2011 ANNUAL REPORT

CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Stock Code: 31)

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr Li Hongjun *(President)*
Mr Jin Xuesheng

Non-Executive Directors

Mr Zhang Jianheng *(Chairman)*
(appointed on 26 March 2012)
Mr Wu Zhuo *(Vice Chairman)*
Mr Luo Zhenbang *(Independent)*
Mr Wang Junyan *(Independent)*
Ms Leung Sau Fan, Sylvia *(Independent)*
(appointed on 26 March 2012)
Mr Chen Xuechuan
Mr Shi Weiguo
Mr Rui Xiaowu *(Chairman)*
(resigned on 7 June 2011)
Mr Wu Yanhua *(Chairman)*
(approinted on 7 June 2011 and resigned on 26 March 2012)
Mr Chow Chan Lum, Charles *(Independent)*
(resigned on 26 March 2012)
Dr Chan Ching Har, Eliza *(resigned on 26 March 2012)*
Mr Zhou Qingquan *(retired on 26 March 2012)*

AUDIT COMMITTEE

Mr Luo Zhenbang *(Chairman)*
(appointed on 26 March 2012)
Ms Leung Sau Fan, Sylvia
(appointed on 26 March 2012)
Mr Shi Weiguo *(appointed on 26 March 2012)*
Mr Chow Chan Lum, Charles *(Chairman)*
(resigned on 26 March 2012)
Mr Zhou Qingquan *(retired on 26 March 2012)*

REMUNERATION COMMITTEE

Ms Leung Sau Fan, Sylvia *(Chairman)*
(appointed on 26 March 2012)
Mr Wang Junyan
Mr Chen Xuechuan
Dr Chan Ching Har, Eliza *(Chairman)*
(resigned on 26 March 2012)
Mr Chow Chan Lum, Charles
(resigned on 26 March 2012)
Mr Luo Zhenbang
(resigned on 26 March 2012)

NOMINATION COMMITTEE

(established on 26 March 2012)
Mr Zhang Jianheng *(Chairman)*
Mr Luo Zhenbang
Mr Wang Junyan
Ms Leung Sau Fan, Sylvia
Mr Chen Xuechuan

COMPANY SECRETARY

Mr Chan Ka Kin, Ken

AUDITOR

Deloitte Touche Tohmatsu

SHARE REGISTRAR

Tricor Standard Limited

LEGAL COUNSEL

Reed Smith Richards Butler

PRINCIPAL BANKS & FINANCIAL INSTITUTIONS

Bank of China (Hong Kong) Limited
Aerospace Science & Technology Finance Company Limited* (航天科技財務有限責任公司)
Industrial and Commercial Bank of China Limited
Bank of China Limited

REGISTERED OFFICE

Room 1103–1107A, One Harbourfront
18 Tak Fung Street, Hung Hom
Kowloon, Hong Kong

Tel	:	(852) 2193 8888
Fax	:	(852) 2193 8899
E-mail	:	public@casil-group.com
Website	:	http://www.casil-group.com

* The PRC entity mentioned in this Annual Report does not have an English name, the English name sets out herein is for identification purpose only.

Wu Yanhua
Chairman of the Board

CHAIRMAN'S STATEMENT

RESULTS

For the year ended 31 December 2011, the Company and its subsidiaries reported a turnover of HK$2,187,006,000 (2010: HK$1,879,745,000), representing an increase of approximately 16.35% over last year. The profit attributable to shareholders was HK$404,772,000 (2010: HK$292,478,000), representing an increase of approximately 38.39%.

Despite the impact of the adverse effects caused by the European as well as the American sovereign debt crises, the earthquake and tsunami calamities in Japan, the flood disaster in Thailand and the persistent high inflation, the sales income of the hi-tech manufacturing business of the Company had achieved a considerable growth when compared with last year. On the other hand, the benefit from the investment property under construction, the project of Shenzhen Aerospace Science & Technology Plaza, which continued to state at fair value, the disposal of a non-core asset, and the recovery of a loan receivable had contributed profits to the Company. On the whole, the sales income of the Company had maintained a steady growth while a higher level of profit was achieved when comparing to that of last year. The Board of Directors has proposed the distribution of final dividend of HK1 cent per share for the shareholders in return.

BUSINESS REVIEW

According to the medium-term development plan, the Company will strive to become an overseas capital operation platform with leading edges for China Aerospace Science & Technology Corporation ("CASC"). The Company is actively carrying out various key businesses according to the plan, so as to ensure the persistent steady growth of the hi-tech manufacturing, and the gradual and orderly progress of the construction works of the two hi-tech property projects, namely, the Shenzhen Aerospace Science & Technology Plaza and the Complex Zone of the Launching Site in Hainan Province. In addition, through the acquisition of a polyimide new material business and the establishment of a company for internet of things, the Company had made a significant initial move in terms of developing new businesses which are related to the strategic emerging industries under China's "Twelfth Five-Year Plan".

Hi-Tech Manufacturing

In 2011, the hi-tech manufacturing business of the Company had overcome the adverse factors including the soaring cost, the shortage of manpower resources and the appreciation of Renminbi. Pivoted on the timely technology advancement, the reinforcement of management and the enhancement of market development, the hi-tech manufacturing business had reached its record high in terms of both revenue and earnings, with a turnover of HK$2,164,071,000 (2010: HK$1,878,521,000), representing an increase of 15.20% over last year. The profit amounted to HK$216,828,000 (2010: HK$215,831,000), representing a slight growth when compared with last year.

During the year, the technology advancement of the hi-tech manufacturing business mainly focused on expanding productivity and upgrading environmental protection facilities. In order to promote meticulous management, the hi-tech manufacturing had implemented various effective measures to improve production workflow, recycle and re-use of waste and old materials, impose tight control on material costs, upgrade the product quality, control the inventory and accounts receivable, and so on. In market development, the hi-tech manufacturing had adopted the strategies of increasing sales from existing clients, developing new clients, exploring new products and new markets, and obtained a satisfactory result.

The Complex Zone of the Launching Site in Hainan Province

In 2011, the project implementation of the Complex Zone of the Launching Site in Hainan Province mainly involved the expropriation of lands and establishment of resettlement zones. Currently, the compensation agreement on land expropriation had been signed with the local residents of over 80% of the land use area of the project. The master plan and the implementation plan of the construction works of the resettlement zones had been completed, with the temporary permit granted for the planning of the construction works in the resettlement zones. As for the Hainan Space Park, the initial design of the construction concept had been completed. On the other hand, according to the negotiation with the organizer of the Space Home Pavilion of the Shanghai World Expo, the permanent home for the Space Home Pavilion will be located in the Complex Zone of the Launching Site in Hainan Province. The design plan for the relocation of the Space Home Pavilion had been completed.

Shenzhen Aerospace Science & Technology Plaza

In early 2011, Aerospace Science & Technology Finance Company Limited* (航天科技財務有限責任公司), a subsidiary of CASC, formed a syndicate with the Bank of China and the Industrial and Commercial Bank of China in respect of the provision of a loan facility amounting to RMB1,500,000,000 to finance the construction of Shenzhen Aerospace Science & Technology Plaza. Amid the economic tightening environment, the syndicated loan has timely provided a proper financing arrangement for the project of Shenzhen Aerospace Science & Technology Plaza.

During the year, the adjusted design of the construction drawing for the project of Shenzhen Aerospace Science & Technology Plaza was completed. The construction permit for piling works and the planning permit for construction works were obtained as well. In August 2011, the construction progress was affected to a certain extent by the holding of the 26th Universiade Shenzhen in Shenzhen. At present, the progress of the piling works of the project had been expedited. In order to facilitate the marketing work after completion of the project in future, a professional advisory team had been employed to conduct an in-depth study with respect to the market position and preliminary market development of the project.

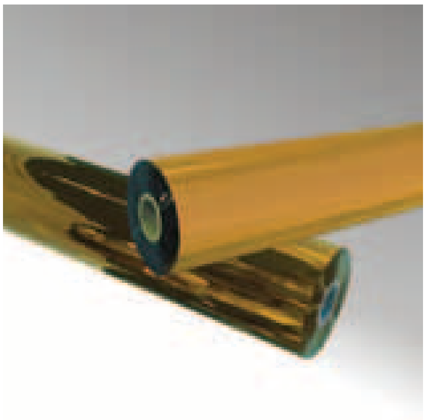
New Materials

Leveraging on China robustly promoting the seven strategic industries as part of its Twelfth Five-Year Plan and CASC striving for opportunities to further drive the aerospace technology applications business, the Company has initiated prudent maneuvers with regard to its business development. During the year, the Company completed the acquisition of a 55% stake in Shenzhen Rayitek Hi-tech Film Company Limited* (深圳瑞華泰薄膜科技有限公司) (“Shenzhen Rayitek”) as the first step in expanding into the promising polymer new material business.

Shenzhen Rayitek is a hi-tech company that specializes in research, manufacture and market polyimide films and related composite materials. Since its establishment in 2004, Shenzhen Rayitek has been committed to the research and development of polyimide new materials. Polyimide, being a special industrial material attributable to its excellent performance in terms of integrated extreme-heat-resistance and insulation resistance, has already been widely adopted in different areas such as aviation, aerospace, microelectronics, nanotechnology, liquid crystal display technology, separator material technology, and laser technology.

The signing ceremony of acquisition of Shenzhen Rayitek

CHAIRMAN'S STATEMENT

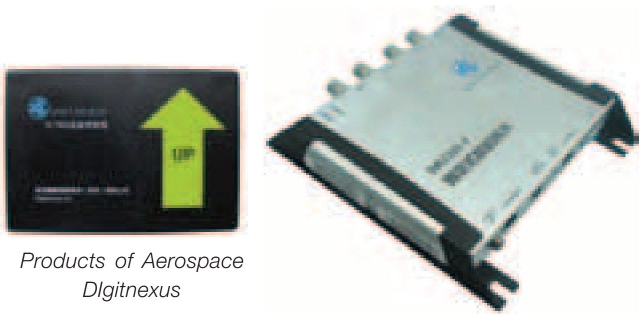


Polyimide film products of Shenzhen Rayitek

The polyimide film products of Shenzhen Rayitek are used as the insulating materials of high-end power and electrical equipment, the substrates of flexible printed circuit (FPC), tape automated bonding (TAB) and pressure-sensitive tape (PST), which are mainly applied in fields ranging from aviation, aerospace, microelectronic devices, electrical equipment, as well as information technology industry. In 2011, the production line of Shenzhen Rayitek had been put in operations and Shenzhen Rayitek's production technology was honored as the "State's High-tech Industrial Demonstrative Project" by the China National Development and Reform Commission.

Internet of Things

In May 2011, the Company, by means of strategic cooperation with the international experts of internet of things, set up Digilink Systems Limited in Hong Kong, which in turn established Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術(深圳)有限公司) ("Aerospace Digitnexus") and that becomes the foundation of the Company in developing the business of internet of things. The major development of the relevant business is to develop the internet of things software platform, with the plan to provide large-scale enterprises and government departments with one-stop solution for internet of things in the fields of intelligent traffic, logistics and transportation, traffic safety control, and natural disasters monitoring.



Products of Aerospace DIgitnexus

Others

In March 2011, the Company disposed its entire interest in CASIL Satellite Holdings Limited with the aims to optimize its assets, improve its asset structure and overall financial position, and promote the development of its main businesses. The transaction generated a gain of approximately HK$100,592,000 for the Company.

In line with its future development plans, the Company has retained a professional human resources consulting company to conduct a research and analysis of the organizational structure of the Company, as well as the continued development and configuration of human resources, and to put forward recommendations for optimization. The Company had set up several new departments during the year, including Corporate Development Department, Asset Management Department, and Corporate Finance Department. The Company is of the view that the change of the organizational structure will effectively enhance the capability of the Company in formulating and management of strategies, asset management, monitoring investment projects, and financing management as well as investor relations. In addition, the Company had appointed a consultant to provide professional opinions regarding the establishment of the risk monitoring system, so as to reinforce its risk management.

PROSPECT

The US economy is unlikely to recover in the near future, the economy in Japan has shrunken after the earthquake and the European sovereign debt crises are still waiting to be resolved. As the economy of these three major markets remains weak from fatigue, the global economy is expected to progress slowly. It is inevitable to have adverse impact on the Company's hi-tech manufacturing which is mainly export oriented. The businesses of the Company have been operated in difficult positions. It is expected that the hi-tech manufacturing will be affected by the adverse factors such as the rising production cost, the appreciation of Renminbi and the fluctuation in the foreign and local markets. The hi-tech manufacturing will continue to strengthen its management, cost and risk control, reinforce its technology advancement and enhance its foreign and local market development, while seeking to ensure a stable business and strive for new development.

In 2012, in light of the demand from the clients and the upgrade of new equipment, the businesses of plastic products and batteries are expected to have a steady development. The business of printed circuit boards will continue to focus on specialized and unique markets by making use of the technical strengths in high precision circuit boards, various kinds of gold-plated layers boards, soft-hard combined boards and embedded PCB for developing hi-tech and high value-added products. It is anticipated that the printed circuit boards business will have a steady growth. As to the business of intelligent chargers, it is expected that the new development and growth of lithium battery chargers, wireless chargers and high power distributors will nullify the drop of the business of the chargers for nickel-metal hydride batteries. The LCD business will continue to focus in profit generation, with gradual adjustment and optimization of the clientele structure, while it will take the initiative to look for new market opportunities.

The projects of the Complex Zone of the Launching Site in Hainan Province and Shenzhen Aerospace Science & Technology Plaza will be implemented as scheduled. The project of Complex Zone of the Launching Site in Hainan Province will stress on introducing strategic partners for joint development and will endeavor to complete the expropriation of the remaining lands and commence the main construction of the resettlement zone. As for the Hainan Space Park, it is expected to obtain the administration permit for the project construction and complete the optimized design scheme of the theme park accordingly.

The project of Shenzhen Aerospace Science & Technology Plaza will complete the relevant tender-invitation process in accordance with the progress of the works. At the same time, the project will move forward major implementation including construction and test of piling works, construction of the basement, earthwork backfilling, and construction of the main building. Proper cost control is made in line with the progress of the works as well. Moreover, the Company has coordinated, supervised and carried out the progress and quality control effectively for various works.

Because of inflation and the adjustment of policies in China, the businesses of hi-tech property may encounter greater pressure in terms of cost control and raising funds in short term. The Company will keep close watch on the fluctuation in cost prices and control strictly the short-term risks brought about by the relevant policies. However, it is believed that the Company will enjoy healthy development in the long run in respect of the hi-tech property projects which are mainly providing accommodation services for the two industrial bases in Shenzhen and Hainan.

As for the business of new materials, the annual production capacity of the high-performance polyimide films of Shenzhen Rayitek is heading for the target of about 350 tonnes step by step, with actual productivity subject to different product specifications. It is expected that Shenzhen Rayitek will seek to launch the new generation of polyimide films for the high-end flexible electronic substrates and complete the research and development of several polyimide films with special functions, and will also establish the next stage of business development. With the support of CASC, the Company has made the first move towards the goal of developing new organic polymer materials through the acquisition of Shenzhen Rayitek. It is believed that the relevant acquisition will generate synergistic benefits for the business of hi-tech manufacturing of the Company.

CHAIRMAN'S STATEMENT

The business of internet of things has completed the establishment of its working team. The software platform is expected to be developed and launched as scheduled which is able to provide demonstration function to target customers. Besides, the works of strengthening intellectual property management and application for the protection of property rights are undergoing. In light of the market development, the business of internet of things will focus on intelligent traffic, logistics and transportation, traffic safety control and natural disasters monitoring. It aims to become the solution provider of internet of things for large-scale enterprises and government departments, and will take the initiative to seek opportunities in other industries such as its application in warehousing and logistics, and seek to take part in the construction of the electronic platform for different levels of government affairs.

APPRECIATION

On behalf of the Board, I would like to express our wholehearted gratitude to Mr Rui Xiaowu for his outstanding contribution to the Company during his tenure as our Chairman, and also thank our management team and all staff for their efforts and contributions to the development of the Company. Furthermore, I would like to express our heartfelt thanks to our shareholders, bankers, professional institutions, and business partners for their long-term trust and support. Finally, I would like to thank, from the bottom of my heart, all members of the Board for their efforts, as well as their precious and professional opinions for the benefit of the Company.

By order of the Board

Wu Yanhua
Chairman

Hong Kong, 26 March 2012

RESULTS PERFORMANCE

The audited turnover of the Company and the subsidiaries for the year ended 31 December 2011 was HK$2,187,006,000, representing an increase of approximately 16.35% as compared with that of HK$1,879,745,000 for 2010. The profit for the year was HK$477,675,000, representing an increase of 38.81% as compared with that of HK$344,129,000 for 2010.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY AND OPERATING PROFIT

Profit attributable to shareholders of the Company was HK$404,772,000, representing an increase of 38.39% as compared with that of HK$292,478,000 for 2010. The increase in profit was mainly due to the increase in the gain in the fair value of investment properties, the disposal of a non-core asset and the recovery of a loan receivable.

