CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Stock Code: 31)

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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

Richards Butler

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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 2009.

RESULTS

The turnover of the Company and the subsidiaries for the year ended 31 December 2009 was HK$1,361,045,000 (2008: HK$1,707,919,000), representing a decrease of approximately 20.31% as compared with last year. Profit attributable to the owners of the Company was HK$393,940,000, representing a substantial increase of approximately 172.44% as compared with HK$144,596,000 in last year.

The financial tsunami caused by the U.S. subprime mortgage crisis has led to a global economic recession, which caused a substantial decrease in demand. Our export-oriented hi-tech manufacturing business was inevitably hit by the financial tsunami. However, since the second half of 2009, the results of the hi-tech manufacturing business began to recover rapidly. At the same time, benefited from the development of new business, under the new amendment to HKAS 40, our investment properties under construction, namely Shenzhen Aerospace International Centre, was required to be stated at fair value, which still made a considerable increase in the results of the whole year under the shadow of the financial tsunami.

The Board of Directors recommends a final dividend of HK2 cents to be distributed for the year as a return to the shareholders.

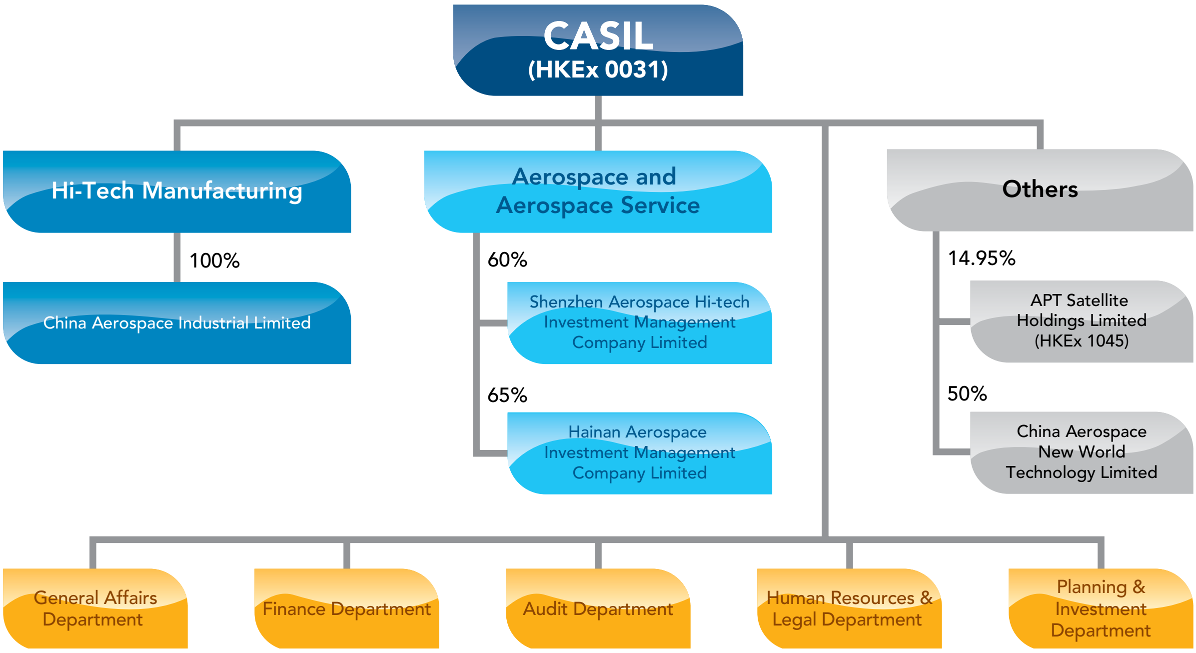
Business Development Plan

China Aerospace Science & Technology Corporation ("CASC"), the major shareholder of the Company, has formulated a new era development strategy which focuses on the development of four core businesses including aerospace system, defense system, aerospace service and aerospace technology applications, etc., and the development of eight major industrial bases including Beijing, Hong Kong/Shenzhen, Hainan, etc.. As the future of aerospace business and aerospace service business is broad, the Company, with a strong support from CASC and relying on the new development strategy of CASC, had established a new business development plan.

According to the business development direction of the new plan, the Company will focus on the comprehensive development of the Complex Zone of the Launching Site in Hainan Province as part of the aerospace service business and the minisatellite industry as a starting point of the aerospace business. The Company expects to rely on the unified strategic layout of CASC and makes full use of CASC's resources to promote the development of its new businesses.

On 4 February 2010, the Company placed a total of 514,118,000 shares to institutional investors at HK$1.13 per share by way of placing and subscription of shares and successfully raised the gross amount of approximately HK$581 million. The placing acquired the supports from international investors, including international investment funds, sovereign state funds, insurance funds and the Greater China listed companies from Europe, America and Asia, making the placing a complete success.

ORGANISATION CHART



BUSINESS REVIEW

The market in the first half of 2009 was seriously impacted by the financial tsunami; although the economic situation was gradually stabilized in the second half of the year, the road to recovery is still rough. The Company took orders of the management philosophy of steady development, continuously kept a good financial position and constantly improved the quality of management and the risk resistant ability, aiming to effectively managing the impact from this global financial crisis.

Hi-tech Manufacturing

In 2009, the turnover of the hi-tech manufacturing business of the Company was HK$1,349,114,000 (2008: HK$1,683,081,000), representing a decrease of approximately 19.84% as compared with last year. The result of the hi-tech manufacturing business was HK$143,042,000, representing a decrease of approximately 21.67% as compared with HK$182,611,000 in last year. The plastic products and the printed circuit boards businesses have their key markets in the United States and Europe where major customers are located. In the presence of the economic recovery in the second half of the year, the orders from our customers quickly rebounded and the sales performance in recent months had gradually restored to near the level before the outbreak of the financial tsunami. The intelligent chargers and the liquid crystal display businesses were badly affected by the financial tsunami and their operating conditions are yet to be recovered. On the whole, although the hi-tech manufacturing business was subject to a tough test in the first half of the year, the situation in the second half of the year had gradually stabilized and begun to restore the growth, the situation in the results of the full-year was better than expectation.

CHAIRMAN'S STATEMENT

Shenzhen Aerospace International Centre

Shenzhen Aerospace International Centre has been progressing smoothly since its inception. Shenzhen Aerospace Hi-Tech Investment Management Company Limited ("Shenzhen Aerospace") has completed the design proposal for construction and obtained the governmental approval. It has also acquired several approvals and permits for planning and construction and has completed the preparation of project work plan, including project proposal, expansion and commencement plan design, construction design, etc.. The completed works included geological inspection, geological safety assessment, earthquake faults investigation, etc.. Shenzhen Aerospace has also established a series of internal management system and strengthened the management in project quality, safety, cost control, etc., so as to support the large scale of construction tenderings and project management in the future.

The Complex Zone of the Launching Site in Hainan Province

After entering into the "Agreement of the Land Development Project of the Complex Zone of the Launching Site in Hainan Province" between the Company and the Wenchang Government, Hainan Province in August 2008, its preliminary works had commenced subsequently. The Company has established a project company named Hainan Aerospace Investment Management Company Limited ("Hainan Aerospace") and invested an upfront capital funding in it and formed an operation team. At present, the Master Plan of the Complex Zone of the Launching Site in Hainan Province has been approved by the provincial government and the entire comprehensive development project has been considered as a key project in the province, as well as a key cultural industrial park and a key cultural industrial project.

During the year, internationally renowned architects, theme park designer and business consultants have been engaged by Hainan Aerospace to form a syndicate of specialists and are working together for the planning and design of the aerospace theme park and the entire Complex Zone. After a year of efforts, the relevant works have been basically completed. Currently, the approval for controlling detailed planning of the entire Complex Zone is being applied. At the same time, Hainan Aerospace is working closely with the Wenchang Government for the joint research and formulation of a program concerning the expropriation of the entire Complex Zone. As of the date of this Annual Report, the expropriation has been commenced and it is expected that the relevant works will be completed within 2010. The Company endeavours to begin with the construction of infrastructure projects by the end of the year.

In order to match up the development of new development strategy, the Company gained a profit before taxation of approximately HK$43,551,000 by selling its 80% interest in Shanghai Aerospace Technology Investment Management Limited ("Shanghai Aerospace") during the year at a consideration of RMB192,370,000 (approximately HK$218,107,000).

Prospective view of the Complex Zone of the Launching Site in Hainan Province

Prospective view of Hainan Space Park

CHAIRMAN'S STATEMENT

PROSPECT

The goal of the development planning of the Company's new business is to strive for the establishment of a core business which is combined with the principal business of CASC. The Company will, on the foundation of the hi-tech manufacturing business, through the development of the comprehensive development project of the Complex Zone of the Launching Site in Hainan Province and the construction of Shenzhen Aerospace International Centre, gradually establish the business base for aerospace and aerospace service business.

Though the recovery of external economy still exists uncertainty, it is expected that the performance of the hi-tech manufacturing business will gradually be stabilised and restored to growth. The hi-tech manufacturing business, to be operated by the newly established China Aerospace Industrial Limited, will continue to improve the integration after the restructure, and firmly take the measures to control investments, reduce receivables, cut down inventories, stringently control costs, strengthen quality control, maintain close connection with existing clients and actively explore new markets, with a view to bringing the operating performance back to the level prevailing before the outbreak of the financial tsunami as soon as possible and continuing to provide the Company with performance contribution and stable cash flow.

Shenzhen Aerospace will speed up the pace of the construction to complete each tendering according to the relevant laws and regulatory procedures. Shenzhen Aerospace International Centre, upon completion, will become the operational headquarters of CASC in the south, the research and development center for minisatellites and the investment property of the Company, and will bring another major recurrent revenue for the Company. The minisatellite industry will be a starting point for the development of aerospace business of the Company and has a broad development prospect. The Company will soon carry out the preparatory work of this business and will continue to maintain a good communication with CASC as well with a view to promptly establishing a business platform of the minisatellite industry.

China's State Council formally approved the planning concerning the construction of an "international tourism island" in Hainan Province at the end of 2009. It is planned that Hainan Province will initially build a world-class island leisure resort by 2020 and this will be incorporated into the State's major strategic plan. The information, upon announcement, immediately caused a high attention from home and abroad, a new historic trading high constantly made in the real estate market. Yet, the related cost is also expected to increase relatively. The long-term development in Hainan Province is encouraging. Hainan Aerospace will actively communicate with Hainan and the Wenchang Governments, step up to carry out each relevant work, including launching the works concerning the expropriation, demolition, resettlement and infrastructure projects of the entire Complex Zone and timely introduce the strategic partners to jointly develop the aerospace theme park and other commercial supporting projects.

APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to extend my appreciation to the management team and all the staff of the Company who put in their endeavours and efforts to contribute to the development of the Company, and extend my deep appreciation to the investors who gave their supports to the Company and expressed their recognitions for our business development direction; also extend my sincere appreciation to our distinguished customers and business partners for their continual faithfulness and supports. 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 works over the year.

By order of the Board

Wu Zhuo
Chairman

Hong Kong, 25 March 2010

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS PERFORMANCE

The audited turnover of the Company and the subsidiaries for the year ended 31 December 2009 was approximately HK$1,361,045,000, representing a decrease of approximately 20.31% as compared with that of HK$1,707,919,000 for 2008. The profit for the year was HK$539,838,000, representing a significant increase of 282.18% as compared with that of HK$141,253,000 for 2008.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND OPERATING PROFIT

In 2009, the profit attributable to owners of the Company was HK$393,940,000, representing a significant increase of 172.44% as compared with that of HK$144,596,000 for 2008. According to the new amendment to HKAS 40, the Company and its subsidiaries' investment properties under development, Shenzhen Aerospace International Centre, is required to be measured at fair value, resulting in the substantial increase in the fair value gain of investment properties amounting to HK$505,712,000. In addition, a gain of HK$43,551,000 was generated from the disposal of Shanghai Aerospace, and the performance of the hi-tech manufacturing business was better than expectation.

Based on the issued share capital of 2,570,904,000 shares, the earnings per share in 2009 was HK$0.1532, representing an increase of 172.60% as compared with that of HK$0.0562 for 2008.

RESULTS OF EACH CORE BUSINESS

Core businesses of the Company and the subsidiaries are hi-tech manufacturing, and aerospace and aerospace service business.

HI-TECH MANUFACTURING

In 2009, the turnover of the hi-tech manufacturing business was approximately HK$1,349,114,000, representing a decrease of approximately 19.84% as compared with last year; the gross profit margin was 24.27%, representing an increase as compared with that of 20.57% for last year. Despite of the fact that the hi-tech manufacturing business was affected by the side effects of the financial tsunami, relying on high proficient management, strict cost control and good market exploring ability, the hi-tech manufacturing business managed to deliver an operating profit of HK$143,042,000, representing a decrease of 21.67% as compared with last year.

The turnover of the plastic injection business was HK$537,052,000, representing a decrease of 20.98% as compared with last year; the operating profit was HK$60,497,000, representing an increase of 2.49% as compared with last year. The business of printed circuit boards had made a historical record in its results during period of difficulties. The turnover of printed circuit boards was HK$273,032,000, increased by 4.57% as compared with last year, operating profit was HK$43,983,000, increased by 11.85% as compared with last year. The turnover of intelligent chargers was HK$294,367,000, representing a decrease of 38.67% as compared with last year; the operating profit was HK$28,829,000, decreased by 54.70% as compared with last year. The turnover of liquid crystal display was HK$244,663,000, representing a decrease of 6.74% as compared with last year; the operating profit was HK$9,733,000, decreased by 52.79% as compared with last year.

The rental income of industrial property investments was HK$11,818,000, decreased by 20.98% as compared with last year. As a result of the increase in the fair value of the related properties, it turned losses to profits with the operating profit recorded at HK$14,537,000.

MANAGEMENT DISCUSSION AND ANALYSIS

AEROSPACE AND AEROSPACE SERVICE BUSINESS

The Complex Zone of the Launching Site in Hainan Province

The comprehensive development of the Complex Zone of the Launching Site in Hainan Province was still in a preparatory stage. Hainan Aerospace recorded a loss of HK$5,888,000 during the year, which was mainly due to the payment of the cost of preparatory works, administrative expenses and professional fees etc..

Shenzhen Aerospace International Centre

The investment property under construction, Shenzhen Aerospace International Centre, was measured at fair value in accordance with the new amendment to HKAS 40, resulting in a fair value gain of HK$505,712,000. The construction work of the project is expected to commence comprehensively in 2010.

ASSETS

As at 31 December 2009, the audited total assets of the Company and the subsidiaries were HK$4,125,080,000, of which the non-current assets were HK$2,293,318,000, representing an increase of 34.30% as compared with that of HK$1,707,564,000 as at 31 December 2008. The current assets were HK$1,831,762,000, representing an increase of 18.65% as compared with that of HK$1,543,889,000 as at 31 December 2008. The significant increase in non-current assets was mainly due to an increase in value of HK$505,712,000 contributed by the reclassification and fair value measurement of the investment properties under construction, Shenzhen Aerospace International Centre. The equity attributable to owners of the Company, after minority interests, was HK$2,690,430,000, increased significantly by about 25.14% as compared with that of HK$2,149,954,000 as at 31 December 2008 and the net assets per share and the net assets per share attributable to owners of the Company was HK$1.26 and HK$1.05 respectively, based on the issued share capital of 2,570,904,000 shares.

Certain of the Company and the subsidiaries' assets have been pledged to a bank to secure financings at an annual interest rate of 1.25%. The remaining repayment term is about 1 year.

LIABILITIES

As at 31 December 2009, the total liabilities of the Company and the subsidiaries were HK$893,196,000, of which the non-current liabilities were HK$132,595,000, representing a decrease of 5.10% as compared with that of HK$139,727,000 as at 31 December 2008, the current liabilities were HK$760,601,000, representing an increase of 21.10% as compared with that of HK$628,087,000 as at 31 December 2008. Changes in non-current liabilities and current liabilities were mainly due to the reclassification of a bank loan from non-current liabilities to current liabilities in accordance with its due date. The Company will repay the bank loan in full by the pledged deposit before the due date.

OPERATING EXPENSES

The administrative expenses of the Company and the subsidiaries in 2009 were HK$219,185,000, representing an increase of 3.23% as compared with last year. The finance costs were HK$1,898,000, representing a decrease of 9.10% as compared with HK$2,088,000 last year. This was mainly due to the partial repayment of the bank loan and thereby decreased the related interest expenses.

CONTINGENT LIABILITIES

As at 31 December 2009, save for the guarantees provided by the Company to a subsidiary in obtaining bank loans and banking facilities, the Company and the subsidiaries did not have any other material contingent liabilities.

FINANCIAL RATIOS

	2009	2008
Gross Profit Margin	**24.94%**	21.68%
Return on Equity	**16.70%**	5.69%
Liabilities/Assets Ratio	**21.65%**	23.61%
Current Ratio	**2.41**	2.46
Quick Ratio	**2.24**	2.24

Though having been affected by the financial tsunami, the financial ratios of the Company and the subsidiaries were still maintained at a satisfactory level. This was resulted from the Company and the subsidiaries' policies of continuous assets optimisation, strengthened management and business development in recent years.

LIQUIDITY

The source of funds of the Company and the subsidiaries mainly relies on internal resources and banking facilities. The Company and the subsidiaries' free cash and bank balance as at 31 December 2009 was HK$1,208,827,000, most of which were in Hong Kong Dollars, Renminbi and US Dollars.

The Company had placed a total of 514,118,000 shares in February 2010, net proceeds amounted to HK$560,000,000. Substantial part of the fund is now being deposited in bank account. The Company will, according to the original plan, utilise the fund in the land development project of the Complex Zone of the Launching Site in Hainan Province and the related projects of aerospace business under planning.

CAPITAL EXPENDITURE AND INVESTMENT COMMITMENT

As at 31 December 2009, the capital commitments of the Company and the subsidiaries contracted for but not provided in the consolidated financial statements in respect of the purchase of property, plant and equipment and the input in the construction of Shenzhen Aerospace International Centre amounted to HK$22,937,000.

The investment commitments of the Company and the related subsidiaries in respect of the land development project of the Complex Zone of the Launching Site in Hainan Province is RMB1.2 billion. The Company and the joint venture partner will make contribution to Hainan Aerospace in accordance with the respective interests based on the agreement in different period, and Hainan Aerospace is responsible for the implementation of the project.

With the commencement of the construction of Shenzhen Aerospace International Centre this year, the capital expenditure authorised but not contracted for in relation to the construction is approximately RMB1.2 billion. The Company and the joint venture partners will make contribution to Shenzhen Aerospace in accordance with the respective interests based on the agreement in different period, and Shenzhen Aerospace is responsible for the construction of the project.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RISKS

The Company and the subsidiaries review its 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.

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.

As at 31 December 2009, the Company and the subsidiaries have a total of about 5,900 staff based in the Mainland and Hong Kong.

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 2009, the Board of Directors of the Company comprises the Executive Directors, namely, Mr Zhao Liqiang (President), Mr Zhou Qingquan, Mr Wu Hongju and Mr Guo Xianpeng; the Non-Executive Directors, namely, Mr Wu Zhuo (Chairman), Mr Chen Xuechuan, Mr Li Hongjun, Dr Chan Ching Har, Eliza, Mr Xu Jianhua and Mr Jin Xuesheng; 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 Company and the subsidiaries' 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. 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 2009. 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 2009, 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.

Each of the director of the Company 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.

CORPORATE GOVERNANCE REPORT

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. In 2009, the Company had organised the Directors in attending the working meeting held by the government of Hainan Province in relation to the construction of the Complex Zone of the Launching Site in Hainan Province. Each of the Directors had obtained deeper understanding of the project and the Company's affairs and, therefore, the Company only held Board meetings three times during the year. 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 the 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 annual general meeting and are eligible to stand for re-election.

The annual report and the circular for annual 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.

The attendance records of individual Directors during 2009 are set out below:

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

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) was unable to attend the annual general meeting due to business reason.

BOARD COMMITTEES

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 of the Company comprises Mr Chow Chan Lum, Charles (Chairman) and Mr Luo Zhenbang, both being Independent Non-Executive Directors, and Mr Jin Xuesheng, being Non-Executive Director.

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.

In 2009, the Audit Committee met twice, the external auditors, the related staff from Finance Department and Audit Department, 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.

CORPORATE GOVERNANCE REPORT

The Audit Committee had also reviewed, discussed and approved the financial statements for the year ended 31 December 2009.

The attendance records of individual Audit Committee members during 2009 are set out below:

	Number of meetings eligible to attend	Number of attendances
Chow Chan Lum, Charles	2	2
Luo Zhenbang	2	2
Jin Xuesheng	2	2

REMUNERATION COMMITTEE

The Remuneration Committee comprises Dr Chan Ching Har, Eliza (Chairman), Mr Chen Xuechuan and Mr Li Hongjun, 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 once during 2009 to review the Directors' remuneration. Both the President and the Company Secretary of the Company also attended the meeting. Performance and results-based evaluation mechanism was adopted by the Remuneration Committee as the Company's emolument policy in determining the Directors' and senior management's remunerations. During the year, no Director was involved in deciding his/her remuneration.

