CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Stock Code: 31)

ANNUAL REPORT 2008

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr Zhao Liqiang *(President)*
Mr Zhou Qingquan
Mr Wu Hongju
Mr Guo Xianpeng

Non-Executive Directors

Mr Wu Zhuo *(Chairman)*
Mr Chow Chan Lum, Charles *(Independent)*
Mr Luo Zhenbang *(Independent)*
Mr Wang Junyan *(Independent)*
Mr Chen Xuechuan
Mr Li Hongjun
Dr Chan Ching Har, Eliza
Mr Xu Jianhua
Mr Jin Xuesheng

AUDIT COMMITTEE

Mr Chow Chan Lum, Charles *(Chairman)*
Mr Luo Zhenbang
Mr Jin Xuesheng

REMUNERATION COMMITTEE

Dr Chan Ching Har, Eliza *(Chairman)*
Mr Chen Xuechuan
Mr Li Hongjun
Mr Chow Chan Lum, Charles
Mr Luo Zhenbang
Mr Wang Junyan

COMPANY SECRETARY

Mr Chan Ka Kin, Ken

AUDITOR

Deloitte Touche Tohmatsu

SHARE REGISTRAR

Tricor Standard Limited

LEGAL COUNSELS

Sit, Fung, Kwong & Shum
Richards Butler

PRINCIPAL BANK

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Chairman's Statement

Wu Zhuo

Chairman of the Board

Chairman's Statement

On behalf of the Board of Directors of China Aerospace International Holdings Limited (the "Company"), I am pleased to announce the audited annual results of the Company and the subsidiaries for the year ended 31 December 2008.

RESULTS

The turnover of the Company and the subsidiaries for the year ended 31 December 2008 was HK$1,707,919,000 (2007: HK$1,681,854,000), representing an increase of approximately 1.55%. Profit attributable to the shareholders was HK$144,596,000, representing a decrease of approximately 53.36% as compared with HK$310,037,000 in last year. Owing to the inclusion of an one-off non-recurring income from consultancy services with respect to securities investments in last year's profit, in addition to the adjustments made in the fair value of assets this year, the profit performance was thereby affected.

Taking into account the uncertainties in the current global economy and market, the Company must adopt prudent strategy in retaining sufficient financial strengths and resources for development, therefore upon discussion, the Board of Directors recommends no dividend to be distributed for the year.

BUSINESS REVIEW

In 2008, the "once-in-a-century" financial tsunami posed unprecedented challenges to the world's economies. The Company, benefited from its management philosophy to stress solid and steady development, completed a series of integration of assets and businesses in recent years. The Company has maintained its well financial position and improved its management quality, which enables it to guard itself against any potential risks and to cope with the global financial crisis.

Hi-tech Manufacturing

In 2008, the turnover of hi-tech manufacturing business of the Company recorded a historic high of HK$1,683,081,000 (2007: HK$1,655,785,000), representing an increase of approximately 1.65% as compared with last year. The hi-tech manufacturing business also recorded a historic high profit of HK$182,611,000, representing an increase of approximately 13.17% as compared with HK$161,365,000 in last year. Despite the rapid deterioration of market condition in the fourth quarter, and being affected by the fierce market competition and the impacts of continuous soaring costs of labour, raw materials and energy, the hi-tech manufacturing business recorded a growth in profit for the year mainly due to the adoption of measures on strictly strengthening cost control.

Chairman's Statement

The layout plan of Huizhou Industrial Park (bird's eye view)

In recent years, the hi-tech manufacturing business, through continuous reinforcing management capability, technology improvement and research and development as its major operating strategies, has been improved in every aspect and, hence, products and services were able to better satisfy the needs of clients, thereby maintaining the competitive strengths in fierce market competition. During the year, the hi-tech manufacturing business, with main products comprising plastic injection, intelligent chargers, liquid crystal display and printed circuit boards, maintained steady growth in total sales. Among them, plastic products and printed circuit boards achieved relatively satisfactory results, with turnover increasing by 8.97% and 21.05% respectively as compared with last year and operating profit increasing by 16.47% and 22.93% respectively.

Science and Technology Park Complex Development

Shanghai Aerospace Technology Industrial Park

Since its recognition by the National Development and Reform Commission as a "State Civilian Aerospace Industry Base of Shanghai" last year, the Shanghai Aerospace Technology Industrial Park (the "Park"), located at Pujiang Town, Minhang District, Shanghai, has been under construction with good progress. Following the commencement of the Park's first project, namely the production of composite material of Shanghai Composite High-Tech Development Company Limited in December 2008, four new projects namely Shanghai Shenzhou New Energy Development Company Limited (上海神舟新能源發展有限公司), Shanghai Aerospace Wanyuan Rare Earth Machinery Research & Development Centre (上海航天萬源稀土電機研發中心), Shanghai Aerospace Wanyuan Rare Earth Machinery Company Limited (上海航天萬源稀土電機有限公司) and Space Propellers Academy of Shanghai (上海空間推進研究所) were introduced to the Park and groundbreaking ceremonies were held accordingly. This signified that the planning and construction of the one square kilometre of the Park had basically been completed.

The groundbreaking ceremony of new projects entering into the Shanghai Aerospace Technology Industrial Park

Chairman's Statement

Shenzhen Aerospace International Centre

With a view to the commencement of construction, operation and management of the "Aerospace International Centre", CASIL New Century Technology Development (Shenzhen) Company Limited, a wholly-owned subsidiary of the Company, together with Aerospace Technology Investment Holdings Limited and Shenzhen Science & Technology Institute jointly established the Shenzhen Aerospace Hi-Tech Investment Management Company Limited ("Shenzhen Aerospace"). Shenzhen Aerospace was incorporated in January 2008 and subsequently won a public bid to acquire the land use right of a parcel of commercial office usage land of 10,458.44 square metres situated at Nanshan Houhai Centre District at a consideration of RMB495,000,000 in March 2008. This parcel of land will become the construction site of the "Aerospace International Centre".

According to the Shenzhen's municipal planning, Nanshan Houhai Centre District is planned as an urban city centre hub circumvented by harbour sea view in a modernized style, comprising financial and business offices, commercial services, and public facilities. It is believed that under the promotion of the Shenzhen Municipal Government in accordance with the planning of the district and the inauguration of Hong Kong-Shenzhen Western Corridor, Nanshan Houhai Centre District will become a popular area for Shenzhen's commercial property market.

With full support of China Aerospace Science & Technology Corporation ("CASC"), the substantial shareholder of the Company, and the Shenzhen Municipal Government, the foundation stone laying ceremony for the "Aerospace International Centre" was held in October 2008, representing the upcoming emergence of a landmark architecture featuring state-of-the-art aerospace technology with a gross floor area of approximately 150,000 square metres in Shenzhen Bay, Shenzhen. The "Aerospace International Centre" will serve as CASC's head management centre, research and development centre and centre of international economic and technology cooperation in the Pearl River Delta.

Mr Ma Xingrui, the General Manager of China Aerospace Science & Technology Corporation, Mr Xu Zongheng, the Mayor of Shenzhen Municipal Government, Mr Wu Zhuo, the Chairman of the Board of the Company and the other leaders participated in the foundation stone laying ceremony for the "Aerospace International Centre"

Research and analysis with respect to market positioning of the "Aerospace International Centre" had been conducted, and the "Aerospace International Centre" was preliminarily determined its market positioning and operation development direction to be a complex development featuring high-end office buildings, apartment-office buildings and commercial spaces. During the year, Shenzhen Aerospace organized various expert assessment meetings and invited domestic and international experts to form consultant teams to provide professional opinions for the construction and design planning of the "Aerospace International Centre". By the end of last year, the construction and design planning of the "Aerospace International Centre" was established, which could facilitate the progress to the next stage of construction work.

Chairman's Statement

The Complex Zone of the Launching Site in Hainan Province

The new generation of aerospace launching site is planned to be built in Wenchang City, Hainan Province. Locating adjacent to the new aerospace launching site, the Complex Zone of the Launching Site has a planned area of approximately 4 million square metres (6,100 mu), and has a coastline of about 4 kilometres along the east coast of Hainan. Planned construction includes an aerospace technology services district, an aerospace theme park, a commercial resort district, as well as a residential complex zone etc.

Mr Luo Baoming, the Governor of Hainan Province, and Mr Ma Xingrui, the General Manager of China Aerospace Science & Technology Corporation attended the signing ceremony of the Land Development Agreement of the Project of the Complex Zone of the Launching Site in Hainan Province

CASIL Hainan Holdings Limited ("CASIL Hainan"), an indirect wholly-owned subsidiary of the Company, was granted the capacity of principal developer through a public bid and entered into the Agreement of the Land Development Project of the Complex Zone of the Launching Site, Hainan Province with the Wenchang Government, Hainan Province in August 2008 with a total investment of RMB1.2 billion, representing a leap forward for the construction of the Complex Zone of the Launching Site in Hainan Province.

At the same time, Hainan Aerospace Development Investment Company Limited (海南航天投資管理有限公司) ("Hainan Aerospace") was jointly established, on the shareholding of 65% and 35% respectively, by CASIL Hainan and Aerospace Times Properties Development Limited, a subsidiary of CASC, to organise and implement project construction and land development of the Complex Zone. In October 2008, at the extraordinary general meeting of the Company, each of the Land Development Agreement, the Promoters' Agreement and the Implementation Agreement was voted upon and approved by the shareholders and the independent shareholders respectively. The master plan of the Complex Zone was then approved by the Hainan Government and Hainan Aerospace was established and incorporated in November 2008.

Hainan Province possesses rich tourism resources and has gained fair international reputation for being a destination for touring and vacation. Hainan Province is undergoing transformation to become an upgraded resort destination as opposed to a mere sightseeing place in the past. In 2007, the number of tourists night stays in Hainan Province exceeded 18.45 million, of which over 750,000 were overseas tourists, and was among the highest ranks in China in terms of growth rate.

Chairman's Statement

BUSINESS PROSPECTS

Hi-tech Manufacturing

The global impact of the financial tsunami will inevitably affect our export-oriented hi-tech manufacturing business. Economic downturn has caused customers' requests for price cut or even cancellation of orders, which has in turn generated tremendous pressure to the hi-tech manufacturing business. It is anticipated that deeper impact may be encountered in 2009, changing the growth momentum of the hi-tech manufacturing business.

To cope with the global economic downturn and the shrinkage of the market, specific contingent measures have been implemented for the hi-tech manufacturing business. Those include stepping up our marketing efforts in Mainland China, Europe, Japan etc. with a view to maintaining the turnover of the business at a stable level. Meanwhile, internal control and management capabilities will be enhanced for the business, especially in terms of quality control and cost control, in order to maintain our competitiveness and profit margin. In the aspect of financial monitoring, appropriate measures will be taken for the hi-tech manufacturing business to adjust the scale of operations, cut down inventory and stringently follow up the receivables from customers, with a view to maintaining normal inflow of cash to the greatest possible extent.

Building upon the solid foundation established for our hi-tech manufacturing business over the years and supported by a sound management system plus an excellent management team, we believe that the hi-tech manufacturing business will be in a position to prudently cope with the change and, by launching effective strategies, it will be able to counteract the difficulties, and continue to provide stable cash flow and revenue in supporting the overall business development of the Company.

Science and Technology Park Complex Development

The establishment of the business of science and technology park complex development is one of the important development strategies of the Company. To cope with the entering into the stages of planning and implementation of the projects of Aerospace International Centre and the land development for the Complex Zone of the Launching Site in Hainan Province, the Company will further improve its management systems, facilitate the allocation of internal resources and devote additional efforts in implementing and supervising the projects. Being encountered by the global financial crisis, the Company will conduct thorough analysis of the market positioning, development plan, financing plan and implementation plan for each of the projects under this segment, taking into account the changes of the external economic environment and the policies in various regions, so as to plan meticulously and to implement in full force, and adjust and refine the development plans for individual projects in a timely manner.

Following the completion of business promotions in respect of the one square kilometre project in Shanghai Aerospace Technology Industrial Park, Shanghai Aerospace Technology Investment Management Company Limited ("Shanghai Aerospace") will expedite the construction of ancillary facilities and landscape planning at the Park. The preliminary research and analysis in respect of the future development direction of part of the owner occupied land in the Park will also be conducted. In addition, Shanghai Aerospace will discuss with the local government concerning the subsequent development plans of the Park, taking into account the latest development of the economy and relevant policies.

Upon finalization of the design plan of the Aerospace International Centre, Shenzhen Aerospace will speed up the process to seek proper approvals, engage in the expansion and commencement plan design, and formulate the overall construction plans and plans for different stages and for specific items. It is expected that site levelling of the project, pre-commencement preparation and tendering processes will commence in mid-2009.

Chairman's Statement

Perspective view of Aerospace International Centre (front)

Perspective view of Aerospace International Centre (bird's eye view)

Chairman's Statement

The pre-commencement work in respect of land development for the Complex Zone of the Launching Site is planned to commence within the year. The Company will invite internationally renowned architects, theme park designers, and real estate consultants to form consultant teams, who will conduct further research and analysis in determining the feasibility of various development plans, and formulate long-term development planning and business models for the project.

Though encountered with the downturn in global economy, the Company is cautiously optimistic about its future development prospects. The Chinese Government, in order to achieve its target to maintain economic growth with full effort, has put forward a series of measures in stimulating the economy. These include the proposal of huge investments in stimulating the economy, the implementation of enterprising fiscal policy and appropriate loosened monetary policy etc., with an aim of increasing domestic demands and booming the economy. The Company believes that these new policies will help to create an advantageous investment environment. Besides, the fall in market value of quality assets caused by the global economic downturn and credit tightening will bring along investment opportunities to those strong enterprises.

The Company possesses a healthy and stable cash flow with relatively low gearing. Through the utilization of loosened monetary policy in China while maintaining stable operation and strict risk control policy, the Company will take the opportunity to adopt appropriate financial leverage and seek investment opportunities of acquiring quality assets so as to push forward a new breakthrough in the business of science and technology park complex development.

The Board believes that while major effort has been spent to ensure steady growth in the business of hi-tech manufacturing, the business of science and technology park complex development will create momentum for the Company's new development and will become a mainstream of economic growth in future.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to extend my sincere appreciation to the management team and all the staff of the Company who put in their endeavors and efforts to contribute to the performance of the Company. Meanwhile, gratitude also goes to our distinguished customers, shareholders and business partners especially government bodies in Shanghai, Shenzhen, Hainan Province and Wenchang for their continual faithfulness and support. Lastly, I would like to thank every member of the Board of Directors for their efforts and invaluable and professional opinions given to the Company and also for their support for my work over the year.

By order of the Board

Wu Zhuo
Chairman

Hong Kong, 26 March 2009

RESULTS PERFORMANCE

The audited turnover of the Company and the subsidiaries for the year ended 31 December 2008 was HK$1,707,919,000, representing an increase of 1.55% as compared with that of HK$1,681,854,000 for the same period of 2007. The profit for the year was HK$141,253,000, representing a decrease of 54.49% as compared with that of HK$310,394,000 for the same period of 2007.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND OPERATING PROFIT

In 2008, the profit attributable to shareholders was HK$144,596,000, representing a decrease of 53.36% as compared with that of HK$310,037,000 for the same period of 2007. The drop in profit as compared with the same period of 2007 was mainly due to the record of a non-recurring service income in 2007 while there was not any in 2008. Besides, there was impairment loss on available-for-sale investments and investment properties made in 2008. However, the drop was compensated by the continuous steady growth of the hi-tech manufacturing business that was able to generate a stable profit.

In 2008, based on the issued share capital of 2,570,904,000 shares, the earnings per share was HK$0.0562, representing a decrease of 55.96% as compared with that of HK$0.1276 for the same period of 2007, which was based on the issued share capital of 2,429,162,000 shares after being adjusted for the effect of Open Offer of 428,483,980 Offer Shares in 2007.

HI-TECH MANUFACTURING REVENUE AND PROFITS CONTRIBUTION

Till 31 December 2008, the turnover of the hi-tech manufacturing business was approximately HK$1,683,081,000, representing a slight increase of approximately 1.65% as compared with the same period last year; the gross profit margin was 20.57%, representing a slight increase as compared with that of 20.31% for the same period last year. Despite the fact that the hi-tech manufacturing business was facing fierce market competition, by relying on high proficient management and good market exploring ability of the hi-tech manufacturing business, it managed to deliver an operating profit of HK$182,611,000, representing an increase of 13.17% as compared with the same period last year.

The turnover of the plastic injection business was HK$679,643,000, representing an increase of 8.97% as compared with the same period last year, the operating profit was HK$59,029,000, representing an increase of 16.47% when compared with the same period last year. The turnover of printed circuit boards business was HK$261,098,000, increased by 21.05% substantially as compared with the same period last year, the operating profit was HK$39,322,000, increased by 22.93% substantially as compared with the same period last year. The turnover of intelligent chargers business was HK$479,991,000, representing a decrease of 13.72% as compared with the same period last year, the operating profit was HK$63,645,000, slightly decreased by 3.32% as compared with the same period last year. The turnover of liquid crystal displays business was HK$262,349,000, representing an increase of 3.02% as compared with the same period last year, the operating profit was HK$20,615,000, decreased by 5.28% as compared with the same period last year.