Based on the issued share capital of 3,085,022,000 shares during the year, the basic earnings per share was HK$0.1312, representing an increase of 35.40% as compared with that of HK$0.0969 for 2010, based on the weighted average issued share capital of 3,017,412,000 shares after being adjusted for the effect of placing of 514,118,000 shares in February 2010.

The Board of Directors proposed the distribution of a final dividend of HK$0.01 per share (2010: HK$0.01 per share) for the year.

RESULTS OF CORE BUSINESSES

Core businesses of the Company and the subsidiaries are hi-tech manufacturing and aerospace services. The turnover of the hi-tech manufacturing is the main source of the Company's turnover and contributes a significant profit and cashflow. This has enabled the Company to fulfill gradual development of the business of aerospace services and other new businesses in good order in recent years and shift to the strategic emerging industry, representing by hi-tech property, new material and internet of things, so as to achieve the Company's new development target and minimize single business risks.

HI-TECH MANUFACTURING

The turnover of the hi-tech manufacturing in 2011 was HK$2,164,071,000, representing an increase of 15.20% as compared with last year; the operating profit was HK$216,828,000, representing an increase of 0.46% as compared with last year.

MANAGEMENT DISCUSSION AND ANALYSIS

The results of the hi-tech manufacturing are shown below:

	Turnover (HK$'000)		Changes	Results (HK$'000)		Changes
	2011	2010	(%)	**2011**	2010	(%)
Plastic Products	**808,160**	650,770	24.19	**59,803**	65,310	(8.43)
Printed Circuit Boards	**450,362**	395,616	13.84	**90,997**	95,116	(4.33)
Intelligent Chargers	**586,720**	476,919	23.02	**39,286**	35,348	11.14
Liquid Crystal Display	**306,003**	343,391	(10.89)	**12,391**	11,717	5.75
Industrial Property Investment	**12,826**	11,825	8.47	**14,351**	8,340	72.07
Total	**2,164,071**	1,878,521	15.20	**216,828**	215,831	0.46

In 2011, upon the reinforcement of the relationship with major customers and the high growth in battery products, the business of plastic products obtained a comparative ideal growth. The printed circuit boards business increased gradually in its products in soft board and soft and hard board and that of value added in products. It has also formed certain patent and intelligent properties through research and development of new techniques and new technical skills. Lithium battery charger becomes the growth momentum of the intelligent chargers business after years of cultivation. The liquid crystal display adjusted its customer structure and focuses to lower its business risks while developing the business.

AEROSPACE SERVICES BUSINESS

The Complex Zone of the Launching Site in Hainan Province

In 2011, Hainan Aerospace Investment Management Company Limited* (海南航天投資管理有限公司) ("Hainan Aerospace") had completed most of the land expropriation, the preliminary preparation for the construction of resettlement zone, as well as the takeover, dismantlement and relocation of Space Home Pavilion. At present, the comprehensive development of the Complex Zone of the Launching Site in Hainan Province continues the remaining land expropriation and resettlement. Hainan Aerospace recorded a loss of HK$12,152,000 in 2011, which was mainly due to the payment of the cost of preparatory work, administrative expenses and professional fees, and exchange loss, etc.

Shenzhen Aerospace Science & Technology Plaza

Shenzhen Aerospace Science & Technology Plaza, an investment property under construction, measured at fair market value in accordance with the Hong Kong Accounting Standards and recorded a fair value gain of HK$256,257,000 in 2011. As of 31 December 2011, the property under construction and land use right of Shenzhen Aerospace Science & Technology Plaza was estimated at approximately RMB1,472,000,000.

In January 2011, Shenzhen Aerospace Technology Investment Company Limited* (深圳市航天高科投資管理有限公司) ("Shenzhen Aerospace") entered into a main contractor contract and a syndicated loan agreement of RMB1,500,000,000 for a period of 5 years. In 2011, the comprehensive construction of Shenzhen Aerospace Science & Technology Plaza had been launched and piling works was commenced. Since the holding of the Universiade Shenzhen, the construction works of Shenzhen Aerospace Science & Technology Plaza had come to a stop tentatively and slightly behind the schedule.

ESTABLISHMENT OF NEW BUSINESSES

Pursuant to the Company's business development plan, the Company has established two new businesses in 2011, namely, new materials and internet of things.

New Materials

The Company, through its subsidiary CASIL New Century Technology Development (Shenzhen) Company Limited* (航科新世紀科技發展(深圳)有限公司), acquired a 55% equity in Shenzhen Rayitek Hi-tech Film Company Limited* (深圳瑞華泰薄膜科技有限公司) ("Shenzhen Rayitek") in July 2011, as a starting point to enable the Company to develop the new polymer related businesses and as the platform to enter the industry of new materials. For details, please refer to the announcements of the Company published on 11 and 14 July 2011.

In 2011, Shenzhen Rayitek had been granted the certifications of ISO9001 Quality Management System, ISO14000 Environment Management System and ISO18000 Health Management System. The safety material certification by Underwriters Laboratories Inc. in the United States of America and the test by European Union RoHS environmental protection material had been passed as well. Four months after completing the acquisition on 31 August 2011, the turnover of Shenzhen Rayitek of HK$20,843,000 and a loss of HK$760,000 was recorded.

Internet of Things

The Company has set up a company focusing on internet of things, namely, Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術(深圳)有限公司) ("Aerospace Digitnexus") in Shenzhen in the first half of 2011, mainly engaging in the research and development of radio frequency identification (RFID), sensor technology, embedded software supporting platform technology, intelligent terminal technology for computer network and short data link satellite technology, system integration of internet of things comprising sensor, RFID, computer software and hardware, satellite application systems and other electronic products, and sales of self-developed software and products. Aerospace Digitnexus will concentrate on the field of system integration of internet of things and provide comprehensive and systematic solutions to meet customers' demands.

In 2011, Aerospace Digitnexus recorded a loss of HK$7,978,000, mainly due to the payment for the cost of preliminary preparation, administrative and professional fees etc. In the second half of 2011, Aerospace Digitnexus secured substantial progress in product development. The research and development of the platform software had been in progress as scheduled. The software design and part of the module development, as well as the test for network access, had been completed. The certification for ISO9001 Quality Management System had been obtained as well.

ASSETS

As at 31 December 2011, the audited total assets of the Company and the subsidiaries were HK$5,917,600,000, of which the non-current assets were HK$3,994,652,000, representing an increase of 39.19% as compared with that of HK$2,869,896,000 as at 31 December 2010. The current assets were HK$1,922,948,000, representing a decrease of 12.78% as compared with that of HK$2,204,647,000 as at 31 December 2010. The significant increase in non-current assets was mainly due to an increase in the fair value of the investment properties, the increase in the cost for land development of the Hainan project. The decrease in current assets was mainly due to an increase in input in the Hainan project leading to a decrease in liquidity. The equity attributable to shareholders of the Company was HK$3,925,917,000, representing an increase of 10.57% as compared with that of HK$3,550,532,000 as at 31 December 2010. Based on the issued share capital of 3,085,022,000 shares in the period, the net assets per share attributable to shareholders of the Company was HK$1.27.

As at 31 December 2011, a cash deposit of the Company and the subsidiaries of approximately HK$24,942,000 had been pledged to banks to obtain credit lines of facilities, Shenzhen Rayitek had pledged its plant and equipment and land use right at the book value of HK$109,574,000 and HK$14,556,000 respectively to secure general banking facilities, and Shenzhen Aerospace had obtained a syndicated loan by securing the land use right at value of RMB1,472,000,000 to a syndicate comprising banks and a financial institution.

To optimize the assets of the Company, improve asset structure and overall financial position, and facilitate the development of each core business, the Company disposed of its entire equity in a subsidiary, CASIL Satellite Holdings Limited ("CASIL Satellite"), to its connected party China Great Wall Industry (Hong Kong) Corp. Limited at a consideration of HK$132,300,000 in March 2011. The main assets of CASIL Satellite are its equity in APT Satellite Holdings Limited (stock code: 1045). The disposal was completed in September 2011. Upon completion of the disposal, CASIL Satellite ceased to be a subsidiary of the Company. For details, please refer to the announcements of the Company published on 28 and 29 March 2011 respectively.

LIABILITIES

As at 31 December 2011, the total liabilities of the Company and the subsidiaries were HK$1,297,742,000, of which the non-current liabilities were HK$321,346,000, representing an increase of 71.08% as compared with that of HK$187,837,000 as at 31 December 2010, the current liabilities were HK$976,396,000, representing an increase of 27.81% as compared with that of HK$763,942,000 as at 31 December 2010. As at 31 December 2011, the Company and the subsidiaries had bank loans of HK$280,987,000.

Shenzhen Aerospace, a subsidiary of the Company, entered into a syndicated loan agreement of RMB1,500,000,000 with a syndicate of financial institutions in January 2011 for the construction costs of the Shenzhen Aerospace Science & Technology Plaza. With the comprehensive commencement of the construction works, the construction costs will increase significantly. Shenzhen Aerospace will then drawdown the loan to pay the construction costs. Therefore, starting from 2012, the relevant bank debt will gradually increase. On 31 December 2011, Shenzhen Aerospace had drawn down the loan in the amount of RMB20,000,000.

OPERATING EXPENSES

The administrative expenses of the Company and the subsidiaries in 2011 were HK$258,230,000, representing an increase of 11.72% as compared with last year, which was mainly due to the increase in human resources expenses. The financial costs amounted to HK$7,496,000, of which HK$6,392,000 had been capitalized and recorded as the land development cost of the Hainan project.

CONTINGENT LIABILITIES

As at 31 December 2011, the Company and the subsidiaries did not have any other material contingent liabilities.

FINANCIAL RATIOS

	2011	2010
Gross Profit Margin	**20.31%**	21.62%
Return on Net Assets	**10.34%**	8.35%
Assets-Liabilities Ratio	**21.93%**	18.76%
Current Ratio	**1.97**	2.89
Quick Ratio	**1.73**	2.63

The existing financial ratios of the Company and the subsidiaries were in satisfactory level. This was resulted from the Company and the subsidiaries' policies of continuous assets optimization, 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 free cash and bank balance as at 31 December 2011 amounted to HK$1,151,015,000, the majority of which were in Hong Kong Dollars and Renminbi.

The Company issued a total of 514,118,000 new shares to raise capital in February 2010, the net proceeds of which amounted to HK$560,000,000. The entire proceeds had been used for the intended purposes and the working capital.

CAPITAL EXPENDITURE AND INVESTMENT COMMITMENT

As at 31 December 2011, the capital commitments of the Company and the relevant subsidiaries contracted for but not provided in the consolidated financial statements was HK$1,138,840,000, mainly for the capital expenditure of the construction of Shenzhen Aerospace Science & Technology Plaza. With the comprehensive commencement of the construction of Shenzhen Aerospace Science & Technology Plaza in 2011, Shenzhen Aerospace will draw down the syndicated loan by stages to settle related construction costs.

The participation in the land development project of the Complex Zone of the Launching Site in Hainan Province by the Company and the relevant subsidiaries have involved a commitment of RMB1,200,000,000, and as at 31 December 2011, a sum of RMB525,410,000 had been incurred or paid. The Company will invest in Hainan Aerospace by stages, while Hainan Aerospace will be responsible for implementing the land development project.

DIVIDENDS

The Board proposed the distribution of 2010 final dividend of HK$0.01 per share in March 2011, which was approved by shareholders at the annual general meeting held in May 2011, warrants of which were dispatched to all shareholders on 13 June 2011.

The Board proposed the distribution of 2011 final dividend of HK$0.01 per share in March 2012, subject to the approval by shareholders at the annual general meeting held in June 2012. If approved, warrants of which will be dispatched to all shareholders on or about 12 July 2012.

FINANCIAL RISKS

The Company and the subsidiaries review the 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 remuneration policy of the Company and the subsidiaries is based on the employee's qualifications, experience and performance on the job, with reference to the current market situation. The Company and the subsidiaries will continue to upgrade the level of human resources management, and strictly implement the performance-based appraisal system, in order to motivate employees to make continuous improvement in their individual performance and contributions to the Company.

The emoluments of the Directors are reviewed by the Remuneration Committee, with regard to the operating results of the Company, the individual performance and the comparable market information.

As at 31 December 2011, the Company and the subsidiaries have a total of approximately 6,390 employees based in the Mainland China and Hong Kong respectively.

By order of the Board

Li Hongjun
Executive Director and President

Hong Kong, 26 March 2012

CORPORATE GOVERNANCE REPORT

The Company had complied throughout the reporting period with the provisions of the *Code on Corporate Governance Practice* 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 2011, the Board of Directors of the Company comprises the Executive Directors, namely, Mr Li Hongjun (President) and Mr Jin Xuesheng; the Non-Executive Directors, namely, Mr Wu Yanhua (Chairman) (appointed in June 2011), Mr Wu Zhuo (Vice Chairman), Mr Chen Xuechuan, Mr Shi Weiguo, Dr Chan Ching Har, Eliza, Mr Zhou Qingquan and Mr Rui Xiaowu (Chairman) (resigned in June 2011); and the Independent Non-Executive Directors, namely, Mr Chow Chan Lum, Charles, Mr Luo Zhenbang and Mr Wang Junyan.

Mr Rui Xiaowu and Mr Wu Yanhua had been consecutively appointed as Chairman of the Company, Mr Wu Zhuo had been appointed as Vice Chairman of the Company and Mr Li Hongjun had been appointed as President of the Company. Mr Rui Xiaowu, Mr Wu Yanhua, Mr Wu Zhuo and Mr Li Hongjun are not related to each other in financial, business or family aspects. The roles of Chairman and President have been divided according to respective written Terms of Reference.

In 2011, the Company does not have a Nomination Committee. The Board as a whole is responsible for the procedure of approving to the appointment of directors 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.

Each of the Directors of the Company will receive a comprehensive, and formal induction on the first occasion of their respective appointment, so as to ensure that they have a proper understanding of the operations and business of the Company and are fully aware of their responsibilities under common law, the Listing Rules, applicable legal requirements, other regulatory requirements and the business and governance policies 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.

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. If shareholders propose a person for election as a director of the Company, it should be made in pursuant to procedures stipulated in the Hong Kong Companies Ordinance, the Listing Rules and the Company’s Articles of Association etc., contents of which can be downloaded in the Company’s website.

The Company had complied with the requirements of the Listing Rules to appoint three Independent Non-Executive Directors during 2011, 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.

The Company had adopted *the Model Code for Securities Transactions by Directors of Listed Issuers*, Appendix 10 of the Listing Rules ("Appendix 10"), as the required standard for the Directors of the Company to trade the securities of the Company. The Company had also adopted a code for employees as a guideline to trade the securities of the Company. The Company has stipulated that, from 30 days before the publication of interim results and 60 days before the publication of annual results, Directors, senior management and each of its associates cannot trade any 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 2011. So far as was known to the Company, all Directors had complied with Appendix 10 during the period.

The attendance records of individual Directors during 2011 are set out below:

	Annual General Meeting/ Extraordinary General Meeting		**Board Meeting**	
Number of meetings held	**2**		**4**	
Directors	**Number of meetings entitled to attend**	**Number of attendance**	**Number of meetings entitled to attend**	**Number of attendance**
Wu Yanhua	0	0	3	3
Wu Zhuo	2	2	4	4
Li Hongjun	2	0	4	4
Jin Xuesheng	2	2	4	3
Chen Xuechuan	2	0	4	2
Shi Weiguo	2	1	4	4
Chan Ching Har, Eliza	2	1	4	4
Zhou Qingquan	2	2	4	4
Chow Chan Lum, Charles	2	1	4	4
Luo Zhenbang	2	2	4	4
Wang Junyan	2	0	4	4
Rui Xiaowu	2	0	2	2

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

The Company had consecutively, both in written and by a meeting, informed each Director of the latest amendments of the Listing Rules in order to let them understand the related directors' duties and responsibilities. Besides, the Company had already informed each Director of the requirement of receiving related training each year and the provision of a record of the training they received to the Company. If necessary, the Company shall arrange training for directors by professional expertise.

The Company had already purchased an insurance for Directors and senior management of the Company and the subsidiaries in respect of the protection against contingent loss and liabilities arising from daily operations that may be borne by the Company, Directors and senior management.

CORPORATE GOVERNANCE REPORT

THE BOARD

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 businesses, making day-to-day decisions concerning business operations and the implementation of the approved strategies in achieving the overall development strategies of the Company.