The attendance records of individual Remuneration Committee members during 2009 are set out below:

	Number of meetings eligible to attend	Number of attendances
Chan Ching Har, Eliza	1	1
Chen Xuechuan	1	1
Li Hongjun	1	1
Chow Chan Lum, Charles	1	1
Luo Zhenbang	1	1
Wang Junyan	1	1

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.

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 Company and the subsidiaries' 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. 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 in 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 Company and the subsidiaries for that period. In preparing the accounts for the year ended 31 December 2009, 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. Auditor's 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 2009, the Company paid a total sum of approximately HK$4,670,000 to the auditor, of which includes an audit fee of approximately HK$4,000,000 and a non-audit fee of approximately HK$670,000. The latter comprises fees for providing services in reviewing interim report and results announcement, advisory in taxation and training in transfer pricing.

SHAREHOLDERS' RIGHTS

Separate resolutions are proposed at general meetings on each substantially separate issue, including the election of individual Directors. Besides, all general meetings of the Company be conducted by poll 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 also counted in the meeting and vote results will be announced thereafter of which the same will be uploaded in the Company's and the Stock Exchange's websites respectively on the same day.

INVESTORS' RELATION

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.

CORPORATE GOVERNANCE REPORT

During May 2009, the Company held an annual general meeting. Circular of the meeting was 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 2008, 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.

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

The Company has occasionally received 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 2009.

SUFFICIENCY OF PUBLIC FLOAT

As at 31 December 2009, 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$3,500,000,000.

As at 31 December 2009, the Company has total registered shareholders of 1,363, of which includes substantial shareholders, China Aerospace Science & Technology Corporation, holding 44.47%. 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 endeavours 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 to lessen the consumption of natural resources and also requires its subsidiaries to comply with related environmental protection regulations and ensure such compliance during production and operation, with the hope to reduce unnecessary utilisation of natural resources and environmental pollution.

Social Responsibility

The products of the hi-tech manufacturing enterprises of the Company are made in compliance with related product safety regulations so as to ensure the production processes 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 60, 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 48, 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, Vice President, President, President and Assistant to Chairman, and Vice Chairman of Research Centre of Tracking & Navigating Equipment, 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 June 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 58, 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.

Mr Wu Hongju, aged 48, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr Guo Xianpeng, aged 43, 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 Division Director of Project Division of the Business Development Bureau 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 Civilian 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, project management and capital operations. 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 59, 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, Complaints 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, Treasurer 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.

Mr Luo Zhenbang, aged 43, is an Independent Non-Executive Director of the Company and a Senior Partner of BDO China Shu Lun Pan CPAs. 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. He currently serves as independent director of AVIC Heavy Machinery Company Limited (stock code: 600765), a company listed on the Shanghai Stock Exchange. 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 39, 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

BIOGRAPHICAL DETAILS OF DIRECTORS

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 over ten 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 47, 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.

Mr Li Hongjun, aged 44, 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 53, is a Non-Executive Director of the Company. Dr Chan is a Senior Consultant of Boughton Peterson Yang Anderson, Solicitors. She is a Member of the National Committee of the Chinese People's Political Consultative Conference (CPPCC), a Standing 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 Medical Council, member of the Administrative Appeals Board, 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 Member of the Hong Kong Hospital Authority, Hong Kong Public Service Commission, 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 (LL.D. (Hon)) 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 41, 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.

Mr Jin Xuesheng, aged 47, 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 September 1999 to May 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.

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 2009.

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 45, 46 and 47 to the consolidated financial statements, respectively.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 31.

A final dividend of HK2 cents in respect of the year ended 31 December 2009 (2008: nil) per share has been proposed by the directors and is subject to approval by the shareholders in annual general meeting.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired land and buildings, plant and equipment and motor vehicles, furniture and other equipment of HK$30,786,000, HK$13,038,000 and HK$23,311,000 respectively to cope with the expansion of the Group. Details of movements in property, plant and equipment of the Group and the Company 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 2009 comprised the retained profits of approximately HK$572,686,000 (2008: HK$544,366,000).

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

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

Executive Directors

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

Non-Executive Directors

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

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. Wu Zhuo, Zhao Liqiang, Wu Hongju, Chen Xuechuan, Li Hongjun, Chan Ching Har, Eliza, Jin Xuesheng and Chow Chan Lum, Charles retire by rotation in accordance with Article 103(A) of the Company's Articles of Association and, being eligible, offer themselves for re-election. Mr Wu Zhuo, if being re-elected, will resume the office of Chairman of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 31 December 2009, 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 CASC, 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' REPORT

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, 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
China Aerospace Science & Technology Corporation	Interests in controlled corporation *(Note 1)*	1,143,330,636	44.47%
Jetcote Investments Limited	Beneficial owner	131,837,011	5.13%
	Interests in controlled corporation *(Note 2)*	1,011,493,625	39.34%
		1,143,330,636	44.47%
Burhill Company Limited	Beneficial owner *(Note 2)*	539,566,136	20.98%
Sin King Enterprises Company Limited	Beneficial owner *(Note 2)*	471,927,489	18.36%

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.

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 2009.

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 2006 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$137,923,000 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 2009, the carrying value of the amount advanced to Chinluck was HK$70,269,000.

EVENT AFTER THE REPORTING PERIOD

On 4 February 2010, the Company, Burhill Company Limited, a substantial shareholder of the Company, and CITIC Securities Corporate Finance (HK) Limited, the placing agent, entered into the Placing and Subscription Agreement in respect of a top-up placement of 514,118,000 shares at HK$1.13 per share. The net proceed of approximately HK$560 million will be applied towards funding the project of the Complex Zone of the Launching Site in Hainan Province, and the related projects of the aerospace business under planning. The top-up placement was completed on 18 February 2010. The details of which were set out in the announcement dated 4 February 2010.

DIRECTORS' REPORT

AUDITORS

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

By order of the Board

Zhao Liqiang
Executive Director & President

Hong Kong, 25 March 2010

Deloitte.
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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 31 to 98, which comprise the consolidated and Company's statements of financial position as at 31 December 2009, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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.

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

INDEPENDENT AUDITOR'S REPORT

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 2009 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
25 March 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	NOTES	**2009**	2008
		HK$'000	HK$'000
Turnover	5(a)	**1,361,045**	1,707,919
Cost of sales	5(b)	**(1,021,621)**	(1,337,634)
Gross profit		**339,424**	370,285
Other income	7	**119,955**	118,667
Selling and distribution costs		**(49,012)**	(54,138)
Administrative expenses		**(219,185)**	(212,333)
Fair value changes of investment properties		**491,340**	(24,757)
Impairment loss recognised in respect of available-for-sale investments		**—**	(40,780)
Impairment loss recognised in respect of property, plant and equipment		**—**	(2,911)
Finance costs	9	**(1,898)**	(2,088)
Share of results of jointly controlled entities		**264**	1,832
Profit before taxation	10	**680,888**	153,777
Taxation	11	**(141,050)**	(12,524)
Profit for the year		**539,838**	141,253
Attributable to:			
Owners of the Company		**393,940**	144,596
Minority interests		**145,898**	(3,343)
		539,838	141,253
Earnings per share — basic	12	**HK15.32 cents**	HK5.62 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Profit for the year	**539,838**	141,253
Other comprehensive income includes:		
Available-for-sale investments		
Gain (loss) arising during the year	**154,468**	(88,355)
Reclassification adjustment upon impairment in respect of available-for-sale investments	**—**	40,780
	154,468	(47,575)
Exchange differences arising on translating foreign operations		
Exchange gain arising during the year	**6,088**	48,996
Share of exchange reserve of jointly controlled entities	**339**	2,242
Reclassification adjustment for cumulative exchange differences included in profit or loss upon disposal or deregistration of foreign operations	**(13,350)**	—
	(6,923)	51,238
Other comprehensive income for the year	**147,545**	3,663
Total comprehensive income for the year	**687,383**	144,916
Total comprehensive income attributable to:		
Owners of the Company	**540,476**	148,348
Minority interests	**146,907**	(3,432)
	687,383	144,916

STATEMENTS OF FINANCIAL POSITION

At 31 December 2009

		THE GROUP		THE COMPANY	
	NOTES	**2009**	2008	**2009**	2008
		HK$'000	HK$'000	**HK$'000**	HK$'000
Non-current assets					
Property, plant and equipment	14	**655,264**	645,084	**2,292**	2,869
Prepaid lease payments	15	**43,006**	585,991	**—**	—
Investment properties	16	**1,327,476**	265,579	**—**	—
Interests in subsidiaries	17	**—**	—	**488,070**	484,503
Amounts due from subsidiaries	17	**—**	—	**495,186**	275,186
Interests in associates	18	**—**	—	**—**	—
Interests in jointly controlled entities	19	**61,409**	60,806	**15,000**	15,000
Available-for-sale investments	20	**194,012**	39,544	**—**	—
Land development expenditure	21	**12,151**	—	**—**	—
Pledged bank deposits	22	**—**	110,560	**—**	110,560
		2,293,318	1,707,564	**1,000,548**	888,118
Current assets					
Inventories	23	**128,685**	139,222	**—**	—
Trade and other receivables	24	**289,018**	282,488	**4,465**	4,383
Prepaid lease payments	15	**1,660**	12,087	**—**	—
Loans receivable	25	**70,269**	77,077	**—**	—
Financial assets at fair value through profit or loss	26	**2,926**	3,251	**—**	—
Amounts due from subsidiaries	27	**—**	—	**879,809**	930,535
Taxation recoverable		**5,294**	3,740	**—**	—
Pledged bank deposits	22	**125,083**	59,070	**110,560**	7,854
Short-term investment	28	**—**	107,710	**—**	—
Bank balances and cash		**1,208,827**	859,244	**17,534**	31,227
		1,831,762	1,543,889	**1,012,368**	973,999