Management Discussion and Analysis

Although having faced with the financial tsunami in the second half of 2008, the annual results of the hi-tech manufacturing business were not much affected. However, when the hangovers of financial tsunami start to afloat, the business of hi-tech manufacturing in 2009 may be affected by the slowdown in foreign demand and may have a negative impact on its results. The Company will keep on strengthening its management, especially paying strict attention on monitoring the situation of accounts receivables and inventory of the hi-tech manufacturing business, with the hope of levelling off the negative impacts of the financial tsunami on the business.

OPERATING EXPENSES

The administrative expenses of the Company and the subsidiaries in 2008 were HK$212,333,000, representing an increase of 2.70% as compared with the same period last year. The increase was due to the rise in human resources costs and management fees as the result of the development of new business. The finance costs were HK$2,088,000, representing a substantial decrease of 72.41% as compared with HK$7,569,000 the same period last year.

ASSETS

As of 31 December 2008, the audited total assets of the Company and the subsidiaries were HK$3,251,453,000, of which the non-current assets were HK$1,707,564,000, representing an increase of 40.79% as compared with that of HK$1,212,880,000 for the same period last year, the current assets were HK$1,543,889,000, representing a decrease of 14.00% as compared with HK$1,795,156,000 the same period last year. The equity attributable to shareholders of the Company, after minority interests, was HK$2,149,954,000, increased by about 7.41%, compared with that of HK$2,001,606,000 for the same period last year and the net assets per share attributable to shareholders of the Company was HK$0.84, based on the issued share capital of 2,570,904,000 shares.

Certain of the Company and the subsidiaries' assets have been mortgaged to banks to secure financings at an annual interest rate of 1.25%. The remaining mortgage term is about 2 years.

LIABILITIES

As of 31 December 2008, the total liabilities of the Company and the subsidiaries were HK$767,814,000, of which the non-current liabilities were HK$139,727,000, representing a decrease of 21.83% as compared with that of HK$178,744,000 for the same period last year, the current liabilities were HK$628,087,000, representing a decrease of 16.06% as compared with that of HK$748,239,000 for the same period last year.

CONTINGENT LIABILITIES

As of 31 December 2008, save for the guarantees provided by the Company to a wholly-owned subsidiary in obtaining bank loans and credit facilities, the Company and the subsidiaries did not have any other material contingent liabilities.

FINANCIAL RATIOS

Financial Ratios	2008	2007
Profit Margin (Gross Profit/Turnover)	**21.68%**	21.15%
Return on Equity (Net Profit/Net Asset Value)	**5.69%**	14.92%
Liabilities/Assets Ratio (Total Liabilities/Total Assets)	**23.61%**	30.82%
Current Ratio (Current Assets/Current Liabilities)	**2.46**	2.40
Quick Ratio (Current Assets excluding Inventories/Current Liabilities)	**2.24**	2.21

In 2008, the Company and the subsidiaries' gross profit margin was 21.68%, more or less the same as compared with that of 21.15% of 2007. This was mainly due to the business of the hi-tech manufacturing remained steady. The return on equity ratio was 5.69%, representing a decrease compared with that of 14.92% in 2007, owing to the record of a non-recurring service income in 2007 while there was not any in 2008, together with the adjustments made in the fair value of assets this year. The liabilities/assets ratio was 23.61%, recording a drop as compared with that of 30.82% in 2007, mainly because the liabilities of the Company and the subsidiaries in 2008 continued to decrease. The current ratio and the quick ratio were 2.46 and 2.24 respectively, being slightly increased as compared with that of 2.40 and 2.21 respectively in 2007. This was caused by the less percentage decrease in current assets of the Company and the subsidiaries than that of in current liabilities. The performance of various ratios was resulted from the Company and the subsidiaries' policies of continuous assets modifications, strengthened management and business development.

LIQUIDITY

The source of fund of the Company and the subsidiaries mainly relies on internal resources and banking facilities. The Company and the subsidiaries' current cash and bank balance as at 31 December 2008 was HK$859,244,000, most of which was in Hong Kong Dollars and the rest in Renminbi and US Dollars.

In respect of the shareholders' funds generated from the Open Offer during 2007, the Company has utilised it as planned in the repayment of its debts, the registered capital of Shanghai Aerospace and the rest as the Company's working capital.

CAPITAL EXPENDITURE

As of 31 December 2008, the Company and the subsidiaries' capital commitments were HK$1,377,774,000 (2007: HK$8,047,000), most of which is going to be the capital commitments of RMB1.2 billion for the Company's involvement in the land development project of the Complex Zone of the Launching Site in Hainan Province. The Company and the joint venture partner will base on the agreement to contribute to Hainan Aerospace in accordance with the respective shareholding by instalments in the next few years and Hainan Aerospace will be responsible for the execution of the project.

Management Discussion and Analysis

FINANCIAL RISKS

The Company and the subsidiaries review their cash flow and financial position periodically and do not presently engage into any financial instruments or derivatives to hedge the exchange and the interest rate risks.

HUMAN RESOURCES AND REMUNERATION POLICIES

The Company and the subsidiaries' remuneration policy is based on the employee's qualifications, experience and performance as well as by reference to market trends. The Company and the subsidiaries will continue to strengthen the level of human resources management, strictly implement the performance-based appraisal system to encourage employees to have continuous improvement in their performance and contributions to the Company.

As at 31 December 2008, the Company and the subsidiaries have a total of about 5,700 staff mainly based in the Mainland and Hong Kong.

By order of the Board

Zhao Liqiang
Executive Director & President

Hong Kong, 26 March 2009

Corporate Governance Report

The Company had complied throughout the reporting period with the provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

BOARD OF DIRECTORS

In 2008, the Board of Directors of the Company comprises the Executive Directors, namely, Mr Zhao Liqiang (President), Mr Zhou Qingquan, Mr Zhao Yuanchang (resigned in August 2008), Mr Wu Hongju and Mr Guo Xianpeng; the Non-Executive Directors, namely, Mr Wu Zhuo (Chairman), Mr Chen Xuechuan (appointed in August 2008), Mr Li Hongjun (appointed in March 2008), Dr Chan Ching Har, Eliza, Mr Xu Jianhua, Mr Jin Xuesheng (appointed in March 2008), Mr Gong Bo (resigned in March 2008) and Mr Wang Yujun (resigned in March 2008); and the Independent Non-Executive Directors, namely, Mr Chow Chan Lum, Charles, Mr Luo Zhenbang and Mr Wang Junyan.

Mr Wu Zhuo had been appointed as Chairman of the Company and Mr Zhao Liqiang had been appointed as President of the Company. Mr Wu Zhuo and Mr Zhao Liqiang are not related to in financial, business or family aspects. The roles of Chairman and President have been divided according to respective written Terms of Reference. The Board is responsible for determining the Group's objectives, strategies, policies and principal business plans, delegating to the management the responsibilities of running the Company's business, making day-to-day decisions concerning business operations and the implementation of the approved strategies in achieving the overall development strategies of the Company.

The Company had adopted *the Model Code for Securities Transactions by Directors of Listed Issuers*, Appendix 10 of the Listing Rules, as the required standard for the Directors of the Company to trade the securities of the Company. In accordance with the latest amendment of Appendix 10 by the Stock Exchange, the Board of Directors of the Company had already passed a resolution to adopt the latest version as the required standard for the Directors of the Company to trade the securities of the Company. The Company had enquired with all the Directors as to whether they had complied with Appendix 10 of the Listing Rules while trading the securities of the Company during 2008. So far as was known to the Company, all Directors had complied with Appendix 10 during the period. The Company had also established written guidelines for relevant employees in respect of their dealings in the securities of the Company.

The specific term for each Non-Executive Director (including Independent Non-Executive Directors) of the Company is two years, provided that each Non-Executive Director is subject to retirement by rotation and re-election, if eligible, under the Articles of Association of the Company.

The Company had complied with the requirements of the Listing Rules to appoint three Independent Non-Executive Directors during 2008, namely, Mr Chow Chan Lum, Charles, Mr Luo Zhenbang and Mr Wang Junyan. Among those Independent Non-executive Directors, both Mr Chow Chan Lum, Charles and Mr Luo Zhenbang have appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. The Company had received a letter from each of the Independent Non-Executive Directors confirming his independence in compliance with Rule 3.13 of the Listing Rules. As such, the Company confirmed that all Independent Non-Executive Directors are independent. The Directors of the Company are unrelated to each other in every aspect, including financial, business or family.

Corporate Governance Report

Each of Mr Chen Xuechuan, Mr Li Hongjun and Mr Jin Xuesheng had received a comprehensive, formal and tailored induction on the first occasion of their respective appointment, to ensure that they have a proper understanding of the operations and business of the Company and are fully aware of their responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.

BOARD MEETINGS

The Company has in place an established Board process. Regular Board meetings are held at least four times a year, and, if necessary, additional meetings would be arranged. The Company Secretary assists the Directors in establishing the meeting agenda. Notice of meeting and information package have been sent to Directors within reasonable and practical time prior to a regular Board meeting in order to facilitate the Directors informed discussion and decision-making. Each Director may request inclusion of matters in the agenda for Board meetings.

The Company Secretary is responsible for taking minutes of meetings. Draft minutes have been sent to all Directors for their comments within a reasonable time after each meeting and are approved by the Board at the immediate following meeting. Final versions of the Board minutes have been sent to all Directors for inspection. The minute books are kept by the Company Secretary and are open for inspection by the Directors upon request. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board and advising the Board that the procedures are followed and that Listing Rules are complied with. The Company has established a procedure to enable Directors, upon reasonable request and at the Company's expense, to seek independent professional advice in appropriate circumstances and to assist the relevant director or directors to discharge his/their duties to the Company.

DIRECTORS

The Company does not have a Nomination Committee. The Board as a whole is responsible for the procedure of agreeing to the appointment of its members and assessing the independence of Independent Non-Executive Directors, and for nominating appropriate person for election by shareholders at the general meeting, either to fill a casual vacancy or as an addition to the existing Directors. In the nomination process, the Board of Directors makes reference to criteria including, inter alia, accomplishment and experience in the industry, professional and educational background and commitment in respect of available time and relevant interest.

Those Directors appointed by the Board during the year shall hold office only until the next general meeting and shall then be eligible for re-election. The process for re-election of a Director is in accordance with the Company's Articles of Association, which requires that, other than those Directors appointed during the year, one-third of the Directors for the time being (or the nearest number) are required to retire by rotation at each general meeting and are eligible to stand for re-election.

The annual report and the circular for general meeting contain detailed information on re-election of Directors including detailed biography of all Directors standing for election or re-election to ensure shareholders to make an informed decision on their election.

Corporate Governance Report

The attendance records of individual Directors during 2008 are set out below:

	Annual General Meeting/ Extraordinary General Meeting		Directors' Meeting	
Number of meetings held	**3**		**4**	
Directors	**Number of meetings entitled to attend**	**Number of attendance**	**Number of meetings entitled to attend**	**Number of attendance**
Wu Zhuo	3	1	4	4
Zhao Liqiang	3	3	4	4
Zhou Qingquan	3	3	4	4
Zhao Yuanchang	2	2	2	2
Wu Hongju	3	0	4	3
Guo Xianpeng	3	3	4	4
Chen Xuechuan	1	0	3	2
Li Hongjun	2	0	3	2
Chan Ching Har, Eliza	3	1	4	3
Xu Jianhua	3	2	4	4
Jin Xuesheng	2	1	3	3
Gong Bo	1	0	1	1
Wang Yujun	1	1	1	1
Chow Chan Lum, Charles	3	2	4	3
Luo Zhenbang	3	0	4	3
Wang Junyan	3	0	4	4

Note: Pursuant to the code provision E.1.2 of the Code on Corporate Governance Practices as set out in the Listing Rules, Mr Wu Zhuo (Chairman), Mr Chow Chan Lum, Charles (Chairman of Audit Committee) and Dr Chan Ching Har, Eliza (Chairman of Remuneration Committee) were unable to attend certain general meetings in 2008 due to their respective business reasons.

BOARD COMMITTEE

The Board has established an Audit Committee and a Remuneration Committee. The Committees are governed by their respective Terms of Reference. The Committees are accountable to the Board, unless there are legal or regulatory restrictions on their ability to do so.

AUDIT COMMITTEE

The Audit Committee comprises Mr Chow Chan Lum, Charles (Chairman) and Mr Luo Zhenbang, both being Independent Non-Executive Directors, and Mr Jin Xuesheng (appointed in March 2008) and Mr Wang Yujun (resigned in March 2008), both being Non-Executive Directors.

The major functions of the Audit Committee include serving as a focal point for communication between the Directors and external auditors reviewing the Company's financial information as well as overseeing the Company's financial reporting system and internal control procedures.

Corporate Governance Report

In 2008, the Audit Committee met twice, and both the external auditors and the Company Secretary also attended the meetings for the purpose of assessing and reviewing the internal control system, the financial statements and corporate governance practices and so on. The Audit Committee had also reviewed, discussed and approved the financial statements for the year ended 31 December 2008.

The attendance records of individual Audit Committee members during 2008 are set out below:

	Number of meeting eligible to attend	**Number of attendance**
Chow Chan Lum, Charles	2	1
Luo Zhenbang	2	1
Jin Xuesheng	1	1
Wang Yujun	1	1

REMUNERATION COMMITTEE

The Remuneration Committee comprises Dr Chan Ching Har, Eliza (Chairman), Mr Chen Xuechuan (appointed in August 2008), Mr Li Hongjun (appointed in March 2008) and Mr Gong Bo (resigned in March 2008), all being Non-executive Directors, and Mr Chow Chan Lum, Charles, Mr Luo Zhenbang and Mr Wang Junyan, all being Independent Non-executive Directors. The functions of the Remuneration Committee are to formulate remuneration policy and to determine the remuneration of the Directors and senior management.

The Remuneration Committee met three times during 2008 to review the Directors' and senior management's remuneration. Both the President and the Company Secretary of the Company also attended the meetings. Performance and results-based evaluation mechanism was considered by the Remuneration Committee as the Company's emolument policy in determining the Directors' and senior management's remuneration. During the year, no Director was involved in deciding his/her remuneration.

The attendance records of individual Remuneration Committee members during 2008 are set out below:

	Number of meetings eligible to attend	**Number of attendance**
Chan Ching Har, Eliza	3	3
Chen Xuechuan	2	1
Li Hongjun	3	3
Chow Chan Lum, Charles	3	2
Luo Zhenbang	3	2
Wang Junyan	3	3
Gong Bo	0	0

The Directors' fees and any other reimbursement or emolument payable to a Director during the year are fully disclosed in the Company's financial statements.

Corporate Governance Report

INTERNAL CONTROL

The Company has gradually established, maintained and operated an effective system of internal control, which has clearly defined the authorities and key responsibilities of each business and operational unit to ensure adequate checks and balances.

The Company has conducted an annual review of the effectiveness of the Group's internal control systems over all material controls, including that financial, operational and compliance controls and risk management functions. In addition, the Company considers that it is adequate in resources, qualifications and experience of staff of the Company's accounting and financial reporting function, as well as their training programmes and budget. With the diversification of business, the Company has set up an internal control department in the second half of 2008 with the responsibility of the Company's financial related internal audit. The Company considers that the present internal control procedures adopted are sufficient to comply with the requirements under the Listing Rules, but the Company will continue to review, revise and strengthen its internal control from time to time, so as to meet with further requirements of internal management and the Listing Rules.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for preparing the accounts of each financial period, which give a true and fair view of the state of affairs, the results and the cash flows of the Group for that period. In preparing the accounts for the year ended 31 December 2008, the Directors have selected suitable accounting policies and adopted Hong Kong Financial Reporting Standards and applied them consistently. Based on judgments and estimates that are prudent, the Directors prepared the accounts on the going concern basis. Auditors' reporting responsibilities are set out on the financial statements by the auditors.

During the year, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt on the Company's ability to continue as a going concern.

The Company aims at presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects in all published documents such as announcements, circulars, interim reports and annual reports. The Company has announced its annual and interim results in a timely manner within the limits of 4 months and 3 months respectively after the end of the relevant period, as laid down in the Listing Rules.

In 2008, the Company paid a total sum of approximately HK$6,200,000 to the auditors, of which includes an audit fee of HK$4,670,000 and a non-audit fee of HK$1,530,000. The latter comprises fees for providing services in reviewing interim report, reviewing results announcement and reviewing cash flow and indebtedness of the Company in the project of the Complex Zone of the Launching Site in Hainan, a major and connected transaction of the Company, etc.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual Directors. The Company provides sufficient explanation of the procedures for demanding and conducting a poll prior to commencement of the meetings, sufficient time is also given for shareholders attending the general meetings of the Company to raise questions. The shareholders may demand a poll in respect of the resolutions to be put to at any general meeting in accordance with the following Article 74 of the Articles of Association of the Company:

(i) by the Chairman of the meeting; or

(ii) by at least three members present in person or by proxy for the time being entitled to vote at the meeting; or

(iii) by any member or members present in person or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iv) by a member or members present in person or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

The procedures for and the rights of shareholders to demand a poll at general meetings as required under rule 13.39(4) of the Listing Rules are disclosed in the Company's circulars to shareholders. All proxy votes in the meetings are counted. Pursuant to the latest amendment of the Listing Rules, all general meetings of the Company will be conducted by poll from 1 January 2009 and vote results will be announced thereafter.