CORPORATE GOVERNANCE POLICY

The Board is responsible for the Company's corporate governance and shall review and approve the Company's corporate governance in board meeting(s) in a timely manner. This includes but not limited to reviewing the effectiveness and sufficiency of corporate governance measures and policies, reviewing the training arrangements of Directors and senior management, whether the Company policy complies with requirements of rules and regulations, applicability of the Company's internal codes, whether the Company complies with requirements of the *Corporate Governance Code*, and whether these have been disclosed in the Corporate Governance Report. The corporate governance policy has been covered in the Company's Rules of Board Procedure which mainly regulate and monitor the discussion and decision making procedure of the Board in order to raise the effectiveness of corporate governance. Three committees have been established under the Board, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, that has been set up on 26 March 2012, which respectively monitors the Company's financial situation, directors' and senior management's remuneration policy and nomination of directors. Besides, the Board has also made the appropriate internal control and whistleblowing system so as to effectively monitor the Company's financial and governance situation. At the same time, the Company also made a Shareholder's Communication Policy to effectively put forward disclosures of information and increase the Company's transparency.

In pursuant to the Company's Rules of Board Procedure, regular board meetings are held at least four times a year, and, if necessary, additional meetings would be arranged. In 2011, the Company held four board meetings. The Company Secretary assists the Directors in establishing the meeting agenda. Notice of meeting and information package shall be 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 will be sent to all Directors for their comments within a reasonable time after each meeting and will be approved by the Board at the immediate following meeting. Final versions of the board minutes will be 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.

BOARD COMMITTEES

The Board has established an Audit Committee and a Remuneration Committee and a Nomination Committee that has just been established on 26 March 2012. 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

In 2011, 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 Zhou Qingquan, 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 2011, the Audit Committee met twice, the external auditors, the General Manager of Finance 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.

The Audit Committee had also reviewed, discussed and approved the financial statements for the year ended 31 December 2011.

The attendance records of individual Audit Committee members during 2011 are set out below:

	Number of meetings eligible to attend	Number of attendance
Chow Chan Lum, Charles	2	2
Luo Zhenbang	2	2
Zhou Qingquan	2	2

The Company has recently amended the Terms of Reference of the Audit Committee in order to comply with the latest amendments of the Listing Rules, contents of which can be downloaded in the websites of both The Hong Kong Exchanges and Clearing Limited and the Company for reference.

REMUNERATION COMMITTEE

In 2011, the Remuneration Committee comprises Dr Chan Ching Har, Eliza (Chairman) and Mr Chen Xuechuan, both 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 2011 to review the Directors' remuneration. The President, the General Manager of Human Resources Department and the Company Secretary of the Company also attended the meeting. Meanwhile, the Remuneration Committee has adopted the role of being the Board's advisor while the Board reserves the final decision making in approving the remuneration packages of executive directors and senior management. In 2011, no Director was involved in deciding his/her remuneration.

The attendance records of individual Remuneration Committee members during 2011 are set out below:

	Number of meetings eligible to attend	Number of attendance
Chan Ching Har, Eliza	1	1
Chen Xuechuan	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 were fully disclosed in the Company's financial statements.

The Company has recently amended the Terms of Reference of the Remuneration Committee in order to comply with the latest amendments of the Listing Rules, contents of which can be downloaded in the websites of both The Hong Kong Exchanges and Clearing Limited and the Company for reference.

NOMINATION COMMITTEE

The Company has established a Nomination Committee on 26 March 2012. Chairman of the Nomination Committee is Mr Zhang Jianheng, being a Non-Executive Director and the Chairman of the Board, and members of the Nomination Committee are Mr Luo Zhenbang, Mr Wang Junyan and Ms Leung Sau Fan, Sylvia, all being Independent Non-Executive Directors, and Mr Chen Xuechuan, being a Non-Executive Director.

Main duties of the Nomination Committee are to review the structure, size and composition of the Board in order to implement the Company's strategy. The Company has made the Terms of Reference of the Nomination Committee, contents of which can be downloaded in the websites of both The Hong Kong Exchanges and Clearing Limited and the Company for reference.

COMPANY SECRETARY

The Company Secretary of the Company is Mr Chan Ka Kin, Ken, who is a member of the Hong Kong Institute of Chartered Secretaries, has been serving the Company for many years and he took not less than 15 hours of professional training in 2011 which had met the requirements as stipulated in the Listing Rules of Rule 3.28.

The Company Secretary shall report to the Chairman of the Board and the President. The selection, appointment or dismissal of Company Secretary (if any) should be approved by the Board at a meeting in future.

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 the Listing Rules.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for preparing the accounts of each financial period, which shall 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 2011, the Directors had selected suitable accounting policies and adopted Hong Kong Financial Reporting Standards and applied them consistently. Based on judgments and estimates that are prudent and reasonable, the Directors prepared the accounts on the going concern basis. Auditor's reporting responsibilities are set out on the financial statements by the auditor.

During 2011, 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 3 months and 2 months respectively after the end of the relevant period, as laid down in the Listing Rules.

In 2011, the Company paid a total sum of approximately HK$4,940,000 to the auditor, of which included an audit fee of approximately HK$4,150,000 and a non-audit fee of approximately HK$790,000. The latter comprised fees for providing services in reviewing interim report and results announcement, and provision of service in the assessment of the Company and the subsidiaries' cash flow and debt condition in respect of the major transaction for Main Contractor Contract regarding the construction of the Shenzhen Aerospace Science & Technology Plaza and a major and connected transaction for the Facility Agreement with a syndicate of financial institutions in respect for the mortgage of land use right of a parcel of land.

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.

The Company, when holding any general meeting, will propose a separate resolution for each substantially separate issue. No "bundling" resolution will be proposed, including nomination of each director. Meanwhile, the Company, according to the requirements of Rule 13.39(4) of the Listing Rules, has set out clearly in the circulars to its shareholders that all resolutions to be made at general meetings would be conducted by poll. Besides, all proxies are counted at the general meeting whereas poll results are announced promptly at the meeting, of which the same will be uploaded in the websites of both The Hong Kong Exchanges and Clearing Limited and the Company on the same day.

The Company held an annual general meeting in May 2011 and an extraordinary general meeting in March 2011. Circular of each meeting was sent beforehand as required by related rules. In the annual general meeting, the shareholders reviewed the resolutions on the Company's financial results of 2010, the payment of a final dividend, re-election and remuneration fixing of Directors, re-election and authorization to the Board in fixing remuneration of auditors, and general mandate to the Board to issue and repurchase shares, and all proposed resolutions were approved by shareholders. In the extraordinary general meeting, the shareholders reviewed the resolutions on major transaction for Main Contractor Contract regarding the Construction of the Shenzhen Aerospace Science & Technology Plaza, major and connected transaction for the syndicated loan agreement with a syndicate of financial institutions in respect for the mortgage of land use right of a parcel of land and the re-election of Director, all proposed resolutions were approved by shareholders and independent shareholders.

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

The Company did not amend its Memorandum and Articles of Association in 2011. To comply with the recent amendments of the Listing Rules and the development of the Company, the Board of Directors suggested the relative amendments of the Company's Memorandum and Articles of Association in the board meeting held in March 2012. The amendments mainly include to remove the exemption for voting by a director on a board resolution in which he has an interest of 5%, to provide details of extraordinary general meeting requisition procedure, to tidy up the object clause of the Company, and to include the serving of notices and documents by electronic means etc. The proposed amendments to the Memorandum and Articles of Association are proposed for shareholders' approval in the forthcoming annual general meeting to be held in June 2012.

SHAREHOLDERS' RIGHTS

Shall any shareholder of the Company demand the holding of an extraordinary general meeting for approval of any specific resolution, he/she may so demand in accordance to the requirements of Hong Kong Companies Ordinance and the Company's Articles of Association. The said requirements are as follows which can also be downloaded from the Company's website:

The Procedure for Shareholders to Requisite an Extraordinary General Meeting

Pursuant to the Hong Kong Companies Ordinance and the Articles of Association of the Company, the shareholders of the Company may base on the following rules to convene an Extraordinary General Meeting:

(1) The Board shall, notwithstanding anything in those Articles, on the requisition of members of the Company holding at the date of the deposit of the requisition not less than one-twentieth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company, forthwith proceed duly to convene an extraordinary general meeting of the Company. For this purpose, if at any time there are not within Hong Kong sufficient directors capable of acting to form a quorum, any director of the Company may convene an extraordinary general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board.

(2) The requisition must state the objects of the meeting, and must be signed by the requisitionists and deposited at the registered office of the Company (for the attention of the Chairman of the Board/the Company Secretary), and may consist of several documents in like form, each signed by one or more requisitionists.

(3) If the Board does not within 21 days from the date of the deposit of the requisition proceed duly to convene an extraordinary meeting for a day not more than 28 days after the date on which the notice convening the meeting is given, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

(4) A meeting convened under this procedure by the requisitionists shall be convened in the same manner, as nearly as possible, as that in which meetings are to be convened by the Board.

(5) Any reasonable expenses incurred by the requisitionists by reason of the failure of the Board duly to convene a meeting shall be repaid to the requisitionists by the Company, and any sum so repaid shall be retained by the Company out of any sums due or to become due from the Company by way of fees or other remuneration in respect of their services to the Directors as were in default.

(6) For the purposes of this procedure, the Board shall, in the case of a meeting at which a resolution is to be proposed as a special resolution, be deemed not to have duly convened the meeting if they do not give such notice thereof as is required by the Companies Ordinance.

Shall any shareholder intend to put forward suggestions in any general meeting or enquiries to the Board, he/she shall do so in writing to the Company Secretary of the Company. The letter shall state clearly the identity of the shareholder, the number of shareholding, correspondence address and telephone number, and the related suggestions and enquiries. The Company shall, in a reasonable and practicable manner, pass the said matters to the Board or the President and respond according to the situation.

In addition, the Company receives letters or phone enquiries from shareholders from time to time, the Company shall, in a reasonable and practicable manner, respond as quickly as possible. For matters concerning the Company's shares and basic information of announcements, enquiries shall be put forward to the email of comsec@casil-group.com while for matters concerning investor relations and enquiries from reporters, enquiries shall be put forward to the email of investor.relations@casil-group.com.

Contacts of the Company are as follows:

1103–07A, One Harbourfront
18 Tak Fung Street, Hung Hom
Kowloon, Hong Kong

Tel	:	(852) 2193 8888
Fax	:	(852) 2193 8899
email	:	public@casil-group.com
website	:	www.casil-group.com
Office Hours	:	9:00a.m. to 5:30p.m. Monday to Friday (except public holidays)

SUFFICIENCY OF PUBLIC FLOAT

As at 31 December 2011, the authorised share capital of the Company was 100,000,000,000 shares at HK$0.10 each while the issued share capital is 3,085,021,882 shares, and the market capitalization was about HK$1,760,000,000.

As at 31 December 2011, the Company had total registered shareholders of 1,328, of which included substantial shareholders, China Aerospace Science & Technology Corporation, holding approximately 38.37%. 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 not less than 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 the exposure of 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 Company's subsidiaries 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 comparative reasonable salary level, appropriate medical protection and other insurance coverage. This helps to maintain a comparative 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 Zhang Jianheng, aged 51, a Senior Engineer, is a Non-Executive Director and Chairman of the Company. Mr Zhang graduated from Dalian Institute of Technology in 1982. From 1982 to 1989, he joined the First Film Factory of the Ministry of Chemical Industry and from 1989 to 1996, he joined the First Film Factory of China Lucky Film Company. From 1996 to 2011, he was the Director, Deputy General Manager and General Manager of China Lucky Film Corporation. During the same period, he also served as Deputy Chairman and General Manager, and Chairman of Lucky Film Co., Ltd. (stock code: 600135), a company listed on the Shanghai Stock Exchange. From 2011 till now, he serves as Deputy General Manager of China Science & Technology Corporation and from April 2012 as Vice Chairman of ZTE Corporation, the shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 763) and Shenzhen Stock Exchange (stock code: 000063). Mr Zhang was a Standing Committee Member of the 10th Session of All China Youth Federation and Deputy Chairman of the 2nd Session of the State Enterprise Youth Federation. He was elected as a deputy of the 11th National People's Congress in 2008 and he was assessed as National Labour Model in 2010. Mr Zhang has extensive experience in corporate administration. He was appointed as a Non-Executive Director and Chairman of the Company in March 2012.

Mr Wu Zhuo, aged 62, a Research Fellow with graduate qualification, is a Non-Executive Director and Vice 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 a Non-Executive Director and Chairman of the Company in September 2007 and was re-designated as Vice Chairman of the Company in December 2010.

Mr Li Hongjun, aged 46, a Senior Engineer, is an Executive Director of the Company and President of the Group. Mr Li 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's 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 until May 2010. 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 and was re-designated as an Executive Director of the Company and appointed as President of the Group in May 2010.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr Jin Xuesheng, aged 49, a Senior Engineer, is an Executive Director of the Company and Executive Vice President of the Group. Mr Jin graduated from Harbin Institute of Technology with an engineering bachelor degree and the University of Lancaster in the United Kingdom with a MBA degree consecutively. From 1984, he held such positions as Engineer and Deputy Factory Director at Capital Engineering Factory under China Academy of Launch Vehicle Technology, Deputy Division Director and Division Director of the Planning and Operation Division, 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 and was re-designated as an Executive Director of the Company and appointed as Executive Vice President of the Group in May 2010.

Mr Luo Zhenbang, aged 45, 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 Digital China Information Service Co., Ltd.. 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 41, is an Independent Non-Executive Director of the Company and the Chairman 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. Currently he is an Adjunct Professor in the Department of Finance, Faculty of Business Administration at The Chinese University of Hong Kong. Since 1997, he served as the Managing Director of First Shanghai Capital Limited, the Managing Director of First Shanghai Financial Holding Limited, an immediate subsidiary of the financial service division of the First Shanghai Group, and an executive director of China Assets (Holdings) Limited (stock code: 170), the shares of which are listed on The Stock Exchange of Hong Kong Limited, and is now serving as an independent director of Livzon Pharmaceutical Group Company Limited (stock code: 000513), the shares of which are listed on Shenzhen Stock Exchange, an independent non-executive director of Wumart Stores, Inc. (stock code: 1025) and an executive director of China New Economy Fund Limited (stock code: 80), the shares of which are listed on The Stock Exchange of Hong Kong Limited and the Managing Director and the Chief Investment Officer of CITIC Securities International Investment Management (HK) 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.

Ms Leung Sau Fan, Sylvia, aged 48, is an Independent Non-Executive Director of the Company. Ms Leung holds a Bachelor's degree in Accountancy from City University of Hong Kong and a Bachelor of Laws degree from the University of London and is a chartered secretary. Ms Leung was an independent non-executive director of 21 Holdings Limited (stock code: 1003) and is currently an independent non-executive director of Poly (Hong Kong) Investment Limited (stock code: 119), the shares of both companies are listed on The Stock Exchange of Hong Kong Limited. She has around 20 years of experience in dealing with listing related and corporate finance areas. She was appointed as an Independent Non-Executive Director of the Company in March 2012.

Mr Chen Xuechuan, aged 49, 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 and 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, Person-in-charge 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 Chinese Society of Astronautics, China Institute of Space Law and China Space Foundation, 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 Shi Weiguo, aged 41, a Senior Engineer, is a Non-Executive Director of the Company. He studied Applied Physics at Soochow University from 1988 to 1992 and obtained a degree in Bachelor of Science. Since 1992, he served as Technician in Suzhou Nuclear Power Research Institute under the Ministry of Power Industry. He served as Executive of Foreign Trade Branch of China Suzhou International Economic Technical Cooperation Corporation since 1995, and that of Deputy General Manager of Asian Pacific Engineering Branch and Manager of Fujian Branch since 2003, respectively, during which he completed a postgraduate class of National Economic Investment in Nanjing University. Since 2005, he served as Deputy General Manager of Wan Yuan Industrial Company under the China Academy of Launch Vehicle Technology. From March 2007 to December 2007, he served as Deputy General Manager of CASIL Telecommunications Holdings Limited (now known as China Energine International (Holdings) Limited, stock code: 1185), the shares of which are listed on the Stock Exchange of Hong Kong Limited. He was a Deputy Director General of the Business Investment Department of China Aerospace Science & Technology Corporation since December 2007 and is currently that of the Director General since June 2010. Mr Shi has ample experience and ability in market development and operating management. He was appointed as a Non-Executive Director of the Company in July 2010.