STATEMENTS OF FINANCIAL POSITION

At 31 December 2009

	NOTES	THE GROUP 2009 HK$'000	THE GROUP 2008 HK$'000	THE COMPANY 2009 HK$'000	THE COMPANY 2008 HK$'000
Current liabilities					
Trade and other payables	29	**565,810**	543,758	**59,001**	59,434
Amounts due to subsidiaries	27	**—**	—	**154,666**	291,570
Amount due to an associate	30	**1,050**	1,050	**1,050**	1,050
Taxation payable		**53,484**	57,653	**80**	80
Obligations under a finance lease	31	**730**	—	**—**	—
Secured bank loans	32	**131,401**	17,500	**—**	—
Other loan	33	**8,126**	8,126	**—**	—
		760,601	628,087	**214,797**	352,134
Net current assets		**1,071,161**	915,802	**797,571**	621,865
Total assets less current liabilities		**3,364,479**	2,623,366	**1,798,119**	1,509,983
Non-current liabilities					
Deferred taxation	34	**131,763**	8,326	**—**	—
Obligations under a finance lease	31	**832**	—	**—**	—
Secured bank loans	32	**—**	131,401	**—**	—
		132,595	139,727	**—**	—
		3,231,884	2,483,639	**1,798,119**	1,509,983
Capital and reserves					
Share capital	35	**257,090**	257,090	**257,090**	257,090
Reserves	36	**2,433,340**	1,892,864	**1,541,029**	1,252,893
Equity attributable to owners of the Company		**2,690,430**	2,149,954	**1,798,119**	1,509,983
Minority interests		**541,454**	333,685	**—**	—
		3,231,884	2,483,639	**1,798,119**	1,509,983

The consolidated financial statements on pages 31 to 98 were approved and authorised for issue by the Board of Directors on 25 March 2010 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 2009

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Special capital reserve HK$'000 *(Note 36)*	General reserve HK$'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
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	144,596	144,596	(3,343)	141,253
Fair value loss on available-for-sale investments	–	–	–	–	–	(88,355)	–	–	–	–	(88,355)	–	(88,355)
Reclassification adjustment upon impairment of available-for-sale investments	–	–	–	–	–	40,780	–	–	–	–	40,780	–	40,780
Exchange gain arising on translating foreign operations	–	–	–	–	49,085	–	–	–	–	–	49,085	(89)	48,996
Share of exchange reserve of jointly controlled entities	–	–	–	–	2,242	–	–	–	–	–	2,242	–	2,242
Total comprehensive 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 STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Special capital reserve HK$'000 *(Note 36)*	General reserve HK$'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 2009	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
Profit for the year	–	–	–	–	–	–	–	–	–	393,940	393,940	145,898	539,838
Fair value gain on available-for-sale investment	–	–	–	–	–	154,468	–	–	–	–	154,468	–	154,468
Exchange gain arising on translating foreign operations	–	–	–	–	5,079	–	–	–	–	–	5,079	1,009	6,088
Share of exchange reserve of jointly controlled entities	–	–	–	–	339	–	–	–	–	–	339	–	339
Reclassification adjustment for cumulative exchange differences included in profit or loss upon disposal or deregistration of foreign operations	–	–	–	–	(13,350)	–	–	–	–	–	(13,350)	–	(13,350)
Total comprehensive income (expense) for the year	–	–	–	–	(7,932)	154,468	–	–	–	393,940	540,476	146,907	687,383
Capital contribution from minority shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	111,111	111,111
Disposal of interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(46,693)	(46,693)
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(3,556)	(3,556)
At 31 December 2009	257,090	336,286	14,044	23,916	96,377	154,468	3,899	21,570	1,080	1,781,700	2,690,430	541,454	3,231,884

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 STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**680,888**	153,777
Adjustments for:		
Depreciation	**62,691**	55,800
Amortisation of prepaid lease payments	**1,074**	1,219
Interest income	**(12,447)**	(13,700)
Interest expense	**1,811**	2,087
Finance lease charges	**87**	1
Fair value changes of investment properties	**(491,340)**	24,757
Reversal of impairment loss recognised in respect of loans receivable	**(24,929)**	(58,234)
Allowance for doubtful debts	**5,142**	1,519
Reversal of allowance for obsolete inventories	**(1,614)**	(2,178)
Gain on disposal of a subsidiary	**(43,551)**	—
Gain on deregistration of a subsidiary	**(1,148)**	—
Discount on acquisition of additional interests in a subsidiary	**(3,176)**	—
Share of results of jointly controlled entities	**(264)**	(1,832)
(Gain) loss on disposal of property, plant and equipment	**(18)**	3,672
Gain on disposal of assets classified as held for sale	**—**	(3,093)
Impairment loss recognised in respect of available-for-sale investments	**—**	40,780
Impairment loss recognised in respect of property, plant and equipment	**—**	2,911
Operating cash flows before movements in working capital	**173,206**	207,486
Decrease in inventories	**9,120**	11,726
(Increase) decrease in trade and other receivables	**(14,351)**	72,031
(Increase) decrease in financial assets at fair value through profit or loss	**(1,578)**	28,719
Increase (decrease) in trade and other payables	**64,478**	(180,691)
Cash generated from operations	**230,875**	139,271
Hong Kong Profits Tax paid	**(16,201)**	(6,115)
PRC Enterprise Income Tax paid	**(7,891)**	(22,228)
NET CASH FROM OPERATING ACTIVITIES	**206,783**	110,928

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	NOTE	2009 HK$'000	2008 HK$'000
INVESTING ACTIVITIES			
Redemption of short-term investment		**107,710**	—
Purchase of property, plant and equipment		**(65,213)**	(100,774)
Disposal of a subsidiary, net of cash and cash equivalents disposed of	37	**(50,775)**	—
Decrease (increase) in pledged bank deposits		**44,547**	(59,070)
Repayment of loans receivable		**31,737**	75,006
Development costs paid for investment properties under construction		**(17,297)**	—
Interest received		**12,447**	13,700
Increase in land development expenditure		**(12,151)**	—
Proceeds from disposal of property, plant and equipment		**712**	4,858
Acquisition of additional interests in a subsidiary		**(380)**	—
Additions to prepaid lease payments		**—**	(538,043)
Purchase of short-term investment		**—**	(107,710)
Proceeds from disposal of investment properties		**—**	34,748
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**51,337**	(677,285)
FINANCING ACTIVITIES			
Capital contribution from minority shareholders of subsidiaries		**111,111**	257,670
Repayment of bank loans		**(17,500)**	(17,500)
Interest paid		**(1,811)**	(2,087)
Repayment of obligations under finance leases		**(360)**	(44)
Finance lease charges		**(87)**	(1)
NET CASH FROM FINANCING ACTIVITIES		**91,353**	238,038
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**349,473**	(328,319)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**859,244**	1,144,957
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**110**	42,606
CASH AND CASH EQUIVALENTS AT END OF THE YEAR REPRESENTING BANK BALANCES AND CASH		**1,208,827**	859,244

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 45, 46 and 47, respectively.

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) — INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) — INT 13	Customer loyalty programmes
HK(IFRIC) — INT 15	Agreements for the construction of real estate
HK(IFRIC) — INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) — INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of financial statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

A third consolidated statement of financial position as at 1 January 2008 is not presented during the current financial year as the Group has applied new and revised HKFRSs prospectively which is not required to restate items in the consolidated financial statements as at 31 December 2008.

HKFRS 8 Operating segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 6) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

Improving disclosures about financial instruments (Amendments to HKFRS 7 financial instruments: disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk.

Amendments to HKAS 40 Investment property

As part of Improvements to HKFRSs (2008), HKAS 40 has been amended to include within its scope properties under construction or development for future use as investment properties and to require such properties to be measured at fair value (where the fair value model is used and the fair values of the properties are reliably determinable). In the past, the leasehold land and building elements of investment properties under construction were accounted for separately. The leasehold land element was accounted for as an operating lease and the building element was carried at cost less accumulated impairment losses, if any. The Group used the fair value model to account for its investment properties.

The Group has applied the amendment to HKAS 40 prospectively from 1 January 2009 in accordance with the relevant transitional provision. As a result of the application of the amendment, the Group's investment properties under construction that include the leasehold land and building elements with previous carrying amounts of HK$552,338,000 and HK$14,222,000 as at 1 January 2009, respectively, have been reclassified as investment properties on 1 January 2009 and measured at fair value as at 31 December 2009. As at 31 December 2009, the impact has been to decrease prepaid lease payments and property, plant and equipment by HK$552,338,000 and HK$14,222,000 respectively, to increase investment properties by HK$1,089,569,000 (including fair value gain of HK$505,712,000) (see note 16), to increase deferred tax liabilities by HK$126,428,000, to increase profit for the year by HK$379,284,000 and to increase earnings per share for the year by HK8.85 cents.

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)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related party disclosure[6]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of right issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[5]
HKFRS 2 (Amendments)	Group cash-settled share-based payments transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK(IFRIC) — INT 14 (Amendment)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) — INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) — INT 19	Extinguishing financial liabilities with equity instrument[5]

1 Effective for annual periods beginning on or after 1 July 2009.

2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.

3 Effective for annual periods beginning on or after 1 January 2010.

4 Effective for annual periods beginning on or after 1 February 2010.

5 Effective for annual periods beginning on or after 1 July 2010.

6 Effective for annual periods beginning on or after 1 January 2011.

7 Effective for annual periods beginning on or after 1 January 2013.

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.

HKFRS 9 "Financial instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

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 consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

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 Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and 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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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.

Acquisition of additional interests in a subsidiary

The excess of the carrying amount of the net assets of the subsidiary attributable to the additional interest acquired over the cost of acquisition of the additional interests is recognised as discount on acquisition and credited to profit or loss.

Interests in subsidiaries

Interests in subsidiaries are included in the Company's statement of financial position 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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 statement of financial position 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.

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 statement of financial position 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.

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.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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.

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 to the net carrying amount on initial recognition.

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

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.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement 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. 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).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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 losses 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 other comprehensive income and accumulated in investment revaluation reserve.

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, obligations under a finance lease, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 other comprehensive income 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.

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 on initial recognition.

Dividend income from investments is recognised when the shareholders' 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 properties under construction) 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 properties under construction over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

Prior to 1 January 2009, property that was being constructed or developed for future use as an investment property was included in properties under construction until construction or development was complete, at which time it was reclassified to and subsequently accounted for as an investment property. Any difference between the fair value of the property at that date and its previous carrying amount was recognised in profit or loss. Upon adoption of amendments to HKAS 40, that property has been reclassified as an investment property at 1 January 2009 (see note 2).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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 profit or loss in the period in which the item is derecognised.

Leasehold land and buildings under construction for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative 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. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

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.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction. Starting from 1 January 2009, investment properties under construction are measured at fair value at the end of the reporting period. Any difference between the fair value of the investment properties under construction and their carrying amounts is recognised in profit or loss in the period in which they arise.