INVESTORS' RELATIONSHIP

The information on the website of the Company will be updated in a proper and timely manner to maintain a quick, fair and transparent disclosure of its information.

During 2008, the Company held an annual general meeting in April and two extraordinary general meetings in January and October respectively. Circulars of the meetings were sent beforehand as required by related rules. In the annual general meeting, the Shareholders reviewed and approved the resolutions on the Company's financial results of 2007, re-election and remuneration fixing of Directors, re-election and remuneration fixing of auditors and general mandate to the board to issue and repurchase shares. In the two extraordinary general meetings, the Shareholders reviewed and approved the resolutions on change of company name, the set up of a joint-venture company in Shenzhen with a connected party, and the set up of a joint-venture company in Hainan Province with a connected party to engage into the project of Complex Zone of the Launching Site in Hainan Province respectively.

The Company had set aside enough time for shareholders to raise questions and for Directors to respond in such general meetings. Resolutions being put forward in such general meetings were duly approved by shareholders and the Chairman announced all poll results promptly during the extraordinary general meetings, of which the same were uploaded in the Company's and the Stock Exchange's websites respectively on the same day's afternoon.

Corporate Governance Report

The Company will occasionally receive shareholders' enquiries by mail or telephone about information of their shares and the Company's announcements. The Company has arranged the Company Secretary to respond such enquiries in a latest practicable and reasonable manner.

The Company did not amend its Memorandum and Articles of Association during 2008.

SUFFICIENCY OF PUBLIC FLOAT

As at 31 December 2008, the authorised share capital of the Company was 100,000,000,000 shares at HK$0.10 each while the issued share capital is 2,570,903,882 shares, and the market capitalization was about HK$1,200,000,000.

As at 31 December 2008, the Company has total registered shareholders of 1,436, of which includes substantial shareholders, China Aerospace Science & Technology Corporation, holding 44.47% and Montpelier Investment Management LLP, holding 7.80%. Since many other shareholders hold shares through HKSCC Nominees Limited in Hong Kong, the actual number of shareholders should be greater than the registered numbers.

According to the public information obtained by the Company and to the best knowledge of the Directors, the Company complied with the sufficiency of public float of 25% as required by the Listing Rules as of the date of this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY

In the midst of continuous business development, the Company also hopes to gradually set forth the message of corporate social responsibility, through consistent encouragement, suggestions and rules compliance, by reducing impacts on the environment and resources so as to contribute to the society and level up the society's sustainability. The Company is endeavour to put efforts to become a company with social responsibility.

Fair Trading

The Company and its subsidiaries have engaged into business with their business partners and lending banks based on fair and reasonable terms and complied with related rules and regulations so as to reduce risks. The Company and its subsidiaries will execute contracts and settle payables within a reasonable and practicable time according to related contract terms without unreasonable delay. The Company and its subsidiaries also demand the same on its customers so as to facilitate persistent cash flow without affecting business operations.

Environmental Protection

The Company has long been encouraging staff by reducing the consumption of natural resources and requires its subsidiaries to comply with related environmental protection regulations and ensure such compliance during production and operation, with the hope to reduce unnecessary utilization of natural resources and environmental pollution.

Corporate Governance Report

Social Responsibility

Responding to the catastrophe of Sichuan Earthquake measuring magnitude 8.0, the Company and its subsidiaries swiftly organized its staff to collect donations in May 2008. These, together with the the donations from the Company's subsidiaries, were sent to the Red Cross and related charities to show our warm care to those victims and to help the re-construction of the disaster areas.

The products of the manufacturing enterprises of the Company are made in compliance with related product safety regulations so as to ensure the production process will not affect health and safety of the staff and finally that of our customers.

The Company and its subsidiaries provide their staff with a rather reasonable salary level, appropriate medical protection and other insurance coverage. This helps to maintain a rather stable working environment for the staff. Meanwhile, the Company and its subsidiaries also adequately sponsor the staff to attend some professional seminars and short-term courses in order to encourage staff to consistently increase their own competitiveness to face with the ever-changing market situation and to meet with the requirements of the Company.

Biographical Details of Directors

Mr Wu Zhuo, aged 59, is a Research Fellow with graduate qualification, is a Non-Executive Director and Chairman of the Company. Mr Wu started his career in Heilongjiang Production and Construction Corps from December 1967 and studied chief design of spacecrafts in Hunan Changsha Technical College from October 1973. In addition, Mr Wu served as Technician in Nanjing Chenguang Machinery Factory from December 1976, Assistant Engineer of the Second Research Academy of the Ministry of Space Industry of China from February 1980, Engineer of Aerospace System Engineering Bureau of the Ministry of Space Industry of China from October 1983, Supervisor and Deputy Division Director of System Engineering Bureau of the Ministry of Aerospace Industry of China from 1988. Through his career in China Aerospace Corporation from June 1993, he had held such positions as Division Director and Deputy Director General of Research & Production Department, Deputy Director General of Human Resources & Training Department and the Head of General Office. From June 1999 onwards, he served as Deputy General Manager of China Aerospace Science & Technology Corporation. Mr Wu was invited to Columbia University as senior visiting scholar for one year in 1988. He was assessed as Research Fellow in 1998 and obtained the Government Subsidy awarded by the State Council in 1999. Mr Wu has been managing in the field of aerospace for a number of years and has extensive capability and experience in the management of system engineering and human resources. He was appointed as an Non-Executive Director and Chairman of the Company in September 2007.

Mr Zhao Liqiang, aged 47, a Research Fellow, is an Executive Director of the Company and President of the Group. He graduated from Beijing Aviation College in 1984, and from China Academy of Launch Vehicle Technology ("CALT") in 1987 with a master degree in Meter & Testing of Aerospace Vehicles. He joined the 704 Research Institute of CALT since 1987 and held such posts as Deputy Team Head of the Second Office, Deputy Officer of Research Centre of Tracking & Navigating Equipment, Vice President, President, President and Assistant to Chairman, and Vice Chairman, as well as General Manager of Beijing Satellite Technology & Navigation Limited, Deputy General Manager of China Aerospace Shidai Electronics Company, Director & President of Long March Launch Vehicle Technology Company Limited, and, from December 2006 to April 2008, Non-executive Director of APT Satellite Holdings Limited (stock code: 1045), a company listed on the Stock Exchange of Hong Kong Limited. He was appointed as an Executive Director of the Company and President of the Group in September 2004.

Mr Zhou Qingquan, aged 57, is an Executive Director of the Company and Vice President of the Group. He graduated from Northwest Industrial University. From 1976, he held such posts as Deputy Director, Director, Senior Engineer, Deputy General Factory Manager, and General Factory Manager and President in the 801 Research Institute of Shanghai Aerospace Administration and the Research Office of Shanghai Xinxin Machinery Factory respectively. From 1995, he held such posts as Vice President, then President of Shanghai Aerospace Corporation, as well as Deputy Director General of Shanghai Aerospace Administration. He was appointed as an Executive Director of the Company and Vice President of the Group in September 1999.

Biographical Details of Directors

Mr Wu Hongju, aged 47, a Senior Engineer, is an Executive Director of the Company and Vice President of the Group. After graduation with the major in radio technology from Beijing Polytechnic University in 1984, he started his career in R&D in the 502 Research Institute of the then Ministry of Aerospace Industry of China. From 1991, he held such posts as Office Assistant of the Aerospace Foreign Trade Coordination Team of the former Ministry of Aviation & Aerospace of China, Assistant of General Planning & Development Bureau of the former China Aerospace Corporation, Vice President of China APMT Company, Vice President of Singapore APMT Company, Division Director of Investment Management Division of Business Investment Bureau of China Aerospace Science & Technology Corporation, and Vice President of Beijing Aerospace Satellite Application Company. He has attained extensive experience in trading, capital operation and radio technology through his career. He was appointed as an Executive Director of the Company and Vice President of the Group in September 2002.

Mr Guo Xianpeng, aged 42, a Senior Engineer, is an Executive Director of the Company and Vice President of the Group. He studied at the Department of Automotive Engineering of Tsinghua University from 1983 to 1991 and obtained a bachelor's degree in engineering and a master's degree in engineering. Since 1991, he served as an Engineer in China Aerospace Ground Equipment Corporation. Since 1993, he served as Deputy Director of the Business Development Bureau, Division Director of Project Division and Senior Engineer of China Aerospace Corporation. Since 1999, he served as Director of the Project Management Division of the Planning and Business Department, Director of the Project Management Division of the Business Department and Director of the Civil Products Management Division of the Business Investment Department of China Aerospace Science & Technology Corporation. Since November 2002, he served as Deputy Director General of the Business Investment Department of China Aerospace Science & Technology Corporation. He has experience in development planning, planning and project management of civil products in aerospace industries. He was appointed as an Executive Director of the Company and Vice President of the Group in January 2004.

Mr Chow Chan Lum, Charles, aged 58, is an Independent Non-Executive Director of the Company and a Partner of Wong Brothers & Company, Certified Public Accountants. Mr Chow carries duties in a variety of functional and social organizations. He is a past President of the Taxation Institute of Hong Kong and has served on a number of committees of the Hong Kong Institute of Certified Public Accountants including the Deputy Chairman of Auditing & Assurance Standards Committee, the members of PRC Accounting and Auditing Sub-Committee, Practice Review Committee, Investigation Panel, Examination Panel, Compliants Panel, Taxation Committee and Professional Standards Monitoring Committee. He is currently a member of Foreign Experts Consultative Committee on China Independent Auditing Standards, Finance Ministry, the PRC, a member of People's Political Consultative Committee, Guangdong Province, the PRC, a council member of the Hong Kong Academy for Performing Arts, Deputy Chairman of the Chinese Entrepreneurs Organization, and an Independent Non-Executive Director of Pak Tak International Limited (stock code: 2668) and Maoye International Holdings Limited (stock code: 00848), companies listed on the Stock Exchange of Hong Kong Limited, since October 2002 and November 2007 respectively. He was appointed as an Independent Non-Executive Director of the Company in April 2000.

Biographical Details of Directors

Mr Luo Zhenbang, aged 42, is an Independent Non-Executive Director of the Company and a Senior Partner of Baker Tilly China Certified Public Accountants. Mr Luo graduated from the School of Business of Lanzhou in 1991 majoring in Enterprise Management. He has been managing the audit works for several listed companies since 1994. He has been an expert supervisor of Xinda Asset Management Corporation and China Great Wall Asset Management Corporation. He was also an independent director of Long March Vehicle Technology Company Limited, Orient Tantalum Industry Company Limited, Wuzhong Instrument Company Limited and Shengxue Company Limited, as well as an internal audit expert of Northeast Securities Company Limited. Mr Luo possesses several professional qualifications, such as Chinese certified public accountant, certified accountant in securities and futures industry, Chinese certified assets valuer and Chinese certified tax accountant and has in-depth experience in accounting, auditing and financial management. He is familiar with the audit of listed companies from various sectors and extensively participates in corporate restructuring for listing, listed company restructure and other business consultation services. He was appointed as an Independent Non-Executive Director of the Company in December 2004.

Mr Wang Junyan, aged 38, is an Independent Non-Executive Director of the Company and the Chairman and Chief Investment Officer of China Alpha Investment Management Limited. Mr Wang holds a master's degree in finance from the Faculty of Business and Economics of the University of Hong Kong and a bachelor's degree with a major in International Trade from the School of Economics of the Zhongshan University. Since 1997, he served as the Managing Director of First Shanghai Capital Limited, the Managing Director of First Shanghai Financial Holding Limited, an immediate subsidiary of the financial service division of the First Shanghai Group, and an executive director of China Assets (Holdings) Limited (stock code: 170), the shares of which are listed on The Stock Exchange of Hong Kong Limited, and is now serving as an independent director of Livzon Pharmaceutical Group Company Limited (stock code: 000513), the shares of which are listed on Shenzhen Stock Exchange, and an independent non-executive director of Yanzhou Coal Mining Company Limited (stock code: 1171), the shares of which are listed on The Stock Exchange of Hong Kong Limited. Mr Wang has more than 13 years' experience in investment banking and securities industry. He was appointed as an Independent Non-Executive Director of the Company in March 2007.

Mr Chen Xuechuan, aged 46, a Research Fellow, is a Non-Executive Director of the Company. Mr Chen graduated from the Dailian Polytechnic University with a master's degree in engineering. He started his career and held such posts as Deputy Factory Officer, Chief Metallurgist, Deputy Chief Engineer and Deputy General Manager of Capital Aerospace Machinery Company from 1983, Deputy Director General of Personnel & Education Department of the First Academy of China Aerospace Corporation from 1997, Vice President of the Academy of Beijing Aerospace System Engineering from 2000, Director General of Human Resources Department of China Aerospace Science & Technology Corporation from April 2005 till now, and as standing council member of both China Institute of Space Law and China Space Foundation, member of Chinese Society of Astronautics and Director of Aerospace Science & Technology Finance Company Limited from 2007 onwards. Mr Chen has been engaged into the machinery manufacturing of launch vehicles, the management of corporations and academies, as well as human resources management and has substantial experience in corporate management and human resource management. He was appointed as a Non-Executive Director of the Company in August 2008.

Biographical Details of Directors

Mr Li Hongjun, aged 43, a Senior Engineer, is a Non-Executive Director of the Company. He started his career in China Academy of Aerospace Propulsion Technology in September 1985 and held such posts as Technician, Vice President and President of Academy of Metrology, Director General of Civilian Products Department of China Academy of Aerospace Propulsion Technology, Deputy General Manager and General Manager of Shaanxi Aerospace Power High-tech Company Limited (stock code: 600343), a company listed on the Shanghai Stock Exchange. In the meantime, he studied in the Party School of the Central Committee majoring in Economic Management by correspondence, the Northwest University majoring in Administrative Management and obtained a master degree of Public Administration, and the Nanyang Technological University, Singapore majoring in Business Administration and obtained a degree of EMBA. He was the Vice President of China Spacesat Company Limited (stock code: 600118), a company listed on the Shanghai Stock Exchange, from May 2004 to June 2005. He was the Deputy Director General of the Business Investment Department of China Aerospace Science & Technology Corporation from June 2005 and was promoted to Director General from December 2007. He has been involved in the senior posts in listed companies for years and has extensive experience in corporate management, market exploration and capital operation. He was appointed as a Non-Executive Director of the Company in March 2008.

Dr Chan Ching Har, Eliza, aged 52, is a Non-Executive Director of the Company. Dr Chan is a Senior Partner of Jewkes Chan & Partners, Solicitors. She is a Member of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), a Standing Committee Member of the Tianjin Committee of the Chinese People's Political Consultative Conference, the Foreign Economic Affairs Legal Counsel to the Tianjin Municipal People's Government, an arbitrator of the China International Economic and Trade Arbitration Commission (CIETAC), and a China-Appointed Attesting Officer appointed by the Ministry of Justice. She also serves as Chairman of Kowloon Hospital, Chairman of Hong Kong Eye Hospital, Council Member of the Hong Kong University of Science and Technology, Chairman of Pension Appeals Board, Member of the Administrative Appeals Board, a Disciplinary Panel Member of the Hong Kong Institute of Certified Public Accountants and the Legal Advisor to The Hong Kong Chinese Enterprises Association. Dr Chan is the Chairman of the University of Victoria Foundation (Hong Kong) Limited, Vice-Chairman of the Hong Kong CPPCC (Provincial) Members Association Limited and a Governor of The Canadian Chamber of Commerce in Hong Kong. She was also formerly a Board Member of the Hong Kong Hospital Authority, Board of Education and Hong Kong Examination and Assessment Authority. Dr Chan has been conferred Justice of the Peace (J.P.) and Bronze Bauhinia Star (B.B.S.) awards by the Chief Executive of the Hong Kong SAR and the Honorary Doctor of Law degree by the University of Victoria. She was appointed as an Independent Non-Executive Director of the Company in January 1997 and was re-designated as a Non-Executive Director of the Company in December 2004.

Mr Xu Jianhua, aged 40, a Senior Economist, is a Non-Executive Director of the Company and Vice President of the Group. Mr Xu obtained a bachelor's degree in Laws from the China University of Political Science and Law, a master degree in Business Administration from Beijing University of Aeronautics & Astronautics and a Master of Laws degree from the City University of Hong Kong and was qualified as a lawyer in the PRC in 1994. He joined the 707 Research Institute of the former Ministry of Aeronautics & Aerospace Industry of China, serving successively as Deputy Director of Payroll & Benefits Division and the Head of the Administration Division of Human Resources Department of China Aerospace Corporation, the Division Director and Deputy Director General of Human Resources Department of China Aerospace Science & Technology Corporation, and Director of China Spacesat Company Limited (stock code: 600118), a company listed on the Shanghai Stock Exchange. He was appointed as a Director and Deputy General Manager of CASIL Telecommunications Holdings Limited (stock code: 1185), a company listed on the Stock Exchange of Hong Kong Limited and was appointed as a Non-Executive Director of the Company and Vice President of the Group in July 2006.