Mr Rui Xiaowu, aged 52, a Master's postgraduate. He was accredited as a Research Fellow in 1999 and was awarded by the State Council of China as the winner of "Government Special Allowance" in 1996. In 1982, Mr Rui graduated from the Science & Technology University for National Defense of China major in Computer Software and studied a Master's Degree in Computer Aided Design at the 710 Research Institute of the former Ministry of Aerospace Industry of China during the period from 1982 to 1985, and participated works at the 710 Research Institute in the same year. Thereafter, he had been the Division Director of the Business Marketing Division, Vice President, President of the 710 Research Institute; he had been the Business Assistant to General Manager and Director General of the Business Planning & Investment Department, Business Assistant to General Manager and Director General of the Business Investment Department of China Aerospace Science & Technology Corporation since 2000; he had also been appointed as the Vice Chairman of Sino Satellite Communications Company Limited since 2001, the Assistant to General Manager of China Aerospace Science & Technology Corporation since 2002 and the Chairman of China Spacesat Company Limited (stock code: 600118), a company listed on the Shanghai Stock Exchange, during the period from 2002 to 2005. He had been appointed as the Deputy General Manager of China Aerospace Science & Technology Corporation during the period from 2005 to 2006, the General Manager of China Satellite Communications Corporation from June 2006 to March 2009, the Deputy General Manager of China Aerospace Science & Technology Corporation since April

2009, as well as the Chairman of NavInfo Company Limited (stock code: 002405), a company listed on the Shenzhen Stock Exchange, since January 2008. Mr Rui had been appointed as the Chairman of the Company from 2002 to 2006. In the same period, he had been appointed as Chairman of the then CASIL Telecommunications Holdings Limited (stock code: 1185) (now known as China Energine International (Holdings) Limited), a company listed on the Stock Exchange of Hong Kong Limited. Mr Rui has also been appointed as a Non-Executive Director and Chairman of APT Satellite Holdings Limited (stock code: 1045), a company listed on the Stock Exchange of Hong Kong Limited, since December 2006. Mr Rui, who is familiar with the operation of capital markets in both Hong Kong and China very well, has been involved in senior posts in listed companies for years and has extremely ample experience in management. He was appointed as an Non-Executive Director and Chairman of the Company again in December 2010 and resigned in June 2011.

Mr Wu Yanhua, aged 49, a Research Fellow. He graduated from the Science & Technology University for National Defense of China with a bachelor's degree in aircraft system engineering in 1984 and from the Beijing University of Aeronautics & Astronautics with a doctoral degree in management science and engineering in 2009. He received a Government Special Allowance awarded by the State Council of China in 2001. Mr Wu started his career in China Academy of Launch Vehicle Technology in 1984, and worked as that of Deputy Division Director of General Planning Division under the Planning Department, Division Director of General Planning Division of General Planning & Finance Department since 1991. He then worked as Assistant to Director General of General Planning & Finance Department in 1997, that of Deputy Director General in 1998 and Director General of General Business Department in 2000. Subsequently, he worked as Director General of Finance Department of China Aerospace Science & Technology Corporation in 2002, that of Chief Economist and Director General of Finance Department in 2004 and Chief Accountant in 2005. Since 2007, he also held such positions as the Vice President of China Association of Chief Financial Officers and that of the President of Aerospace Industry Branch, Deputy Director of China Association For Peaceful Use of Military Industrial Technology, the Chairman of Aerospace Technology Investment Holdings Limited, Aerospace Science & Technology Finance Company Limited, Aerospace Times Properties Development Limited, Aerospace Industry Investment Fund Partners Meeting and Aerospace Industry Investment Fund Management Company. Mr Wu has extensive experience in financial management and corporate administration. He was appointed as a Non-Executive Director and Chairman of the Company in June 2011 and resigned in March 2012.

Mr Chow Chan Lum, Charles, aged 61, is 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, Ministry of Finance, 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 and resigned in March 2012.

Dr Chan Ching Har, Eliza, J.P, BBS, LL.D (Hon), aged 55, 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 CPPCC Tianjin Committee, 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, Chairman of Pension Appeals Board, member of the Medical Council, member of the Administrative Appeals Board, Investigation 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 Executive Vice-President of the Hong Kong CPPCC (Provincial) Members Association Limited, Honorary President of The Hong Kong China Chamber of Commerce and a Governor of The Canadian Chamber of Commerce in Hong Kong. She was also formerly a Member of the Board of the Hong Kong Hospital Authority, Member of the Hong Kong Public Service Commission, Member of the Board of Education, Member of the Hong Kong Examination and Assessment Authority and Council Member of The Hong Kong University of Science and Technology. She is a Member of the Board of The Hong Kong Science and Technology Park Corporation and a Non-Executive Director of Tianjin Development Holdings Limited (stock code: 882). 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 in Canada. 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, and resigned in March 2012.

Mr Zhou Qingquan, aged 60, 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 and was re-designated as a Non-Executive Director of the Company and Vice President of the Group in May 2010, and retired as Vice President of the Group in December 2011 and retired as Non-Executive Director of the Company in March 2012.

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 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries, associates and a principal jointly controlled entity are set out in notes 47, 48 and 49 to the consolidated financial statements, respectively.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2011 are set out in the consolidated income statement on pages 35 to 36.

A final dividend of HK1 cent per share in respect of the year ended 31 December 2011 (2010: HK1 cent) has been proposed by the directors and is subject to approval by the shareholders in the 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$17,886,000, HK$46,970,000 and HK$20,953,000 respectively to cope with the expansion of the Group. Details of movements in property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 36 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2011 comprised the retained profits of approximately HK$894,986,000 (2010: HK$644,287,000).

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

Li Hongjun *(President)*
Jin Xuesheng

Non-Executive Directors

Zhang Jiangheng *(Chairman)*	(appointed on 26 March 2012)
Wu Zhuo *(Vice Chairman)*	
Luo Zhenbang *(Independent)*	
Wang Junyan *(Independent)*	
Leung Sau Fan, Sylvia *(Independent)*	(appointed on 26 March 2012)
Chen Xuechuan	
Shi Weiguo	
Rui Xiaowu *(Chairman)*	(resigned on 7 June 2011)
Wu Yanhua *(Chairman)*	(appointed on 7 June 2011 and resigned on 26 March 2012)
Chow Chan Lum, Charles *(Independent)*	(resigned on 26 March 2012)
Dr Chan Ching Har, Eliza	(resigned on 26 March 2012)
Zhou Qingquan	(retired on 26 March 2012)

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.

Mr Wu Zhuo, Mr Chen Xuechuan and Mr Shi Weiguo retire by rotation in accordance with Article 103(A) of the Company's Articles of Association and, being eligible, offer themselves for election. Mr Wu Zhuo, if being re-elected, will resume the office of Vice Chairman of the Company.

Mr Zhang Jianheng and Ms Leung Sau Fan, Sylvia retire by rotation in accordance with Article 94 of the Company's Articles of Association and, being eligible, offer themselves for election. Mr Zhang Jianheng, 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 2011, save for Mr Wu Yanhua, Mr Chen Xuechuan and Mr Shi Weiguo, the Directors of the Company, who are officers of China Aerospace Science & Technology Corporation ("CASC"), substantial shareholder of the Company, 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.

As at the date of appointment on 26 March 2012, Ms Leung Sau Fan, Sylvia declared that, save as holding a total of 130,000 shares in the Company, she did not have any other interest in and did not hold any short position in any share or underlying share in or any debenture of the Company or any of its associated companies within the meaning of Part XV of the Securities and Futures Ordinance.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

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 2011, 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)*	1,183,598,636	38.37%
Jetcote Investments Limited	Beneficial owner	131,837,011	4.27%
	Interests in controlled corporation *(Note 2)*	1,051,761,625	34.10%
		1,183,598,636	38.37%
Burhill Company Limited	Beneficial owner *(Note 2)*	579,834,136	18.80%
Sin King Enterprises Company Limited	Beneficial owner *(Note 2)*	471,927,489	15.30%

Notes:

(1) These 1,183,598,636 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 2011.

LITIGATION

As at the issue 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 of, no litigation or arbitration or claim of material importance was pending or threatened by or against any member of the Group.

DISCLOSURE PURSUANT TO RULE 13.20 OF THE LISTING RULES

CASIL Clearing Limited ("CASIL Clearing"), a wholly-owned subsidiary of the Company, had 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 in 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 damage 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.

In September 2007, CASIL Clearing entered into a settlement deed with Chinluck and Mr Cheng Zhen Shu so as to solve the litigation completely. Pursuant to the settlement deed, both Chinluck and Mr Cheng Zhen Shu agreed to repay a sum of HK$280,000,000 to CASIL Clearing by instalments.

During the first half of 2011, both Chinluck and Mr Cheng Zhen Shu had repaid in full pursuant to the settlement deed. All parties had executed and filed a consent order to the Court to provide for a permanent stay of execution of judgement.

CONNECTED TRANSACTION

On 14 January 2011, Shenzhen Aerospace Hi-tech Investment Management Company Limited* (深圳市航天高科投資管理有限公司) ("Shenzhen Aerospace"), a subsidiary of the Company, entered into a syndicated loan agreement and a supplemental agreement in respect of a 5-year term loan in the amount of RMB1,500,000,000 with the Finance Syndicate for the construction cost of the Shenzhen Aerospace Science & Technology Plaza. Pursuant to the terms of the syndicated loan agreement, Shenzhen Aerospace is required to pledge the land use right of a parcel of land in Shenzhen to the Finance Syndicate as security. As one of the members of the Finance Syndicate is a connected person of the Company, the provision of security to the connected person by Shenzhen Aerospace constituted a connected transaction of the Company and that was approved by the independent shareholders at the Extraordinary General Meeting held on 25 March 2011. China Aerospace Science & Technology Corporation and its associates were abstained from voting on the resolution related to the connected transaction. Details of which please refer to the Company's announcements made on 14 January 2011, 23 January 2011 and 25 March 2011, and the circular dated 25 January 2011, respectively.

On 28 March 2011, the Company disposed the entire interest in CASIL Satellite Holdings Limited ("CASIL Satellite") to China Great Wall Industry (Hong Kong) Corp. Limited at a consideration of HK$132,300,000. As the purchaser is a connected person of the Company, the disposal constituted a connected transaction of the Company. CASIL Satellite ceased to be a subsidiary of the Company upon completion in September 2011. Details of which please refer to the Company's announcements made on 28 March 2011 and 29 March 2011.

On 15 September 2011, CASIL New Century Technology Development (Shenzhen) Company Limited* (航科新世紀科技發展(深圳)有限公司) ("New Century"), a direct wholly-owned subsidiary of the Company, entered into the Capital Contribution Agreement in relation to the formation of Aerospace New Business Information Technology Company Limited* (航天新商務信息科技有限公司) ("New Business"), with CASC, China Spacesat Co., Ltd* (中國東方紅衛星股份有限公司), China Satellite Communications Company Limited* (中國衛星通信集團有限公司), China Great Wall Industry Corporation* (中國長城工業總公司) and Mr Hu Changan, in which New Century contributed a sum of RMB10,000,000, approximately 15.7% shareholding of New Business. As some of the joint venture partners are connected persons of the Company, the establishment of New Business constituted a connected transaction of the Company. New Business was established in November 2011. Details of which please refer to the Company's announcement made on 15 September 2011.

The Directors (including the Independent Non-Executive Directors) of the Company had reviewed the above connected transactions and confirmed that the connected transactions had been entered into on normal commercial terms and were fair and reasonable and in the interests of the shareholders of the Company and the Company as a whole.

AUDITOR

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

By order of the Board

Li Hongjun
Executive Director & President

Hong Kong, 26 March 2012

Deloitte.
德勤

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

We have audited the consolidated financial statements of China Aerospace International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 106, which comprise the consolidated and Company's statements of financial position as at 31 December 2011, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 of the consolidated financial statements that give a true and fair view 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 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26 March 2012

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
Turnover	5	**2,187,006**	1,879,745
Cost of sales		**(1,742,759)**	(1,473,428)
Gross profit		**444,247**	406,317
Other income	7	**62,153**	78,949
Gain on disposal of a subsidiary	39	**100,592**	—
Other gains and losses	7	**2,284**	39,071
Selling and distribution costs		**(51,610)**	(45,356)
Administrative expenses		**(258,230)**	(231,142)
Other expenses		**(22,043)**	(17,681)
Fair value changes of investment properties		**289,524**	189,995
Finance costs	9	**(1,104)**	(747)
Share of results of jointly controlled entities		**(1,766)**	58
Profit before taxation	10	**564,047**	419,464
Taxation	11	**(86,372)**	(75,335)
Profit for the year		**477,675**	344,129
Attributable to:			
Owners of the Company		**404,772**	292,478
Non-controlling interests		**72,903**	51,651
		477,675	344,129
Earnings per share — basic	12	**HK13.12 cents**	HK9.69 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
Profit for the year	**477,675**	344,129
Other comprehensive income includes:		
Available-for-sale investments		
Fair value loss arising during the year	**(60,801)**	(20,972)
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal	**(50,183)**	—
	(110,984)	(20,972)
Exchange differences arising on translating foreign operations		
Exchange gain arising during the year	**133,885**	111,503
Translation of jointly controlled entities	**2,882**	279
Reclassification adjustment for cumulative exchange differences included in profit or loss upon disposal or deregistration of foreign operations	**2,797**	2,921
	139,564	114,703
Property revaluation reserve		
Increase in fair value of land and buildings transferred to investment properties	**—**	9,004
Deferred tax liability arising on revaluation of properties	**—**	(1,893)
	—	7,111
Other comprehensive income for the year	**28,580**	100,842
Total comprehensive income for the year	**506,255**	444,971
Total comprehensive income attributable to:		
Owners of the Company	**406,235**	369,008
Non-controlling interests	**100,020**	75,963
	506,255	444,971

STATEMENTS OF FINANCIAL POSITION

At 31 December 2011

	NOTES	THE GROUP 2011 HK$'000	THE GROUP 2010 HK$'000	THE COMPANY 2011 HK$'000	THE COMPANY 2010 HK$'000
Non-current assets					
Property, plant and equipment	14	**858,161**	649,696	**3,003**	1,580
Prepaid lease payments	15	**76,568**	45,746	**–**	–
Investment properties	16	**2,144,333**	1,713,848	**–**	–
Interests in subsidiaries	17	**–**	–	**536,126**	423,021
Amounts due from subsidiaries	17	**–**	–	**1,359,022**	942,186
Goodwill	18	**51,001**	–	**–**	–
Intangible asset	19	**21,218**	–	**–**	–
Interests in associates	20	**12,346**	–	**–**	–
Interests in jointly controlled entities	21	**62,862**	61,746	**15,000**	15,000
Available-for-sale investments	22	**42,264**	173,040	**9,000**	–
Prepayment for land development	23	**1,943**	148,053	**–**	–
Land development expenditure	23	**642,175**	77,767	**–**	–
Deposit paid for construction cost of investment properties under construction		**70,067**	–	**–**	–
Deposit paid for acquisition of an intangible asset and property, plant and equipment		**11,714**	–	**–**	–
		3,994,652	2,869,896	**1,922,151**	1,381,787
Current assets					
Inventories	24	**232,144**	191,985	**–**	–
Trade and other receivables	25	**448,723**	403,025	**2,253**	2,513
Prepaid lease payments	15	**2,374**	1,733	**–**	–
Loans receivable	26	**–**	70,269	**–**	–
Financial assets at fair value through profit or loss	27	**62,911**	2,864	**–**	–
Amounts due from subsidiaries	28	**–**	–	**841,949**	1,154,015
Taxation recoverable		**839**	1,514	**–**	–
Pledged bank deposits	29	**24,942**	43,529	**–**	–
Bank balances and cash	29	**1,151,015**	1,489,728	**130,145**	119,459
		1,922,948	2,204,647	**974,347**	1,275,987
Current liabilities					
Trade and other payables	30	**678,713**	691,727	**62,390**	62,703
Amounts due to subsidiaries	28	**–**	–	**152,504**	164,166
Amount due to an associate	31	**1,050**	1,050	**1,050**	1,050
Taxation payable		**53,646**	61,916	**80**	80
Bank borrowings	32	**234,074**	–	**–**	–
Obligations under a finance lease	33	**65**	767	**–**	–
Other loan	34	**8,848**	8,482	**–**	–
		976,396	763,942	**216,024**	227,999
Net current assets		**946,552**	1,440,705	**758,323**	1,047,988
Total assets less current liabilities		**4,941,204**	4,310,601	**2,680,474**	2,429,775

