CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Stock Code: 31)

2013 ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr Li Hongjun *(President)*
Mr Jin Xuesheng

Non-Executive Directors

Mr Zhang Jianheng *(Chairman)*
Mr Luo Zhenbang *(Independent)*
Ms Leung Sau Fan, Sylvia *(Independent)*
Mr Wang Xiaojun *(Independent)*
(appointed on 22 March 2013)
Mr Chen Xuechuan
Mr Shi Weiguo
Mr Wu Zhuo *(Vice Chairman)*
(retired on 31 March 2014)
Mr Wang Junyan *(Independent)*
(resigned on 22 March 2013)

AUDIT COMMITTEE

Mr Luo Zhenbang *(Chairman)*
Ms Leung Sau Fan, Sylvia
Mr Shi Weiguo

REMUNERATION COMMITTEE

Ms Leung Sau Fan, Sylvia *(Chairman)*
Mr Wang Xiaojun *(appointed on 22 March 2013)*
Mr Chen Xuechuan
Mr Wang Junyan *(resigned on 22 March 2013)*

NOMINATION COMMITTEE

Mr Zhang Jianheng *(Chairman)*
Mr Luo Zhenbang
Ms Leung Sau Fan, Sylvia
Mr Wang Xiaojun *(appointed on 22 March 2013)*
Mr Chen Xuechuan
Mr Wang Junyan *(resigned on 22 March 2013)*

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

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18 Tak Fung Street, Hung Hom
Kowloon, Hong Kong
Tel: (852) 2193 8888
Fax: (852) 2193 8899
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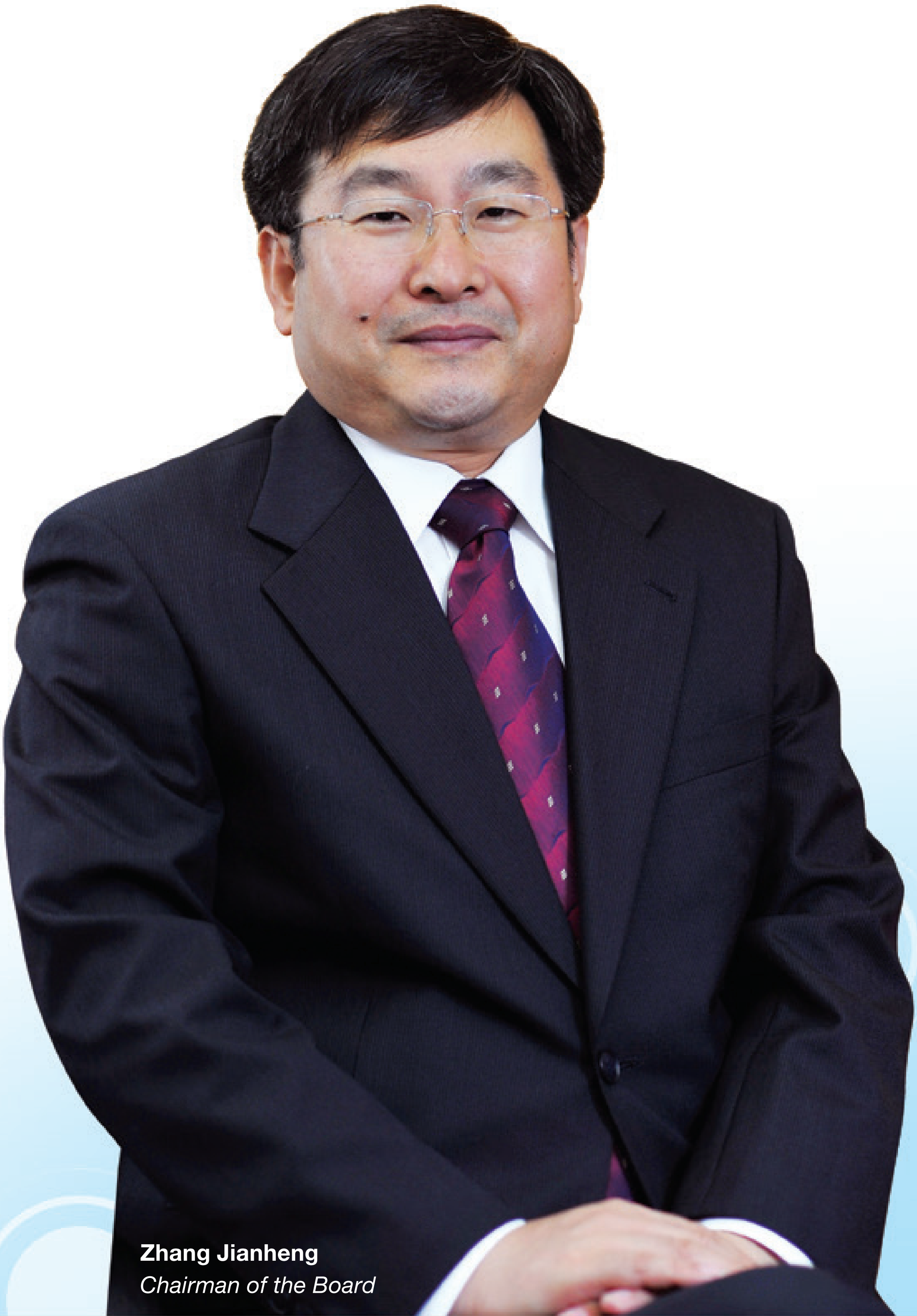
Website: http://www.casil-group.com

* These PRC entities mentioned in this Annual Report do not have English names, the English names set out herein are for identification purposes only.