Biographical Details of Directors

Mr Jin Xuesheng, aged 46, a Senior Engineer, is a Non-Executive Director of the Company. He graduated from Harbin Institute of Technology with an engineering bachelor degree and the University of Lancaster in the United Kingdom with a MBA degree. From 1984, he held such positions as Deputy Division Director and Division Director of the Planning and Operation Division, Engineer and Deputy Factory Director at Capital Engineering Factory under China Academy of Launch Vehicle Technology, as well as Managing Director of Langfang Hangxing Packaging Machinery Company Limited, Partner of Beijing Haiwen Investment Consulting Limited, the Vice President and Financial Controller of China Spacesat Company Limited (stock code: 600118), a company listed on the Shanghai Stock Exchange, Deputy General Manager of Beijing Aerospace Satellite Applications Company and Deputy General Manager of Aerospace Technology Investment Holdings Limited. Among which, he was the Executive Director and Vice President of the Company from June 1999 to March 2001, the Director, Deputy General Manager and Financial Controller of Shanghai Aerospace Technology Investment Management Company Limited, a subsidiary of the Company, from November 2006. Mr Jin possesses extensive corporate management experience, especially the experience in financial management. He was appointed as a Non-Executive Director of the Company in March 2008.

Mr Zhao Yuanchang, aged 60, a Senior Engineer, is a Vice President of the Group. He graduated from Nanjing Aerospace College of Managers in 1986. Through his career in Shanghai Aerospace Administration, he held such posts as Deputy General Manager of its subsidiary, Xinyue Meter Factory, Deputy Director of the Eighth Institute of Design, and then its Deputy Director General in June 1993, and concurrently President of Shanghai Aerospace Corporation and Chairman of Shanghai Aerospace Automotive Mechanical & Electronic Holdings Limited since February 1998. He has attained extensive experience in marketing, business operations, corporate restructuring and management. He was appointed as an Executive Director of the Company and Vice President of the Group in September 2002. Due to the reason of his age, he resigned on 6 August 2008 as an Executive Director of the Company but remains the office of Vice President of the Group.

Mr Gong Bo, aged 43, a Research Fellow, graduated from the Beijing Polytechnic University and joined the China Academy of Launch Vehicle Technology in 1987, serving as Deputy Division Director, Deputy Director General of Quality & Technology Department, Deputy Director General and Director General of Quality Control & Supervision Department, Director General of Aerospace System Engineering Department of China Aerospace Science & Technology Corporation. Since 2004, Mr Gong has been serving the Director General of Business Investment Department of China Aerospace Science & Technology Corporation. Mr Gong is a graduate of Executive MBA of the business school of the University of Texas at Arlington. He was appointed as a Non-Executive Director of the Company in June 2005, due to limited time available to the directorship of the Company as a result of work arrangement, resigned as a Non-Executive Director and member of Remuneration Committee of the Company in March 2008.

Biographical Details of Directors

Mr Wang Yujun, aged 46, a Senior Accountant, is a master graduate in Accounting at Northeastern University of Finance and Accounting. He joined the Ministry of Aerospace Industry of China and Aviation & Aerospace Department in 1985, serving as Section Supervisor in the Finance Bureau, then Deputy Division Director of Foreign Economic & Finance Division of the Financial Bureau of China Aerospace Corporation, Division Director of State-owned Assets Management Division of Finance Department of China Aerospace Science & Technology Corporation. In July 2001, he joined the Company serving as General Manager of the Finance Department and was appointed as Financial Controller in June 2005. Throughout the years, he has attained extensive experience in corporate financial management. He was appointed as a Non-Executive Director of the Company in June 2005, due to limited time available to the directorship of the Company as a result of work arrangement, resigned as a Non-Executive Director and member of Audit Committee of the Company in March 2008.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 43, 44 and 45 to the consolidated financial statements, respectively.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 37.

The Board resolved not to declare any dividend in respect of the financial year ended 31 December 2008 (2007: nil).

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired plant and equipment and motor vehicles, furniture and other equipment of HK$71,460,000 and HK$23,090,000 respectively to cope with the expansion of the Group. Details of movements in property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2008 comprised the retained profits of approximately HK$544,366,000 (2007: HK$380,491,000).

SHARE OPTION SCHEME

During 2008, no share option scheme is adopted, details of which are set out in note 34 to the consolidated financial statements.

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the aggregate turnover attributable to the Group's five largest customers were less than 30% of the Group's consolidated turnover, and the aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases.

Directors' Report

DIRECTORS

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

Executive

Zhao Liqiang *(President)*	
Zhou Qingquan	
Wu Hongju	
Guo Xianpeng	
Zhao Yuanchang	(resigned on 6 August 2008)

Non-Executive

Wu Zhuo *(Chairman)*	
Chow Chan Lum, Charles *(Independent)*	
Luo Zhenbang *(Independent)*	
Wang Junyan *(Independent)*	
Chen Xuechuan	(appointed on 6 August 2008)
Li Hongjun	(appointed on 18 March 2008)
Chan Ching Har, Eliza	
Xu Jianhua	
Jin Xuesheng	(appointed on 18 March 2008)
Gong Bo	(resigned on 18 March 2008)
Wang Yujun	(resigned on 18 March 2008)

Non-Executive Directors are appointed for a period of 2 years and, being eligible, offer themselves for re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

Messrs. Zhou Qingquan, Xu Jianhua, Luo Zhenbang and Wang Junyan retire by rotation in accordance with Article 103(A) of the Company's Articles of Association and, being eligible, offer themselves for re-election.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31 December 2008, save for Mr Wu Zhuo, Mr Zhao Liqiang, Mr Zhou Qingquan, Mr Wu Hongju, Mr Guo Xianpeng, Mr Chen Xuechuan, Mr Li Hongjun, Mr Xu Jianhua and Mr Jin Xuesheng, the Directors of the Company, who are employees of either China Aerospace Science & Technology Corporation ("CASC"), the substantial shareholder of the Company, or its subsidiaries, none of the Directors, Chief Executive or their associates have any beneficial, non-beneficial interests or short positions in the share capital, warrants and options of the Company, its subsidiaries or any of its associated corporations which is required to be recorded in the Register of Directors' Interests pursuant to Part XV of the Securities & Futures Ordinance and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has any service contract with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than the share option scheme disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the Chief Executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

CONNECTED TRANSACTIONS

On 20 August 2008, CASIL Hainan Holdings Limited ("CASIL Hainan"), an indirect wholly-owned subsidiary of the Company, entered into a land development agreement ("Land Development Agreement") with the Wenchang Government in relation to the land development of the Complex Zone of the Launching Site in Wenchang City, Hainan Province with the total investment of approximately RMB1,200,000,000 (approximately HK$1,357,466,000), comprising RMB670,000,000 (approximately HK$757,919,000) for the purpose of construction of basic infrastructure; and RMB530,000,000 (approximately HK$599,547,000) for the compensation payment for demolition, resettlement and other expenses. On the same day, CASIL Hainan entered into the Promoters' Agreement with Aerospace Times Properties Development Limited, an indirect subsidiary of a substantial shareholder of the Company, China Aerospace Science & Technology Corporation, in respect of the establishment of a joint venture company ("Joint Venture Company") to be engaged in the above land development. Upon establishment of the Joint Venture Company, CASIL Hainan will enter into an implementation agreement ("Implementation Agreement") with the Joint Venture Company for the Joint Venture Company to implement the development activities under the Land Development Agreement. The shareholders of the Company, excluding the Company's controlling shareholder, CASC, and its associates, had approved the Land Development Agreement, the Promoters' Agreement and the Implementation Agreement at the extraordinary general meeting held on 10 October 2008.

Independent Non-Executive Directors of the Company have reviewed the above connected transactions and confirmed that the connected transactions have been entered into by the Group in its ordinary and usual course of business.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, the register of substantial shareholders maintained by the Company pursuant to Part XV of the Securities & Futures Ordinance discloses the following companies as having 5% or more of the issued capital of the Company:

Name	Capacity	Number of shares interested (Long position)	Percentage of issued share capital	Number of shares interested (Short position)	Percentage of issued share capital
China Aerospace Science & Technology Corporation	Interests in controlled corporation *(Note 1)*	1,143,330,636	44.47%	355,000,000	13.81%
Jetcote Investments Limited	Beneficial owner	131,837,011	5.13%	N/A	N/A
	Interests in controlled corporation *(Note 2)*	1,011,493,625	39.34%	355,000,000	13.81%
		1,143,330,636	44.47%	355,000,000	13.81%
Burhill Company Limited	Beneficial owner *(Note 2)*	539,566,136	20.98%	355,000,000	13.81%
Sin King Enterprises Company Limited	Beneficial owner *(Note 2)*	471,927,489	18.36%	N/A	N/A
Montpelier Investment Management LLP *(Note 3)*	Investment manager *(Note 4)*	200,568,706	7.80%	N/A	N/A
Montpelier Global Funds Limited — The Montpelier Fund	Beneficial owner *(Note 4)*	177,442,766	6.90%	N/A	N/A

Notes:

(1) These 1,143,330,636 shares are duplicated in the interests held by Jetcote Investments Limited, a wholly-owned subsidiary of China Aerospace Science & Technology Corporation, and its subsidiaries.

(2) Both Burhill Company Limited and Sin King Enterprises Company Limited are wholly-owned subsidiaries of Jetcote Investments Limited. The shares held by them form part of the total number of Shares held by Jetcote Investments Limited.

(3) Montpelier Investment Management LLP was formerly named as Montpelier Asset Management Limited.

(4) Montpelier Investment Management LLP has been appointed by Montpelier Global Funds Limited as Investment Manager and the shareholding of Montpelier Global Funds Limited in the Company is duplicated in the interests held by Montpelier Asset Management Limited.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital or underlying shares of the Company as at 31 December 2008.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

Save as disclosed below, as at the date of this Annual Report, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and, so far as the Directors were aware, no litigation or arbitration or claim of material importance was pending or threatened by or against any member of the Group.

CASIL Clearing Limited ("CASIL Clearing"), a wholly-owned subsidiary of the Company, made an advance in the past to Chinluck Properties Limited ("Chinluck"), an independent third party. The loan was secured by a piece of land and guaranteed personally by Mr Cheng Zhen Shu, the substantial shareholder and chairman of Chinluck. CASIL Clearing was alleged a breach of the loan agreement in failing to advance the full amount of HK$330,000,000 to Chinluck. CASIL Clearing resisted the claim and counterclaimed against Chinluck and sued against Mr Cheng Zhen Shu upon default on, including but not limited to, interest and payment of the loan amount advanced under the loan agreement and the mortgage. A Court hearing in respect of the loan was conducted in June 2004, and the judgement in respect of the action was received at the end of July 2004. The judgement was merely a fact finding and confined to issues of liability only. For the issues of damages, it was held by the Court in December 2007 that, inter alia, CASIL Clearing is required to pay a nominal damages of HK$100 to Chinluck for its breach of agreement to advance the remaining portion of the loan and Chinluck is required to pay the outstanding principal and the accrued interest under the loan agreement and the mortgage for its breach of the repayment obligations. The nominal damage of HK$100 payable by CASIL Clearing to Chinluck is to be set off against the amount of the judgement to be calculated and agreed between the parties. As the calculation of the judgement sum had not been agreed by both parties, the amount of the judgement sum was hence confirmed by the Court in June 2007 (the "Judgement").

In September 2007, CASIL Clearing had entered into a settlement agreement with Chinluck and Mr Cheng Zhen Shu so as to solve the litigation completely. Pursuant to the settlement agreement, both Chinluck and Mr Cheng Zhen Shu agreed to repay a sum of HK$280,000,000 to CASIL Clearing by instalments and there shall be an interim stay of execution of the Judgement by CASIL Clearing, otherwise, the execution will be lifted. Upon full payment by Chinluck and Mr Cheng Zhen Shu of the money payable on the due dates, CASIL Clearing shall accept the said payments in full and final settlement of the liabilities of Chinluck and Mr Cheng Zhen Shu and the parties shall sign and file a consent order to provide for a permanent stay of execution of the Judgement.

As of the date of this Annual Report, both Chinluck and Mr Cheng Zhen Shu have repaid a sum in equivalent to HK$113,094,000 and are continuing to repay the liabilities. At present, CASIL Clearing will strengthen its effort to chase the debts from both Chinluck and Mr Cheng Zhen Shu given that it has all the rights conferred upon under the Judgement.

At 31 December 2008, the carrying value of the amount advanced to Chinluck was HK$77,077,000.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the management on the basis of their merit, qualification and competence.

The emoluments of the Directors are reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

By order of the Board

Zhao Liqiang
Executive Director & President

Hong Kong, 26 March 2009

Independent Auditor's Report

Deloitte.
德勤

TO THE SHAREHOLDERS OF
CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED
中國航天國際控股有限公司
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of China Aerospace International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 37 to 102, which comprise the consolidated and Company balance sheets as at 31 December 2008, 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 CONSOLIDATED 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 Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and 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 the consolidated 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 and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

Independent Auditor's Report

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 state of affairs of the Company and the Group as at 31 December 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

	NOTES	2008 HK$'000	2007 HK$'000
Turnover	5(a)	**1,707,919**	1,681,854
Cost of sales	5(b)	**(1,337,634)**	(1,326,220)
Gross profit		**370,285**	355,634
Other income	7	**118,667**	278,595
Selling and distribution costs		**(54,138)**	(48,943)
Administrative expenses		**(212,333)**	(206,748)
Impairment loss recognised in respect of available-for-sale investments		**(40,780)**	—
Impairment loss recognised in respect of property, plant and equipment		**(2,911)**	(11,131)
Fair value changes of investment properties		**(24,757)**	11,387
Finance costs	9	**(2,088)**	(7,569)
Share of results of jointly controlled entities		**1,832**	(14,845)
Profit before taxation	10	**153,777**	356,380
Taxation	11	**(12,524)**	(45,986)
Profit for the year		**141,253**	310,394
Attributable to:			
Equity holders of the Company		**144,596**	310,037
Minority interests		**(3,343)**	357
		141,253	310,394
Earnings per share — basic	12	**HK5.62 cents**	HK12.76 cents

Balance Sheets

At 31 December 2008

	NOTES	THE GROUP 2008 HK$'000	THE GROUP 2007 HK$'000	THE COMPANY 2008 HK$'000	THE COMPANY 2007 HK$'000
Non-current assets					
Property, plant and equipment	14	**645,084**	692,464	**2,869**	3,178
Prepaid lease payments	15	**585,991**	65,493	**–**	–
Investment properties	16	**265,579**	159,732	**–**	–
Interests in subsidiaries	17	**–**	–	**484,503**	449,023
Amount due from a subsidiary	17	**–**	–	**275,186**	260,144
Interests in associates	18	**–**	–	**–**	1,053
Interests in jointly controlled entities	19	**60,806**	56,732	**15,000**	15,000
Available-for-sale investments	20	**39,544**	127,899	**–**	–
Pledged bank deposits	21	**110,560**	110,560	**110,560**	110,560
		1,707,564	1,212,880	**888,118**	838,958
Current assets					
Inventories	22	**139,222**	141,579	**–**	–
Trade and other receivables	23	**282,488**	348,773	**4,383**	5,168
Prepaid lease payments	15	**12,087**	2,308	**–**	–
Loans receivable	24	**77,077**	93,849	**–**	–
Financial assets at fair value through profit or loss	25	**3,251**	31,946	**–**	–
Amounts due from subsidiaries	26	**–**	–	**930,535**	749,682
Taxation recoverable		**3,740**	1,412	**–**	–
Pledged bank deposits	21	**59,070**	–	**7,854**	–
Short-term investment	27	**107,710**	–	**–**	–
Bank balances and cash		**859,244**	1,144,957	**31,227**	11,266
		1,543,889	1,764,824	**973,999**	766,116
Asset classified as held for sale	16	**–**	30,332	**–**	–
		1,543,889	1,795,156	**973,999**	766,116

Balance Sheets

At 31 December 2008

	NOTES	THE GROUP 2008 HK$'000	THE GROUP 2007 HK$'000	THE COMPANY 2008 HK$'000	THE COMPANY 2007 HK$'000
Current liabilities					
Trade and other payables	28	**543,758**	670,712	**59,434**	59,455
Amounts due to subsidiaries	26	**—**	—	**291,570**	221,067
Amount due to an associate	29	**1,050**	1,050	**1,050**	1,050
Taxation payable		**57,653**	51,251	**80**	80
Obligations under finance leases	30	**—**	44	**—**	—
Secured bank loans	31	**17,500**	17,500	**—**	—
Other loan	32	**8,126**	7,682	**—**	—
		628,087	748,239	**352,134**	281,652
Net current assets		**915,802**	1,046,917	**621,865**	484,464
Total assets less current liabilities		**2,623,366**	2,259,797	**1,509,983**	1,323,422
Non-current liabilities					
Secured bank loans	31	**131,401**	148,901	**—**	—
Deferred taxation	33	**8,326**	29,843	**—**	—
		139,727	178,744	**—**	—
		2,483,639	2,081,053	**1,509,983**	1,323,422
Capital and reserves					
Share capital	34	**257,090**	257,090	**257,090**	257,090
Reserves	35	**1,892,864**	1,744,516	**1,252,893**	1,066,332
Equity attributable to equity holders of the Company		**2,149,954**	2,001,606	**1,509,983**	1,323,422
Minority interests		**333,685**	79,447	**—**	—
		2,483,639	2,081,053	**1,509,983**	1,323,422