STATEMENTS OF FINANCIAL POSITION

At 31 December 2011

		THE GROUP		THE COMPANY	
		2011	2010	**2011**	2010
	NOTES	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Non-current liabilities					
Bank borrowings	32	**46,913**	—	**—**	—
Deferred taxation	35	**274,433**	187,772	**—**	—
Obligations under a finance lease	33	**—**	65	**—**	—
		321,346	187,837	**—**	—
		4,619,858	4,122,764	**2,680,474**	2,429,775
Capital and reserves					
Share capital	36	**308,502**	308,502	**308,502**	308,502
Reserves	37	**3,617,415**	3,242,030	**2,371,972**	2,121,273
Equity attributable to owners of the Company		**3,925,917**	3,550,532	**2,680,474**	2,429,775
Non-controlling interests		**693,941**	572,232	**—**	—
		4,619,858	4,122,764	**2,680,474**	2,429,775

The consolidated financial statements on pages 35 to 106 were approved and authorised for issue by the Board of Directors on 26 March 2012 and are signed on its behalf by:

Li Hongjun	**Jin Xuesheng**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Special capital reserve HK$'000 *(Note 37)*	General reserve HK$'000 *(Note a)*	Translation reserve HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000 *(Note b)*	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2010	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
Profit for the year	–	–	–	–	–	–	–	–	–	292,478	292,478	51,651	344,129
Fair value loss on available-for-sale investments	–	–	–	–	–	(20,972)	–	–	–	–	(20,972)	–	(20,972)
Exchange gain arising on translating foreign operations	–	–	–	–	87,191	–	–	–	–	–	87,191	24,312	111,503
Translation of jointly controlled entities	–	–	–	–	279	–	–	–	–	–	279	–	279
Increase in fair value of land and buildings transferred to investment properties	–	–	–	–	–	–	9,004	–	–	–	9,004	–	9,004
Deferred tax liability arising on revaluation of properties	–	–	–	–	–	–	(1,893)	–	–	–	(1,893)	–	(1,893)
Reclassification adjustment for cumulative exchange differences included in profit or loss upon disposal or deregistration of foreign operations	–	–	–	–	2,921	–	–	–	–	–	2,921	–	2,921
Total comprehensive income (expense) for the year	–	–	–	–	90,391	(20,972)	7,111	–	–	292,478	369,008	75,963	444,971
Acquisition of additional interests in a subsidiary	–	–	–	–	–	–	–	(7,261)	–	–	(7,261)	(45,185)	(52,446)
Issue of shares in placing and subscription agreement	51,412	529,541	–	–	–	–	–	–	–	–	580,953	–	580,953
Expenses incurred in connection with issue of shares	–	(20,898)	–	–	–	–	–	–	–	–	(20,898)	–	(20,898)
Dividend recognised as distribution *(note 13)*	–	–	–	–	–	–	–	–	–	(61,700)	(61,700)	–	(61,700)
At 31 December 2010	308,502	844,929	14,044	23,916	186,768	133,496	11,010	14,309	1,080	2,012,478	3,550,532	572,232	4,122,764

Notes:

(a) 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.

(b) The capital reserve represents (i) capital contribution from a major shareholder of the Company arising from acquisition of subsidiaries and (ii) the difference between the amount of non-controlling interests and fair value of consideration paid upon acquisition of additional interests in subsidiaries.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Special capital reserve HK$'000 *(Note 37)*	General reserve HK$'000 *(Note a)*	Translation reserve HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000 *(Note b)*	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2011	308,502	844,929	14,044	23,916	186,768	133,496	11,010	14,309	1,080	2,012,478	3,550,532	572,232	4,122,764
Profit for the year	–	–	–	–	–	–	–	–	–	404,772	404,772	72,903	477,675
Fair value loss on available-for-sale investments	–	–	–	–	–	(60,801)	–	–	–	–	(60,801)	–	(60,801)
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal of available-for-sale investments	–	–	–	–	–	(50,183)	–	–	–	–	(50,183)	–	(50,183)
Exchange gain arising on translating foreign operations	–	–	–	–	106,768	–	–	–	–	–	106,768	27,117	133,885
Translation of jointly controlled entities	–	–	–	–	2,882	–	–	–	–	–	2,882	–	2,882
Reclassification adjustment for cumulative exchange differences included in profit or loss upon disposal or deregistration of foreign operations	–	–	–	–	2,797	–	–	–	–	–	2,797	–	2,797
Total comprehensive income (expense) for the year	–	–	–	–	112,447	(110,984)	–	–	–	404,772	406,235	100,020	506,255
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	21,689	21,689
Dividend recognised as distribution *(note 13)*	–	–	–	–	–	–	–	–	–	(30,850)	(30,850)	–	(30,850)
At 31 December 2011	308,502	844,929	14,044	23,916	299,215	22,512	11,010	14,309	1,080	2,386,400	3,925,917	693,941	4,619,858

Notes:

(a) 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.

(b) The capital reserve represents (i) capital contribution from a major shareholder of the Company arising from acquisition of subsidiaries and (ii) the difference between the amount of non-controlling interests and fair value of consideration paid upon acquisition of additional interests in subsidiaries.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**564,047**	419,464
Adjustments for:		
Depreciation	**71,552**	63,056
Amortisation of prepaid lease payments	**1,952**	1,081
Amortisation of intangible asset	**971**	—
Interest income	**(16,308)**	(11,082)
Interest expense	**1,080**	685
Finance lease charges	**24**	62
Fair value changes of investment properties	**(289,524)**	(189,995)
Recovery of loans receivable (including HK$16,760,000 of transaction costs arisen in the collection of loans receivable)	**(45,770)**	—
Reversal of impairment loss recognised in respect of loans receivable	**(1,618)**	(24,419)
Allowance for (reversal of allowance for) doubtful debts	**638**	(8,256)
Reversal of allowance for obsolete inventories	**(1,241)**	(4,753)
Gain on disposal of a subsidiary	**(100,592)**	—
Share of results of jointly controlled entities	**1,766**	(58)
(Gain) loss on disposal of property, plant and equipment	**(56)**	1,421
Wavier of debts	**—**	(31,063)
Loss on deregistration of a subsidiary	**—**	2,921
Operating cash flows before movements in working capital	**186,921**	219,064
Increase in inventories	**(20,583)**	(50,935)
Increase in trade and other receivables	**(18,899)**	(99,693)
(Increase) decrease in financial assets at fair value through profit or loss	**(60,000)**	130
(Decrease) increase in trade and other payables	**(91,970)**	116,410
Cash (used in) generated from operations	**(4,531)**	184,976
Hong Kong Profits Tax paid	**(17,567)**	(5,835)
PRC Enterprise Income Tax paid	**(9,153)**	(11,859)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(31,251)**	167,282

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	NOTES	2011 HK$'000	2010 HK$'000
INVESTING ACTIVITIES			
Prepayment for land development		**(376,135)**	(148,053)
Disposal of a subsidiary, net of cash and cash equivalents disposed of	39	**132,153**	—
Development costs/deposits paid for investment properties under construction		**(131,233)**	(96,036)
Repayment of loans receivable		**117,657**	24,419
Purchase of property, plant and equipment		**(85,809)**	(53,228)
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	38	**(74,208)**	—
Decrease in pledged bank deposits		**19,784**	83,194
Increase in land development expenditure		**(12,174)**	(62,781)
Interest received		**16,308**	11,082
Investment in an associate		**(11,933)**	—
Acquisition of available-for-sale investments		**(9,000)**	—
Deposit paid for acquisition of an intangible asset and property, plant and equipment		**(11,509)**	—
Proceeds from disposal of property, plant and equipment		**284**	94
Proceeds from disposal of investment properties		**—**	80
NET CASH USED IN INVESTING ACTIVITIES		**(425,815)**	(241,229)
FINANCING ACTIVITIES			
New bank loans raised		**202,864**	—
Repayment to former shareholders of a subsidiary acquired during the year		**(74,498)**	—
Dividend paid		**(30,792)**	(61,661)
Interest paid		**(7,472)**	(685)
Repayment of bank loans		**(2,865)**	(131,401)
Repayment of obligations under finance leases		**(767)**	(730)
Finance lease charges		**(24)**	(62)
Proceeds from issue of shares		**—**	580,953
Issue share expenses		**—**	(20,898)
Acquisition of additional interests in a subsidiary		**—**	(52,446)
NET CASH FROM FINANCING ACTIVITIES		**86,446**	313,070
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(370,620)**	239,123
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**1,489,728**	1,208,827
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**31,907**	41,778
CASH AND CASH EQUIVALENTS AT END OF THE YEAR REPRESENTING BANK BALANCES AND CASH		**1,151,015**	1,489,728

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 a principal jointly controlled entity are set out in notes 47, 48 and 49, 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").

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised)	Related party disclosures
Amendments to HKAS 32	Classification of rights issues
Amendments to HK(IFRIC) — INT 14	Prepayments of a minimum funding requirement
HK(IFRIC) — INT 19	Extinguishing financial liabilities with equity instruments

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKAS 24 Related party disclosures (Revised)

HKAS 24 (Revised) has been revised on the following two aspects: (a) HKAS 24 (Revised) has changed the definition of a related party and (b) HKAS 24 (Revised) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiaries are government-related entities. In its annual consolidated financial statements for the year ended 31 December 2010, the Group had early applied the partial exemption from the disclosure requirements for government-related entities. In the current year, the Group has applied for the first time the revised definition of a related party as set out in HKAS 24 (Revised). However, the application of HKAS 24 (Revised) has had no impact on the Group's financial performance and positions nor the relevant disclosures for the current and prior years.

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

Amendments to HKFRS 3 Business combinations (as part of Improvements to HKFRSs issued in 2010)

As part of Improvements to HKFRSs issued in 2010, HKFRS 3 was amended to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non-controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. All other types of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other standards.

In addition, as part of "Improvements to HKFRSs" issued in 2010, HKFRS 3 was amended to provide more guidance regarding the accounting for share-based payment awards held by the acquiree's employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date.

Such amendments to HKFRS 3 have been applied in the current year and had no effect on the consolidated financial statements of the Group for the current year.

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRS 7	Disclosures — Transfers of financial assets[1]
Amendments to HKFRS 7	Disclosures — Offsetting financial assets and financial liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
Amendments to HKAS 1	Presentation of items of other comprehensive income[5]
Amendments to HKAS 12	Deferred tax — Recovery of underlying assets[4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[6]
HKAS 19 (Revised 2011)	Employee benefits[2]
HKAS 27 (Revised 2011)	Separate financial statements[2]
HKAS 28 (Revised 2011)	Investments in associates and joint ventures[2]
HK(IFRIC) — INT 20	Stripping costs in the production phase of a surface mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

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

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities for derecognition.

Key requirements of HKFRS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

Except for available-for-sale investments, the directors anticipate that the application of HKFRS 9 will not affect the classification and measurement of the Group's other financial assets and liabilities as at 31 December 2011. Regarding the Group's available-for-sale investments, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 January 2013. Other than the available-for-sale investments and investment properties carried at fair value, the application of the new standard is not expected to affect the measurement and presentation of the Group's assets and liabilities reported in the consolidated financial statements but will result in more extensive disclosures in the consolidated financial statements.

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

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for the Group for annual period beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

Amendments HKAS 12 Deferred tax — Recovery of underlying assets

The amendments to HKAS 12 "Deferred tax: Recovery of underlying assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 will have a significant impact on deferred tax recognised for investment properties mainly located in the PRC that are measured using the fair value model. If the presumption under the amendments is not rebutted, the deferred tax liability relating to the revaluation of investment properties will increase as the land appreciation tax rate of the PRC is higher than the tax rate currently used by the Group to calculate the deferred tax recognised for investment properties.

Other than those disclosed above, the directors anticipate that the application of the other new and revised standards, amendments and interpretations will have no material impact on the results and financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted (i.e. the non-controlling interests share of recognised identifiable net assets at the date of acquisition) and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial instruments: Recognition and measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in subsidiaries

Interests in subsidiaries are included in the Company's statement of financial position at cost (including deemed capital contribution) less any identified impairment loss. Dividend income from investments in subsidiaries is accounted for when the Company's right to receive the dividend payment has been established.

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 initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. 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. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Joint ventures

Jointly controlled operations

When a group entity undertakes its activities under joint venture arrangements directly, constituted as jointly controlled operations, the assets and liabilities arising from those jointly controlled operations are recognised in the statement of financial position of the relevant entity on an accrual basis and classified according to the nature of the item. The Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in the consolidated income statement when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint ventures (continued)

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 initially recognised in the consolidated statement of financial position at cost as adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the jointly controlled entities. 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. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the Group' consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Financial instruments

Financial assets and financial liabilities are recognised in 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.

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. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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 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 and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

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

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 of financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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
- breach of contract, such as default or delinquency in interest and 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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, 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.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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

Impairment losses on available-for-sale equity investments will not be reversed through 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the group entities are recognised at the proceeds received, net of direct issue costs.

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 (including all fees and points 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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, bank borrowings and other loan are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, 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 in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. Obligation is considered discharged upon the fulfilment of repayment terms specified in a debt restructuring deed entered into with the lender. The amount of debts waived is recognised as income in profit or loss. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. 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 (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

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 (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially 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.

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in 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 obligations under a finance lease.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing (continued)

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is 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. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

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.

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) using exchange rates prevailing at the end of the reporting period. Income and expenses items 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 under the heading of translation reserve (attributed to non-controlling interests as appropriate).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity under the heading of translation reserve.

Intangible assets

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment loss. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. (see the accounting policy in respect of impairment below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development expenses (continued)

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.

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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which those 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 associated with 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.

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.

Current and 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 current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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 is the key sources 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 receivables

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 receivables (as described in note 25) and will strengthen its effort to chase the debts and thus considers that the trade receivables with carrying amount of HK$395,840,000 (2010: HK$357,135,000) are recoverable due to its good credit quality.

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. Where the net realisable value is less than the carrying amount, impairment loss may arise. As at 31 December 2011, the carrying amount of inventories is HK$232,144,000 (net of allowances for inventories HK$38,518,000) (2010: carrying amount of HK$191,985,000 (net of allowance for inventories of HK$39,837,000)).

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. As at 31 December 2011, the carrying amount of investment properties is HK$2,144,333,000 (2010: HK$1,713,848,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value when the actual future cash flows are less than expected, a material loss may arise. Where the value in use of the cash-generating unit is less than the carrying amount of the goodwill, impairment loss may arise. As at 31 December 2011, the carrying amount of goodwill was HK$51,001,000 (2010: nil). Details of the recoverable amount calculation are disclosed in note 18.

5. TURNOVER

Turnover represents the gross invoiced amount of sales of goods, less discounts and sales related taxes, and rental income as follows:

	2011	2010
	HK$'000	HK$'000
Sales of goods	**2,172,088**	1,866,696
Rental income	**14,918**	13,049
	2,187,006	1,879,745

6. SEGMENT INFORMATION

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. The management has identified 9 (2010: 7) operating segments: Hi-Tech Manufacturing Business (including plastic products, liquid crystal display, printed circuit boards, intelligent chargers and the related industrial property investment), New Material Business (including polyimide films manufacturing), Aerospace Service (including the Shenzhen Aerospace Science & Technology Plaza of property investment project, the Hainan Launching Site Complex Zone of land development project and Internet of Things) which represents the major industries in which the Group engaged.

The Group has two new segments including polyimide film manufacturing and Internet of Things. The operation of polyimide films manufacturing is introduced in current year upon acquisition of the subsidiary (see note 38) and polyimide films manufacturing are engaged in the development, manufacturing and marketing of polyimide and related composite materials. The operation of Internet of Things is established to engage in development and sale of software and related products of radio frequency identification, sensor technology and embedded software supporting platform technology.