CHAIRMAN'S STATEMENT



Zhang Jianheng
Chairman of the Board

CHAIRMAN'S STATEMENT

RESULTS

In 2013, the sign of stability was gradually emerged across the global economy, debt crisis in some European countries were softened, the US economy was steadily recovered and the Chinese economy continued to grow. Nevertheless, the operating environment of the Company remained challenging due to unfavourable factors such as weak global demand, slow down in the growth of Chinese economy, and continuous increase in operation cost. For the year ended 31 December 2013, the Company and its subsidiaries recorded a turnover of HK$2,611,138,000 (2012: HK$2,615,101,000), which was close to that of last year. Profit attributable to shareholders was HK$617,011,000 (2012: HK$246,725,000), representing a significant increase of approximately 150% as compared with last year.

Although the operating environment remained unfavourable, the overall profit of the Company recorded a substantial increase as compared with last year, which was mainly benefited from an increase in the fair value of investment properties under construction, the revenues generated from the introduction of strategic investors to the Hainan project, and the disposal of equity interests in APT Satellite Holdings Limited. In order to provide stable returns to shareholders, and after consideration of the cashflow of the Company, the Board recommends the payment of a dividend for the year of HK1 cent per share.

BUSINESS REVIEW

During the year, the hi-tech manufacturing business of the Company remained stable, the construction works of Shenzhen Aerospace Science & Technology Plaza were proceeding as scheduled, the development of the Complex Zone of the Launching Site in Hainan Province had made certain progress, the business of polyimide (PI) films new materials had successfully introduced strategic investors, and the internet of things business had redefined the direction of future growth.

Hi-tech Manufacturing

In 2013, the turnover of hi-tech manufacturing business amounted to HK$2,525,768,000 (2012: HK$2,491,522,000), representing an increase of 1.37% as compared with last year. Among them, revenue from intelligent charger business decreased due to the decline in orders from certain clients; revenue from plastic product business and semiconductor business remained stable as a result of expanding marketing and sales efforts and launching new products; revenue from printed circuit board business increased mainly due to the enhancement of the market share of high-end products.

Through sustainable meticulous management, continuous optimization of production flow, enhancement of work efficiency, tightened control in operating expenses, and improvement in product quality, the hi-tech manufacturing business had alleviated the pressure of cost increment and achieved a considerable increase in overall profit. In 2013, profit of the hi-tech manufacturing business amounted to HK$284,335,000 (2012: HK$251,917,000), representing an increase of 12.87% as compared with last year, a record high of the business.

Hi-tech manufacturing mainly provides manufacturing services for electronics industries. Following the rapid development in the electronics markets, hi-tech manufacturing has increased the investment in technical upgrade in order to keep abreast of market trends and to cope with the clients' needs. During the year, hi-tech manufacturing business committed approximately HK$80,000,000 for technical upgrade, which was mainly applied for facilities replacement, production capacity expansion, environmental improvement, efficiency enhancement, and production technology advancement. Such strategy injected new vitality in hi-tech manufacturing, and enhanced its cost advantages and competitiveness.

Aerospace Service Business

Shenzhen Aerospace Science & Technology Plaza

In 2013, the construction works of Shenzhen Aerospace Science & Technology Plaza project progressed smoothly, both the auxiliary building and the annex building were capped, following by the completion of the core tube of the main building on 18 January 2014. The main structure of the project sprouted around the central business district of Shenzhen Bay, and different tasks such as design, tender, construction and approval applications were proceeding in order. For the year ended 31 December 2013, the property under construction and the land use right of Shenzhen Aerospace Science & Technology Plaza were valuated at approximately HK$3,361,893,000. In order to facilitate the marketing activities after completion of the project, Shenzhen Aerospace Technology Investment Company Limited* (深圳市航天高科投資管理有限公司) ("Shenzhen Aerospace") is conducting relevant research and planning in market development of this project.

The Complex Zone of the Launching Site in Hainan Province

Hainan Aerospace Investment Management Company Limited* (海南航天投資管理有限公司) ("Hainan Aerospace") successfully introduced Hainan Expressway Co., Ltd.* (海南高速公路股份有限公司) and China Great Wall Industry Corporation* (中國長城工業集團有限公司) as new investors, which had provided a new strength for the project development of the Complex Zone of the Launching Site in Hainan Province and Hainan Space Park. Hainan Aerospace worked with the local government to promote expropriation of land, which was almost completed. In regard to construction of resettlement zones, site preparation and infrastructure construction were basically completed, and construction of resettlement zones was proceeding as planned.

Hainan Aerospace entered into a project consultant service contract with Shenzhen OCT Tourism Planning Consultancy Company Limited ("OCT") in early 2013. OCT successively provided professional advice on the general development planning of the Complex Zone of the Launching Site in Hainan Province, and put forward general concept planning, project planning, implementation scheme and preliminary scheme for the design of the core project of Hainan Space Park.

Incubation Project

New Materials

Shenzhen Rayitek Hi-tech Film Company Limited* (深圳瑞華泰薄膜科技有限公司) ("Shenzhen Rayitek") is committed to engaging in research, production and operation of high-performance polyimide films. In 2013, Shenzhen Rayitek recorded a turnover of HK$76,134,000, representing a decrease of 10.17% as compared with last year; adjustment of the product mix achieved favourable results, breakthrough on research and development as well as preproduction of high-performance polyimide films was made, and certain new products had entered into the stage of trial production stage.