The consolidated financial statements on pages 37 to 102 were approved and authorised for issue by the Board of Directors on 26 March 2009 and are signed on its behalf by:

Zhao Liqiang
Director

Zhou Qingquan
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company												
	Share capital	Share premium	Special capital reserve	General reserve	Translation reserve	Investment revaluation reserve	Property revaluation reserve	Capital reserve	Capital redemption reserve	Retained profits	Total	Minority interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Note 35)	*(Note)*									
At 1 January 2007	214,242	–	14,044	23,916	(12,473)	21,007	3,899	21,570	1,080	933,127	1,220,412	52,587	1,272,999
Increase in fair value of available-for-sale investments	–	–	–	–	–	26,568	–	–	–	–	26,568	–	26,568
Exchange differences arising on translation of foreign operations	–	–	–	–	57,709	–	–	–	–	–	57,709	5,067	62,776
Share of exchange reserve of jointly controlled entities	–	–	–	–	7,746	–	–	–	–	–	7,746	–	7,746
Net income recognised directly in equity	–	–	–	–	65,455	26,568	–	–	–	–	92,023	5,067	97,090
Profit for the year	–	–	–	–	–	–	–	–	–	310,037	310,037	357	310,394
Total recognised income for the year	–	–	–	–	65,455	26,568	–	–	–	310,037	402,060	5,424	407,484
Issue of shares	42,848	342,787	–	–	–	–	–	–	–	–	385,635	–	385,635
Expenses incurred in connection with issue of shares	–	(6,501)	–	–	–	–	–	–	–	–	(6,501)	–	(6,501)
Capital contribution from a minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	21,436	21,436
At 31 December 2007	257,090	336,286	14,044	23,916	52,982	47,575	3,899	21,570	1,080	1,243,164	2,001,606	79,447	2,081,053

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company												
	Share capital HK$'000	Share premium HK$'000	Special capital reserve HK$'000 *(Note 35)*	General reserve HK$'000 *(Note)*	Translation reserve HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000	Minority interests HK$'000	Total HK$'000
At 1 January 2008	257,090	336,286	14,044	23,916	52,982	47,575	3,899	21,570	1,080	1,243,164	2,001,606	79,447	2,081,053
Decrease in fair value of available-for-sale investments	–	–	–	–	–	(88,355)	–	–	–	–	(88,355)	–	(88,355)
Exchange differences arising on translation of foreign operations	–	–	–	–	49,085	–	–	–	–	–	49,085	(89)	48,996
Share of exchange reserve of jointly controlled entities	–	–	–	–	2,242	–	–	–	–	–	2,242	–	2,242
Net income/expense recognised directly in equity	–	–	–	–	51,327	(88,355)	–	–	–	–	(37,028)	(89)	(37,117)
Transfer to profit or loss on impairment loss recognised in respect of available-for-sale investments	–	–	–	–	–	40,780	–	–	–	–	40,780	–	40,780
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	144,596	144,596	(3,343)	141,253
Total recognised income (expense) for the year	–	–	–	–	51,327	(47,575)	–	–	–	144,596	148,348	(3,432)	144,916
Capital contribution from a minority shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	257,670	257,670
At 31 December 2008	257,090	336,286	14,044	23,916	104,309	–	3,899	21,570	1,080	1,387,760	2,149,954	333,685	2,483,639

Note: The general reserve is non-distributable and represents reserve fund and enterprise expansion fund of the subsidiaries in the People's Republic of China other than Hong Kong (the "PRC") used to (i) make up prior years' losses or (ii) expand production operations.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**153,777**	356,380
Adjustments for:		
Depreciation	**55,800**	54,613
Amortisation of prepaid lease payments	**1,219**	2,188
Interest income	**(13,700)**	(18,294)
Interest expense	**2,087**	7,436
Finance lease charges	**1**	133
Loss (gain) on disposal of property, plant and equipment	**3,672**	(424)
Gain on disposal of assets classified as held for sale	**(3,093)**	(4,566)
Fair value changes of investment properties	**24,757**	(11,387)
Reversal of impairment loss recognised in respect of loans receivable	**(58,234)**	(54,860)
Allowance (reversal of allowance) for doubtful debts	**1,519**	(844)
(Reversal of allowance) allowance for obsolete inventories	**(2,178)**	4,490
Impairment loss recognised in respect of available-for-sale investments	**40,780**	—
Impairment loss recognised in respect of property, plant and equipment	**2,911**	11,131
Share of results of jointly controlled entities	**(1,832)**	14,845
Operating cash flows before movements in working capital	**207,486**	360,841
Decrease (increase) in inventories	**11,726**	(11,322)
Decrease (increase) in trade and other receivables	**72,031**	(79,731)
Decrease (increase) in financial assets at fair value through profit or loss	**28,719**	(30,832)
(Decrease) increase in trade and other payables	**(180,691)**	53,668
Cash generated from operations	**139,271**	292,624
Hong Kong Profits Tax paid	**(6,115)**	(10,359)
PRC Enterprise Income Tax paid	**(22,228)**	(20,264)
NET CASH FROM OPERATING ACTIVITIES	**110,928**	262,001
INVESTING ACTIVITIES		
Additions to prepaid lease payments	**(538,043)**	—
Purchase of property, plant and equipment	**(100,774)**	(90,850)
Purchase of short-term investment	**(107,710)**	—
Repayment of loans receivable	**75,006**	31,280
Increase in pledged bank deposits	**(59,070)**	—
Proceeds from disposal of investment properties	**34,748**	25,196
Interest received	**13,700**	18,294
Proceeds from disposal of property, plant and equipment	**4,858**	3,840
NET CASH USED IN INVESTING ACTIVITIES	**(677,285)**	(12,240)

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	2008 HK$'000	2007 HK$'000
FINANCING ACTIVITIES		
Capital contribution from a minority shareholder of a subsidiary	**257,670**	21,436
Repayment of bank loans	**(17,500)**	(65,172)
Interest paid	**(2,087)**	(3,608)
Repayment of obligations under finance leases	**(44)**	(2,634)
Finance lease charges	**(1)**	(133)
Proceeds from issue of shares	**–**	385,635
Issue share expenses	**–**	(6,501)
Repayment to a major shareholder	**–**	(119,989)
NET CASH FROM FINANCING ACTIVITIES	**238,038**	209,034
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(328,319)**	458,795
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**1,144,957**	658,756
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**42,606**	27,406
CASH AND CASH EQUIVALENTS AT END OF THE YEAR REPRESENTING BANK BALANCES AND CASH	**859,244**	1,144,957

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

The principal activity of the Company is investment holding. The principal activities of its major subsidiaries, associates and jointly controlled entities are set out in notes 43, 44 and 45, respectively.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) — INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC) — INT 12	Service concession arrangements
HK(IFRIC) — INT 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of financial statements[2]
HKAS 23 (Revised)	Borrowing costs[2]
HKAS 27 (Revised)	Consolidated and separate financial statements[3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate[2]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[2]
HKFRS 3 (Revised)	Business combinations[3]
HKFRS 7 (Amendment)	Improving disclosures about financial instruments[2]
HKFRS 8	Operating segments[2]
HK(IFRIC) — INT 9 & HKAS 39 (Amendments)	Embedded derivatives[4]
HK(IFRIC) — INT 13	Customer loyalty programmes[5]
HK(IFRIC) — INT 15	Agreements for the construction of real estate[2]
HK(IFRIC) — INT 16	Hedges of a net investment in a foreign operation[6]
HK(IFRIC) — INT 17	Distribution of non-cash assets to owners[3]
HK(IFRIC) — INT 18	Transfer of assets from customers[7]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.
2 Effective for annual periods beginning on or after 1 January 2009.
3 Effective for annual periods beginning on or after 1 July 2009.
4 Effective for annual periods ending on or after 30 June 2009.
5 Effective for annual periods beginning on or after 1 July 2008.
6 Effective for annual periods beginning on or after 1 October 2008.
7 Effective for transfer on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Improvement to HKFRSs requires property being constructed or developed for future use as investment property to classify as investment property for annual period beginning on or after 1 January 2009. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair values, as explained in accounting policies set out below.

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Interests in subsidiaries

Interests in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. Income from investments in subsidiaries is accounted for when the Company's right to receive the dividend payment has been established.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of financial assets at FVTPL, loans and receivables and available-for-sale financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets at FVTPL are mainly classified as investments held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, loans receivable, pledged bank deposits, amounts due from subsidiaries, short-term investment and bank balance and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated equity securities held for an identified long term strategic purpose as available-for-sale investments.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables and loans receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, amounts due to subsidiaries, amount due to an associate, secured bank loans and other loan are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Non-current assets classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from sales of goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Rental income, including rentals invoiced in advance from properties under operating leases, is recognised on a straight line basis over the term of the relevant lease.

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Property that is being constructed or developed for future use as an investment property is classified as property, plant and equipment and carried at cost less recognised impairment loss until construction or development is complete, at which time it is reclassified to and subsequently accounted for as investment property. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in profit or loss.

If an item of property, plant and equipment together with the corresponding prepaid lease payment becomes an investment property because its use has been changed as evidenced by end of owner-occupation, any increase in value between the carrying amount and the fair value of that item at the date of transfer is recognised in property revaluation reserve and the decrease in value resulting from it is recognised in profit or loss. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the terms of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Leasehold land and buildings under development for future owner-occupied/rental purpose

When the leasehold land and buildings are in the course of development for production, administrative or for rental purposes, the leasehold land component is classified as a prepaid lease payment and amortised over a straight line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure except those properties transferred from property, plant and equipment due to change of usage as evidenced by the end of owner occupation, which are measured at fair value upon transfer. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases except for those that are classified and accounted for as investment properties under the fair value model.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Research and development expenses

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity.

Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as an income immediately.

Retirement benefits scheme

Payments to defined contribution retirement benefit schemes including Mandatory Provident Fund scheme and state-managed pension scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable and deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary difference arising on investments in subsidiaries, associates and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key source of estimation uncertainty at the balance sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Allowance for trade and loans receivable

In determining whether there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, further impairment loss may arise. The management closely monitors the settlement status of trade and loans receivables (as described in notes 23 and 24) and will strengthen its effort to chase the debts and thus considers that the trade receivables with carrying amount of HK$240,136,000 are recoverable due to its good credit quality and loans receivable that are past due of HK$77,077,000 are recoverable in view of the fair value of assets under pledged for the loans receivable and the amounts of subsequent settlements.

Allowances for inventories

The management of the Group reviews an aged analysis at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in production. The management estimates that the net realisable value for such finished goods and consumables based primarily on the latest invoice prices and current market conditions. The amount of allowance would be changed as a result of changes in current market conditions subsequently.

5. TURNOVER AND COST OF SALES

(a) Turnover represents the gross invoiced sales of goods less discounts and sales related taxes and rental income as follows:

	2008	2007
	HK$'000	HK$'000
Sales of goods	**1,692,067**	1,665,188
Rental income	**15,852**	16,666
	1,707,919	1,681,854

(b) Cost of sales includes reversal of allowance for obsolete inventories of HK$5,139,000, net of allowance of HK$2,961,000 (2007: allowance of HK$4,490,000).

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

(a) Business segments

For the year ended 31 December 2008

	Turnover			
	External sales HK$'000	Inter-segment sales HK$'000	Total turnover HK$'000	Segment results HK$'000
Manufacturing and distribution				
Plastic products	679,643	62,231	741,874	59,029
Liquid crystal display	262,349	1,353	263,702	20,615
Printed circuit boards	261,098	—	261,098	39,322
Intelligent chargers	479,991	—	479,991	63,645
	1,683,081	63,584	1,746,665	182,611
Property investment	15,852	11,911	27,763	(22,591)
Trading of electronic products	8,986	—	8,986	(667)
Financial service	—	—	—	57,970
Trading of securities	—	—	—	7,509
Other investments	—	—	—	(40,780)
	1,707,919	75,495	1,783,414	184,052
Elimination	—	(75,495)	(75,495)	—
	1,707,919	—	1,707,919	184,052
Unallocated corporate income				35,719
Unallocated corporate expenses				(65,738)
				154,033
Finance costs				(2,088)
Share of results of jointly controlled entities				1,832
Profit before taxation				153,777
Taxation				(12,524)
Profit for the year				141,253

Inter-segment sales are charged at prevailing market prices.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2008

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Business segments (continued)

At 31 December 2008

	Segment assets HK$'000
ASSETS	
Manufacturing and distribution	
Plastic products	**439,959**
Liquid crystal display	**258,226**
Printed circuit boards	**157,539**
Intelligent chargers	**197,890**
	1,053,614
Property investment	**835,420**
Trading of electronic products	**20,598**
Financial service	**77,077**
Trading of securities	**3,251**
Other investments	**39,544**
Segment assets	**2,029,504**
Unallocated corporate assets	**1,161,143**
Interests in jointly controlled entities	**60,806**
Consolidated total assets	**3,251,453**

	Segment liabilities HK$'000
LIABILITIES	
Manufacturing and distribution	
Plastic products	**133,418**
Liquid crystal display	**23,607**
Printed circuit boards	**43,882**
Intelligent chargers	**78,189**
	279,096
Property investment	**14,855**
Trading of electronic products	**123,965**
Financial service	**388**
	418,304
Unallocated corporate liabilities	**349,510**
Consolidated total liabilities	**767,814**

Notes to the Consolidated Financial Statements
For the year ended 31 December 2008

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Business segments (continued)

OTHER INFORMATION — 2008

	Capital additions HK$'000	Depreciation HK$'000	Impairment loss recognised in respect of property, plant and equipment HK$'000	Fair value loss on investment properties HK$'000	Reversal of allowance (allowance) for obsolete inventories HK$'000	Reversal of impairment loss recognised in respect of loans receivable HK$'000	(Loss) gain on disposal of property, plant and equipment HK$'000
Manufacturing and distribution							
Plastic products	45,363	17,834	—	—	1,330	—	—
Liquid crystal display	10,649	8,171	—	—	3,809	—	—
Printed circuit boards	26,385	12,557	—	—	(602)	—	(3,592)
Intelligent chargers	6,770	5,139	—	—	(2,359)	—	—
	89,167	43,701	—	—	2,178	—	(3,592)
Property investment	546,066	—	—	24,757	—	—	(202)
Trading of electronic products	25	787	—	—	—	—	—
Financial service	—	—	—	—	—	58,234	—
Others	3,559	11,312	2,911	—	—	—	122
Consolidated total	638,817	55,800	2,911	24,757	2,178	58,234	(3,672)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Business segments (continued)

For the year ended 31 December 2007

	Turnover			
	External sales HK$'000	Inter-segment sales HK$'000	Total turnover HK$'000	Segment results HK$'000
Manufacturing and distribution				
Plastic products	623,673	86,101	709,774	50,683
Liquid crystal display	254,664	—	254,664	21,764
Printed circuit boards	215,695	—	215,695	31,987
Intelligent chargers	556,296	—	556,296	65,831
Other products	5,457	—	5,457	(8,900)
	1,655,785	86,101	1,741,886	161,365
Property investment	16,666	9,116	25,782	25,681
Trading of electronic products	9,403	—	9,403	(1,761)
Financial service	—	—	—	56,387
Trading of securities	—	—	—	46,192
	1,681,854	95,217	1,777,071	287,864
Elimination	—	(95,217)	(95,217)	—
	1,681,854	—	1,681,854	287,864
Unallocated corporate income				148,731
Unallocated corporate expenses				(57,801)
				378,794
Finance costs				(7,569)
Share of results of jointly controlled entities				(14,845)
Profit before taxation				356,380
Taxation				(45,986)
Profit for the year				310,394

Inter-segment sales are charged at prevailing market prices.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Business segments (continued)

At 31 December 2007

	Segment assets HK$'000
ASSETS	
Manufacturing and distribution	
Plastic products	443,366
Liquid crystal display	266,615
Printed circuit boards	152,669
Intelligent chargers	210,165
Other products	3,513
	1,076,328
Property investment	222,876
Trading of electronic products	37,604
Financial service	93,849
Trading of securities	31,946
Other investments	127,899
Segment assets	1,590,502
Unallocated corporate assets	1,360,802
Interests in jointly controlled entities	56,732
Consolidated total assets	3,008,036

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Business segments (continued)

	Segment liabilities HK$'000
LIABILITIES	
Manufacturing and distribution	
Plastic products	131,567
Liquid crystal display	48,118
Printed circuit boards	40,453
Intelligent chargers	119,892
Other products	25,235
	365,265
Property investment	45,958
Trading of electronic products	117,785
Financial service	501
	529,509
Unallocated corporate liabilities	397,474
Consolidated total liabilities	926,983

