零零七年三月三十一日前於深圳經濟特區內成立的附屬公司將分別於二零零八年、二零零九年、二零一零年、二零一一年及二零一二年按18%、20%、22%、24%及25%之過渡所得稅率計稅。

32 本公司權益持有人應佔溢利

本公司權益持有人應佔虧損已計入本公司財務報表，並以人民幣25,939,000元(二零零六年：溢利人民幣42,485,000元)為限。

33 每股盈利

每股基本及攤薄盈利乃按本公司權益持有人應佔溢利除以年內已發行普通股之加權平均股數計算。

31 INCOME TAX EXPENSE (continued)

On 26th December 2007, the State Council issued the "Circular to Implementation the Transitional Preferential Policies for the Enterprise Income Tax". Pursuant to this Circular, the transitional income tax rates for the Group's subsidiaries established in Shenzhen Special Economic Zone before 31st March 2007 would be 18%, 20%, 22%, 24% and 25% in the year 2008, 2009, 2010, 2011 and 2012 respectively.

32 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of RMB25,939,000 (2006: profit RMB42,485,000).

33 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

		二零零七年 2007	二零零六年 2006
本公司權益持有人應佔溢利 (人民幣千元)	Profit attributable to equity holders of the Company (RMB'000)	198,818	123,095
已發行普通股之加權平均 股數(千股)	Weighted average number of ordinary shares in issue (thousands)	636,000	639,733
每股基本及攤薄盈利 (人民幣/每股)	Basic and diluted earnings per share (RMB per share)	0.3126	0.1924

於二零零七年及二零零六年十二月三十一日，並無任何潛在攤薄股份。

There are no potential dilutive shares as at 31st December 2007 and 2006.

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34 股息

34 DIVIDENDS

		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
年終前宣派之股息	Dividends declared before year end		
末期股息，無(二零零六年： 人民幣0.006元)	Final-nil, (2006: RMB0.006) (per share)	—	3,852
年終前宣派之股息	Dividends declared before year end		
中期股息， 每股人民幣0.06元 (二零零六年： 人民幣0.06元)	Interim, RMB0.06 (2006: RMB0.06) per share	38,160	38,520
		38,160	42,372

於二零零八年四月十五日召開之董事會會議上，董事建議不派發截至二零零七年十二月三十一日止年度末期股息。

At the Board of directors' meeting held on 15th April 2008, the directors did not propose a final dividend for the year ended 31st December 2007.

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35 營運產生之現金

年度溢利與營運產生之現金的調整：

35 CASH GENERATED FROM OPERATIONS

Reconciliation of profit for the year to cash generated from operations:

		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
除所得稅前溢利	Profit before income tax	315,258	211,367
調整項目：	Adjustments for:		
折舊	Depreciation		
— 物業、廠房及設備	— property, plant and equipment	118,067	119,531
— 投資物業	— investment properties	7,398	7,667
租賃土地及土地使用權攤銷	Amortisation of leasehold land and land use rights	4,745	1,573
其他非流動資產攤銷	Amortisation of other non-current assets	7,162	2,316
可供出售金融資產減值	Impairment of available-for-sale financial assets	2,260	—
於聯營公司投資減值	Impairment of investments in associates	1,455	—
按公允值透過損益列賬之金融資產的公允值收益	Fair value gain on financial assets at fair value through profit or loss	(42,379)	(24,523)
利息收入	Interest income	(7,529)	(4,429)
利息支出	Interest expenses	93,849	41,282
應佔聯營公司之虧損／(溢利)	Share of loss /(profit) of associates	7,173	(70)
出售物業、廠房及設備之虧損	Loss on disposal of property, plant and equipment	599	1,350
所佔聯營公司可辨認資產、負債及或然負債淨公允值超出投資成本之差額(附註12)	Excess of the share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment (Note 12)	(60,065)	—
增值稅及所得稅退稅	Value added tax and income tax refund	(5,701)	(106)
營運資金變動	Changes in working capital	442,292	355,958
貿易及其他應收款增加	Increase in trade and other receivables	(461,775)	(117,639)
存貨增加	Increase in inventories	(219,225)	(127,617)
貿易及其他應付款增加	Increase in trade and other payables	149,639	215,253
營運(動用)／產生之現金	Cash (used in)/generated from operations	(89,069)	325,955