In order to expand production capacity and strengthen the position in domestic market, Shenzhen Rayitek introduced three strategic investors, being SDIC High-Tech Investment Co., Ltd.* (國投高科技投資有限公司) ("SDIC High-Tech"), Shanghai Liansheng Venture Capital Co. Ltd.* (上海聯升創業投資有限公司) ("Shanghai Liansheng"), and Institute of Chemistry, Chinese Academy of Sciences ("ICCAS"), together with the increase in capital investment by 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 wholly-owned subsidiary of the Company, and Shenzhen Taiju Technology Investment Management Partnership Company (Limited Partnership)* (深圳泰巨科技投資管理合夥企業(有限合夥)), a company established by the management of Shenzhen Rayitek. Each investor had made a contribution to the registered capital of Shenzhen Rayitek either in cash or with technical patents, which amounted to an aggregate of RMB267,532,400. This capital increase had introduced two professional investment funds, namely SDIC High-Tech and Shanghai Liansheng, which diversified and expanded the shareholding structure as well as the capital base of Shenzhen Rayitek, whereas ICCAS made a contribution by patent rights and undertook to Shenzhen Rayitek that it will take Shenzhen Rayitek as the sole

CHAIRMAN'S STATEMENT

industrialization and commercial platform of polyimide film products, which will enhance the research and development capability of the company. The capital increase has facilitated Shenzhen Rayitek to strengthen its capital and technological capacity, and will benefit its long term development.

Internet of Things

In 2013, Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術(深圳)有限公司) ("Aerospace Digitnexus") perfected development of the core structure of the internet of things intelligent software platform and certain related functional modules, and obtained several new patent rights. Aerospace Digitnexus also completed Sichuan Forestry Alert Project, Supply Chain Management System Project of China Construction Steel Structure Corporation Limited* (中建鋼構有限公司) and Information Safety Demonstration Project of Kaidi Electric Power, and successfully entered into the warehouse informatization market. During the year, the operating results of Aerospace Digitnexus suffered from a loss. In response to this, the company adopted measures in a timely manner to adjust the operational strategy and corporate structure and redefined the direction of future growth.

PROSPECT

The Company's hi-tech manufacturing business has taken a solid stride forward with the aim of paving the way for future development. In order to capitalize on the opportunities emerging from the rapid development of the consumer-oriented portable communication devices and automobile industry markets in recent years, as well as enhancing its market competitiveness and ensuring sustainable development, the Company has drawn up plans to build a new-generation manufacturing base for High Density Interconnector (HDI) printed circuit boards, invest in building environment-friendly automated electroplating facilities and revamp its semi-automatic high-end LCD production lines, while carrying on a series of other technical upgrade projects. The execution of these expansion plans and technical upgrade projects will bring in new opportunities for our hi-tech manufacturing business, foster new breakthrough and take this business to a higher level.

For the project of Shenzhen Aerospace Science & Technology Plaza, Shenzhen Aerospace will ensure optimal management over the implementation of mechanical and electrical engineering works, curtain wall installation, decoration engineering and so on, aiming at successful completion of the construction work while ensuring safety, quality and progress. Along with the construction progress, Shenzhen Aerospace will increase its marketing efforts by kicking off planning on the property sales and leasing while hiring professional real estate agents and property management companies to assist in starting up relevant works.

With the successful introduction of strategic investors, Hainan Aerospace, a former subsidiary of the Company, becomes a joint venture of the Company and the other shareholders, accordingly the Company will make appropriate adjustments to its management approach with Hainan Aerospace. The construction of the Complex Zone of the Launching Site in Hainan Province will continue as planned, of which Hainan Aerospace will complete the construction of resettlement zones, enhance its project financing capability, and launch the construction of the aerospace theme park project. In recent years, the remarkable changes in the external environment and the tightened policy that were continuously imposed by the Chinese Government to regulate the real estate market have constituted impact on the original business model of the project to a certain extent. While the primary development of the Complex Zone of the Launching Site in Hainan Province is completed progressively, the Company will work closely with the shareholders of Hainan Aerospace in seeking support from China Aerospace Science & Technology Corporation ("CASC") and Hainan Provincial Government, improve the business model of the Complex Zone project, and make appropriate strategic adjustment so as to adapt to the long-term development strategy of the Company while maintaining effective risk control.

Aerospace Digitnexus will adopt new business strategies, which is to follow the direction of its four pillar businesses, i.e. Forestry IT System, Warehousing IT System, Intelligent Security System and Vehicle Logistics Management System, while focusing on penetrating the inventory and logistics, as well as the security markets, in striving for a significant improvement in its operating results.

Shenzhen Rayitek is entering a new development stage. With the unwavering support of Shenzhen Rayitek's shareholders, it is blessed to have a bright future and will become a fairly potential investment of the Company.

The year of 2014 is a milestone in the Company's "Twelfth Five Year Plan" development course as well as a starting point of its "Thirteenth Five Year Plan" campaign. The Company will carefully review its course of development and will formulate a blueprint of future development based on its principal businesses. The Company will also vigorously develop its hi-tech manufacturing business, steadily promote its aerospace service business which mainly consists of science and technology, tourism and culture driven real estate business, actively pursue new projects with prospects, and consolidate the foundation of long-term development.

Looking forward, the Company has definite confidence of the future. With the support of CASC, the Company will better perform its role as an overseas capital operation platform, do its most in contributing to the globalization process of CASC and generate satisfactory returns for the Company's shareholders.

APPRECIATION

Mr Wu Zhuo will resign as director of the Company by the end of March 2014. On behalf of the Board, I would like to express the highest respect and my sincere gratitude to Mr Wu Zhuo for his invaluable contributions to the Company during the tenure of his service as Chairman and Vice Chairman.

Furthermore, the Company would like to express its heartfelt thanks to all its employees, and shareholders, banks, business partners and all other people from the society who have rendered support to the Company's development.