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(a) Business segments (continued)

OTHER INFORMATION — 2007

	Capital additions HK$'000	Depreciation HK$'000	Impairment loss recognised in respect of property, plant and equipment HK$'000	Fair value gain on investment properties HK$'000	Allowance for obsolete inventories HK$'000	Reversal of impairment loss recognised in respect of loans receivable HK$'000	Gain (loss) on disposal of property, plant and equipment HK$'000
Manufacturing and distribution							
Plastic products	7,615	20,906	6,192	—	1,481	—	—
Liquid crystal display	28,682	6,422	4,360	—	1,305	—	—
Printed circuit boards	16,037	11,713	—	—	42	—	61
Intelligent chargers	10,653	3,311	—	—	—	—	(6)
Other products	49	258	579	—	1,662	—	370
	63,036	42,610	11,131	—	4,490	—	425
Property investment	27,257	9,083	—	11,387	—	—	(1)
Trading of electronic products	3	762	—	—	—	—	—
Financial service	—	—	—	—	—	54,860	—
Others	554	2,158	—	—	—	—	—
Consolidated total	90,850	54,613	11,131	11,387	4,490	54,860	424

(b) Geographical segments

(i) The following table provides an analysis of the Group's turnover by geographical market based on the locations of customers:

	Turnover by geographical market	
	2008	2007
	HK$'000	HK$'000
Hong Kong	**1,392,440**	1,360,538
The PRC	**314,581**	320,349
Overseas	**898**	967
	1,707,919	1,681,854

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6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

(b) Geographical segments (continued)

(ii) The following table provides an analysis of segment assets, and additions to property, plant and equipment and prepaid lease payments, analysed by the geographical areas in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant, equipment and prepaid lease payments	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**414,305**	718,665	**23,348**	16,825
The PRC	**1,544,938**	765,182	**615,459**	73,973
Overseas	**70,261**	106,655	**10**	52
	2,029,504	1,590,502	**638,817**	90,850

7. OTHER INCOME

	2008	2007
	HK$'000	HK$'000
The Group's other income mainly comprises:		
Bank interest income	**13,700**	18,294
Change in fair value of financial assets at fair value through profit or loss	**7,655**	46,320
Reversal of impairment loss recognised in respect of loans receivable (Note 24)	**58,234**	54,860
Net exchange gain	**17,671**	15,815
Gain on disposal of assets classified as held for sale	**3,093**	4,566
Gain on disposal of prepaid lease payments	**–**	17,726
Gain on disposal of property, plant and equipment	**–**	424
Service income (Note)	**–**	104,436

Note: The amount represents commission income earned by a subsidiary of the Company on arrangement and consultancy services rendered to a third party with respect to certain securities investments held by that party.

8. DIRECTORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 16 (2007: 16) directors were as follows:

	Wu Zhuo HK'000	Zhao Liqiang HK$'000	Zhou Qingquan HK$'000	Zhao Yuanchang HK$'000	Wu Hongju HK$'000	Guo Xianpeng HK$'000	Chen Xuechuan HK$'000	Li Hongjun HK$'000	Chan Ching Har, Eliza HK$'000	Jin Xuesheng HK$'000	Xu Jianhua HK$'000	Chow Chan Lum, Charles HK$'000	Luo Zhenbang HK$'000	Wang Junyan HK$'000	Gong Bo HK$'000	Wang Yujun HK$'000	2008 HK$'000
Directors' fees																	
Executives	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Non-executives (excluding independent non-executives)	–	–	–	–	–	–	–	–	150	–	–	–	–	–	–	–	150
Independent non-executives	–	–	–	–	–	–	–	–	–	–	–	150	150	150	–	–	450
	–	–	–	–	–	–	–	–	150	–	–	150	150	150	–	–	600
Other emoluments																	
Salaries and other benefits	15	1,594	1,127	1,062	975	1,062	20	25	55	693	1,062	105	105	60	15	548	8,523
Bonuses	–	506	553	513	513	513	–	–	–	292	408	–	–	–	–	–	3,298
	15	2,100	1,680	1,575	1,488	1,575	20	25	55	985	1,470	105	105	60	15	548	11,821
Total emoluments	15	2,100	1,680	1,575	1,488	1,575	20	25	205	985	1,470	255	255	210	15	548	12,421

Note: The bonus are determined with reference to the operating results, individual performance and comparable market statistics during the year.

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8. DIRECTORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

	Wu Zhuo	Zhao Liqiang	Zhou Qingquan	Zhao Yuanchang	Wu Hongju	Guo Xianpeng	Gong Bo	Chan Ching Har, Eliza	Wang Yujun	Xu Jianhua	Chow Chan Lum, Charles	Luo Zhenbang	Wang Junyan	Ma Xingrui	Lee Hung Sang	Chen Dingyi	2007
	HK'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Directors' fees																	
Executives	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Non-executives (excluding independent non-executives)	–	–	–	–	–	–	–	100	–	–	–	–	–	–	–	–	100
Independent non-executives	–	–	–	–	–	–	–	–	–	–	100	100	100	–	24	–	324
	–	–	–	–	–	–	–	100	–	–	100	100	100	–	24	–	424
Other emoluments																	
Salaries and other benefits	20	1,594	1,127	1,062	1,011	1,062	30	50	1,062	1,037	110	110	60	30	13	497	8,875
Bonuses	–	356	433	303	401	401	–	–	303	303	–	–	–	–	–	1,000	3,500
	20	1,950	1,560	1,365	1,412	1,463	30	50	1,365	1,340	110	110	60	30	13	1,497	12,375
Total emoluments	20	1,950	1,560	1,365	1,412	1,463	30	150	1,365	1,340	210	210	160	30	37	1,497	12,799

Note: The bonuses are determined with reference to the operating results, individual performance and comparable market statistics during the year.

(b) Highest paid individuals' emoluments

During the year, the five highest paid individuals included two directors (2007: two directors), details of whose emoluments are set out above. The emoluments of the remaining three (2007: three) highest paid individuals were as follows:

	2008	2007
	HK$'000	HK$'000
Salaries and other benefits	**1,512**	1,683
Bonuses (Note)	**3,734**	7,190
Contributions to retirement benefits scheme	**24**	24
	5,270	8,897

Note: The bonuses are determined with reference to the operating results, individual performance and comparable market statistics during the year.

8. DIRECTORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS (continued)

(b) Highest paid individuals' emoluments (continued)

The emoluments of these individuals were within the following bands:

Emoluments band	**Number of individuals**	
	2008	2007
HK$1,500,001 to HK$2,000,000	**3**	1
HK$2,000,001 to HK$2,500,000	**—**	1
HK$5,000,001 to HK$5,500,000	**—**	1
	3	3

During the year, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the year, no director waived any emoluments.

9. FINANCE COSTS

	2008 **HK$'000**	2007 HK$'000
Interest expenses on:		
— bank loans wholly repayable within five years	**2,087**	3,608
— finance lease charges	**1**	133
— other loans wholly repayable within five years	**—**	3,828
	2,088	7,569

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10. PROFIT BEFORE TAXATION

	2008 HK$'000	2007 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Depreciation on		
— owned assets	**55,800**	52,369
— assets held under finance leases	**—**	2,244
Amortisation on prepaid lease payments	**10,156**	2,188
Less: Amount capitalised and included on properties under development	**(8,937)**	—
	1,219	2,188
Auditors' remuneration		
— current year	**4,134**	4,203
— underprovision in prior year	**559**	566
Loss on disposal of property, plant and equipment	**3,672**	—
Allowance (reversal of allowance) for doubtful trade debts	**1,519**	(844)
Minimum lease payments under operating leases in respect of land and buildings	**6,369**	5,527
Research and development expenses	**2,273**	4,431
Total staff costs, including directors' remuneration	**249,802**	202,686
Gross rental income	**(15,852)**	(16,666)
Less: Direct operating expenses from investment properties that generated rental income during the year	**1,261**	1,463
	(14,591)	(15,203)

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11. TAXATION

The tax charge for the year comprises:

	2008 **HK$'000**	2007 HK$'000
Current tax		
Hong Kong Profits Tax	**16,975**	8,242
PRC Enterprise Income Tax	**15,444**	34,852
	32,419	43,094
Overprovision in prior years		
Hong Kong Profits Tax	**(78)**	(2,159)
Deferred tax (note 33)		
Current year	**(19,104)**	5,051
Attributable to a change in tax rate	**(713)**	—
	(19,817)	5,051
Taxation attributable to the Company and its subsidiaries	**12,524**	45,986

The tax charge for the year can be reconciled to the profit before taxation per consolidated income statement as follows:

	2008 **HK$'000**	2007 HK$'000
Profit before taxation	**153,777**	356,380
Tax at Hong Kong Profits Tax of 16.5% (2007: 17.5%)	**25,373**	62,367
Tax effect of share of results of jointly controlled entities	**(302)**	2,598
Tax effect of expenses not deductible for tax purposes	**8,801**	4,955
Tax effect of income not taxable for tax purpose	**(5,996)**	(5,448)
Utilisation of tax losses previously not recognised	**(16,580)**	(20,916)
Change in opening deferred tax liabilities resulting from a decrease in applicable tax rate	**(713)**	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,902**	1,926
Overprovision in prior years	**(78)**	(2,159)
Others	**117**	2,663
Tax charge for the year	**12,524**	45,986

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11. TAXATION (continued)

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

On 16 March 2007, the People's Republic of China ("PRC") promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was mainly reduced from 33% to 25%. For certain of the Company's subsidiaries situated in Shenzhen Special Economic Zone of the PRC, they were subject to a corporate income tax at a rate of 18% (2007: 15%) on its assessable profits arising in the PRC for the year, though the tax rate will gradually increase to 25% by 2012.

12. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the ordinary equity holders of the Company for the year is based on the profit for the year attributable to equity holders of the Company of HK$144,596,000 (2007: HK$310,037,000) and on 2,570,904,000 shares (2007: 2,429,162,000 weighted average number of shares) in issue during the year.

13. DIVIDENDS

No dividend was paid or proposed during 2008, nor has any dividend been proposed since the balance sheet date (2007: nil).

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14. PROPERTY, PLANT AND EQUIPMENT

	Medium term leasehold land and buildings in Hong Kong	Long term leasehold land and buildings in the PRC	Medium term leasehold land and buildings in the PRC	Properties under development	Plant and equipment	Motor vehicles, furniture and other equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP							
COST							
At 1 January 2007	54,785	12,008	417,845	35,874	369,583	85,931	976,026
Exchange adjustments	—	862	28,646	384	19,802	4,389	54,083
Additions	—	—	6,061	24,957	35,435	24,397	90,850
Reclassifications	—	—	48,296	(48,296)	—	—	—
Disposals	—	—	—	—	(6,594)	(9,372)	(15,966)
At 31 December 2007	54,785	12,870	500,848	12,919	418,226	105,345	1,104,993
Exchange adjustments	—	746	16,898	43	19,325	4,247	41,259
Additions	—	—	—	15,161	71,460	23,090	109,711
Reclassifications	—	—	13,901	(13,901)	—	—	—
Transfer to investment properties	—	—	(143,218)	—	—	—	(143,218)
Disposals	—	—	—	—	(29,162)	(12,288)	(41,450)
At 31 December 2008	54,785	13,616	388,429	14,222	479,849	120,394	1,071,295
DEPRECIATION AND IMPAIRMENT							
At 1 January 2007	25,145	378	100,039	—	167,465	48,875	341,902
Exchange adjustments	—	45	6,258	—	9,188	1,942	17,433
Charged for the year	549	319	13,201	—	30,572	9,972	54,613
Impairment loss recognised	—	—	—	—	6,625	4,506	11,131
Eliminated on disposals	—	—	—	—	(3,701)	(8,849)	(12,550)
At 31 December 2007	25,694	742	119,498	—	210,149	56,446	412,529
Exchange adjustments	—	44	4,202	—	8,598	1,911	14,755
Charged for the year	549	204	13,314	—	29,985	11,748	55,800
Eliminated upon transfer to investment properties	—	—	(26,864)	—	—	—	(26,864)
Impairment loss recognised (note b)	—	—	2,911	—	—	—	2,911
Eliminated on disposals	—	—	—	—	(26,676)	(6,244)	(32,920)
At 31 December 2008	26,243	990	113,061	—	222,056	63,861	426,211
CARRYING VALUES							
At 31 December 2008	28,542	12,626	275,368	14,222	257,793	56,533	645,084
At 31 December 2007	29,091	12,128	381,350	12,919	208,077	48,899	692,464

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Motor vehicles, furniture and other equipment HK$'000
THE COMPANY	
COST	
At 1 January 2007	13,103
Additions	554
At 31 December 2007	13,657
Additions	1,743
Disposals	(1,875)
At 31 December 2008	13,525
DEPRECIATION AND IMPAIRMENT	
At 1 January 2007	8,321
Provided for the year	2,158
At 31 December 2007	10,479
Provided for the year	2,045
Eliminated on disposals	(1,868)
At 31 December 2008	10,656
CARRYING VALUES	
At 31 December 2008	2,869
At 31 December 2007	3,178

Notes:

(a) Depreciation is provided to write off the cost of items of property, plant and equipment other than properties under development over their estimated useful lives and after taking into account their estimated residual values, using the straight line method, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the term of lease, or 50 years
Plant and equipment	5%—15%
Motor vehicle, furniture and other equipment	6%—25%

(b) During the year, the Group rented out certain of its land and building to outsiders for rental income. At the date of transfer of the owner-occupied property to investment property, the excess of the carrying amount of the property over its fair value of HK$2,911,000 is charged directly to the income statement. The fair value of the property at the date of transfer to investment property was based on the valuation performed by Knight Frank Hong Kong Limited, independent qualified professional valuers not connected with the Group, and have appropriate qualifications.

(c) The Group did not have any assets held under finance leases as at 31 December 2008. The aggregate carrying values of the Group's assets held under finance leases as at 31 December 2007 amounted to HK$1,603,000.

(d) The properties under development are held under medium term leases in the PRC.

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15. PREPAID LEASE PAYMENTS

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
The Group's prepaid lease payments comprise leasehold land in the PRC held under medium term leases and are analysed for reporting purposes as:		
Current portion	**12,087**	2,308
Non-current portion	**585,991**	65,493
	598,078	67,801

16. INVESTMENT PROPERTIES/ASSET CLASSIFIED AS HELD FOR SALE

	Medium term leasehold investment properties in Hong Kong	Medium term leasehold investment properties in the PRC	Freehold investment properties overseas	Total
	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP				
FAIR VALUE				
At 1 January 2007	48,540	21,800	90,222	160,562
Exchange adjustments	—	1,975	16,140	18,115
Increase in fair value during the year	4,830	6,557	—	11,387
Reclassifications to assets held for sale	—	(30,332)	—	(30,332)
At 31 December 2007	53,370	—	106,362	159,732
Exchange adjustments	—	8,036	(17,726)	(9,690)
Decrease in fair value during the year	(437)	(5,569)	(18,751)	(24,757)
Transfer from property, plant and equipment and prepaid lease payments	—	140,294	—	140,294
At 31 December 2008	52,933	142,761	69,885	265,579

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16. INVESTMENT PROPERTIES/ASSET CLASSIFIED AS HELD FOR SALE (continued)

The fair values of the Group's investment properties at 31 December 2008 and 2007 have been arrived at on the basis of valuations carried out on that date by Dudley Surveyors Limited ("Dudley") for properties situated in Hong Kong, Knight Frank Hong Kong Limited ("Knight Frank") for properties situated in the PRC and Atkinson Appraisal Consultants Limited ("Atkinson") for properties situated overseas. Dudley, Knight Frank and Atkinson are independent qualified professional valuers not connected with the Group and members of the Institute of Valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

17. INTERESTS IN SUBSIDIARIES/AMOUNT DUE FROM A SUBSIDIARY

	THE COMPANY	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	**797,908**	719,908
Less: Impairment losses recognised	**(313,405)**	(270,885)
	484,503	449,023
Amount due from a subsidiary	**275,186**	260,144

Impairment losses were recognised based on the recoverable amounts of subsidiaries which were determined by the estimated discounted cash flows from these subsidiaries. The carrying amounts of the subsidiaries were reduced to the respective recoverable amounts from the investments.

At 31 December 2008, the amount due from a subsidiary is unsecured, interest free and will not be repayable within one year.

Particulars of the principal subsidiaries of the Company at 31 December 2008 are set out in note 43.

18. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cost of unlisted investments in associates	**3,603**	3,603	**3,603**	3,603
Share of post-acquisition profits, net of dividends received	**(3,603)**	(3,603)	**–**	–
Less: Impairment loss recognised	**–**	–	**(3,603)**	(2,550)
	–	–	**–**	1,053

Particulars of the associates of the Group at 31 December 2008 are set out in note 44.