6. SEGMENT INFORMATION (continued)

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

For the year ended 31 December 2011

	Turnover			
	External sales HK$'000	Inter-segment sales HK$'000	Total turnover HK$'000	Segment results HK$'000
Hi-Tech Manufacturing Business				
Plastic products	808,160	79,089	887,249	59,803
Liquid crystal display	306,003	—	306,003	12,391
Printed circuit boards	450,362	—	450,362	90,997
Intelligent chargers	586,720	—	586,720	39,286
Industrial property investment	12,826	13,862	26,688	14,351
	2,164,071	92,951	2,257,022	216,828
New Material Business				
Polyimide films manufacturing	20,843	—	20,843	(760)
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	—	—	—	248,679
Land development in Hainan Launching Site Complex Zone	—	—	—	(12,152)
Internet of Things	—	—	—	(7,978)
	—	—	—	228,549
Reportable segment total	2,184,914	92,951	2,277,865	444,617
Elimination	—	(92,951)	(92,951)	—
Other Business	2,092	—	2,092	17,536
	2,187,006	—	2,187,006	462,153
Unallocated corporate income				51,171
Unallocated corporate expenses				(77,627)
				435,697
Gain on disposal of a subsidiary				100,592
Recovery of loans receivable				29,010
Reversal of impairment loss recognised in respect of loans receivable				1,618
Share of results of jointly controlled entities				(1,766)
Finance costs				(1,104)
Profit before taxation				564,047

6. SEGMENT INFORMATION (continued)

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

For the year ended 31 December 2010

	Turnover			
	External sales HK$'000	Inter-segment sales HK$'000	Total turnover HK$'000	Segment results HK$'000
Hi-Tech Manufacturing Business				
Plastic products	650,770	79,748	730,518	65,310
Liquid crystal display	343,391	—	343,391	11,717
Printed circuit boards	395,616	—	395,616	95,116
Intelligent chargers	476,919	—	476,919	35,348
Industrial property investment	11,825	13,074	24,899	8,340
	1,878,521	92,822	1,971,343	215,831
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	—	—	—	177,080
Land development in Hainan Launching Site Complex Zone	—	—	—	(14,800)
	—	—	—	162,280
Reportable segment total	1,878,521	92,822	1,971,343	378,111
Elimination	—	(92,822)	(92,822)	—
Other Business	1,224	—	1,224	(2,170)
	1,879,745	—	1,879,745	375,941
Unallocated corporate income				66,750
Unallocated corporate expenses				(46,957)
				395,734
Reversal of impairment loss recognised in respect of loans receivable				24,419
Share of results of jointly controlled entities				58
Finance costs				(747)
Profit before taxation				419,464

6. SEGMENT INFORMATION (continued)

(a) An analysis of the Group's turnover and results by operating and reportable 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, change in fair value of financial assets at fair value through profit or loss, reversal of impairment loss recognised on loans receivable, share of results of jointly controlled entities, 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 cost-plus basis.

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

	2011 HK$'000	2010 HK$'000
Segment assets		
Hi-Tech Manufacturing Business		
Plastic products	**563,190**	550,625
Liquid crystal display	**284,244**	293,625
Printed circuit boards	**224,483**	202,459
Intelligent chargers	**306,879**	233,696
Industrial property investment	**218,391**	198,224
	1,597,187	1,478,629
New Material Business		
Polyimide films manufacturing	**298,782**	—
Aerospace Service		
Property investment in Shenzhen Aerospace Science & Technology Plaza	**1,817,284**	1,427,219
Land development in Hainan Launching Site Complex Zone	**668,877**	227,222
Internet of Things	**12,521**	—
	2,498,682	1,654,441
Total assets for reportable segments	**4,394,651**	3,133,070
Other Business	**108,657**	90,703
Available-for-sale investments	**42,264**	173,040
Interests in jointly controlled entities	**62,862**	61,746
Interests in associates	**12,346**	—
Loans receivable	**—**	70,269
Unallocated assets	**1,296,820**	1,545,715
Consolidated assets	**5,917,600**	5,074,543

6. SEGMENT INFORMATION (continued)

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

	2011 HK$'000	2010 HK$'000
Segment liabilities		
Hi-Tech Manufacturing Business		
Plastic products	**140,992**	179,080
Liquid crystal display	**37,000**	42,178
Printed circuit boards	**82,575**	81,943
Intelligent chargers	**110,096**	90,623
Industrial property investment	**9,305**	8,854
	379,968	402,678
New Material Business		
Polyimide films manufacturing	**36,901**	—
Aerospace Service		
Property investment in Shenzhen Aerospace Science & Technology Plaza	**22,034**	18,099
Land development in Hainan Launching Site Complex Zone	**1,918**	823
Internet of Things	**1,245**	—
	25,197	18,922
Total liabilities for reportable segments	**442,066**	421,600
Other Business	**1,299**	1,440
Unallocated liabilities	**854,377**	528,739
Consolidated liabilities	**1,297,742**	951,779

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, taxation recoverable and the other unallocated assets; and

- all liabilities are allocated to operating segments other than taxation payable, deferred taxation, other loan, obligations under a finance lease, bank loans and the other unallocated liabilities.

6. SEGMENT INFORMATION (continued)

(c) Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

2011

	Capital additions HK$'000	Depreciation and amortisation HK$'000	Fair value gain on investment properties HK$'000	(Gain) loss on disposal of property, plant and equipment HK$'000
Hi-Tech Manufacturing Business				
Plastic products	26,631	18,588	—	64
Liquid crystal display	3,518	10,359	—	—
Printed circuit boards	29,660	19,889	—	(151)
Intelligent chargers	8,681	4,751	—	—
Industrial property investment	9,145	11,752	15,658	—
	77,635	65,339	15,658	(87)
New Material Business				
Polyimide films manufacturing	269,747	2,694	—	—
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	128,985	610	256,257	—
Land development in Hainan Launching Site Complex Zone	1,097	1,638	—	—
Internet of Things	11,154	450	—	—
	141,236	2,698	256,257	—
Segment total	488,618	70,731	271,915	(87)

6. SEGMENT INFORMATION (continued)

(c) Other segment information (continued)

Amounts included in the measure of segment profit or loss or segment assets: (continued)

2010

	Capital additions HK$'000	Depreciation and amortisation HK$'000	Fair value gain on investment properties HK$'000	Loss on disposal of property, plant and equipment HK$'000
Hi-Tech Manufacturing Business				
Plastic products	24,318	16,814	—	3
Liquid crystal display	6,874	9,900	—	—
Printed circuit boards	10,717	18,584	—	—
Intelligent chargers	3,383	4,996	—	—
Industrial property investment	3,729	10,628	7,357	—
	49,021	60,922	7,357	3
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	96,221	502	183,645	—
Land development in Hainan Launching Site Complex Zone	1,649	885	—	—
	97,870	1,387	183,645	—
Segment total	146,891	62,309	191,002	3

(d) Geographical information

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

The Group's revenue from external customers and information about its non-current assets (other than available-for-sale investments) by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Hong Kong	**1,783,018**	1,544,400	**206,666**	204,518
The PRC	**403,773**	335,273	**3,688,332**	2,435,241
Canada	**215**	72	**57,390**	57,097
	2,187,006	1,879,745	**3,952,388**	2,696,856

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 2011 or 2010.

7. OTHER INCOME AND OTHER GAINS AND LOSSES

	2011 **HK$'000**	2010 HK$'000
The Group's other income mainly comprises:		
Recovery of loans receivable *(note a)*	**29,010**	—
Bank interest income	**16,308**	11,082
Waiver of debts *(note b)*	**—**	31,063
The Group's other gains and losses comprise:		
Reversal of impairment loss recognised in respect of loans receivable *(note a)*	**1,618**	24,419
Net exchange gain	**6,804**	11,186
(Allowance for) reversal of allowance for doubtful trade debts	**(638)**	8,256
Loss on deregistration of a subsidiary	**—**	(2,921)
Gain (loss) on disposal of property, plant and equipment	**56**	(1,421)
Net loss from change in fair value of financial assets at fair value through profit or loss	**(5,556)**	(448)

Notes:

a. During the year, the Group recovered an amount of HK$117,657,000 from a borrower pursuant to a settlement deed entered into between a company's subsidiary and the borrower on 14 September 2007 in respect of the Group's interest bearing loans receivables. The excess of HK$30,628,000, representing the amount recovered over the carrying amount of the loan receivable of HK$70,269,000 net of the transaction costs incurred relating to the debt collections, is recognised in profit or loss in the current year whereby amounts of HK$1,618,000 and HK$29,010,000 are recorded as reversal of impairment loss recognised in respect of loans receivable and recovery of loans receivable respectively. The recovery of loans receivable is mainly related to the additional amount recovered upon settlement net of transaction costs. The reversal of impairment loss for the year ended 31 December 2010 represented the amount recovered for the same loans.

b. Being derecognition of financial liabilities upon the fulfilment of repayment terms specified in a debt restructuring deed entered into with a bank in prior years.

8. DIRECTORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 12 (2010: 15) directors were as follows:

	Li Hongjun HK$'000	Jin Xuesheng HK$'000	Wu Yanhua* HK$'000	Wu Zhuo HK$'000	Chen Xuechuan HK$'000	Shi Weiguo HK$'000	Chan Ching Har, Eliza HK$'000	Zhou Qingquan HK$'000	Chow Chan Lum, Charles HK$'000	Luo Zhenbang HK$'000	Wang Junyan HK$'000	Rui Xiaowu# HK$'000	2011 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	1,432	–	498	20	30	60	1,239	110	110	60	–	5,153
Bonuses	586	668	–	–	–	–	–	944	–	–	–	–	2,198
	2,180	2,100	–	498	20	30	60	2,183	110	110	60	–	7,351
Total emoluments	2,180	2,100	–	498	20	30	210	2,183	260	260	210	–	7,951

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

	Li Hongjun HK$'000	Jin Xuesheng HK$'000	Wu Zhuo HK$'000	Chen Xuechuan HK$'000	Shi Weiguo HK$'000	Chan Ching Har, Eliza HK$'000	Zhou Qingquan HK$'000	Chow Chan Lum, Charles HK$'000	Luo Zhenbang HK$'000	Wang Junyan HK$'000	Rui Xiaowu HK$'000	Zhao Liqiang## HK$'000	Wu Hongju## HK$'000	Guo Xianpeng## HK$'000	Xu Jianhua## HK$'000	2010 HK$'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	1,006	1,308	10	30	25	60	1,127	110	110	60	15	766	388	388	388	5,791
Bonuses	1,194	763	–	–	–	–	944	–	–	–	–	259	310	310	247	4,027
	2,200	2,071	10	30	25	60	2,071	110	110	60	15	1,025	698	698	635	9,818
Total emoluments	2,200	2,071	10	30	25	210	2,071	260	260	210	15	1,025	698	698	635	10,418

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

* Appointed in 2011
\# Resigned in 2011
\#\# Resigned in 2010

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

(b) Highest paid individuals' emoluments

During the year, the five highest paid individuals included three directors (2010: three directors), details of whose emoluments are set out above. The emoluments of the remaining two (2010: two) highest paid individuals were as follows:

	2011 HK$'000	2010 HK$'000
Salaries and other benefits	**2,306**	1,213
Bonuses *(Note)*	**3,902**	2,305
Contributions to retirement benefits scheme	**—**	—
	6,208	3,518

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 2011	2010
HK$1,500,001 to HK$2,000,000	**—**	2
HK$2,000,001 to HK$2,500,000	**1**	—
HK$3,500,001 to HK$4,000,000	**1**	—
	2	2

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

	2011 HK$'000	2010 HK$'000
Interest expenses on:		
— bank loans wholly repayable within five years	**7,472**	685
— finance lease charges	**24**	62
	7,496	747
Less: Amount capitalised to land development expenditure	**(6,392)**	—
	1,104	747

Interest expenses capitalised during the year arose on the bank borrowings specifically in relation to the Hainan Launching Site Complex Zone of land development project.

10. PROFIT BEFORE TAXATION

	2011 HK$'000	2010 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Depreciation on		
— owned assets	**71,302**	62,806
— assets held under a finance lease	**250**	250
Amortisation of prepaid lease payments	**1,952**	1,081
Amortisation of intangible asset (included in cost of sales)	**971**	—
Auditors' remuneration		
— current year	**4,192**	3,999
— (over) underprovision in prior year	**(25)**	47
Minimum lease payments under operating leases in respect of land and buildings	**10,905**	8,230
Research and development expenses (included in other expenses)	**21,309**	17,681
Staff costs, including directors' remuneration	**366,981**	314,578
Reversal of allowance for obsolete inventories *(note)*	**(1,241)**	(4,753)
Cost of inventories charged to profit or loss	**1,744,000**	1,476,906
Gross rental income	**(14,918)**	(13,049)
Less: Direct operating expenses from investment properties that generated rental income during the year	**2,156**	1,275
	(12,762)	(11,774)

Note: Cost of sales includes reversal of allowance for obsolete inventories of HK$1,241,000 (2010: HK$4,753,000) which were used in the production of finished goods sold in the current year.

11. TAXATION

The tax charge for the year comprises:

	2011 HK$'000	2010 HK$'000
Current tax:		
Hong Kong Profits Tax	**14,111**	15,032
PRC Enterprise Income Tax	**9,372**	13,436
	23,483	28,468
(Over) underprovision in prior years:		
Hong Kong Profits Tax	**107**	254
PRC Enterprise Income Tax	**(5,513)**	—
	(5,406)	254
Deferred tax *(note 35):*		
Current year	**68,295**	46,613
	86,372	75,335

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

	2011 HK$'000	2010 HK$'000
Profit before taxation	**564,047**	419,464
Tax at Hong Kong Profits Tax of 16.5% (2010: 16.5%)	**93,068**	69,212
Tax effect of share of results of jointly controlled entities	**291**	(10)
Tax effect of expenses not deductible for tax purposes	**2,625**	1,155
Tax effect of income not taxable for tax purpose	**(23,858)**	(6,988)
Tax effect of tax losses not recognised	**5,274**	3,580
Utilisation of tax losses previously not recognised	**(11,144)**	(13,253)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**28,384**	19,949
Effect of income tax on concessionary rates for certain subsidiaries	**(4,473)**	—
(Over) underprovision in prior years	**(5,406)**	254
Others	**1,611**	1,436
Tax charge for the year	**86,372**	75,335

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

11. TAXATION (continued)

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. 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 24% (2010: 22%) on its assessable profits arising in the PRC for the year, though the tax rate will gradually increase to 25% by 2012.

Overprovision in previous years mainly included tax refund from tax bureau to certain subsidiaries of the Company in the PRC for successfully claiming during the current year as High and New Technology Enterprise status since 2010. The income tax rate of these subsidiaries is thus reduced to 15%.

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

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$404,772,000 (2010: HK$292,478,000) and on 3,085,022,000 shares in issue (2010: 3,017,412,000 weighted average number of shares in issue) during the year.

13. DIVIDENDS

	2011	2010
	HK$'000	HK$'000
Dividends recognised as distribution during the year:		
2010 final, paid — HK1 cent (2010: 2009 final dividend of HK2 cents) per share	**30,850**	61,700

A final dividend of HK1 cent per share in respect of the year ended 31 December 2011 (2010: HK1 cent) 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$'000	Plant and equipment HK$'000	Motor vehicles, furniture and other equipment HK$'000	Total HK$'000
THE GROUP						
COST						
At 1 January 2010	76,875	13,616	419,215	492,892	135,400	1,137,998
Exchange adjustments	—	403	21,896	21,778	4,452	48,529
Additions	—	—	4,350	31,973	16,905	53,228
Reclassifications	—	—	—	9,155	(9,155)	—
Surplus on revaluation *(note b)*	—	7,169	1,835	—	—	9,004
Reclassification to investment properties *(note b)*	—	(13,429)	(36,537)	—	—	(49,966)
Disposals	—	—	—	—	(8,294)	(8,294)
At 31 December 2010	76,875	7,759	410,759	555,798	139,308	1,190,499
Exchange adjustments	—	326	22,077	25,882	5,170	53,455
Additions	—	—	17,886	46,970	20,953	85,809
Acquisition of a subsidiary	—	—	29,203	132,307	2,002	163,512
Disposals	—	—	—	(6,195)	(3,735)	(9,930)
At 31 December 2011	76,875	8,085	479,925	754,762	163,698	1,483,345
DEPRECIATION AND IMPAIRMENT						
At 1 January 2010	26,928	1,197	122,686	258,647	73,276	482,734
Exchange adjustments	—	38	6,046	11,007	2,181	19,272
Charged for the year	1,984	208	9,114	41,698	10,052	63,056
Eliminated on disposals	—	—	—	—	(6,779)	(6,779)
Eliminated upon transfer to investment properties	—	(470)	(17,010)	—	—	(17,480)
At 31 December 2010	28,912	973	120,836	311,352	78,730	540,803
Exchange adjustments	—	39	6,455	13,440	2,597	22,531
Charged for the year	1,984	127	9,711	45,755	13,975	71,552
Eliminated on disposals	—	—	—	(6,135)	(3,567)	(9,702)
At 31 December 2011	30,896	1,139	137,002	364,412	91,735	625,184
CARRYING VALUES						
At 31 December 2011	45,979	6,946	342,923	390,350	71,963	858,161
At 31 December 2010	47,963	6,786	289,923	244,446	60,578	649,696

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Motor vehicles, furniture and other equipment HK$'000
THE COMPANY	
COST	
At 1 January 2010	13,898
Additions	210
Disposals	(2,369)
At 31 December 2010	11,739
Additions	2,599
At 31 December 2011	14,338
DEPRECIATION AND IMPAIRMENT	
At 1 January 2010	11,606
Provided for the year	922
Eliminated on disposals	(2,369)
At 31 December 2010	10,159
Provided for the year	1,176
At 31 December 2011	11,335
CARRYING VALUES	
At 31 December 2011	3,003
At 31 December 2010	1,580

Notes:

(a) Depreciation is provided to write off the cost of items of property, plant and equipment 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 2010, as the Group rented out certain of its leasehold properties at carrying amount of HK$23,482,000 included in property, plant and equipment to outsiders for rental income, these leasehold properties were transferred to investment properties, at their revalued amount of HK$32,486,000. The increase in fair value of HK$9,004,000 up to the date of transfer was recognised in equity under property revaluation reserve.