By order of the Board,

Zhang Jianheng
Chairman

Hong Kong, 21 March 2014

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS PERFORMANCE

The audited turnover of the Company and the subsidiaries for the year ended 31 December 2013 was HK$2,611,138,000, being more or less the same as compared with that of HK$2,615,101,000 for 2012. The profit for the year was HK$742,968,000, representing a significant increase of 149% as compared with that of HK$298,011,000 for 2012.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Profit attributable to shareholders of the Company was HK$617,011,000, representing a significant increase of 150% as compared with that of HK$246,725,000 for 2012. The significant increase in profit was mainly due to increase in the gain in the fair value of investment properties, and the profit generated from the enlarged registered capital of Hainan project through the introduction of investors and the disposal of the remaining shares of APT Satellite Holdings Limited.

Based on the issued share capital of 3,085,022,000 shares during the year, the basic earnings per share was HK$0.20, representing a significant increase of 150% as compared with that of HK$0.08 for 2012.

DIVIDENDS

The Board proposed the distribution of 2013 final dividend of HK1 cent per share in March 2014, subject to the approval by shareholders at the annual general meeting to be held on 23 May 2014. If approved, warrants of which will be dispatched to all shareholders on or about 17 June 2014.

The 2012 final dividend of HK1 cent per share had been approved by shareholders at the annual general meeting in May 2013 and warrants of which were dispatched to all shareholders on 26 June 2013.

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 that contributes a significant profit and cash flow. This has enabled the Company to fulfill gradual development of the business of aerospace services and other new businesses such as science and technology, tourism and culture driven real estate business, so as to achieve the Company's new development target and minimize single business risk.

HI-TECH MANUFACTURING

Hi-tech Manufacturing

The turnover of the hi-tech manufacturing in 2013 was HK$2,525,768,000, representing an increase of 1.37% as compared with last year; the operating profit was HK$284,335,000, representing an increase of 12.87% as compared with last year. The results of the hi-tech manufacturing are shown below:

	Turnover			Operating Profit		
	2013	2012	Changes	**2013**	2012	Changes
	HK$'000	HK$'000	%	**HK$'000**	HK$'000	%
Plastic Products	**855,248**	846,598	1.02	**68,112**	67,424	1.02
Printed Circuit Boards	**561,888**	507,340	10.75	**127,166**	107,716	18.06
Intelligent Chargers	**732,377**	764,975	(4.26)	**51,132**	49,007	4.34
Liquid Crystal Display	**361,723**	358,866	0.80	**16,271**	13,420	21.24
Industrial Property Investment	**14,532**	13,743	5.74	**21,654**	14,350	50.90
Total	**2,525,768**	2,491,522	1.37	**284,335**	251,917	12.87

Looking forward to 2014, the Company will continue to strengthen the marketing development and the management, enhance productivity and control costs, so as to ensure the hi-tech manufacturing to have a stable growth continuously.

New Materials

In 2013, the turnover of Shenzhen Rayitek was HK$76,134,000 and an operating profit of HK$4,844,000 was recorded. On 19 December 2013, Shenzhen Rayitek introduced several strategic investors and together with the existing shareholders to increase the capital by a sum of RMB267,532,400, which helped strengthening the ability of its future development. As at 31 December 2013, the capital increase had not yet completed. Except that one of the shareholders' second term capital increase is yet to be due pursuant to the agreement, the deadline of which is 31 May 2014, the rest capital increase has been completed in January 2014. The equity interest of New Century in Shenzhen Rayitek is reduced from 55% to 44.48%. Shenzhen Rayitek is no longer a subsidiary of New Century nor an indirect subsidiary of the Company. Upon completion of all the capital increase, the equity interests of New Century in Shenzhen Rayitek will further decrease to 42.75%.

AEROSPACE SERVICE BUSINESS

The Complex Zone of the Launching Site in Hainan Province

In 2013, Hainan Aerospace Investment Management Company Limited* (海南航天投資管理有限公司) ("Hainan Aerospace") continued to assist the government in the rest of land expropriation. Basically, most of land expropriation had been completed. In relation to the construction of resettlement zone, the planning and design of various preliminary works had been completed, the related permits had also been obtained and the construction commenced accordingly. The construction of the resettlement zone is going to be completed subsequently. All matters relating to the introduction of strategic investors by the Company into Hainan Aerospace were completed in March 2013. Upon completion of the subscription, Hainan Aerospace is no longer a subsidiary of the Company and becomes that of a joint venture.

Shenzhen Aerospace Science & Technology Plaza

In 2013, Shenzhen Aerospace Technology Investment Company Limited* (深圳市航天高科投資管理有限公司) ("Shenzhen Aerospace") progressed the construction work of Shenzhen Aerospace Science & Technology Plaza as planned. As at 31 December 2013, both the auxiliary building and the annex building were topped out, and the core tube of the main building was topped out in January 2014 as well. In 2014, Shenzhen Aerospace will continue to step up those construction works, decoration and tendering works, striving for early completion of the work.

Shenzhen Aerospace recorded a fair value gain of investment property of HK$514,175,000 in 2013. As at 31 December 2013, the property under construction and land use right of Shenzhen Aerospace Science & Technology Plaza was valuated at approximately HK$3,361,893,000.

Internet of Things

In 2013, Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術(深圳)有限公司) ("Aerospace Digitnexus") still remained in a preliminary development stage. It had completed research and development of software platform and gradually had more practical knowledge in core technology, products and markets. These set a clearer concept for future development. In 2014, Aerospace Digitnexus will reset the target of products, conduct matching of technology capability with markets, seek truth from facts in planning the direction and plan of development in order to strive for the realization of profit.

Aerospace Digitnexus recorded a turnover of HK$7,401,000 and an operating loss of HK$39,274,000 in 2013, which was mainly the amortization of intangible assets and payment of administrative fees etc..