The Group has discontinued recognition of its share of losses of certain associates. The amounts of unrecognised share of those associates, extracted from the relevant management accounts of associates, both for the year and cumulatively, are as follows:

	2008	2007
	HK$'000	HK$'000
Unrecognised share of results of associates for the year	**(2,656)**	929
Accumulated unrecognised share of losses of associates	**(12,110)**	(9,454)

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19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cost of unlisted investments in jointly controlled entities	**88,531**	88,531	**15,000**	15,000
Share of post-acquisition reserves	**9,988**	7,746	**—**	—
Share of post-acquisition losses	**(37,713)**	(39,545)	**—**	—
	60,806	56,732	**15,000**	15,000

Particulars of the principal jointly controlled entities of the Group at 31 December 2008 are set out in note 45.

The summarised financial information in respect of the Group's interest in China Aerospace New World Technology Limited ("CANW") and its subsidiaries ("CANW Group") (being jointly controlled entities of the Group) which have been extracted from the unaudited consolidated financial statements:

CANW Group

	2008	2007
	HK$'000	HK$'000
Non-current assets	**1,567**	7,836
Current assets	**60,191**	51,296
Current liabilities	**952**	2,400
Income	**8,492**	2,045
Expenses	**6,660**	16,890

20. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Available-for-sale investments		
— equity securities listed in Hong Kong	**19,968**	64,584
— unlisted equity securities	**19,576**	63,315
	39,544	127,899

The available-for-sale investments are held for an identified long term strategic purpose and are stated at fair value by reference to quoted bid price. With respect to the unlisted equity securities, the underlying assets of which are investment in equity securities listed in Hong Kong, the fair value is measured by reference to those quoted bid price of the underlying listed equity securities held by the unlisted private entities.

21. PLEDGED BANK DEPOSITS

The Group and the Company

The amounts represent deposits pledged to banks to secure long-term bank loans and banking facilities granted to the Group. The Group's deposits amounting to HK$59,070,000 (2007: nil) and the Company's deposits amounting to HK$7,854,000 (2007: nil) have been pledged to secure general banking facilities of the Group and are therefore classified as current assets. The remaining deposits amounting to HK$110,560,000 (2007: HK$110,560,000) have been pledged to secure long-term bank borrowings of the Group.

The deposits carry fixed interest rate between 0.4% and 4.3% (2007: 3.6% and 4.5%) per annum and will be released upon repayment of certain secured bank loans.

22. INVENTORIES

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Raw materials	**63,164**	59,687
Work-in-progress	**20,476**	34,630
Finished goods	**55,582**	47,262
	139,222	141,579

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23. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**275,518**	344,566	**—**	—
Less: Allowance for doubtful debts	**(35,382)**	(34,018)	**—**	—
	240,136	310,548	**—**	—
Other receivables, deposits and prepayments	**42,352**	38,225	**4,383**	5,168
	282,488	348,773	**4,383**	5,168

The following is an aged analysis of trade receivables at the balance sheet date:

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Within 90 days	**228,952**	302,267
Between 91–180 days	**11,184**	8,281
	240,136	310,548

The Group allows an average credit period of 90 days to its trade customers. Receivables are unsecured and interest-free. Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and defines appropriate credit limits.

Management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality. Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$11,184,000 (2007: HK$8,281,000) which are past due at the balance sheet date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. There are no balances included in other receivables which have been past due.

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23. TRADE AND OTHER RECEIVABLES (continued)

The following is an aged analysis of trade receivables which are past due but not impaired:

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Age		
Between 91–180 days	**11,184**	8,281

Based on the historical experience of the Group, trade receivables which are past due but not impaired are generally recoverable.

The following is a movement in the allowance for doubtful debts:

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
At January 1	**34,018**	34,862
Allowance for doubtful debts	**1,519**	—
Amount written off as uncollectible	**(155)**	—
Reversal of allowance for doubtful debts	**—**	(844)
At December 31	**35,382**	34,018

24. LOANS RECEIVABLE

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Fixed-rate loans receivable	**77,077**	93,849

Included in the carrying amount of loans receivable as at 31 December 2008 is an accumulated impairment loss of HK$256,145,000 (2007: HK$314,379,000).

The above amounts include a loan receivable from Chinluck Properties Limited which is subject to a settlement plan (see the Company's announcement on 14 September 2007 for details), details of which are set out below:

			Carrying amount	
Amount	**Maturity date**	**Collateral**	**2008**	2007
			HK$'000	HK$'000
HK$173,819,000 loan receivable	14 January 2008	Certain properties	**77,077**	93,849

Notes to the Consolidated Financial Statements
For the year ended 31 December 2008

24. LOANS RECEIVABLE (continued)

The Group has reviewed the carrying amounts of loans receivable and reversed HK$58,234,000 (2007: HK$54,860,000) impairment loss recognised in respect of loan receivables during the year based on the amount recovered during the year and subsequent to 31 December 2008 and the best estimates made by the management of the Company for the amount that would be recovered from the disposal of the properties pledged to secure the loans receivable. The management closely monitors the settlement status of loans receivables and will strengthen its effort to chase the debts and thus considered that the loans receivable that have past due of HK$77,077,000 (2007: HK$93,849,000) are recoverable in view of the fair value of assets under pledge for the loans receivable and the amounts of subsequent settlements.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Financial assets at fair value through profit or loss held for trading is analysed as follows:		
Equity securities		
— listed in Hong Kong	**1,452**	3,652
— listed in the PRC	**1,799**	—
Managed investment fund — unlisted in the PRC	**—**	28,294
	3,251	31,946

Note: The fair value of listed securities is determined by the quoted market bid price available on the relevant market.

26. AMOUNTS DUE FROM/TO SUBSIDIARIES

The Company

Other than HK$6,128,000 (2007: HK$6,128,000) due from certain subsidiaries and HK$23,050,000 (2007: HK$23,064,000) due to certain subsidiaries which bears interest at market rate, the amounts are unsecured, non-interest bearing and repayable on demand.

27. SHORT-TERM INVESTMENT

The Group

Short-term investment represents amount made to a PRC bank for investment in treasury bills and commercial papers of certain specified banks in the PRC with maturity within one month and an estimated return of 2.3% per annum. The Group has right to redeem the investment before maturity or at maturity, with accrued and unpaid interest, at each specified redeemable period of seven days.

The director considers that the carrying value of short-term investment approximates its fair value at balance sheet date as it is highly liquid and credit risk involved is insignificant.

28. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**205,880**	304,965	**–**	–
Other payables and accrued charges	**337,878**	365,747	**59,434**	59,455
	543,758	670,712	**59,434**	59,455

The following is an aged analysis of trade payables at the balance sheet date:

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Within 90 days	**180,686**	283,661
Between 91–180 days	**2,897**	166
Between 181–365 days	**1,010**	95
Over 1 year	**21,287**	21,043
	205,880	304,965

29. AMOUNT DUE TO AN ASSOCIATE

The Group and the Company

The amount due to an associate is of non-trade nature, unsecured, non-interest bearing and repayable on demand.

Notes to the Consolidated Financial Statements
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30. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
THE GROUP				
Amounts payable under finance leases:				
Within one year	**–**	45	**–**	44
Less: Future finance charges	**–**	(1)	**–**	N/A
Present value of lease obligations	**–**	44	**–**	44

The balance as at 31 December 2007 represented the outstanding principal regarding the finance leases of fixtures and equipment with the average lease term of 3 years. For the year ended 31 December 2007, the average effective borrowing rate was 5% per annum. All leases were on a fixed repayment basis and there were no arrangement entered into for contingent rental payments.

31. SECURED BANK LOANS

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Secured bank loans	**148,901**	166,401
Carrying amount repayable:		
On demand or within one year	**17,500**	17,500
More than one year, but not exceeding two years	**131,401**	148,901
	148,901	166,401
Less: Amount due within one year shown under current liabilities	**(17,500)**	(17,500)
Amount due more than one year	**131,401**	148,901

The secured bank loans carry interest at 1.25% (2007: 1.25%) per annum.

The Group's certain investment properties, property, plant and equipment, bank deposits and available-for-sale investments with aggregate carrying value of HK$46,315,000 (2007: HK$44,100,000), HK$17,764,000 (2007: HK$18,032,000), HK$169,630,000 (2007: HK$110,560,000) and HK$nil (2007: HK$64,584,000), respectively, were pledged to banks for the above bank loans and general banking facilities.

32. OTHER LOAN

The Group

The amount represents advances from a minority shareholder of a non-wholly owned subsidiary. The amount is unsecured, non-interest bearing and is repayable on demand.

33. DEFERRED TAXATION

The followings are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior periods:

	Accelerated tax depreciation	**Others**	**Revaluation of investment properties**	**Total**
	HK$'000	HK$'000 (Note)	HK$'000	HK$'000
THE GROUP				
At 1 January 2007	12,583	(2,806)	12,839	22,616
(Credit) charge to income for the year	(402)	2,717	2,736	5,051
Exchange differences	—	63	2,113	2,176
At 31 December 2007	12,181	(26)	17,688	29,843
Credit to income for the year	(8,231)	(954)	(9,919)	(19,104)
Exchange differences	—	—	(1,700)	(1,700)
Effect of change in tax rate	(696)	—	(17)	(713)
At 31 December 2008	3,254	(980)	6,052	8,326

Note: The amount mainly represents temporary differences arising on allowances for doubtful debts and unrealised fair value change on financial assets at fair value through profit or loss.

For the purpose of balance sheet presentation, the above deferred tax assets and liabilities have been offset.

At 31 December 2008, the Group has unused tax losses of approximately HK$1,315 million (2007: HK$1,415 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to unpredictability of future profit streams, and such tax losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements

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33. DEFERRED TAXATION (continued)

Deferred taxation has not been recognised in respect of the temporary differences attributable to the undistributable retained profits earned by the subsidiaries in Mainland China amounting to HK$13 million (31 December 2007: nil) starting from 1 January 2008 under the New Law of the PRC that requires withholding tax upon the distribution of such profits to the shareholders as the directors are of the opinion that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The Company

At 31 December 2008, the Company had unused tax losses of approximately HK$68 million (2007: HK$79 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax loss due to unpredictability of future profit streams, and such tax losses may be carried forward indefinitely.

34. SHARE CAPITAL

(a) Authorised, issued and fully paid share capital

	Number of shares '000	Nominal value HK$'000
Authorised:		
At 1 January 2007, 1 January 2008 and 31 December 2008		
Ordinary shares of HK$0.10 each	100,000,000	10,000,000
Issued and fully paid:		
At 1 January 2007		
Ordinary shares of HK$0.10 each	2,142,420	214,242
Issue of shares on open offer (Note)	428,484	42,848
At 31 December 2007 and 2008		
Ordinary shares of HK$0.10 each	2,570,904	257,090

Note: On 19 July 2007, the Company allotted and issued 428,483,980 ordinary shares of HK$0.10 each at a price of HK$0.90 per offer share ("Offer Share") as a result of open offer on the basis of one Offer Share for every five existing shares held by the qualifying shareholders of the Company. All the shares which were issued during the year rank pari passu with the then existing shares in all aspects.

34. SHARE CAPITAL (continued)

(b) Share option scheme

Under the terms of the share option scheme of the Company (the "Scheme") which became effective on 8 July 1997 and shall be valid until 8 July 2007, the board of directors of the Company may offer to any full time employees of the Company and/or any of its subsidiaries including executive directors of the Company, options to subscribe for shares in the Company at a price which is not less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options, subject to a maximum of 10% of the issued share capital of the Company from time to time. The options granted must be accepted within 28 days from date of grant. Upon acceptance of an offer of options, an amount of HK$1 by way of consideration is payable by the employee. Options may be exercised at any time for a period to be determined by the directors of the Company, which shall not exceed ten years from the adoption of the Scheme. Unless otherwise terminated or altered, the Scheme will remain in force for a period of ten years from the date of adoption.

No share option under the Scheme was granted to either the directors or the employees of the Company or its subsidiaries in both years ended 31 December 2007 and 31 December 2008.

35. RESERVES

The Group and the Company

Share premium

Under the terms of the court order in the reduction of the share premium on 11 July 1994 and 1 November 2005 (the "effective date"), the Company had given an undertaking to the court that a sum equal to the amount of the distributable profits of the Company as at 11 July 1994 and 1 November 2005 and any write back of the total provisions which have been made against at the effective date the investments will be transferred to a special capital reserve account. The Company is unable to distribute the special capital reserve until the actual and contingent liabilities outstanding at the effective date are paid off.

On 1 November, 2005, an order of petition (the "Order") was granted by the High Court of Hong Kong Special Administrative Region (the "High Court"). Pursuant to the Order, the reduction of the share capital and the cancellation of the share premium account of the Company as resolved and effected by a special resolution passed at an extraordinary general meeting of the Company held on 25 August, 2005, be and the same was confirmed in accordance with the provisions of Section 59 of the Companies Ordinance.

Notes to the Consolidated Financial Statements

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35. RESERVES (continued)

The Group and the Company (continued)

Share premium (continued)

The High Court approved the Order. Pursuant to the Order, the capital of the Company was by virtue of special resolutions of the Company with the sanction of the Order reduced from HK$10,000,000,000 divided into 10,000,000,000 ordinary shares of HK$1.00 each (of which 2,142,420,000 shares had been issued and were fully paid up or credited as fully paid) to HK$1,000,000,000 divided into 10,000,000,000 ordinary shares of HK$0.10 each. The Company further by ordinary resolution provided that forthwith upon such reduction of capital taking effect, the authorised share capital of the Company would be increased from HK$1,000,000,000 to HK$10,000,000,000 by creation of additional 90,000,000,000 share of HK$0.10 each. Accordingly, after the approval of the Order, the authorised share capital of the Company was HK$10,000,000,000 divided into 100,000,000,000 shares of HK$0.10 each, of which 2,142,420,000 shares had been issued and were fully paid up or credited as fully paid and the remaining shares are unissued. The sum of HK$939,048,000 standing to the credit of the share premium account of the Company was reduced and cancelled against the accumulated losses of the Company.

The Company provided an undertaking that in the event of the Company makes any future recoveries in respect of the assets, in respect of which provisions for diminution in value were made in the financial statements of the Company for the 7 years ended 31 December 2004 "Non-Permanent Loss Assets" beyond the written down value in the Company's audited financial statements as at 31 December 2004, all such recoveries beyond that written down value will be credited to a special capital reserve in the accounting records of the Company and that so long as there shall remain outstanding any debt of or claim against the Company which, if the date on which the proposed reduction of capital and cancellation of the share premium account becomes effective were the date of the commencement of the winding up of the Company would be admissible to proof in such winding up and the persons entitled to the benefit of such debts or claims shall not have agreed otherwise, such reserve shall not be treated as realised profits and shall, for so long as the Company shall remain a listed company, be treated as an un-distributable reserve of the Company for the purposes of section 79C of the Companies Ordinance or any statutory re-enactment or modification thereof provided that:

(1) the Company shall be at liberty to apply the said special capital reserve for the same purposes as a share premium account may be applied;

(2) the amount standing to the credit of the special capital reserve shall not exceed the lesser of (a) the amount of provision provided for in respect of the Non-Permanent Loss Assets for the 7 years ended 31 December 2004; or (b) the amount due to the creditors of the Company as at the date when the proposed reduction of capital and cancellation of share premium shall become effective;

(3) the said overall aggregate limit in respect of the special capital reserve may be reduced by the amount of any increase, after the effective date, in the paid up share capital or the amount standing to the credit of the share premium account of the Company as the result of the payment up of shares by the receipt of new consideration or the capitalisation of distributable profits;

35. RESERVES (continued)

The Group and the Company (continued)

Share premium (continued)

(4) the said overall aggregate limit in respect of the special capital reserve may be reduced upon the realisation, after the date on which the proposed reduction of capital and cancellation of the share premium account becomes effective, of any of the Non-Permanent Loss Assets by the total provision made in relation to each such assets as at 31 December 2004 less such amount (if any) as is credited to the said special capital reserve as a result of such realisations; and

(5) in the event that the amount standing to the credit of the said special capital reserve exceeds the overall aggregate limit thereof after any reduction of such overall aggregate limit pursuant to provisos (3) and or (4) above, the Company shall be at liberty to transfer the amount of any such excess to the general reserves of the Company and the same shall become available for distribution.

The Company further undertook that for so long as the undertaking remains effective, to (1) cause or procure its statutory auditors to report by way of a note or otherwise a summary of the undertaking in its audited consolidated financial statements or in the management accounts of the Company published in any other form; and (2) publish or cause to be published in any prospectus issued by or on behalf of the Company a summary of the undertaking.