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

36 承擔

(a) 資本承擔

於結算日但未發生的資本承擔如下：

36 COMMITMENTS

(a) Capital commitments

Capital commitments at the balance sheet date but not yet incurred are as follows:

		本集團 Group		本公司 Company	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000	二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
已訂約但未撥備	Contracted but not provided for				
物業、廠房及設備	Property, plant and equipment	826,161	1,109,426	-	-
收購可供出售金融資產	Acquisition of available-for-sale financial assets	-	200,000	-	-
於上海天馬之投資	Investment in Shanghai Tianma	381,855	398,522	381,855	506,672
於廣東國際信託投資公司之投資	Investment in Guangdong International Trust investment Company	480,000	930,000	480,000	930,000
		1,688,016	2,637,948	861,855	1,436,672
		本集團 Group		本公司 Company	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000	二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
已授權但未訂約	Authorised but not contracted for				
物業、廠房及設備	Property, plant and equipment	74,160	1,649,536	-	-
於附屬公司之投資	Investment in subsidiaries	-	9,780	-	-
		74,160	1,659,316	-	-

財務報表附註
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36 承擔(續)

(b) 經營租約承擔 – 本集團為承租人
(續)

本集團根據職工宿舍及辦公樓宇之
不可撤銷經營租約承擔如下：

		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
不超過一年	Not later than one year	16,859	5,205
超過一年但不超過五年	Later than one year and not later than five years	6,536	9,020
		23,395	14,225

樓宇不可撤銷經營租約之未來最低
應收租金如下：

36 COMMITMENTS (continued)

(b) Operating lease commitments – where the
Group is the lessee (continued)

The Group has commitments under non-
cancellable operating leases in respect of staff
quarters and office premises as follows:

		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
不超過一年	Not later than one year	16,859	5,205
超過一年但不超過五年	Later than one year and not later than five years	6,536	9,020
		23,395	14,225

The future minimum lease receipts under non-
cancellable operating leases in respect of buildings
are as follows:

		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
不超過一年	Not later than one year	55,539	33,821
超過一年但不超過五年	Later than one year and not later than five years	48,386	38,764
		103,925	72,585

37 或然負債

37 CONTINGENT LIABILITIES

		本集團 Group		本公司 Company	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000	二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
有關附屬公司獲授予 銀行融資之銀行 擔保	Guarantees to banks in respect of banking facilities granted to subsidiaries	-	-	715,860	145,000

財務報表附註

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38 重大關連方交易

本集團由深圳中航(於中國註冊成立之國有公司)控制，該公司持有本集團58.29%股份。其餘41.71%股份被公眾持有。董事認為深圳中航為最終控股公司。

關連方包括本公司之最終控股公司深圳中航及其附屬公司、其他由中國政府直接或間接控制之國有企業及其附屬公司、本公司可控制或施以重大影響之公司、本公司及深圳中航之主要管理層人員及其關係密切的家庭成員。

本集團部份業務是與其他國有企業進行。本集團認為此類交易是依據正常商業條款進行，與適用於所有客戶的條款一致。就關連方交易披露而言，本集團在可行程度內根據直接所有權結構辨別屬於國有企業的客戶與供應商。但是值得注意的是，本集團的主要商業活動均在中國進行並且中國政府對中國經濟具有普遍及深入的影響。故此，中國政府間接擁有眾多公司的權益。受股權轉讓及私有化之影響，許多國有企業股權架構層次複雜並歷經多次所有權變更。這些權益本身或者和上述間接權益一起構成了控制權益。但是，本集團難以得知這些權益關係並反映在以下披露中。此外，本集團的服務中有相當部份為與最終用戶直接交易的服務，該模式等同於零售性質的服務，而在此類服務中包括與國有企業所屬員工(企業業務方面)、其主要管理人員以及其關係密切的家庭成員之交易。此類交易是依據正常商業條款進行，與適用於所有客戶的條款一致。鑒於此類交易的廣泛性及普遍性，本集團無法披露此類交易的總金額。因此，以下披露的提供服務產生的收入金額並不包括此類與關連方發生的零售交易，然而，本集團相信關於關連方披露的有用資料已得到充分披露。

38 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by Shenzhen Catic, a state owned company established in the PRC which owns 58.29% of the Group's shares. The remaining 41.71% of the shares are widely held. The directors regard Shenzhen Catic being the ultimate holding company.