(c) The aggregate carrying values of the Group's motor vehicles, furniture and other equipment held under finance leases as at 31 December 2011 amounted to HK$2,029,000 (2010: HK$2,279,000).

15. PREPAID LEASE PAYMENTS

	THE GROUP	
	2011	2010
	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	**2,374**	1,733
Non-current portion	**76,568**	45,746
	78,942	47,479

16. INVESTMENT PROPERTIES

	Investment properties	Investment properties under construction	Total
	HK$'000	HK$'000	HK$'000
FAIR VALUE			
At 1 January 2010	237,907	1,089,569	1,327,476
Exchange adjustment	9,966	57,969	67,935
Reclassified from property, plant and equipment *(note 14)*	32,486	—	32,486
Construction costs incurred	—	96,036	96,036
Disposals	(80)	—	(80)
Net increase in fair value recognised in profit or loss	6,350	183,645	189,995
At 31 December 2010	286,629	1,427,219	1,713,848
Exchange adjustment	7,153	72,642	79,795
Construction costs incurred	—	61,166	61,166
Net increase in fair value recognised in profit or loss	33,267	256,257	289,524
At 31 December 2011	327,049	1,817,284	2,144,333

16. INVESTMENT PROPERTIES (continued)

The carrying value of investment properties shown above comprises:

	2011	2010
	HK$'000	HK$'000
Land in Hong Kong:		
Medium-term lease	**55,050**	48,830
Land outside Hong Kong:		
Freehold	**57,287**	56,993
Long lease	**18,406**	14,059
Medium-term lease	**2,013,590**	1,593,966
	2,144,333	1,713,848

The fair values of the Group's investment properties at 31 December 2011 have been arrived at on the basis of valuations carried out on that date by Jones Lang LaSalle Corporate Appraisal & Advisory Limited ("Jones Lang") for properties situated in Hong Kong, Knight Frank Petty Limited ("Knight Frank") for properties situated in the PRC and Atkinson Appraisal Consultants Limited ("Atkinson") for properties situated overseas. Jones Lang, 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 other than properties under construction 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	
	2011	2010
	HK$'000	HK$'000
Unlisted shares and capital contribution, at cost	**617,656**	504,551
Less: Impairment losses recognised	**(81,530)**	(81,530)
	536,126	423,021
Amounts due from subsidiaries	**1,359,022**	942,186

The impairment loss recognised mainly represents full impairment in investment cost of certain subsidiaries that have been inactive.

At 31 December 2011, 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 2011 and 2010 are set out in note 47.

18. GOODWILL

	HK$'000
COST	
At 1 January 2010 and 31 December 2010	—
Arising on acquisition of a subsidiary	50,396
Exchange difference	605
At 31 December 2011	51,001

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ("CGU"s) that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated to the cash-generating units of the new material business.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rate of 16% using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts.

The value in use calculations are derived from cash flow projections based on the most recent financial budgets for the next 3 years approved by management. Cash flows for the forth to sixth year and beyond the 6-year period have been extrapolated using growth rates of 7% and 3% per annum respectively. The directors of the Company considered no impairment loss is necessary as at 31 December 2011.

19. INTANGIBLE ASSET

	HK$'000
COST	
At 1 January 2010 and 31 December 2010	—
Arising on acquisition of a subsidiary *(note 38)*	21,959
Exchange difference	263
At 31 December 2011	22,222
AMORTISATION	
At 1 January 2010 and 31 December 2010	—
Provided for the year	971
Exchange difference	33
At 31 December 2011	1,004
CARRYING VALUE	
At 31 December 2011	21,218

The above intangible asset represents technical knowledge and techniques acquired through acquisition of a subsidiary to manufacture polyimide films which has finite useful lives and amortised on a straight-line basis over its estimated useful life of 8 years.

20. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cost of unlisted investments in associates	**15,949**	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)
	12,346	—	**—**	—

Particulars of the associates of the Group at 31 December 2011 and 2010 are set out in note 48.

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:

	2011	2010
	HK$'000	HK$'000
Unrecognised share of results of associates for the year	**(83)**	(213)
Accumulated unrecognised share of losses of associates	**(12,670)**	(12,587)

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	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	**13,488**	10,606	**—**	—
Share of post-acquisition losses	**(39,157)**	(37,391)	**—**	—
	62,862	61,746	**15,000**	15,000

Particulars of the principal jointly controlled entity of the Group at 31 December 2011 and 2010 are set out in note 49.

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 are as follows:

	CANW Group	
	2011	2010
	HK$'000	HK$'000
Non-current assets	**1,023**	1,297
Current assets	**62,091**	61,039
Current liabilities	**252**	590
Income	**1,135**	674
Expenses	**2,901**	616
Other comprehensive income	**2,882**	279

22. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Available-for-sale investments:				
At fair value				
— equity securities listed in Hong Kong	**33,264**	87,360	**—**	—
— unlisted equity securities outside Hong Kong	**—**	85,680	**—**	—
	33,264	173,040	**—**	—
At cost				
— unlisted equity securities in Hong Kong	**9,000**	—	**9,000**	—
	42,264	173,040	**9,000**	—

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$33,264,000 (2010: HK$87,360,000) at 31 December 2011 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.

At 31 December 2011, the unlisted equity securities of HK$9,000,000 (2010: nil) represent investments in unlisted equity interests and are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.

At 31 December 2010, the unlisted equity securities of HK$85,680,000 (2011: nil) which the underlying assets were investment in equity securities listed in Hong Kong, the fair value was 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$85,680,000 at 31 December 2010 was 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).

23. PREPAYMENT FOR LAND DEVELOPMENT AND LAND DEVELOPMENT EXPENDITURE

Pursuant to a land development agreement entered into between the Group and the Wenchang Government on 20 August 2008 in relation to the land development in Hainan Launching Site Complex Zone ("Land Development Project"), the Group has advanced the total amount of approximately RMB488,637,000 (equivalent to approximately HK$603,255,000) (2010: RMB171,743,000, equivalent to approximately HK$203,246,000) at 31 December 2011 to the Wenchang Government for the demolition and resettlement works carried out by the Wenchang Government for the Land Development Project of which the amount of approximately RMB487,062,000 (equivalent to approximately HK$601,312,000) (2010: RMB47,000,000, equivalent to approximately HK$55,193,000) has been transferred to land development expenditure in accordance with expenditure requirements on the Land Development Project. Details of the Land Development Project are disclosed in the circular of the Company dated 10 September 2008.

The arrangement between the Wenchang Government and the Group for the above Land Development Project is considered as jointly controlled operations. The Wenchang Government provided the land for the Land Development Project and is responsible for the demolition and resettlement works while the expenses and costs incurred by the Wenchang Government on demolition and resettlement will be reimbursed by the Group. On the other hand, the Group will be responsible for the construction of basic infrastructure and arranging for or contribute all development costs required for the basic infrastructure of the Land Development Project. The net proceed (after deducting the expenditure incurred for demolition, resettlement and construction of basic infrastructure estimated to be approximately RMB1,200,000,000) from the sale of the land from the Land Development Project shall be shared between the Wenchang Government and CASIL Hainan Holdings Limited, an indirect wholly-owned subsidiary of the Company, in the ratio of 30%: 70%.

Land development expenditure represents the development cost incurred in relation to the Land Development Project less impairment. As at 31 December 2011, the Group has incurred HK$642,175,000 (2010: HK$77,767,000) in the planning and design, demolition and resettlement works in the Land Development Project.

24. INVENTORIES

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Raw materials	**95,639**	78,134
Work-in-progress	**61,753**	57,044
Finished goods	**74,752**	56,807
	232,144	191,985

25. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables	**420,616**	381,377	**—**	—
Less: Allowance for doubtful debts	**(24,776)**	(24,242)	**—**	—
	395,840	357,135	**—**	—
Other receivables, deposits and prepayments	**52,883**	45,890	**2,253**	2,513
	448,723	403,025	**2,253**	2,513

The following is an aged analysis of trade receivables presented based on invoice date at the end of the reporting period:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Within 90 days	**368,256**	339,791
Between 91–180 days	**27,584**	17,344
	395,840	357,135

Included in trade receivables is amount due from a non-controlling shareholder of a subsidiary of HK$9,827,000 (2010: nil) with a credit period of 90 days and the amount was past due at 31 December 2011.

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

Management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality. Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$27,584,000 (2010: HK$17,344,000) 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.

25. TRADE AND OTHER RECEIVABLES (continued)

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

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Overdue 1–90 days	**27,584**	17,344

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	
	2011	2010
	HK$'000	HK$'000
At 1 January	**24,242**	40,372
Allowance for (reversal of allowance for) doubtful debts	**638**	(8,256)
Amount written off as uncollectible	**(104)**	(7,874)
At 31 December	**24,776**	24,242

26. LOANS RECEIVABLE

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Fixed-rate loans receivable	**–**	70,269

The loan was fully recovered during 2011 pursuant to a settlement deed entered into between a company's subsidiary and the borrower. A reversal of allowance of impairment loss amounted to HK$1,618,000 has been credited to profit or loss during the year ended 31 December 2011 (see note 7).

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2011	2010
	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	**61,911**	1,246
— listed in the PRC	**1,000**	1,618
	62,911	2,864

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$62,911,000 (2010: HK$2,864,000) at 31 December 2011 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.

28. AMOUNTS DUE FROM/TO SUBSIDIARIES

THE COMPANY

Other than HK$6,128,000 (2010: HK$6,128,000) due from certain subsidiaries and HK$7,500,000 (2010: HK$7,500,000) due to certain subsidiaries which bear interest at market rate, the amounts are unsecured, non-interest bearing and repayable on demand.

29. PLEDGED BANK DEPOSITS, BANK BALANCES AND CASH

THE GROUP

The Group's bank deposits amounting to HK$24,942,000 (2010: HK$43,529,000) have been pledged to secure bank loans and general banking facilities of the Group and are therefore classified as current assets.

THE GROUP AND THE COMPANY

Bank balances and pledged bank deposits carry interest at prevailing market rates which range from 0.01% to 0.50% (2010: 0.01% to 0.36%) per annum at 31 December 2011.

30. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**221,287**	264,729	**—**	—
Accrued charges	**102,084**	98,082	**13,754**	14,086
Other payables	**355,342**	328,916	**48,636**	48,617
	678,713	691,727	**62,390**	62,703

Other payables included an amount of HK$54,000,000 (2010: nil) received from a third party on behalf of China Aerospace Science & Technology Corporation.

The following is an aged analysis of trade payables based on invoice date at the end of the reporting period:

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Within 90 days	**207,316**	248,877
Between 91–180 days	**2,755**	3,519
Between 181–365 days	**681**	849
Over 1 year	**10,535**	11,484
	221,287	264,729

31. 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.

32. BANK BORROWINGS

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Secured	**95,802**	–
Unsecured	**185,185**	–
	280,987	–
The borrowings are repayable as follows:		
Within one year	**234,074**	–
More than one year but not exceeding two years	**11,852**	–
More than two years but not more than five years	**35,061**	–
	280,987	–
Less: Amounts due within one year shown under current liabilities	**234,074**	–
Amounts due after one year	**46,913**	–

In addition to bank borrowings of the subsidiary acquired during the year, the Group raised new bank loans amounting to RMB150,000,000 (equivalent to approximately HK$185,185,000) and RMB20,000,000 (equivalent to approximately HK$24,691,000) for the Hainan Launching Site Complex Zone of land development project and Shenzhen Aerospace Science & Technology Plaza of property investment project respectively during the year.

The bank borrowings carry interest at variable market rate ranging from 6.31% to 7.93% per annum.

33. OBLIGATIONS UNDER A FINANCE LEASE

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable under finance leases:				
Within one year	**66**	790	**65**	767
In more than one year but not more than two years	**—**	66	**—**	65
Less: Future finance charges	**(1)**	(24)	**N/A**	N/A
Present value of lease obligations	**65**	832	**65**	832
Less: Amount due for settlement within one year shown under current liabilities			**(65)**	(767)
Amount due for settlement after one year			**—**	65

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.

34. OTHER LOAN

THE GROUP

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

35. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Revaluation of investment properties HK$'000	Others HK$'000 *(Note)*	Total HK$'000
THE GROUP				
At 1 January 2010	3,157	129,618	(1,012)	131,763
Charge to profit or loss for the year	491	46,122	—	46,613
Charge to property revaluation reserve	—	1,893	—	1,893
Exchange differences	—	7,503	—	7,503
At 31 December 2010	3,648	185,136	(1,012)	187,772
(Credit) charge to profit or loss for the year	(56)	68,351	—	68,295
Acquired on acquisition of a subsidiary	—	—	8,175	8,175
Exchange differences	—	10,093	98	10,191
At 31 December 2011	3,592	263,580	7,261	274,433

Note: The amount mainly represents temporary differences arising on allowances for doubtful debts and deferred tax liabilities arising from fair value adjustments on assets acquired (i.e. intangible assets, prepaid lease payments and property, plant and equipment) on acquisition of subsidiaries.

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 2011, the Group has unused tax losses of approximately HK$1,126 million (2010: HK$1,166 million) available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. Included in the unrecognised tax losses, HK$1,106 million (2010: HK$1,143 million) may be carried forward indefinitely and the remaining balance will expire at various dates up to 2016.

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 approximately HK$605 million (2010: HK$426 million) starting from 1 January 2008 under the EIT Law of the PRC that requires withholding tax upon the distribution of such profits to the non-PRC 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 2011, the Company had unused tax losses of approximately HK$52 million (2010: HK$89 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.

36. SHARE CAPITAL

Authorised, issued and fully paid share capital

	Number of shares '000	**Nominal value** HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2010, 31 December 2010 and 31 December 2011	100,000,000	10,000,000
Issued and fully paid:		
At 1 January 2010	2,570,904	257,090
Issued of shares on placement *(Note)*	514,118	51,412
At 31 December 2010 and 31 December 2011	3,085,022	308,502

Note: On 18 February 2010, the Company allotted and issued 514,118,000 ordinary shares of HK$0.10 each at a price of HK$1.13 per share as a result of the completion of the placing and subscription agreement in respect of a top-up placement of shares entered into among the Company, a substantial shareholder and a placing agent on 4 February 2010. All the shares which were issued during the period rank pari passu with the then existing shares in all aspects.

37. 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.

37. RESERVES (continued)

THE GROUP AND THE COMPANY (continued)

Share premium (continued)

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

The Company provided an undertaking that in the event of the Company makes any future recoveries in respect of the assets, in respect of which provisions for impairment 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

37. RESERVES (continued)

THE GROUP AND THE COMPANY (continued)

Share premium (continued)

(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.

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 2010	336,286	630,977	1,080	572,686	1,541,029
Profit and total comprehensive income for the year	—	—	—	133,301	133,301
Issue of shares in placing and subscription agreement	529,541	—	—	—	529,541
Expenses incurred in connection with issue of shares	(20,898)	—	—	—	(20,898)
Dividend recognised as distribution	—	—	—	(61,700)	(61,700)
At 31 December 2010	844,929	630,977	1,080	644,287	2,121,273
Profit and total comprehensive income for the year	—	—	—	281,549	281,549
Dividend recognised as distribution	—	—	—	(30,850)	(30,850)
At 31 December 2011	844,929	630,977	1,080	894,986	2,371,972

Notes:

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

(b) The Company's reserves available for distribution to shareholders as at 31 December 2011 comprised the retained profits of HK$894,986,000 (2010: HK$644,287,000).

38. ACQUISITION OF A SUBSIDIARY

During the year, the Group acquired 55% shareholding in 深圳瑞華泰薄膜科技有限公司 (Shenzhen Rayitek Hi-tech Film Company Limited) ("Shenzhen Rayitek") which is principally engaged in manufacture of and trading of polyimide films and related composite materials. The aggregate consideration of acquiring a 55% shareholding in Shenzhen Rayitek was cash consideration of RMB63,040,000 (equivalent to approximately HK$76,906,000). This acquisition allows the Group to develop polyimide films, a new materials business, with great competitiveness and profitability. Simultaneously the Group expects the acquisition will have synergy effect to the Group's Hi-Tech Manufacturing Business. This transaction was completed on 31 August 2011 and has been accounted for using the purchase method of accounting. The amount of goodwill arising on acquisition was HK$50,396,000.