	Share premium	Special capital reserve	Capital redemption reserve	Retained profits	Total
	HK$'000	HK$'000 (note a)	HK$'000	HK$'000	HK$'000
THE COMPANY					
At 1 January 2007	—	348,475	1,080	325,320	674,875
Issue of shares in allotment of shares	342,787	—	—	—	342,787
Expenses incurred in connection with issue of shares	(6,501)	—	—	—	(6,501)
Profit for the year	—	—	—	55,171	55,171
At 31 December 2007	336,286	348,475	1,080	380,491	1,066,332
Reversal of impairment loss recognised in respect of interests in subsidiaries	—	1,397	—	—	1,397
Reversal of allowance for amounts due from subsidiaries	—	21,289	—	—	21,289
Profit for the year	—	—	—	163,875	163,875
At 31 December 2008	336,286	371,161	1,080	544,366	1,252,893

Notes to the Consolidated Financial Statements

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35. RESERVES (continued)

The Company (continued)

Notes:

(a) Under the terms of the court order in the reduction of the share premium on the effective date, the Company had given an undertaking to the court that a sum equal to the amount of the distributable profits of the Company as at 11 July 1994 and 1 November 2005 and any write back of the total provisions which have been made against at the effective date on the investments will be transferred to a special capital reserve account until the amount of paid up share capital, share premium and the special capital reserve exceeds the overall aggregate limit thereof after any reduction of such overall aggregate limit pursuant to provisions stated in (3) and or (4) of this note. The Company is unable to distribute the special capital reserve until the actual and contingent liabilities outstanding at the effective date are paid off.

(b) The Company's reserves available for distribution to shareholders as at 31 December 2008 comprised the retained profits of HK$544,366,000 (2007: HK$380,491,000).

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which mainly includes the bank loans disclosed in note 31 and equity attributable to equity holders of the Company, comprising issued share capital and reserves including retained earnings.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

37. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Fair value through profit or loss				
Held for trading	**3,251**	31,946	**—**	—
Loans and receivables (including cash and cash equivalents)	**1,485,281**	1,682,007	**1,312,964**	1,133,388
Available-for-sale financial assets	**39,544**	127,899	**—**	—
Financial liabilities				
Amortised cost	**592,917**	669,175	**349,712**	279,233

b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, pledged bank deposits, trade and other receivables, loans receivable, financial assets at fair value through profit or loss, short-term investment, bank balances and cash, trade and other payables, amount due to an associate, bank loans and other loan. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The Company's major financial instruments include other receivables, amounts due from subsidiaries, pledged bank deposits, bank balances and cash, other payables, amounts due to subsidiaries and amount due to an associate. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

37. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank loans (see liquidity table below) and short-term investment (see note 27). However, the management considered the risk is insignificant to the Group.

Other price risk

The Group is exposed to equity price risk through its investments in listed and unlisted equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly on equity instruments operating in telecommunications and property industry sector quoted in the Stock Exchange. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. Due to the fluctuation of the share market, a high percentage is adopted in the following sensitivity analysis in current year.

If the prices of the financial assets at fair value through profit or loss had been 10% (2007: 5%) higher/lower, the Group's profit for the year ended 31 December 2008 would increase/decrease by HK$325,000 (2007: HK$1,597,000) as a result of the changes in fair value of the financial assets at fair value through profit or loss.

If the prices of the available-for-sale investments had been 5% higher/lower, the Group's investment valuation reserve would increase/decrease by HK$6,395,000 as a result of the changes in fair value of available-for-sale investments for the year ended 31 December 2007.

If the prices of the available-for-sale investments had been 10% lower, the Group's profit would decrease by HK$3,954,000 as a result of the changes in fair value of the available-for-sale investments for the year ended 31 December 2008.

If the prices of the available-for-sale investments had been 10% higher, the Group's investment valuation reserve would increase by HK$3,954,000 as a result of the changes in fair value of the available-for-sale investments for the year ended 31 December 2008.

The Group's sensitivity to available-for-sale investments and financial assets at fair value through profit or loss held for trading have decreased during the period mainly due to the decrease of market price of equity securities listed in Hong Kong and in the PRC.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

37. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cash flows. The management considers the Group does not expose to significant foreign currency risk as majority of its transactions are denominated in HKD and RMB (the functional currencies of the Group's major subsidiaries) and there were only insignificant balances of financial assets and liabilities denominated in foreign currency at the balance sheet date. The Company is exposed to foreign currency risk as certain amounts due from/to subsidiaries are denominated in RMB other than the functional currency of the Company. In order to mitigate the foreign currency risk, the management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Company's monetary assets and monetary liabilities denominated in RMB other than the functional currencies of the Company at the reporting date, are as follows:

	Assets		**Liabilities**	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
THE COMPANY				
RMB	**592,831**	493,925	**69,125**	59,497

Sensitivity analysis

The sensitivity analyses below details the Company's sensitivity to a 5% increase and decrease in Hong Kong dollars against Renminbi. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency rate.

Notes to the Consolidated Financial Statements

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37. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

Sensitivity analysis (continued)

The sensitivity analysis includes amounts due from/to subsidiaries where the denomination of the amount is in a currency other than the currency of the lender or the borrower.

	Increase (decrease) in exchange rate	**Increase (decrease) in profit before tax** HK$'000
Year 2008		
— if Hong Kong dollars weaken against foreign currencies RMB	**-5%**	**27,564**
— if Hong Kong dollars strengthen against foreign currencies RMB	**5%**	**(27,564)**
Year 2007		
— if Hong Kong dollars weaken against foreign currencies RMB	-5%	22,865
— if Hong Kong dollars strengthen against foreign currencies RMB	5%	(22,865)

The resulting amounts above are mainly attributable to the exposure outstanding on amounts due from/to subsidiaries not subject to cash flow hedges at year end.

The Company's sensitivity to foreign currency has increased during the current year mainly due to the increase of amounts due from subsidiaries which are denominated in Renminbi.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 December 2008 in relation to each class of recognised financial assets is the carrying amount of these assets as stated in the consolidated balance sheet.

The Company's credit risk is primarily attributable to other receivables, amounts due from subsidiaries, bank balances and pledged bank deposits.

Other receivables and amounts due from subsidiaries which are in good credit quality. In addition, regular reviews on aging and recoverability are performed by the management of the Company to ensure that adequate impairment losses, if any, are made for irrecoverable amounts.

37. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk (continued)

In respect of bank balances and pledged bank deposits, the Company has procedures and policies in place to ensure these are made to counterparties with acceptable credit quality.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on loans receivable and liquid funds, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. The Group has no significant concentration of credit risk in trade receivable, with exposure spread over a number of counterparties and customers. In respect of loans receivable, the management closely monitors the settlement of it and reviews its recoverability and value of collateral assets (Note 24) to ensure that adequate impairment losses are recognised for irrecoverable debts. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies or with good reputation.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

As at 31 December 2008, the Group has available unutilised overdraft and short-term bank loan facilities of approximately HK$30,000,000 (2007: HK$1,000,000) and HK$78,000,000 (2007: HK$10,000,000) respectively.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

37. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables

	Weighted average effective interest rate	Less than 1 month	1 month to 1 year	1–5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP						
At 31 December 2008						
Financial liabilities						
Non-interest bearing	**—**	**204,320**	**239,696**	**—**	**444,016**	**444,016**
Fixed interest rate instruments	**1.25**	**—**	**19,192**	**132,873**	**152,065**	**148,901**
		204,320	**258,888**	**132,873**	**596,081**	**592,917**
At 31 December 2007						
Financial liabilities						
Non-interest bearing	—	238,613	264,117	—	502,730	502,730
Fixed interest rate instruments	1.25	—	19,441	152,065	171,506	166,445
		238,613	283,558	152,065	674,236	669,175

	Weighted average effective interest rate	Less than 1 month	1 month to 1 year	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000
THE COMPANY					
At 31 December 2008					
Financial liabilities					
Non-interest bearing	**—**	**349,712**	**—**	**349,712**	**349,712**
At 31 December 2007					
Financial liabilities					
Non-interest bearing	—	279,233	—	279,233	279,233

37. FINANCIAL INSTRUMENTS (continued)

c. Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets is determined with reference to quoted market bid prices; and
- the fair value of unlisted equity securities is measured by reference to those quoted bid price of the underlying listed equity securities held by the unlisted private entities; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the fair value of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximates to the carrying amount.

38. CONTINGENT LIABILITIES

	THE COMPANY	
	2008	2007
	HK$'000	HK$'000
Guarantees given to banks, in respect of banking facilities granted to a subsidiary		
— amount guaranteed and utilised	**148,901**	177,401

No financial liabilities were recorded as, in the opinion of the directors, the fair values of the financial guarantee contracts were not significant during both years.

39. CAPITAL COMMITMENTS

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respected of:		
— investment in a land development project	**1,360,544**	—
— acquisition of property, plant and equipment	**15,575**	8,047
— property under development	**1,655**	—
	1,377,774	8,047

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40. OPERATING LEASE COMMITMENTS

The Group and the Company as lessee

At the balance sheet date, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**7,199**	4,037	**1,244**	2,199
In the second to fifth year inclusive	**10,598**	11,619	**177**	1,032
Over five years	**35,448**	37,723	**—**	—
	53,245	53,379	**1,421**	3,231

Operating lease payments represent rentals payable by the Group for certain of its manufacturing plants, office properties and quarters. Leases are generally negotiated and rentals are fixed for an average term of two to thirty years.

Operating lease payments represent rentals payable by the Company for its office premises. Leases are negotiated and rentals are fixed for an average term of 2 years.

The Group as lessor

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2008	2007
	HK$'000	HK$'000
Within one year	**12,245**	8,817
In the second to third year inclusive	**333**	3,659
	12,578	12,476

The properties held have committed tenants for the next one to two years.

41. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of trustee. The Group basically contributes 5% of relevant payroll costs to the scheme.

The employees in the Company's PRC subsidiaries are members of the state-managed pension scheme operated by the PRC government. The Company's subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme.

The total cost charged to the consolidated income statement HK$7,241,000 (2007: HK$6,661,000) represents contribution to the schemes by the Group at the rates specified in the rules of the schemes.

42. RELATED PARTY TRANSACTION

(a) Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the year:

Name of related company	Relationship	Nature of transactions	2008 HK$'000	2007 HK$'000
CASC	Major shareholder	Interest expenses paid	–	3,828

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 8.

(b) Transactions/balances with other state-controlled entities in the PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under CASC which is controlled by the PRC government. Apart from the transactions with CASC disclosed in section (a) above, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

In view of the nature of the Group's nature of business, the directors are of the opinion that, except as disclosed above, it is impracticable to ascertain the identity of the counterparties and accordingly whether the transactions are with other state-controlled-entities.

The Group has certain deposit placements, borrowings and other general banking facilities with certain banks which are state-controlled entities in its ordinary course of business. In view of the nature of those transactions, the directors are of the opinion that separate disclosure on these transactions and balances would not be meaningful.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Group's principal subsidiaries at 31 December 2008 and 2007 are as follows:

Name of subsidiary	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity held by the Company %	Percentage of equity held by subsidiaries %	Percentage of equity attributable to the Group %	Principal activities
Incorporated and operating in Hong Kong:					
CASIL Clearing Limited	HK$10,000,000	100	—	100	Provision of treasury services
CASIL Development Limited	HK$1,000,000	—	100	100	Property investment
CASIL Optoelectronic Product Development Limited	HK$3,000,000	—	100	100	Distribution of LCD modules
CASIL Satellite Holdings Limited	HK$88,106,563 (2 ordinary shares of HK$1 each and 11,295,713 ordinary shares of US$1 each)	—	100	100	Investment holding
CASIL Semiconductor Limited	HK$15,000,000	100	—	100	Distribution of liquid crystal displays
Chee Yuen Industrial Company Limited	HK$20,000,000	100	—	100	Distribution of plastic and metal products and moulds
Hong Yuen Electronics Limited	HK$5,000,000	100	—	100	Manufacturing and selling of printed circuit boards
Jeckson Electric Company Limited	HK$5,000,000	100	—	100	Distribution of intelligent battery chargers and electronic components
Worldwide Polyfoam & Engineering Limited	HK$3,000,000	100	—	100	Distribution of packaging materials
Incorporated and operating in Canada:					
Vanbao Development (Canada) Limited	CAD1,080,000	—	79	79	Property investment

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity held by the Company %	Percentage of equity held by subsidiaries %	Percentage of equity attributable to the Group %	Principal activities
Incorporated in the British Virgin Islands and operating in Hong Kong:					
Sinolike Investments Limited	US$1	100	—	100	Investment holding
Registered and operating in the PRC:					
Aerospace Technology (China) Company Limited #	US$5,000,000	100	—	100	Trading of electronic products
Chee Yuen Plastic Products (Huizhou) Company Limited #	RMB26,761,000	—	100	100	Manufacturing of plastic and metal products and moulds
China Aerospace (Huizhou) Industrial Garden Limited ##	US$12,000,000	90	—	90	Property investment
Conhui (Huizhou) Semiconductor Company Limited #	RMB31,229,651	—	100	100	Manufacturing and distribution of liquid crystal displays and LCD modules
Conhui (Huizhou) Worldwide Polyfoam Limited #	RMB3,728,813	—	100	100	Manufacturing and distribution of packaging materials
東莞康源電子有限公司 #*	HK$150,000,000	—	100	100	Manufacturing of printed circuit boards
Huizhou Jeckson Electric Company Limited ##	US$1,000,000	—	90	90	Manufacturing of intelligent battery chargers and electronic products
Huizhou Zhi Fat Metal & Plastic Electroplating Company Limited ##	US$400,000	—	90	90	Electroplating of metals
Shanghai Aerospace Technology Investment Company Limited ##	RMB200,000,000	—	80	80	Property investment
Shenzhen Chee Yuen Plastics Company Limited ##	RMB22,000,000	—	80	80	Manufacturing and distribution of plastic products
航科新世紀科技發展(深圳)有限公司 #	US$30,000,000	100	—	100	Investment holding
深圳市航天高科投資管理有限公司 ##*	RMB700,000,000	—	60	60	Property investment

Notes to the Consolidated Financial Statements

For the year ended 31 December 2008

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Wholly foreign-owned enterprises registered in the PRC

Sino-foreign joint equity enterprises registered in the PRC

* The Company was incorporated in 2008.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

44. PARTICULARS OF ASSOCIATES

Details of the Group's associates at 31 December 2008 and 2007 are as follows:

Name of associate	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Group %	Principal activities
Incorporated and operating in Hong Kong:			
Postel Development Company Limited	HK$10,000	30	Trading
Sonconpak Limited	HK$12,000,000	30	Manufacturing of carton box

45. PARTICULARS OF A PRINCIPAL JOINTLY CONTROLLED ENTITY

Details of the Group's principal jointly controlled entity at 31 December 2008 and 2007 are as follows:

Name of jointly controlled entity	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Group %	Principal activities
Incorporated and operating in Hong Kong:			
China Aerospace New World Technology Limited	HK$30,000,000	50	Investment holding

The above table lists the jointly controlled entity of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other jointly controlled entities would, in the opinion of the directors, result in particulars of excessive length.

Appendix I Financial Summary

RESULTS

	Year ended 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**1,707,919**	1,681,854	1,528,101	1,780,938	1,410,240
Profit (loss) before taxation	**153,777**	356,380	141,846	287,381	(137,910)
Taxation	**(12,524)**	(45,986)	(26,784)	(1,506)	397
Profit (loss) for the year	**141,253**	310,394	115,062	285,875	(137,513)
Attributable to:					
Equity holders of the Company	**144,596**	310,037	110,966	286,403	(137,740)
Minority interests	**(3,343)**	357	4,096	(528)	227
	141,253	310,394	115,062	285,875	(137,513)

ASSETS AND LIABILITIES

	At 31 December				
	2008	2007	2006	2005	2004
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**1,707,564**	1,212,880	1,132,296	957,080	1,470,341
Current assets	**1,543,889**	1,795,156	1,154,182	1,141,325	1,071,337
Current liabilities	**(628,087)**	(748,239)	(824,418)	(814,360)	(983,678)
Non-current liabilities	**(139,727)**	(178,744)	(189,061)	(203,721)	(780,786)
Shareholders' funds	**2,483,639**	2,081,053	1,272,999	1,080,324	777,214
Attributable to:					
Equity holders of the Company	**2,149,954**	2,001,606	1,220,412	1,061,187	757,780
Minority interests	**333,685**	79,447	52,587	19,137	19,434
	2,483,639	2,081,053	1,272,999	1,080,324	777,214

Appendix II Investment Properties

Location	Lot number	Existing use	Approximate gross floor area (sq. m)	Group's interest (%)
MEDIUM TERM LEASES IN HONG KONG				
Units 402, 405 to 407 on 4th Floors the whole of 17th and 19th Floors and Car Park Nos. P1, L3, LD1, LD2 and LD5 on Ground Floor, Car Park Nos. P17-22 and P24 on 1st Floor and Car Park Nos. P34, P36 and P37 on 2nd Floor China Aerospace Centre 143 Hoi Bun Road Kwun Tong Kowloon	Kwun Tong Inland Lot. No. 528	Industrial	4,250	100
Unit A on 2nd Floor of Tsun Win Factory Building, No. 60 Tsun Yip Street, Kwun Tong Kowloon	Kwun Tong Inland Lot No. 10	Industrial	230	100
MEDIUM TERM LEASES IN THE PRC				
China Aerospace Industrial Estate Zhong Kai Development Zone Huizhou City Guangdong Province China	—	Industrial	118,867	90
FREEHOLD LAND OVERSEAS				
1111-11 Street S.W. and 1202-12, 1208-12, 1212-12, 1216-12, 1218-12, 1220-12, 1222-12 & 1226-12 Avenue S.W. Calgary, Alberta Canada	—	Vacant	4,234	79.25