Related parties include the Company's ultimate holding company, Shenzhen Catic, and its subsidiaries, other state-controlled enterprises and their subsidiaries directly or indirectly controlled by the PRC government, corporations in which the Company is able to control or exercise significant influence, key management personnel of the Company and Shenzhen Catic and their close family members.

A portion of the Group's business activities are conducted with other state-owned enterprises. The Group believes that these transactions are carried out on normal commercial terms that are consistently applied to all customers. For the purpose of related party transactions disclosure, the Group has identified, to the extent practicable, those corporate customers and suppliers which are state-owned enterprises based on their immediate ownership structure. It should be noted, however, that substantially all of the Group's business activities are conducted in the PRC and the influence of the PRC government in the Chinese economy is pervasive. In this regard, the PRC government indirectly holds interests in many companies. Many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Some of these interests may, in themselves or when combined with other indirect interests, be controlling interests. Such interests, however, would not be known to the Group and are not reflected in the disclosures below. In addition, a portion of the Group's services provided are of a retail nature to end users, which include transactions with the employees of state-owned enterprises on corporate business, their key management personnel and close family members. These transactions are carried out on normal commercial terms that are consistently applied to all customers. Due to the vast volume and the pervasiveness of these transactions, the Group is unable to determine the aggregate amount of these transactions for disclosure. Therefore, the revenue from provision of services disclosed below does not include retail transactions with these related parties. However, the Group believes that meaningful information relating to related party disclosures has been adequately disclosed.

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

38 重大關連方交易(續)

除本財務報表其他部份所披露的關連方信息外，本集團在日常經營過程中與其關連方進行的重大關連方交易及由關連方交易產生的結餘概述如下：

(a) 與關連方的交易

**與最終控股公司及同系
附屬公司的交易** **Transactions with the ultimate holding
company and a fellow subsidiary**

開支： Expenses:

物業管理費用開支 Expenses for property management fee

於二零零七年十二月三十一日，本集團人民幣1,327,000,000元(二零零六年：人民幣485,000,000元)之銀行借貸乃由最終控股公司提供擔保。

38 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

In addition to the related party information shown elsewhere in the financial statements, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties and the balances arising from related party transactions:

(a) Transactions with related parties

本集團
Group

二零零七年
2007
人民幣千元
RMB'000

二零零六年
2006
人民幣千元
RMB'000

6,523

3,234

As at 31st December 2007, the Group's bank borrowings of RMB1,327,000,000 (2006: RMB485,000,000) were guaranteed by the ultimate holding company.

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

38 重大關連方交易(續)

(a) 與關連方的交易(續)

38 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties (continued)

		本集團 Group	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
與其他國有企業的交易 Transactions with other state-owned enterprises			
(1)	收入：		
	銷售貨物的收入 Revenue from sales of goods	516,516	460,026
	投資物業的 Rental income in respect of		
	租賃收入 investment properties	6,022	5,343
	銀行存款所獲 Interest income from bank deposits	6,283	4,429
	利息收入		
(2)	開支：		
	購買貨品 Purchase of goods	86,438	137,157
(3)	主要管理層人員之薪酬於附註28(董事之酬金)中披露。	(3) Key management compensation is disclosed under Note 28 (Directors' emoluments).	

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

38 重大關連方交易(續)

(b) 與關連方的結餘

應收／(應付)關連公司之款項均為
免息及須應要求償還。

38 SIGNIFICANT RELATED PARTY
TRANSACTIONS (continued)

(b) Balances with related parties

The amounts due from/(to) related parties
companies are non-interest bearing and repayable
on demand.