ASSETS

As at 31 December 2013, the audited total assets of the Company and the subsidiaries were HK$8,687,180,000, of which the non-current assets were HK$5,842,135,000, representing an increase of 26.99% as compared with that of HK$4,600,412,000 as at 31 December 2012. The current assets were HK$2,845,045,000, representing an increase of 39.81% as compared with that of HK$2,034,947,000 as at 31 December 2012. The increase in non-current assets was mainly due to the increase in fair value of investment properties and construction cost, and newly purchase of land use right, whereas the increase in current assets was mainly due to the increase in bank deposits and trade receivables. The equity attributable to shareholders of the Company was HK$4,696,014,000 representing an increase of 14.03% as compared with that of HK$4,118,102,000 as at 31 December 2012. Based on the issued share capital of 3,085,022,000 shares during the year, the net assets per share attributable to shareholders of the Company was HK$1.52.

As at 31 December 2013, a cash deposit of the Company and the subsidiaries of approximately HK$20,075,000 had been pledged to banks to obtain credit facilities, Shenzhen Aerospace had obtained a syndicated loan by securing the land use right and property under construction thereof at value of RMB2,629,000,000 to a syndicate comprising banks and a financial institution, and Shenzhen Rayitek had pledged its plant and equipment and land use right at the book value of HK$99,228,000 and HK$16,950,000 respectively to Aerospace Science & Technology Finance Company Limited* (航天科技財務有限責任公司) to secure general banking facilities, of which the loan had been repaid in full in January 2014.

LIABILITIES

As at 31 December 2013, the total liabilities of the Company and the subsidiaries were HK$3,120,454,000, of which the non-current liabilities were HK$1,917,086,000, representing an increase of 182.98% as compared with that of HK$677,456,000 as at 31 December 2012, the current liabilities were HK$1,203,368,000, representing an increase of 7.71% as compared with that of HK$1,117,212,000 as at 31 December 2012. The increase in non-current liabilities was mainly due to the drawdown of a loan from a substantial shareholder, and the increase in bank loans and deferred tax, whereas the increase in current liabilities was mainly due to the increase in trade payables resulting from the increase in purchase correspondingly and payables for the construction costs of Shenzhen Aerospace Science & Technology Plaza. As at 31 December 2013, the Company and the subsidiaries had bank and other borrowings of HK$1,371,227,000.

Shenzhen Aerospace entered into a syndicated loan agreement of RMB1,500,000,000 with a syndicate of financial institutions in 2011 for the payment of construction costs of Shenzhen Aerospace Science & Technology Plaza. With the comprehensive commencement of the construction works, the construction costs will increase significantly. Shenzhen Aerospace will gradually drawdown the loan to pay the construction costs. Therefore, the relevant bank debt will gradually increase. As at 31 December 2013, Shenzhen Aerospace had drawn down the loan in the amount of RMB469,300,000.

OPERATING EXPENSES

The administrative expenses of the Company and the subsidiaries in 2013 were HK$312,932,000, representing an increase of 7.52% as compared with last year, which was mainly due to the increase in market development expense and human resources expense. The financial costs amounted to HK$56,269,000, of which HK$23,126,000 and HK$1,966,000 had been capitalized and recorded as the construction cost of Shenzhen Aerospace Science & Technology Plaza and the land development cost of the Hainan project respectively.

CONTINGENT LIABILITIES

As at 31 December 2013, the Company and the subsidiaries did not have any other material contingent liabilities.

FINANCIAL RATIOS

	2013	2012
Gross Profit Margin	**20.98%**	19.65%
Return on Net Assets	**13.35%**	6.16%

	31 December 2013	31 December 2012
Assets-Liabilities Ratio	**35.92%**	27.05%
Current Ratio	**2.36**	1.82
Quick Ratio	**2.15**	1.60

LIQUIDITY

The source of funds of the Company and the subsidiaries mainly relies on internal resources, banking facilities and short term deposits. The free cash, bank balance and short-term bank deposits as at 31 December 2013 amounted to HK$1,905,134,000, the majority of which were in Hong Kong Dollars and Renminbi.

CAPITAL EXPENDITURE AND INVESTMENT COMMITMENT

As at 31 December 2013, the capital commitments of the Company and the relevant subsidiaries contracted for but not provided in the consolidated financial statements was HK$660,940,000, 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, Shenzhen Aerospace will draw down the syndicated loan by stages to settle related construction costs.

As at 31 December 2013, the investment commitments of Hainan Aerospace in the project of the Complex Zone of the Launching Site in Hainan Province was HK$383,529,000.

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.

As at 31 December 2013, the Company and the subsidiaries have a total of approximately 6,130 employees based in the Mainland China and Hong Kong respectively.

APPRECIATION

The Company would like to express its heartfelt thanks to all its employees, and shareholders, banks, business partners and all other people from the society who have rendered support to the Company's development.

By order of the Board,

Li Hongjun
Executive Director and President

Hong Kong, 21 March 2014

CORPORATE GOVERNANCE REPORT

The Company had complied throughout the reporting period with the provisions of the *Corporate Governance Code* and *Corporate Governance Report* 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").

DIRECTORS

In 2013, 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 Zhang Jianheng (Chairman), Mr Wu Zhuo (Vice Chairman), Mr Chen Xuechuan, Mr Shi Weiguo; and the Independent Non-Executive Directors, namely, Mr Luo Zhenbang, Ms Leung Sau Fan, Sylvia, Mr Wang Xiaojun (appointed in March 2013) and Mr Wang Junyan (resigned in March 2013).

Mr Zhang Jianheng had been 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 Zhang Jianheng, Mr Wu Zhuo and Mr Li Hongjun are not related to one another in financial, business or family aspects. The roles of Chairman and President have been divided according to respective written Terms of Reference.

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 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 so as 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.. Procedures of Articles of Association can be downloaded and reviewed in the Company's website.