For a transfer from investment property carried at fair value to owner-occupied property evidenced by owner-occupation, the property's deemed cost for subsequent accounting in accordance with HKAS 16 "Property, plant and equipment" shall be its fair value at the date of change in use. The leasehold land which was accounted for as if it were a finance lease will continue as a finance lease after the transfer. Depreciation of the asset, on the same basis as other property assets, commences when the asset is ready for its intended use.

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 profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 profit or loss 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 statement of financial position 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.

Operating lease payments are recognised as an expense 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 and amortised over the lease term on a straight line basis except for those that are classified and accounted for as investment properties under the fair value model and leasehold land transferred from investment properties to property, plant and equipment.

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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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 other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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 end of the reporting period, 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 in other comprehensive income and accumulated in equity (the translation reserve).

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 (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. 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.

Inventories

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment

At the end of the reporting period, 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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. 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 costs

Payments to defined contribution retirement benefit schemes including Mandatory Provident Fund Scheme and state-managed retirement benefit 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 end of the reporting period.

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. 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.

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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as 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 end of the reporting period, that has a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

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 24 and 25) and will strengthen its effort to chase the debts and thus considers that the trade receivables with carrying amount of HK$266,838,000 (2008: HK$240,136,000) are recoverable due to its good credit quality and loans receivable that are past due of HK$70,269,000 (2008: 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Allowances for inventories

The management of the Group reviews an aged analysis at the end of each reporting period, 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 (see note 5(b)).

Investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions and assumptions made on the investment properties, including:

- comparable market transactions with adjustments to reflect different locations or conditions; and

- comparable market rents and transactions, occupancy rate, discount rate and cost to be expended to complete the development of investment properties under construction.

In relying on the valuation report, the directors of the Company have exercised their judgment and are satisfied that the assumptions used in the valuation is reflective of the current market conditions and current development of the investment properties. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated income statement.

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:

	2009 **HK$'000**	2008 HK$'000
Sales of goods	**1,349,114**	1,692,067
Rental income	**11,931**	15,852
	1,361,045	1,707,919

(b) Cost of sales includes reversal of allowance for obsolete inventories of HK$1,614,000 (2008: HK$2,178,000) which were used in the production of finished goods sold in the current year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating segments" with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14" Segment reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

The Group determines its operating segments based on the internal reports reviewed by the President, the chief operating decision maker of the Group, that are used to make strategic decisions.

As a result of the adoption of the HKFRS 8, the identification of the Group's reportable segment has changed. In prior years, segment information reported externally was analysed on the basis of business nature including segments of manufacturing and distribution, property investment, trading, financial service and securities trading. However, information reported to the President for the purpose of resource allocation and assessment of performances focuses more specifically on the nature of industry. Therefore, on adoption of HKFRS 8, management has identified the following operating segments: Hi-Tech Manufacturing Business (including plastic products, liquid crystal display, printed circuit boards, intelligent chargers and the related industrial property investment), Aerospace and Aerospace Service (including property investment in Shenzhen Aerospace International Centre and land development in Hainan Launching Site Complex Zone) and Other Business, which represents the major industries the Group engaged.

Information regarding these segments is presented below. The segment information reported for the prior period have been restated to conform with the requirement of HKFRS 8.

6. SEGMENT INFORMATION (continued)

(a) An analysis of the Group's turnover and results by operating segments is as follows:

For the year ended 31 December 2009

	Turnover			
	External sales HK$'000	Inter-segment sales HK$'000	Total turnover HK$'000	Segment results HK$'000
Hi-Tech Manufacturing Business				
Plastic products	537,052	44,152	581,204	60,497
Liquid crystal display	244,663	–	244,663	9,733
Printed circuit boards	273,032	–	273,032	43,983
Intelligent chargers	294,367	–	294,367	28,829
Industrial property investment	11,818	12,680	24,498	14,537
	1,360,932	56,832	1,417,764	157,579
Aerospace and Aerospace Service				
Property investment in Shenzhen Aerospace International Centre	–	–	–	501,212
Land development in Hainan Launching Site Complex Zone	–	–	–	(5,888)
	–	–	–	495,324
Other Business	113	–	113	(19,252)
	1,361,045	56,832	1,417,877	633,651
Elimination	–	(56,832)	(56,832)	–
	1,361,045	–	1,361,045	633,651
Unallocated corporate income				19,568
Unallocated corporate expenses				(43,501)
				609,718
Reversal of impairment loss recognised in respect of loans receivable				24,929
Gain on disposal of a subsidiary				43,551
Gain on deregistration of a subsidiary				1,148
Discount on acquisition of additional interests in a subsidiary				3,176
Share of results of jointly controlled entities				264
Finance costs				(1,898)
Profit before taxation				680,888

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. SEGMENT INFORMATION (continued)

(a) An analysis of the Group's turnover and results by operating segments is as follows: (continued)

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
Hi-Tech Manufacturing Business				
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
Industrial property investment	14,956	11,911	26,867	(557)
	1,698,037	75,495	1,773,532	182,054
Aerospace and Aerospace Service				
Property investment in Shenzhen Aerospace International Centre	—	—	—	(2,037)
Land development in Hainan Launching Site Complex Zone	—	—	—	(3,421)
	—	—	—	(5,458)
Other Business	9,882	—	9,882	(23,731)
	1,707,919	75,495	1,783,414	152,865
Elimination	—	(75,495)	(75,495)	—
	1,707,919	—	1,707,919	152,865
Unallocated corporate income				42,444
Unallocated corporate expenses				(58,730)
				136,579
Reversal of impairment loss recognised in respect of loans receivable				58,234
Impairment loss on available-for-sale investments				(40,780)
Share of results of jointly controlled entities				1,832
Finance costs				(2,088)
Profits before taxation				153,777

6. SEGMENT INFORMATION (continued)

(a) An analysis of the Group's turnover and results by operating segments is as follows: (continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represents the profit/loss earned/incurred by each segment without allocation of interest income, profits on securities trading, reversal of impairment loss recognised on loans receivable, interest expenses and other corporate income and corporate expenses. This is the measure reported to the President for the purpose of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market prices.

(b) The following is an analysis of the Group's assets and liabilities by operating segment:

	31.12.2009 **HK$'000**	31.12.2008 HK$'000
Segment assets		
Hi-Tech Manufacturing Business		
Plastic products	**421,530**	439,959
Liquid crystal display	**265,745**	258,226
Printed circuit boards	**173,546**	157,539
Intelligent chargers	**184,740**	197,890
Industrial property investment	**184,362**	175,582
	1,229,923	1,229,196
Aerospace and Aerospace Service		
Property investment in Shenzhen Aerospace International Centre	**1,091,916**	568,038
Land development in Hainan Launching Site Complex Zone	**48,392**	17,476
	1,140,308	585,514
Other Business	**55,389**	76,980
Total segment assets	**2,425,620**	1,891,690
Available-for-sale investments	**194,012**	39,544
Interests in jointly controlled entities	**61,409**	60,806
Loans receivable	**70,269**	77,077
Unallocated assets	**1,373,770**	1,182,336
Consolidated assets	**4,125,080**	3,251,453

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. SEGMENT INFORMATION (continued)

(b) The following is an analysis of the Group's assets and liabilities by operating segment: (continued)

	31.12.2009	31.12.2008
	HK$'000	HK$'000
Segment liabilities		
Hi-Tech Manufacturing Business		
Plastic products	**150,287**	133,418
Liquid crystal display	**26,116**	23,607
Printed circuit boards	**63,577**	43,882
Intelligent chargers	**75,460**	78,189
Industrial property investment	**5,663**	4,549
	321,103	283,645
Aerospace and Aerospace Service		
Property investment in Shenzhen Aerospace International Centre	**251**	139
Land development in Hainan Launching Site Complex Zone	**1,013**	57
	1,264	196
Other Business	**1,802**	2,123
Total segment liabilities	**324,169**	285,964
Unallocated liabilities	**569,027**	481,850
Consolidated liabilities	**893,196**	767,814

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than bank balances and cash, pledged bank deposits, financial assets at fair value through profit or loss, tax recoverable and the unallocated assets; and

- all liabilities are allocated to operating segments other than taxation, deferred taxation, secured bank loans, other loan and the unallocated liabilities.

6. SEGMENT INFORMATION (continued)

(c) Other segment information

2009

	Capital additions HK$'000	Depreciation HK$'000	Impairment losses of property, plant and equipment HK$'000	Fair value gain (loss) on investment properties HK$'000	Gain on disposal of property, plant and equipment HK$'000
Hi-Tech Manufacturing Business					
Plastic products	19,162	16,200	–	–	–
Liquid crystal display	1,711	9,350	–	–	–
Printed circuit boards	6,824	18,865	–	–	3
Intelligent chargers	2,395	5,305	–	–	–
Industrial property investment	9,639	8,602	–	9,008	–
	39,731	58,322	–	9,008	3
Aerospace and Aerospace Service					
Property investment in Shenzhen Aerospace International Centre	18,206	435	–	505,712	–
Land development in Hainan Launching Site Complex Zone	22,826	332	–	–	–
	41,032	767	–	505,712	–
Other Business	19	210	–	(23,380)	–
Total	80,782	59,299	–	491,340	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

6. SEGMENT INFORMATION (continued)

(c) Other segment information (continued)

2008

	Capital additions HK$'000	Depreciation HK$'000	Impairment losses of property, plant and equipment HK$'000	Fair value loss on investment properties HK$'000	Loss on disposal of property, plant and equipment HK$'000
Hi-Tech Manufacturing Business					
Plastic products	45,363	17,834	—	—	—
Liquid crystal display	10,649	8,171	—	—	—
Printed circuit boards	26,385	12,557	—	—	3,592
Intelligent chargers	6,770	5,139	—	—	—
Industrial property investment	1,310	9,532	2,911	6,006	—
	90,477	53,233	2,911	6,006	3,592
Aerospace and Aerospace Service					
Property investment in Shenzhen Aerospace International Centre	544,756	111	—	—	—
Land development in Hainan Launching Site Complex Zone	—	—	—	—	—
	544,756	111	—	—	—
Other Business	46	295	—	18,751	202
Total	635,279	53,639	2,911	24,757	3,794

6. SEGMENT INFORMATION (continued)

(d) Geographical information

The Group operates in three principal geographical areas — Hong Kong, the PRC and Canada.

The Group's turnover from external customers and information about its non-current assets by geographical location are detailed below:

	Turnover from external customers		Non-current assets	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**1,081,597**	1,392,440	**157,004**	145,878
The PRC	**279,335**	314,581	**1,886,913**	1,341,633
Canada	**113**	898	**55,389**	69,949
	1,361,045	1,707,919	**2,099,306**	1,557,460

No individual customer of the Group has contributed sales over 10% of the turnover of the Group for each of the year ended 31 December 2009 or 2008.