		本集團 Group	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
與同系附屬公司之結餘	Balances with a fellow subsidiary		
預提費用及其他應付款	Accrual and other payable	-	(577)
其他應收款	Other receivables	1,618	-
與其他國有銀行／企業 之結餘	Balances with other state-owned banks/enterprises		
現金及現金等價物	Cash and cash equivalents	1,094,993	280,291
貿易應收款	Trade receivables	531,503	163,603
貿易應付款	Trade payables	-	(14,848)

(c) 借貸

(c) Borrowings

		本集團 Group	
		二零零七年 2007 人民幣千元 RMB'000	二零零六年 2006 人民幣千元 RMB'000
來自最終控股公司 之借貸	Borrowings from the ultimate holding company		
於年初	At beginning of the year	9,858	7,990
收到借貸	Proceeds from borrowings	244,600	3,200
償還借貸	Repayment of borrowings	(5,200)	(1,332)
於年末	At end of the year	249,258	9,858
來自國有銀行之借貸	Borrowings from state-owned banks		
於年初	At beginning of the year	766,961	415,154
收到借貸	Proceeds from borrowings	3,358,967	986,835
償還借貸	Repayment of borrowings	(1,138,892)	(635,028)
於年末	At end of the year	2,987,036	766,961
計提利息	Interest charged	73,579	32,447

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

38 重大關連方交易(續)

(c) 借貸(續)

於二零零七年十二月三十一日，貸款的加權平均實際利率為6.8%(二零零六年：5.2%)。

39 結算日後事項

- (a) 二零零八年一月二十一日，本公司與深圳中航及深圳中航城發展有限公司(「深圳中航城」，根據中國法律成立之國營公司，深圳中航之全資附屬公司)訂立股份轉讓合同，據此，本公司擬收購深圳中航及深圳中航城持有的全部深圳中航地產股份，分別相當於深圳中航地產已發行股本約20.62%及7.17%，總代價約為人民幣1,236,000,000元。本公司將以每股人民幣1.00元的價格向深圳中航及深圳中航城配發及發行合共197,618,198股內資股，以支付收購代價。於收購完成後，本公司於深圳中航地產之權益將從22.35%增至50.14%。股份轉讓合同須待下列條件達成後，方告生效：(1)國務院國有資產監督管理委員會作出批准；(2)中國證券監督管理委員會作出批准；及(3)股東特別大會及本公司內資股和H股類別股東大會作出批准。

於本財務報表批准日期，上述未完成程序仍在進行中。倘上述先決條件未能於二零零八年一月二十一起計12個月內(或訂約各方書面協定的較後日期)達成，股份轉讓合同將告終止。於本財務報表刊發日期，該收購尚未完成。

38 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(c) Borrowings (continued)

The weighted average effective interest rate of the loans were 6.8% (2006: 5.2%) as at 31st December 2007.

39 EVENTS AFTER THE BALANCE SHEET DATE

- (a) On 21st January 2008, the Company entered into a share transfer agreement with Shenzhen Catic and Shenzhen CATIC City Development Limited ("CATIC City"), a state owned company established under the laws of the PRC and a wholly owned subsidiary of Shenzhen Catic, to acquire all CATIC Real Estate's shares currently held by Shenzhen Catic and CATIC City, representing approximately 20.62% and 7.17% of the issued share capital of CATIC Real Estate respectively at an aggregate consideration of approximately RMB1,236 million. The Company will allot and issue its 197,618,198 domestic shares of nominal value of RMB1.00 per share to Shenzhen Catic and CATIC City as settlement of the purchase consideration. After the acquisition, the shareholding of the Company in CATIC Real Estate would increase from 22.35% to 50.14%. The share transfer agreement shall be effective upon: (a) the approval of the State-owned Assets Supervision and Administration Commission of the State Council (b) the approval of the China Securities Regulatory Commission of the PRC and (c) the approval in the extraordinary general meeting and class meetings of holders of domestic shares and H shares of the Company.

The aforesaid outstanding procedures were still in progress as at the date of approval of these financial statements. If the above conditions precedent cannot be fulfilled within 12 months from 21st January 2008 or a later date as agreed by the parties in writing, the share transfer agreement shall terminate. As at the date of these financial statement, the acquisition had not been completed.