The Company had complied with the requirements of the Listing Rules to appoint three Independent Non-Executive Directors during 2013, namely, Mr Luo Zhenbang, Ms Leung Sau Fan, Sylvia, Mr Wang Xiaojun (appointed in March 2013) and Mr Wang Junyan (resigned in March 2013). Among those Independent Non-executive Directors, Mr Luo Zhenbang has 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 Board of Directors confirmed the same upon the Nomination Committee had reviewed and confirmed that all Independent Non-Executive Directors are independent. The Independent Non-Executive Directors of the Company are unrelated to each other in every aspect, including financial, business or family.

The Company had entered into an engagement letter with each of the Directors, in which specified that their responsibilities to comply with the rules and regulations and the Memorandum and Articles of Association and to report director's duties, their right to receive a director's remuneration and to reimburse their expenses incurred reasonably, their length of term and the ways to terminate their appointment and so on. The Directors have understood their duty that they should commit sufficient time to deal with the Company's matters and have confirmed the same to the Company.

The Company had adopted *the Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 of the Listing Rules as the required standard for the Directors of the Company to trade the securities of the Company. The Company had also adopted a code for employees as the required standard to trade the securities of the Company. The Company has required 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 their respective associates are not allowed to trade any securities of the Company.

The Company had enquired with all the Directors as to whether they had complied with Appendix 10 while trading the securities of the Company during 2013. 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 2013 are set out below (both Mr Zhang Jianheng, Chairman of both the Board and the Nomination Committee, and Mr Luo Zhenbang, Chairman of the Audit Committee, due to business reason, and Ms Leung Sau Fan, Sylvia, Chairman of the Remuneration Committee, due to personal reason, were unable to attend both general meetings):

	Annual/Extraordinary General Meeting		Board Meeting	
Directors	Number of meetings eligible to attend	Number of attendance	Number of meetings eligible to attend	Number of attendance
Zhang Jianheng	2	0	4	3
Wu Zhuo	2	2	4	4
Li Hongjun	2	1	4	4
Jin Xuesheng	2	1	4	4
Chen Xuechuan	2	1	4	2
Shi Weiguo	2	1	4	4
Luo Zhenbang	2	0	4	4
Leung Sau Fan, Sylvia	2	0	4	4
Wang Xiaojun	1	1	4	3
Wang Junyan	1	0	1	1

BOARD OF DIRECTORS

The Board is responsible for determining the Company and the subsidiaries' objectives, strategies, policies, principal business plans and corporate governance, and the management is delegated 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 policies comply 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 Corporate Governance Report*, 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. Besides, the Board has made an appropriate internal control and whistle-blowing 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 2013, the Company held four board meetings, and Mr Zhang Jianheng, the Chairman, also convened a meeting with the Non-Executive Directors (including the Independent Non-Executive Directors) without the presence of the Executive Directors and other management. The Company Secretary assists the Directors in establishing the meeting agenda. Notice of meeting and information package will 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.

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 in the next meeting. Final versions of the board minutes will be sent to all Directors for inspection. The minutes 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 advises the Board that the procedures are followed and that the Listing Rules are complied with.

BOARD COMMITTEES

The Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee, all of which respectively monitor the Company's governance such as financial situation, directors and senior management's remuneration policy, and nomination of directors. The Committees are governed by their respective Terms of Reference and are accountable to the Board.

Audit Committee

In 2013, the Audit Committee of the Company comprises Mr Luo Zhenbang (Chairman) and Ms Leung Sau Fan, Sylvia, both being Independent Non-Executive Directors, and Mr Shi Weiguo, being a 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.

The Audit Committee met twice during 2013 for the purpose of assessing and reviewing the internal control system, the financial statements and corporate governance practices and so on. The external auditor, the Financial Controller, the General Manager of Finance Department and the Company Secretary attended both meetings as well.

The Audit Committee had also reviewed, discussed and approved the financial statements for the year ended 31 December 2013.

CORPORATE GOVERNANCE REPORT

The attendance records of individual Audit Committee members during 2013 are set out below:

	Number of meetings eligible to attend	Number of attendance
Luo Zhenbang	2	2
Leung Sau Fan, Sylvia	2	2
Shi Weiguo	2	2

The Terms of Reference of the Audit Committee of the Company can be downloaded in the websites of both The Hong Kong Exchanges and Clearing Limited and the Company for reference.

Remuneration Committee

In 2013, the Remuneration Committee comprises Ms Leung Sau Fan, Sylvia (Chairman), Mr Wang Xiaojun (appointed in March 2013) and Mr Wang Junyan (resigned in March 2013), all being Independent Non-Executive Directors, and Mr Chen Xuechuan, being a Non-Executive Director. The Remuneration Committee takes the role of advisory and proposes to the Board on the emoluments of the Directors and senior management with regard to the operating results of the Company, the individual performance and the comparable market information.

The Remuneration Committee met once during 2013. The Controller of Human Resources and the Company Secretary also attended the meeting. The Remuneration Committee reviewed the remuneration and appraisal policy of the Company's Directors and senior management. In 2013, no Director was involved in deciding his/her remuneration.

The attendance records of individual Remuneration Committee members during 2013 are set out below:

	Number of meetings eligible to attend	Number of attendance
Leung Sau Fan, Sylvia	1	1
Wang Xiaojun	0	0
Chen Xuechuan	1	0
Wang Junyan	1	1

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

The Terms of Reference of the Remuneration Committee of the Company can be downloaded in the websites of both The Hong Kong Exchanges and Clearing Limited and the Company for reference.

Nomination Committee

In 2013, the Nomination Committee comprises Mr Zhang Jianheng (Chairman), being a Non-Executive Director and the Chairman of the Board, Mr Luo Zhenbang, Ms Leung Sau Fan, Sylvia, Mr Wang Xiaojun (appointed in March 2013) and Mr Wang Junyan (resigned in March 2013), all being Independent Non-Executive Directors, and Mr Chen Xuechuan, being a Non-Executive Director. Main functions of the Nomination Committee are to review the structure and size of the Board in order to implement the Company's strategy.