7. OTHER INCOME

	2009	2008
	HK$'000	HK$'000
The Group's other income mainly comprises:		
Bank interest income	**12,447**	13,700
Gain on disposal of a subsidiary *(Note 37)*	**43,551**	—
Gain on deregistration of a subsidiary	**1,148**	—
Gain from change in fair value of financial assets at fair value through profit or loss	**6,174**	7,655
Reversal of impairment loss recognised in respect of loans receivable *(Note 25)*	**24,929**	58,234
Discount on acquisition of additional interests in a subsidiary	**3,176**	—
Net exchange gain	**—**	17,671
Gain on disposal of assets classified as held for sale	**—**	3,093

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8. DIRECTORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 13 (2008: 16) directors were as follows:

	Wu Zhuo HK$'000	Zhao Liqiang HK$'000	Zhou Qingquan 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$'000	2009 HK$'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	–	1,594	1,127	982	1,062	20	25	55	1,062	1,062	105	105	55	7,254
Bonuses	–	506	553	451	600	–	–	–	450	513	–	–	–	3,073
	–	2,100	1,680	1,433	1,662	20	25	55	1,512	1,575	105	105	55	10,327
Total emoluments	–	2,100	1,680	1,433	1,662	20	25	205	1,512	1,575	255	255	205	10,927

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

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

* Directors resigned in 2008

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

(b) Highest paid individuals' emoluments

During the year, the five highest paid individuals included three directors (2008: two directors), details of whose emoluments are set out above. The emoluments of the remaining two (2008: three) highest paid individuals were as follows:

	2009 HK$'000	2008 HK$'000
Salaries and other benefits	**1,000**	1,512
Bonuses *(Note)*	**2,412**	3,734
Contributions to retirement benefits scheme	**12**	24
	3,424	5,270

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

The emoluments of these individuals were within the following bands:

Emoluments band	**Number of individuals** **2009**	 2008
HK$1,500,001 to HK$2,000,000	**2**	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

	2009 HK$'000	2008 HK$'000
Interest expenses on:		
— bank loans wholly repayable within five years	**1,811**	2,087
— finance lease charges	**87**	1
	1,898	2,088

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10. PROFIT BEFORE TAXATION

	2009 **HK$'000**	2008 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Depreciation on		
— owned assets	**62,441**	55,800
— assets held under finance leases	**250**	—
Amortisation on prepaid lease payments	**1,074**	10,156
Less: Amount capitalised and included on properties under development	**—**	(8,937)
	1,074	1,219
Auditors' remuneration		
— current year	**4,080**	4,134
— underprovision in prior year	**157**	559
(Profit) loss on disposal of property, plant and equipment	**(18)**	3,672
Allowance for doubtful trade debts	**5,142**	1,519
Minimum lease payments under operating leases in respect of land and buildings	**6,659**	6,369
Net exchange loss (gain)	**4,184**	(17,671)
Research and development expenses	**11,997**	2,273
Staff costs, including directors' remuneration	**234,926**	249,802
Gross rental income	**(11,931)**	(15,852)
Less: Direct operating expenses from investment properties that generated rental income during the year	**1,186**	1,261
	(10,745)	(14,591)

11. TAXATION

The tax charge for the year comprises:

	2009	2008
	HK$'000	HK$'000
Current tax		
Hong Kong Profits Tax	**9,519**	16,975
PRC Enterprise Income Tax	**11,112**	15,444
	20,631	32,419
Overprovision in prior years		
Hong Kong Profits Tax	**(2,256)**	(78)
Deferred tax *(note 34)*		
Current year	**122,675**	(19,104)
Attributable to a change in tax rate	**–**	(713)
	122,675	(19,817)
	141,050	12,524

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

	2009	2008
	HK$'000	HK$'000
Profit before taxation	**680,888**	153,777
Tax at Hong Kong Profits Tax of 16.5% (2008: 16.5%)	**112,347**	25,373
Tax effect of share of results of jointly controlled entities	**(44)**	(302)
Tax effect of expenses not deductible for tax purposes	**933**	8,801
Tax effect of income not taxable for tax purpose	**(3,028)**	(5,996)
Utilisation of tax losses previously not recognised	**(14,850)**	(16,580)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**46,628**	1,902
Overprovision in prior years	**(2,256)**	(78)
Others	**1,320**	117
Change in opening deferred tax liabilities resulting from a decrease in applicable tax rate	**–**	(713)
Tax charge for the year	**141,050**	12,524

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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11. TAXATION (continued)

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) 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 20% (2008: 18%) 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 owners of the Company for the year is based on the profit for the year attributable to owners of the Company of HK$393,940,000 (2008: HK$144,596,000) and on 2,570,904,000 shares (2008: 2,570,904,000 shares) in issue during the year.

13. DIVIDENDS

A final dividend of HK2 cents per share in respect of the year ended 31 December 2009 (2008: nil) has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

14. PROPERTY, PLANT AND EQUIPMENT

	Medium-term leasehold land and buildings in Hong Kong HK$'000	Long-term leasehold land and buildings in the PRC HK$'000	Medium-term leasehold land and buildings in the PRC HK$'000	Properties under construction HK$'000	Plant and equipment HK$'000	Motor vehicles, furniture and other equipment HK$'000	Total HK$'000
THE GROUP							
COST							
At 1 January 2008	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
Exchange adjustments	—	—	—	—	—	16	16
Additions	—	—	30,786	—	13,038	23,311	67,135
Reclassifications	—	—	—	—	2,069	(2,069)	—
Reclassification from investment properties *(note c)*	22,090	—	—	—	—	—	22,090
Reclassification to investment properties *(note 2)*	—	—	—	(14,222)	—	—	(14,222)
Disposals	—	—	—	—	(2,064)	(4,257)	(6,321)
Disposal of a subsidiary	—	—	—	—	—	(1,995)	(1,995)
At 31 December 2009	76,875	13,616	419,215	—	492,892	135,400	1,137,998
DEPRECIATION AND IMPAIRMENT							
At 1 January 2008	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
Exchange adjustments	—	—	—	—	—	5	5
Charged for the year	685	207	9,625	—	38,620	13,554	62,691
Reclassification	—	—	—	—	35	(35)	—
Eliminated on disposals	—	—	—	—	(2,064)	(3,563)	(5,627)
Eliminated on disposal of a subsidiary	—	—	—	—	—	(546)	(546)
At 31 December 2009	26,928	1,197	122,686	—	258,647	73,276	482,734
CARRYING VALUES							
At 31 December 2009	49,947	12,419	296,529	—	234,245	62,124	655,264
At 31 December 2008	28,542	12,626	275,368	14,222	257,793	56,533	645,084

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14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Motor vehicles, furniture and other equipment HK$'000
THE COMPANY	
COST	
At 1 January 2008	13,657
Additions	1,743
Disposals	(1,875)
At 31 December 2008	13,525
Additions	1,241
Disposals	(868)
At 31 December 2009	13,898
DEPRECIATION AND IMPAIRMENT	
At 1 January 2008	10,479
Provided for the year	2,045
Eliminated on disposals	(1,868)
At 31 December 2008	10,656
Provided for the year	1,818
Eliminated on disposals	(868)
At 31 December 2009	11,606
CARRYING VALUES	
At 31 December 2009	2,292
At 31 December 2008	2,869

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(a) Depreciation is provided to write off the cost of items of property, plant and equipment other than properties under construction 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 ended 31 December 2008, 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 was charged directly to the consolidated income statement. The fair value of the property at the date of transfer to investment property was based on professional valuation.

(c) During the year ended 31 December 2009, the Group transferred certain of its investment properties to owner-occupied property. At the date of transfer, the fair value of the investment properties was deemed to be the cost at transfer. The fair value of the property at the date of transfer to land and buildings was based on the valuation performed by Dudley Surveyors Limited, independent qualified professional valuers not connected with the Group, and have appropriate qualifications.

(d) The aggregate carrying values of the Group's assets held under finance leases as at 31 December 2009 amounted to HK$2,530,000 (2008: nil).

(e) The properties under construction as at 31 December 2008 were erected on land (see note 15) held under medium-term leases in the PRC.

15. PREPAID LEASE PAYMENTS

	THE GROUP	
	2009	2008
	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	**1,660**	12,087
Non-current portion	**43,006**	585,991
	44,666	598,078

Note: Upon application of amendment to HKAS 40 during the year ended 31 December 2009, the Group's properties under construction for future use as investment properties that comprise the land element included in prepaid lease payments of HK$552,338,000 as at 1 January 2009 has been reclassified to investment properties (see note 16) and measured at fair value as at 31 December 2009.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16. INVESTMENT PROPERTIES

	Investment properties	Investment properties under construction	Total
	HK$'000	HK$'000	HK$'000
FAIR VALUE			
At 1 January 2008	159,732	—	159,732
Exchange adjustment	(9,690)	—	(9,690)
Decrease in fair value during the year	(24,757)	—	(24,757)
Transfer from property, plant and equipment and prepaid lease payments	140,294	—	140,294
At 31 December 2008	265,579	—	265,579
Exchange adjustment	8,790	—	8,790
Reclassified from property, plant and equipment *(note 14)*	—	14,222	14,222
Reclassified to property, plant and equipment	(22,090)	—	(22,090)
Reclassified from prepaid lease payments *(note 15)*	—	552,338	552,338
Construction costs incurred	—	17,297	17,297
Net (decrease) increase in fair value recognised in profit or loss	(14,372)	505,712	491,340
At 31 December 2009	237,907	1,089,569	1,327,476

The carrying value of investment properties shown above comprises:

	2009	2008
	HK$'000	HK$'000
Land in Hong Kong:		
Medium-term lease	**44,055**	52,933
Land outside Hong Kong:		
Freehold	**55,295**	69,885
Medium-term lease	**1,228,126**	142,761
	1,327,476	265,579

16. INVESTMENT PROPERTIES (continued)

The fair values of the Group's investment properties at 31 December 2008 and 2009 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 are members of the Institute of Valuers. The valuation of investment properties was arrived at by reference to market evidence of transaction prices for similar properties. The valuation of investment properties under construction was arrived at by reference to market evidence of transaction prices for similar properties and by capitalisation of income potential of similar properties, on the basis that the properties will be developed and completed in accordance with the Group's latest development proposals, after taking into account of the estimated construction costs to completion to reflect the quality of the completed development and the restrictions imposed on the proposed development properties to lease or to sell to the third parties.