財務報表附註 NOTES TO THE FINANCIAL STATEMENTS

39 結算日後事項(續)

- (b) 二零零八年一月二十一日，深圳中航資源有限公司(「深圳中航資源公司」，本公司之全資附屬公司)分別與深圳市中航投資管理有限公司(「中航投資公司」，本公司控股股東深圳中航之全資附屬公司)、楊詠罡先生(「楊先生」，獨立人士，青海省冷湖天田鉀肥有限公司(「天田鉀肥公司」，於中國成立之獨立內資公司)之唯一實益擁有人)及天田鉀肥公司訂立收購協議一、收購協議二及收購協議三。

根據上述三份協議，深圳中航資源公司已有條件同意(i)以人民幣330,000,000元之代價向中航投資公司收購海西中航三鉀矽業有限公司(「鉀肥公司」，於中國成立之內資公司)的60%股權；(ii)以人民幣165,000,000元之代價向楊先生收購鉀肥公司的30%股權；及(iii)以人民幣27,500,000元之代價向天田鉀肥公司收購鉀肥公司的5%股權。收購協議一、收購協議二及收購協議三之完成並非彼此間之互為條件。

鉀肥公司為位於中國青海省海西州冷湖區佔地約284.526平方公里之鉀礦場採礦權之持有人。其主要業務活動為生產及銷售鉀肥，其主要產品為氯化鉀。

39 EVENTS AFTER THE BALANCE SHEET DATE *(continued)*

- (b) On 21st January 2008, Shenzhen CATIC Resources Company Limited ("CATIC Resources Company"), a wholly-owned subsidiary of the Company, entered into Acquisition Agreement I, Acquisition Agreement II and Acquisition Agreement III with Shenzhen CATIC Investment Management Company Limited ("CATIC Investment Company"), which is wholly-owned by Shenzhen Catic, the controlling shareholder of the Company, Mr. Yang Yong Gang ("Mr. Yang"), an independent person and the sole beneficial owner of Qinghai Province Leng Hu Tiantian Potash Company Limited ("Tiantian Potash Company"), an independent domestic company established in the PRC, and Tiantian Potash Company, respectively.

Under the aforesaid three agreements, CATIC Resources Company has conditionally agreed to acquire (i) 60% equity interest in Haixi CATIC Sanjiaguie Company Limited ("Potash Company"), a domestic company established in the PRC, from CATIC Investment Company at a consideration of RMB330,000,000 (ii) 30% equity interest in the Potash Company from Mr. Yang at a consideration of RMB165,000,000 and (iii) 5% equity interest in the Potash Company from Tiantian Potash Company at a consideration of RMB27,500,000. Completion of Acquisition Agreement I, Acquisition Agreement II and Acquisition Agreement III are not inter-conditional.

The Potash Company is the holder of the mining right of the a potassium mine having a site area of approximately 284.526 sq. km. and is located at Lenghu District, Haixi Prefecture of Qinghai Province, the PRC. Its principal business activities are producing and sale of potassium fertilizer, and its major product is potassium chloride.

財務報表附註
NOTES TO THE FINANCIAL STATEMENTS

39 結算日後事項(續)

(b) (續)

於年末後，本集團已根據上述收購協議之條款分別向中航投資公司、楊先生及天田鉀肥公司支付人民幣80,000,000元、人民幣45,000,000元及人民幣5,000,000元。

上述收購協議須由本公司股東於股東特別大會批准以及經青海省國土資源廳批核，並於有關工商行政部門辦理商業登記變更手續。於本財務報表批准日期，上述未完成程序仍在進行中。

39 EVENTS AFTER THE BALANCE SHEET DATE *(continued)*

(b) *(continued)*

Subsequent to year end, the Group paid RMB80,000,000, RMB45,000,000 and RMB5,000,000 to CATIC Investment Company, Mr. Yang and Tiantian Potash Company, respectively pursuant to the terms of the above acquisition agreements.

The above acquisition agreements shall be approved by the shareholders of the Company at the extraordinary general meeting, and shall be approved by the Department of Land and Resources of Qinghai Province and the subsequent filing of the change of business registration with the relevant Administration for Industry and Commerce of the PRC. The aforesaid outstanding procedures were still in progress as at the date of approval of these financial statements.



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