The Nomination Committee met twice during 2013 and a Vice President of the Company attended one of the meetings while the Company Secretary attended both meetings. The Nomination Committee reviewed and underwent the selection of Independent Non-Executive Director candidates, reviewed the independency of each of the Independent Non-Executive Directors and confirmed all of them are independent, and the Board, based on the recommendation of the Nomination Committee, also confirmed that all of them have an independency. Besides, the Nomination Committee also setup the board diversity policy and amended the Terms of Reference of the Nomination Committee in August 2013 in order to comply with the newly amended Listing Rules and were approved by the Board.

The Company had set up the board diversity policy in 2013 to act as a reference base of the Company for the selection of director candidates. With reference to the Company's unique corporate culture and background, the Company will consider the candidate's different personal factors, including skills, regional and industrial experience, background, race, expertise, culture, independence, age, sex and other professional qualifications etc. in assessing the Board's most suitable composition. Appointment depends on capability. Besides, as practically as possible, the Company will maintain the right balance and recruit the most suitable personnel with ample experience to manage various businesses of the Company.

The Nomination Committee will review the implemented board diversity policy each year and set up measurable targets in order to ensure effectiveness of the policy and fit into the ongoing business development of the Company.

As of 31 December 2013, there are 9 members in the Board of the Company, including 8 male directors and 1 female director. All Directors possess a university or above educational level whereas some also possess qualifications for accountancy, chartered secretary and lawyer etc., and have ample experiences of giant enterprise management, financial management, legal and human resources etc. of different fields.

The attendance records of individual Nomination Committee members during 2013 are set out below:

	Number of meetings eligible to attend	Number of attendance
Zhang Jianheng	2	1
Luo Zhenbang	2	2
Leung Sau Fan, Sylvia	2	2
Wang Xiaojun	1	1
Chen Xuechuan	2	1
Wang Junyan	1	1

The Terms of Reference can be downloaded in the websites of both The Hong Kong Exchanges and Clearing Limited and the Company for reference.

DIRECTORS' TRAINING

The Directors have been reported the financial and the operational information by the Company periodically, and will be informed, both in written and by meetings, the latest amendments of the relevant laws related to listed companies and the Listing Rules (if any) in order to let them understand the related directors' duties and responsibilities. Besides, the Company already informed each Director of the requirement of receiving relevant training each year and the provision of a record of the training they received to the Company. In 2013, the Company arranged the auditor to conduct a training, contents of which are related to Hong Kong Accounting Standards and several case discussions that are applicable to the Company. All Directors learnt the contents of the training and provided their training record during 2013 to the Company pursuant to the *Corporate Governance Code and Corporate Governance Report*.

LIABILITY INSURANCE

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 directors and senior management from each company.

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 and has been servicing the Company for many years, and he had taken not less than 15 hours' professional training in 2013 which met the requirements as stipulated in Rule 3.28 of the Listing Rules.

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

INTERNAL CONTROL

The Company has gradually established, maintained and implemented an effective system of internal control, that has clearly defined the authorities and key responsibilities of each business and operational unit, which will be audited by the internal audit department periodically and randomly, so as 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 the 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 under the Listing Rules.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for preparing the accounts of each financial period, which give a true and fair view of the state of affairs, the results and the cash flows of the Company and the subsidiaries for that period. In preparing the accounts for the year ended 31 December 2013, the Directors have selected suitable accounting policies and adopted Hong Kong Financial Reporting Standards and applied them consistently. Based on judgments and estimates that are prudent 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 2013, 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 2013, the Company paid a total of approximately HK$4,875,300 to the auditor and an accountant, of which included an audit fee of approximately HK$4,080,000 and a non-audit fee of approximately HK$795,300. The latter comprised fees for provision of services in reviewing interim report, results announcements and continuing connected transactions, review of the valuation report made in relation to the increase in share capital of Shenzhen Rayitek Hi-tech Film Company Limited* (深圳瑞華泰薄膜科技有限公司), and provision of training in accounting standards etc..

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 the Listing Rules 13.39(4), 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 extraordinary general meeting in January 2013. Notice of the meeting was sent beforehand as required by related rules. In the extraordinary general meeting, the independent shareholders reviewed and approved the resolution on the Subscription Agreement dated 5 November 2012 entered into between CASIL Hainan Holdings Limited, CASIL New Century Technology Development (Shenzhen) Company Limited* (航科新世紀科技發展(深圳)有限公司), Hainan Expressway Co., Ltd.* (海南高速公路股份有限公司) ("Hainan Expressway") and China Great Wall Industry Corporation* (中國長城工業集團有限公司) ("China Great Wall") in respect of the subscription by each of Hainan Expressway and China Great Wall of 25% of the enlarged registered capital of Hainan Aerospace Investment Management Company Limited* (海南航天投資管理有限公司) at RMB312,720,000 and the granting of a right to Hainan Expressway to further subscribe for up to RMB300,000,000 of the registered capital and the transactions contemplated thereunder. All proposed resolution was approved by independent shareholders of the Company.

The Company held an annual general meeting in May 2013. Notice of the meeting was sent beforehand as required by related rules. In the annual general meeting, the shareholders reviewed and approved the resolutions on the Company's financial results of 2012, the payment of a final dividend, re-election and remuneration fixing of Directors, the re-election of auditors and authorize the Board to fix their remuneration, the general mandate to the Board to issue and repurchase shares. All proposed resolutions were approved by shareholders of the Company.