All of the Group's property interests held under operating leases to earn rentals and/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/AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Unlisted shares, at cost	**796,908**	797,908
Less: Impairment losses recognised	**(308,838)**	(313,405)
	488,070	484,503
Amounts due from subsidiaries	**495,186**	275,186

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 2009, the amounts due from subsidiaries are unsecured, interest free and will not be repayable within one year.

Particulars of the principal subsidiaries of the Company at 31 December 2009 are set out in note 45.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	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)**	(3,603)
	—	—	**—**	—

Particulars of the associates of the Group at 31 December 2009 are set out in note 46.

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:

	2009	2008
	HK$'000	HK$'000
Unrecognised share of results of associates for the year	**(264)**	(2,656)
Accumulated unrecognised share of losses of associates	**(12,374)**	(12,110)

19. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	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 other comprehensive income	**10,327**	9,988	**—**	—
Share of post-acquisition losses	**(37,449)**	(37,713)	**—**	—
	61,409	60,806	**15,000**	15,000

Particulars of the principal jointly controlled entities of the Group at 31 December 2009 are set out in note 47.

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	**2009**	2008
	HK$'000	HK$'000
Non-current assets	**1,390**	1,567
Current assets	**60,808**	60,191
Current liabilities	**789**	952
Income	**2,291**	8,492
Expenses	**2,027**	6,660
Other comprehensive income	**339**	2,242

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20. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Available-for-sale investments:		
— equity securities listed in Hong Kong	**97,968**	19,968
— unlisted equity securities outside Hong Kong	**96,044**	19,576
	194,012	39,544

The available-for-sale listed equity securities are held for an identified long term strategic purpose and are stated at fair value by reference to quoted bid price. The classification of the measurement of the available-for-sale listed equity securities amounting to HK$97,968,000 (2008: HK$19,968,000) at 31 December 2009 is Level 1 under the fair value hierarchy. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

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. The classification of the measurement of the available-for-sale unlisted equity securities amounting to HK$96,044,000 (2008: HK$19,576,000) at 31 December 2009 is Level 2 under the fair value hierarchy. Level 2 fair value measurements are those from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

21. LAND DEVELOPMENT EXPENDITURE

The amount represents the development cost incurred in relation to the land development project of Hainan Launching Site Complex Zone in Hainan Province, the PRC.

22. PLEDGED BANK DEPOSITS

The Group and the Company

The amounts represent deposits pledged to banks to secure bank loans and banking facilities granted to the Group. The Group's deposits amounting to HK$125,083,000 (2008: HK$59,070,000) and the Company's deposits amounting to HK$110,560,000 (2008: HK$7,854,000) have been pledged to secure bank loans due within one year and general banking facilities of the Group and are therefore classified as current assets. At 31 December 2008, the deposits amounting to HK$110,560,000 (2009: nil) have been pledged to secure bank loans repayable after one year and was therefore classified as non-current assets.

The deposits carry fixed interest rate between 1.6% and 1.8% (2008: 0.4% and 4.3%) per annum and will be released upon repayment of the related secured bank loans.

23. INVENTORIES

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Raw materials	**54,938**	63,164
Work-in-progress	**32,690**	20,476
Finished goods	**41,057**	55,582
	128,685	139,222

24. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**307,210**	275,518	**—**	—
Less: Allowance for doubtful debts	**(40,372)**	(35,382)	**—**	—
	266,838	240,136	**—**	—
Other receivables, deposits and prepayments	**22,180**	42,352	**4,465**	4,383
	289,018	282,488	**4,465**	4,383

The following is an aged analysis of trade receivables at the end of the reporting period:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Within 90 days	**255,506**	228,952
Between 91–180 days	**11,332**	11,184
	266,838	240,136

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.

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24. TRADE AND OTHER RECEIVABLES (continued)

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$11,332,000 (2008: HK$11,184,000) which are past due at the end of the reporting period 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.

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

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Age		
Between 91–180 days	**11,332**	11,184

Based on the historical experience of the Group, trade receivables aged within 180 days which are past due but not impaired are generally recoverable.

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

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
At January 1	**35,382**	34,018
Allowance for doubtful debts	**5,142**	1,519
Amount written off as uncollectible	**(152)**	(155)
At December 31	**40,372**	35,382

25. LOANS RECEIVABLE

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Fixed-rate loans receivable	**70,269**	77,077

Included in the carrying amount of loans receivable as at 31 December 2009 is an accumulated impairment loss of HK$231,216,000 (2008: HK$256,145,000).

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**	**2009**	2008
			HK$'000	HK$'000
HK$142,082,000 loan receivable	14 January 2008	Certain properties	**70,269**	77,077

The Group has reviewed the carrying amounts of loans receivable and reversed HK$24,929,000 (2008: HK$58,234,000) impairment loss recognised in respect of loan receivables during the year based on the amount recovered during the year and subsequent to 31 December 2009 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$70,269,000 (2008: HK$77,077,000) are recoverable in view of the fair value of assets under pledge for the loans receivable and the amounts of subsequent settlements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2009	2008
	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	**1,410**	1,452
— listed in the PRC	**1,516**	1,799
	2,926	3,251

The fair value of listed securities is determined by the quoted market bid price available on the relevant exchange. The classification of the measurement of the listed equity securities amounting to HK$2,926,000 (2008: HK$3,251,000) at 31 December 2009 is Level 1 under the fair value hierarchy. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

27. AMOUNTS DUE FROM/TO SUBSIDIARIES

The Company

Other than HK$6,128,000 (2008: HK$6,128,000) due from certain subsidiaries and HK$7,500,000 (2008: HK$23,050,000) due to certain subsidiaries which bears interest at market rate, the amounts are unsecured, non-interest bearing and repayable on demand.

28. SHORT-TERM INVESTMENT

The Group

Short-term investment represented 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. During the year, the amount has been received from the bank upon maturity.

29. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**218,740**	205,880	**—**	—
Other payables and accrued charges	**347,070**	337,878	**59,001**	59,434
	565,810	543,758	**59,001**	59,434

The following is an aged analysis of trade payables at the end of the reporting period:

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Within 90 days	**201,534**	180,686
Between 91–180 days	**4,227**	2,897
Between 181–365 days	**1,311**	1,010
Over 1 year	**11,668**	21,287
	218,740	205,880

30. 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

For the year ended 31 December 2009

31. OBLIGATIONS UNDER A FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**750**	—	**730**	—
In more than one year but not more than two years	**780**	—	**730**	—
In more than two years but not more than five years	**118**	—	**102**	—
Less: Future finance charges	**(86)**	—	**N/A**	—
Present value of lease obligations	**1,562**	—	**1,562**	—
Less: Amount due for settlement within one year shown under current liabilities			**(730)**	—
Amount due for settlement after one year			**832**	—

During the year, the Group leased certain of its plant and equipment under a finance lease. The average lease term is 3 years. Interest rate underlying all obligations under a finance lease is fixed at 5% at the contract date.

32. SECURED BANK LOANS

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Secured bank loans	**131,401**	148,901
Carrying amount repayable:		
Within one year	**131,401**	17,500
More than one year, but not exceeding two years	**–**	131,401
	131,401	148,901
Less: Amount due within one year shown under current liabilities	**(131,401)**	(17,500)
Amount due more than one year	**–**	131,401

The secured bank loans carry interest at 1.25% (2008: 1.25%) per annum.

The Group's certain investment properties, property, plant and equipment and bank deposits with aggregate carrying value of HK$3,350,000 (2008: HK$46,315,000), HK$1,893,000 (2008: HK$17,764,000) and HK$125,083,000 (2008: HK$169,630,000), respectively, were pledged to banks for the above bank loans and general banking facilities.

33. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

34. DEFERRED TAXATION

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

	Accelerated tax depreciation	Revaluation of investment properties	Others	Total
	HK$'000	HK$'000	HK$'000 *(Note)*	HK$'000
The Group				
At 1 January 2008	12,181	17,688	(26)	29,843
Credit to profit or loss for the year	(8,231)	(9,919)	(954)	(19,104)
Exchange differences	—	(1,700)	—	(1,700)
Effect of change in tax rate	(696)	(17)	—	(713)
At 31 December 2008	3,254	6,052	(980)	8,326
(Credit) charge to profit or loss for the year	(97)	122,804	(32)	122,675
Exchange differences	—	762	—	762
At 31 December 2009	3,157	129,618	(1,012)	131,763

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 presentation in the consolidated statement of financial position, the above deferred tax assets and liabilities have been offset.

At 31 December 2009, the Group has unused tax losses of approximately HK$1,225 million (2008: HK$1,315 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. Included in the unrecognised tax losses, HK$1,208 million (2008: HK$1,266 million) may be carried forward indefinitely and the remaining balance will expire at various dates up to 2014.

Deferred taxation has not been recognised in respect of the temporary differences attributable to the undistributable retained profits earned by the subsidiaries in the PRC amounting to HK$261 million (2008: HK$13 million) 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 2009, the Company had unused tax losses of approximately HK$59 million (2008: HK$68 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.

35. SHARE CAPITAL

Authorised, issued and fully paid share capital

	Number of shares '000	Nominal value HK$'000
Authorised:		
At 1 January 2008, 31 December 2008 and 31 December 2009 Ordinary shares of HK$0.10 each	100,000,000	10,000,000
Issued and fully paid:		
At 1 January 2008, 31 December 2008 and 31 December 2009 Ordinary shares of HK$0.10 each	2,570,904	257,090

36. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

36. RESERVES (continued)

The Group and the Company (continued)

Share premium (continued)

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;

(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.

36. RESERVES (continued)

The Company

	Share premium HK$'000	**Special capital reserve** HK$'000 *(note a)*	**Capital redemption reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
At 1 January 2008	336,286	348,475	1,080	380,491	1,066,332
Profit for the year	—	—	—	163,875	163,875
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
Other comprehensive income for the year	—	22,686	—	—	22,686
Total comprehensive income for the year	—	22,686	—	163,875	186,561
At 31 December 2008	336,286	371,161	1,080	544,366	1,252,893
Profit for the year	—	—	—	28,320	28,320
Reversal of impairment loss recognised in respect of interests in a subsidiary	—	3,567	—	—	3,567
Reversal of allowance for amounts due from subsidiaries	—	256,249	—	—	256,249
Other comprehensive income for the year	—	259,816	—	—	259,816
Total comprehensive income for the year	—	259,816	—	28,320	288,136
At 31 December 2009	336,286	630,977	1,080	572,686	1,541,029

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

36. RESERVES (continued)

The Company (continued)

Notes:

(a) Under the terms of the court orders dated 11 July 1994 and 1 November 2005 in the reduction of the share premium on the Effective Dates, 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 Dates 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 Dates are paid off.