Acquisition-related costs amounting to HK$734,000 were excluded from the consideration transferred and were recognised as expenses in the current year, within the administrative expenses. The assets and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Net assets acquired:	
Intangible assets	21,959
Prepaid lease payments	29,157
Property, plant and equipment	163,512
Inventories	9,596
Trade and other receivables	18,567
Bank balances and cash	2,698
Trade and other payables	(41,419)
Amounts due to former shareholders	(74,498)
Bank borrowings	(73,198)
Deferred taxation	(8,175)
	48,199

The fair value of trade and other receivables at the date of acquisition amounted to HK$18,567,000. The gross contractual amounts of those trade and other receivables acquired amounted to HK$18,567,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows expected to be collected amounted to HK$18,567,000.

	HK$'000
Consideration transferred	76,906
Plus: non-controlling interests (45% in Shenzhen Rayitek)	21,689
Less: Net assets acquired	(48,199)
Provisional goodwill arising on acquisition	50,396

The non-controlling interests (45%) in Shenzhen Rayitek recognised at the acquisition date was measured by reference to the share of the fair value of the identifiable assets acquired and the liabilities assumed which amounted to HK$21,689,000.

38. ACQUISITION OF A SUBSIDIARY (continued)

Goodwill arose in the acquisition of Shenzhen Rayitek is attributable to the anticipated profitability of the polyimide films and related products in the new market, manufacturing and aerospace sector. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected revenue growth and future market development of Shenzhen Rayitek. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on this acquisition is on provisional basis, subject to the finalisation of the valuation of intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

	HK$'000
Net cash outflow arising on acquisition:	
Cash consideration paid	76,906
Bank balances and cash acquired	(2,698)
	74,208

Included in the profit for the year is a loss of HK$2,403,000 attributable to the additional business generated by Shenzhen Rayitek. Revenue for the year includes HK$20,843,000 generated from Shenzhen Rayitek.

Had the acquisition been completed on 1 January 2011, total group revenue for the year would have been HK$2,215,245,000, and profit for the year would have been HK$470,199,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2011, nor is it intended to be a projection of future results.

In determining the 'pro-forma' revenue and profit of the Group had Shenzhen Rayitek been acquired at the beginning of the current year, the directors have calculated depreciation of plant and equipment and amortisation of intangible assets acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the preacquisition financial statements.

39. DISPOSAL OF A SUBSIDIARY

During the year, the Group disposed of its interests in a subsidiary, CASIL Satellite Holdings Limited ("CASIL Satellite"), which was engaged in investment holding and its major assets are available-for-sale investments, to China Great Wall Industry (Hong Kong) Corp. Limited ("Great Wall"), an indirect wholly-owned subsidiary of China Aerospace Science & Technology Corporation ("CASC") at a cash consideration of HK$132,300,000, determined in accordance with a sale and purchase agreement entered with Great Wall in March 2011. The completion of the disposal is in September 2011 upon the fulfillment of the conditions, among others, waiver from general offer from the Securities and Futures Commission of Hong Kong as well as approvals from the relevant governmental authorities in the PRC. CASC is a substantial shareholder of the Company and has the ability to exercise significant influence over of the Group.

Analysis of assets and liabilities over which control was lost:

	22.9.2011 HK$'000
Available-for-sale investments	78,975
Bank balances and cash	14
Other payables	(28)
	78,961
Reclassification adjustment:	
— Investment revaluation reserve	(50,183)
— Translation reserve	2,797
	31,575
Gain on disposal	100,592
Transaction cost incurred	133
Consideration received	132,300
Net cash inflow arising on disposal:	
Cash consideration	132,300
Transaction cost paid	(133)
Bank balances and cash disposed of	(14)
	132,153

Included in the gain on disposal of a subsidiary is an amount of HK$103,389,000 attributable to gain on disposal of available-for-sale investments.

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as 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 borrowings disclosed in notes 32 and 34, net of cash and cash equivalents, 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.

41. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Fair value through profit or loss				
Held for trading	**62,911**	2,864	**—**	—
Loans and receivables				
(including cash and cash equivalents)	**1,617,606**	2,001,143	**2,335,155**	2,313,029
Available-for-sale investments	**42,264**	173,040	**9,000**	—
Interests in associates	**12,346**	—	**—**	—
Financial liabilities				
Amortised cost	**833,096**	484,552	**213,605**	225,206

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, financial assets at fair value through profit or loss, bank balances and cash, trade and other payables, amount due to an associate, obligations under a finance lease, bank borrowings 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, available-for-sale investments, 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.

41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk

Interest rate risk

The Group is mainly exposed to cash flow interest rate risk in relation to floating-rate bank borrowings (see note 32 for details). The Company is exposed to fair value interest rate risk in relation to the non-current amounts due from subsidiaries which are interest free and will not be repayable within one year (see note 17 for details). In addition, the Group and the Company are also exposed to cash flow interest rate risk in relation to the fluctuation of the prevailing market interest rate on bank balances. However, the management consider the Group's and the Company's exposure of the bank balances is not significant as interest bearing bank balances are within short maturity period and thus it is not included in sensitivity analysis.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to cash flow interest rate risk for bank borrowings after considering the impact of interest expenses being capitalised as land development expenditure. For variable-rate bank borrowings, the analysis is prepared assuming the stipulated changes taking place at the beginning of the financial year and held constant throughout the reporting period. A 50-basis-point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit after taxation for the year ended 31 December 2011 would decrease/increase by HK$267,000 (2010: nil).

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 aerospace and energy sector (2010: aerospace and 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 (excluding those available-for-sale investments stated at cost) at the end of the reporting period.

If the prices of the financial assets at fair value through profit or loss had been 10% (2010: 10%) higher/lower, the Group's profit for the year ended 31 December 2011 would increase/decrease by HK$5,253,000 (2010: HK$239,000) 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% (2010: 10%) higher/lower, the Group's investment revaluation reserve would increase/decrease by HK$3,326,000 (2010: HK$17,304,000) as a result of the changes in fair value of available-for-sale investments for the year ended 31 December 2011.

41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Foreign currency risk

Foreign currency risk refers to the risk that movement in foreign currency exchange rate which will affect the Group's financial results and its cash flows. The management considers the Group is not exposed 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.

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

	Assets		Liabilities	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
THE COMPANY				
RMB	**794,242**	607,682	**57,990**	42,573

Sensitivity analysis

The sensitivity analyses below details the Company's sensitivity to a 5% (2010: 5%) increase and decrease in Hong Kong dollars against RMB. 5% (2010: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign currency rate.

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

	Increase (decrease) in profit after taxation
	HK$'000
2011	
— if Hong Kong dollars weaken against RMB	**30,739**
— if Hong Kong dollars strengthen against RMB	**(30,739)**
2010	
— if Hong Kong dollars weaken against RMB	23,593
— if Hong Kong dollars strengthen against RMB	(23,593)

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

41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2011 and 2010 in relation to each class of recognised financial assets is the carrying amount of these assets as stated in the statements of financial position.

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

At 31 December 2011, the Company also has significant concentration of credit risk which has an amount of HK$2,200,971,000 (2010: HK$2,096,201,000) due from a number of subsidiaries. The directors of the Company has closely monitored and reviewed the recoverability of the amounts and the directors of the Company consider such risk is significantly reduced.

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.

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. The credit risk on liquid funds is limited because the counterparties are banks 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. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by yield curves existing at the end of the reporting period. 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.

41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables

	Weighted average interest rate %	On demand and less than 1 month HK$'000	1 month to 1 year HK$'000	1–5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
THE GROUP						
At 31 December 2011						
Financial liabilities						
Non-interest bearing	—	210,752	341,292	—	552,044	552,044
Bank borrowings						
— variable rate	6.69	1,198	239,876	53,443	294,517	280,987
Finance lease	5.00	66	—	—	66	65
		212,016	581,168	53,443	846,627	833,096
At 31 December 2010						
Financial liabilities						
Non-interest bearing	—	230,475	253,245	—	483,720	483,720
Finance lease	5.00	64	726	66	856	832
		230,539	253,971	66	484,576	484,552

	Weighted average interest rate %	On demand and less than 1 month HK$'000	1 month to 1 year HK$'000	1–5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
THE COMPANY						
At 31 December 2011						
Financial liabilities						
Non-interest bearing	—	213,605	—	—	213,605	213,605
At 31 December 2010						
Financial liabilities						
Non-interest bearing	—	225,206	—	—	225,206	225,206

41. FINANCIAL INSTRUMENTS (continued)

c. Fair value

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

- the fair value of financial assets with standard terms and conditions and traded in active liquid markets is determined with reference to quoted market bid prices; and

- the fair values of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The classification of the Group's financial assets at 31 December 2011 and 2010 using the fair value hierarchy is Levels 1 and 2 (see notes 22 and 27). 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.

42. PLEDGE OF ASSETS

At 31 December 2011, bank deposits of HK$24,942,000 (2010: HK$43,529,000), plant and equipment of HK$109,574,000 (2010: nil), land use right of HK$14,556,000 (2010: nil) and investment properties with an aggregated carrying amount of HK$1,817,284,000 (2010: nil) respectively were pledged to banks to secure general banking facilities and loan facilities granted to the Group.

43. COMMITMENTS

	THE GROUP	
	2011	2010
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
— acquisition of property, plant and equipment	**25,425**	14,281
— acquisition of an intangible asset	**11,023**	—
— properties under construction	**1,102,392**	48,556
	1,138,840	62,837
Capital expenditure authorised but not contracted for		
— properties under construction	**553,467**	1,727,669

In addition, at 31 December 2011, the Group has committed investment of approximately HK$832,827,000 (2010: HK$1,189,000,000) for the Hainan Launching Site Complex Zone project in Wenchang City, Hainan Province as detailed in note 23.

44. 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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**10,173**	10,136	**1,306**	2,593
In the second to fifth year inclusive	**17,658**	18,249	**—**	1,298
Over five years	**30,972**	30,928	**—**	—
	58,803	59,313	**1,306**	3,891

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 a 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 a term of 2 years.

The Group as lessor

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

	2011	2010
	HK$'000	HK$'000
Within one year	**6,223**	5,861
In the second to fifth year inclusive	**951**	5,137
	7,174	10,998

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

45. 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 (2010: 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 of HK$8,202,000 (2010: HK$7,085,000) represents contribution to the schemes by the Group at the rates specified in the rules of the schemes.

46. RELATED PARTY TRANSACTIONS

Balances of related parties of the Company and the Group 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.

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled or significantly influenced by the PRC government (hereinafter collectively referred to as "government-related entities"). The Company's substantial shareholder with significant influence over the Group, CASC, is a state-owned enterprise under the direct supervision of the State Council of the PRC. During the year, except as disclosed below, the Group did not have any individually significant transactions with other government-related entities in its ordinary and usual course of business.

Transactions with the CASC Group

During the year, the Group entered into a facility ("Facility") with a syndicate of financial institutions including Aerospace Science & Technology Finance Company Limited ("航天科技財務有限責任公司"), a subsidiary of CASC, and certain government-related banks (together "Finance Syndicate") for a bank guarantee of up to RMB150,000,000 and advances of RMB1,350,000,000 for the construction of Shenzhen Aerospace Science & Technology Plaza for a period of 5 years from the first drawdown date. The land use right of Shenzhen Aerospace Science & Technology Plaza has been mortgaged in favour of the Finance Syndicate as security. As at 31 December 2011, the Group has drawn down RMB20,000,000 (equivalent to approximately HK$24,691,000) (2010: nil).

During the year, the Group disposed of its interest in a subsidiary, CASIL Satellite to China Great Wall Industry (Hong Kong) Corp. Limited, an indirectly wholly-owned subsidiary of CASC at a cash consideration of HK$132,300,000 and a gain on disposal of HK$100,592,000 is recognised in profit or loss (see note 39).

During the year, the Group contributed a sum of RMB10,000,000 (equivalent to approximately HK$11,933,000) in relation to the formation of 航天新商務信息科技有限公司 ("航天新商務信息科技") (see note 48), representing approximately 15.7% shareholding of 航天新商務信息科技. CASC and its related companies also contributed a sum of RMB20,000,000 (equivalent to approximately HK$23,866,000) and RMB32,000,000 (equivalent to approximately HK$38,186,000) in 航天新商務信息科技, representing approximately 31.5% and 50.2% shareholding in 航天新商務信息科技 respectively.

During the year ended 31 December 2010, the Group acquired an additional 35% equity interest in 海南航天投資管理有限公司 at a consideration of RMB45,583,400 (equivalent to approximately HK$52,446,000) from 航天時代置業發展有限公司, a subsidiary of CASC.

Transactions with other government-related entities

Apart from the transactions with CASC Group which have been disclosed above, the Group also conducts business with other government-related entities.

The Group has deposits placements, borrowings and other general banking facilities, with certain banks which are government-related entities in its ordinary course of business. Other than the substantial amount of bank balances, bank borrowings (note 32), the Facility with these banks, Land Development Project with the Wenchang Government (note 23) and waiver of debts (note 7) upon the fulfilment of repayment terms specified in a debt restructuring deed with a bank controlled by government-related entities in prior year, transactions with other government-related entities are individually insignificant.

Compensation of key management personnel

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

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2011 and 2010 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 Company %	Principal activities
Incorporated and operating in Hong Kong:					
CASIL Clearing Limited	HK$10,000,000	100	—	100	Provision of treasury services
CASIL Hainan Holdings Limited	HK$1	—	100	100	Investment holding
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	HK$1,000,000	100	—	100	Investment holding and property investment
Chee Yuen Industrial Company Limited	HK$20,000,000	—	100	100	Distribution of plastic and metal products and moulds
Digilink Systems Limited[ΔΔ]	HK$60,000,000	100	—	100	Investment holding
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
Incorporated in the British Virgin Islands and operating in Hong Kong:					
Sinolike Investments Limited	US$1	100	—	100	Investment holding

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Details of the Company's principal subsidiaries at 31 December 2011 and 2010 are as follows: (continued)

		Percentage of equity			
Name of subsidiary	Nominal value of issued ordinary share capital/ registered capital	held by the Company %	held by subsidiaries %	attributable to the Company %	Principal activities
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	—	100	100	Land development
深圳瑞華泰薄膜科技有限公司Δ##	RMB30,000,000	—	55	55	Manufacturing and distribution of polyimide films and related composite materials
航天數聯信息技術(深圳)有限公司#ΔΔ	HK$50,000,000	—	100	100	Development and sale of software and related products

\# Wholly foreign-owned enterprises registered in the PRC
\## Sino-foreign joint equity enterprises registered in the PRC
Δ Enterprise acquired during 2011
ΔΔ Enterprise established during 2011
* Enterprise disposed of during 2011

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.

48. PARTICULARS OF ASSOCIATES

Details of the Group's associates at 31 December 2011 and 2010 are as follows:

Name of associate	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group %	Principal activities
Registered and operating in the PRC:			
航天新商務信息科技有限公司*	RMB63,800,000	15.7	Provision of information service
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

* This associate was formed in 2011. The Group has the ability to exercise significant influence over this associate because it has the power to appoint one representative in the board of that company. Accordingly, it is regarded as an associate of the Group.

49. PARTICULARS OF A PRINCIPAL JOINTLY CONTROLLED ENTITY

Details of the Group's principal jointly controlled entity at 31 December 2011 and 2010 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.

RESULTS

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**2,187,006**	1,879,745	1,361,045	1,707,919	1,681,854
Profit before taxation	**564,047**	419,464	680,888	153,777	356,380
Taxation	**(86,372)**	(75,335)	(141,050)	(12,524)	(45,986)
Profit for the year	**477,675**	344,129	539,838	141,253	310,394
Attributable to:					
Owners of the Company	**404,772**	292,478	393,940	144,596	310,037
Non-controlling interests	**72,903**	51,651	145,898	(3,343)	357
	477,675	344,129	539,838	141,253	310,394

ASSETS AND LIABILITIES

	At 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**3,994,652**	2,869,896	2,293,318	1,707,564	1,212,880
Current assets	**1,922,948**	2,204,647	1,831,762	1,543,889	1,795,156
Current liabilities	**(976,396)**	(763,942)	(760,601)	(628,087)	(748,239)
Non-current liabilities	**(321,346)**	(187,837)	(132,595)	(139,727)	(178,744)
Shareholders' funds	**4,619,858**	4,122,764	3,231,884	2,483,639	2,081,053
Attributable to:					
Owners of the Company	**3,925,917**	3,550,532	2,690,430	2,149,954	2,001,606
Non-controlling interests	**693,941**	572,232	541,454	333,685	79,447
	4,619,858	4,122,764	3,231,884	2,483,639	2,081,053

APPENDIX II INVESTMENT PROPERTIES

Location	Lot number	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 Floor 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	12,619	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
LONG TERM LEASE IN THE PRC				
Level 8, Zhong Hai Building Zhong Hai Hua Ting North Zone No. 399 Fu Hua Road Futian District Shenzhen Guangdong Province China	—	Office	1,043	100