(b) The Company's reserves available for distribution to shareholders as at 31 December 2009 comprised the retained profits of HK$572,686,000 (2008: HK$544,366,000).

37. DISPOSAL OF A SUBSIDIARY

During the year ended 31 December 2009, the Group disposed of its interests in a subsidiary which was engaged in property management.

The effect of the disposal of subsidiary for the year ended 31 December 2009 is summarised as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	1,449
Inventories	3,031
Trade and other receivables	2,701
Financial assets at fair value through profit or loss	1,903
Bank balances and cash	268,882
Trade and other payables	(44,502)
	233,464
Minority interests	(46,693)
	186,771
Reclassification adjustment — translation reserve	(12,215)
Gain on disposal	43,551
Total consideration	218,107
Net cash outflow arising on disposal:	
Cash consideration	218,107
Bank balances and cash disposed of	(268,882)
	(50,775)

38. 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 net debt, which mainly includes the bank loans disclosed in note 32, net of cash and cash equivalent, and equity attributable to owners 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.

39. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Fair value through profit or loss				
Held for trading	**2,926**	3,251	**–**	–
Loans and receivables (including cash and cash equivalents)	**1,687,703**	1,485,281	**1,505,519**	1,312,964
Available-for-sale investments	**194,012**	39,544	**–**	–
Financial liabilities				
Amortised cost	**593,597**	592,917	**212,189**	349,712

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, obligations under a finance lease, 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 2009

39. 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 and finance lease (see liquidity table below). The Group and the Company are also exposed to cash flow interest rate risk in relation to bank balance and pledged bank deposits. However, the management considered the risk are 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 manufacturing 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.

If the prices of the financial assets at fair value through profit or loss had been 10% (2008: 10%) higher/lower, the Group's profit for the year ended 31 December 2009 would increase/decrease by HK$293,000 (2008: HK$325,000) 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 10% higher/lower, the Group's investment revaluation reserve would increase/decrease by HK$19,401,000 as a result of the changes in fair value of available-for-sale investments for the year ended 31 December 2009.

If the prices of the available-for-sale investments had been 10% higher/lower, the Group's investment revaluation reserve/profit or loss would increase/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.

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 Hong Kong dollars and Renminbi ("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 end of the reporting period. 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.

39. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Foreign currency risk (continued)

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

	Assets		Liabilities	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
THE COMPANY				
RMB	**586,090**	592,831	**41,076**	69,125

Sensitivity analysis

The sensitivity analyses below details the Company's sensitivity to a 1% (2008: 5%) increase and decrease in Hong Kong dollars against RMB. 1% (2008: 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. A lower percentage is adopted in the sensitivity analysis in current year as fluctuation of Hong Kong dollars against RMB become more stable during the year.

The sensitivity analysis includes amounts due from/to subsidiaries denominated in RMB.

	Increase (decrease) in profit before taxation
	HK$'000
2009	
— if Hong Kong dollars weaken against RMB	**5,505**
— if Hong Kong dollars strengthen against RMB	**(5,505)**
2008	
— if Hong Kong dollars weaken against RMB	27,564
— if Hong Kong dollars strengthen against RMB	(27,564)

The resulting amounts above are mainly attributable to the exposure outstanding on amounts due from/to subsidiaries at the end of the reporting period.

The Group had the same foreign currency risk exposure arising in the amounts due from/to subsidiaries.

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39. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

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 2009 in relation to each class of recognised financial assets is the carrying amount of these assets as stated in the consolidated statement of financial position.

The Company's credit risk is primarily attributable to other receivables, amounts due from subsidiaries, bank balances, pledged bank deposits and financial guarantee issued to subsidiaries (see note 40).

The maximum amount the Company could be forced to settle under the financial guarantee contracts if the full guaranteed amount is claimed by the counterparty is HK$131,401,000 (2008: HK$148,901,000). The Company considered the subsidiary has the ability to repay the guaranteed amount, thus the liabilities arising in the financial guarantee contract is unlikely to be realised.

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.

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 the end of the reporting period 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 25) 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.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. 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.

39. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity and interest risk tables

	Weighted average interest rate	On demand and 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 2009						
Financial liabilities						
Non-interest bearing	**–**	**196,428**	**264,206**	**–**	**460,634**	**460,634**
Bank loans	**1.25**	**–**	**132,873**	**–**	**132,873**	**131,401**
Finance lease	**5**	**64**	**686**	**898**	**1,648**	**1,562**
		196,492	**397,765**	**898**	**595,155**	**593,597**
At 31 December 2008						
Financial liabilities						
Non-interest bearing	–	204,320	239,696	–	444,016	444,016
Bank loans	1.25	–	19,192	132,873	152,065	148,901
		204,320	258,888	132,873	596,081	592,917

	Weighted average interest rate	On demand and 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 COMPANY						
At 31 December 2009						
Financial liabilities						
Non-interest bearing	**–**	**212,189**	**–**	**–**	**212,189**	**212,189**
Financial guarantee contracts	**–**	**131,401**	**–**	**–**	**131,401**	**–**
		343,590	**–**	**–**	**343,590**	**212,189**
At 31 December 2008						
Financial liabilities						
Non-interest bearing	–	349,712	–	–	349,712	349,712
Financial guarantee contracts	–	148,901	–	–	148,901	–
		498,613	–	–	498,613	349,712

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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39. 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;

- 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 classification of the measure of the Group's financial assets at 31 December 2009 and 2008 using the fair value hierarchy is Levels 1 and 2 (see notes 20 and 26). 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.

40. CONTINGENT LIABILITIES

	THE COMPANY	
	2009	2008
	HK$'000	HK$'000
Guarantees given to banks, in respect of banking facilities granted to a subsidiary		
— amount guaranteed and utilised	**131,401**	148,901

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

41. COMMITMENTS

	THE GROUP	
	2009	2008
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respected of:		
— acquisition of property, plant and equipment	**6,023**	15,575
— properties under construction	**16,914**	1,655
	22,937	17,230
Capital expenditure authorised but not contracted for:		
— properties under construction	**1,377,000**	—

At 31 December 2009, the Group has committed investment of approximately HK$1,348,393,000 (2008: HK$1,360,544,000) for the Hainan Launching Site Complex Zone project in Wenchang City, Hainan Province as detailed in the circular of the Company dated 10 September 2008.

42. OPERATING LEASE COMMITMENTS

The Group and the Company as lessee

At the end of the reporting period, 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	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**8,675**	7,199	**2,771**	1,244
In the second to fifth year inclusive	**21,707**	10,598	**3,891**	177
Over five years	**31,586**	35,448	**—**	—
	61,968	53,245	**6,662**	1,421

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.

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42. OPERATING LEASE COMMITMENTS (continued)

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2009 HK$'000	2008 HK$'000
Within one year	**5,802**	12,245
In the second to third year inclusive	**4,784**	333
	10,586	12,578

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

43. 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, limit to HK$12,000 (2008: HK$12,000) per annum per staff.

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$6,892,000 (2008: HK$7,241,000) represents contribution to the schemes by the Group at the rates specified in the rules of the schemes.

44. RELATED PARTY TRANSACTION

Balances of related parties of the Company have been disclosed in respective notes. In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group entered into the following related party transactions.

(a) 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 China Aerospace Science & Technology Corporation which is controlled by the PRC government. The Group conducts business with 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.

The Group has certain deposits 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.

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

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Group's principal subsidiaries at 31 December 2009 and 2008 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 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
China Aerospace Industrial Limited (formerly known as CASIL Development Limited)	HK$1,000,000	—	100	100	Property investment
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

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For the year ended 31 December 2009

45. 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:					
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
Shenzhen Chee Yuen Plastics Company Limited##∆	RMB22,000,000	—	100	100	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
海南航天投資管理有限公司*	RMB120,000,000	—	65	65	Land development

45. 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 2009
Δ Additional interest was acquired during 2009

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.

46. PARTICULARS OF ASSOCIATES

Details of the Group's associates at 31 December 2009 and 2008 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

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For the year ended 31 December 2009

47. PARTICULARS OF A PRINCIPAL JOINTLY CONTROLLED ENTITY

Details of the Group's principal jointly controlled entity at 31 December 2009 and 2008 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.

48. EVENT AFTER THE REPORTING PERIOD

On 4 February 2010, the Company, Burhill Company Limited, a substantial shareholder of the Company, and CITIC Securities Corporate Finance (HK) Limited, the placing agent, entered into a Placing and Subscription Agreement in respect of a top-up placement of 514,118,000 shares at HK$ 1.13 per share. The net proceed of HK$560 million will be applied towards funding the project of the Hainan Launching Site Complex Zone in Hainan Province, and the related projects of the aerospace business under planning. The top-up placement was completed on 18 February 2010, details of which were set out in the announcement dated 4 February 2010.

RESULTS

	Year ended 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**1,361,045**	1,707,919	1,681,854	1,528,101	1,780,938
Profit before taxation	**680,888**	153,777	356,380	141,846	287,381
Taxation	**(141,050)**	(12,524)	(45,986)	(26,784)	(1,506)
Profit for the year	**539,838**	141,253	310,394	115,062	285,875
Attributable to:					
Owners of the Company	**393,940**	144,596	310,037	110,966	286,403
Minority interests	**145,898**	(3,343)	357	4,096	(528)
	539,838	141,253	310,394	115,062	285,875

ASSETS AND LIABILITIES

	At 31 December				
	2009	2008	2007	2006	2005
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**2,293,318**	1,707,564	1,212,880	1,132,296	957,080
Current assets	**1,831,762**	1,543,889	1,795,156	1,154,182	1,141,325
Current liabilities	**(760,601)**	(628,087)	(748,239)	(824,418)	(814,360)
Non-current liabilities	**(132,595)**	(139,727)	(178,744)	(189,061)	(203,721)
Shareholders' funds	**3,231,884**	2,483,639	2,081,053	1,272,999	1,080,324
Attributable to:					
Owners of the Company	**2,690,430**	2,149,954	2,001,606	1,220,412	1,061,187
Minority interests	**541,454**	333,685	79,447	52,587	19,137
	3,231,884	2,483,639	2,081,053	1,272,999	1,080,324

APPENDIX II INVESTMENT PROPERTIES

Location	Lot	Existing use	Approximate gross floor area/site area (sq. m)	Group's interest (%)
MEDIUM TERM LEASES IN HONG KONG				
Units 402, 405 to 407 on 4th Floors the whole of 17th Floor 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	3,290	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
South of Bin Hai Avenue and the East of Hou Hai Bin Road Nanshan District Shenzhen Guangdong Province China	—	Under development	10,458	60
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