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 scrutineered by the share registrar. The Company Secretary, representing the Chairman, announced all poll results promptly during the meetings, of which the same were uploaded in the websites of both The Hong Kong Exchanges and Clearing Limited and the Company respectively on the same day's afternoon.

The Company did not amend its Memorandum and Articles of Association in 2013.

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 can be downloaded from the Company's website.

Shall any shareholder intend to put forward suggestions in any general meeting or enquiries to the Board, he/she shall do so in written 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 matter to the Board or the President and respond according to the situation.

In addition, the Company may receive 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 at comsec@casil-group.com while for matters concerning investor relations and enquiries from reporters, enquiries shall be put forward to the email at 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: 9:00 a.m. to 5:30 p.m.
Monday to Friday (except public holidays)

SUFFICIENCY OF PUBLIC FLOAT

As at 31 December 2013, 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$2,684,000,000.

As at 31 December 2013, the Company had total registered shareholders of 1,278, of which included the substantial shareholder, China Aerospace Science & Technology Corporation, holding approximately 39.06%. 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 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 53, 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), the shares of which are listed on Shanghai Stock Exchange. From 2011 till now, he serves as Deputy General Manager of China Aerospace 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 assessed as National Labour Model in 2010 and elected as a deputy of the 12th National People's Congress in 2013. 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 Li Hongjun, aged 48, a Senior Engineer, is an Executive Director of the Company and President of the Group. He started his career in China Academy of Aerospace Propulsion Technology in September 1985 and held such posts as Technician, Vice President and President of Academy of Metrology, Director General of Civilian Products Department of China Academy of Aerospace Propulsion Technology, Deputy General Manager and General Manager of Shaanxi Aerospace Power High-tech Company Limited (stock code: 600343), the shares of which are listed on Shanghai Stock Exchange. In the meantime, he studied in the Party School of the Central Committee majoring in Economic Management by correspondence, the Northwest University majoring in Administrative Management and obtained a master degree of Public Administration, and the Nanyang Technological University, Singapore majoring in Business Administration and obtained a degree of EMBA. He was the Vice President of China Spacesat Company Limited (stock code: 600118), the shares of which are listed on 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.

Mr Jin Xuesheng, aged 51, a Senior Engineer, is an Executive Director of the Company and Executive Vice President of the Group. He graduated from Harbin Institute of Technology with an engineering bachelor degree and the University of Lancaster in the United Kingdom with a MBA degree. From 1984, he held such positions as Deputy Division Director and Division Director of the Planning and Operation Division, Engineer and Deputy Factory Director at Capital Engineering Factory under China Academy of Launch Vehicle Technology, as well as Managing Director of Langfang Hangxing Packaging Machinery Company Limited, Partner of Beijing Haiwen Investment Consulting Limited, the Vice President and Financial Controller of China Spacesat Company Limited (stock code: 600118), the shares of which are listed on 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 47, is an Independent Non-Executive Director of the Company and a director and 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 many listed companies since 1994. He has been an expert supervisor of China 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, Shengxue Company Limited and Avic Heavy Machinery Co. Ltd., as well as an internal audit expert of Northeast Securities Company Limited, shares of which are listed on Shenzhen Stock Exchange (stock code: 000686). He currently serves as independent director of Digital China Information Service Company Ltd., shares of which are listed on Shenzhen Stock Exchange (stock code: 000555), China City Railway Transportation Technology Holdings Company Limited, shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 1522), and Xinjiang Goldwind Science & Technology Co., Ltd., shares of which are listed on Shenzhen Stock Exchange (stock code: 002202) and The Stock Exchange of Hong Kong Limited (stock code: 2208). 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.

Ms Leung Sau Fan, Sylvia, aged 50, 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 is currently an independent non-executive director of Poly (Hong Kong) Investment Limited (stock code: 119), the shares of which are listed on The Stock Exchange of Hong Kong Limited. She has over 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 Wang Xiaojun, aged 59, is an Independent Non-Executive Director of the Company. Mr Wang is a practicing solicitor admitted in the Mainland China, Hong Kong and the United Kingdom. Mr Wang Xiaojun obtained a Bachelor's degree in Laws from the Renmin University of China in 1983 and a Master of Laws from the Chinese Academy of Social Sciences in 1986. He joined The Stock Exchange of Hong Kong Limited in 1992 and served Richards Butler from 1993 to 1996. In 1996, he served as an associate director of Peregrine Capital Limited. From 1997 to 2001, he served as a director of ING Barings. He established X. J. Wang & Co. in 2001 and that was associated with Jun He Law Offices in 2009. He is currently a partner of Jun He Law Offices. From 2011 to 2012, Mr Wang Xiaojun served as managing director of CCB International (Holdings) Limited. He was an independent non-executive director of Guangzhou Shipyard International Company Limited, shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 317) and Shenzhen Stock Exchange (stock code: 600685) and currently serves as an independent non-executive director of OP Financial Investments Limited, shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 1140), Yanzhou Coal Mining Company Limited, shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 1171), Shenzhen Stock Exchange (stock code: 600188) and New York Stock Exchange (stock code: YZC), Norinco International Company Limited , shares of which are listed on Shenzhen Stock Exchange (stock code: 000065), and Zijin Mining Group Company Limited, shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 2899) and Shenzhen Stock Exchange (stock code: 601899). Mr Wang Xiaojun is familiar with corporate listing, merger and acquisition and restructuring, direct investment and so on and possesses many years of relevant experience. Mr Wang was appointed as an Independent Non-Executive Director of the Company in March 2013.

Mr Chen Xuechuan, aged 51, a Research Fellow, is a Non-Executive Director of the Company. Mr Chen graduated from the Dailian University of Technology 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, Person-in-charge 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 to serve concurrently standing council member of Chinese Society of Astronautics, China Institute of Space Law and China Space Foundation, and from 2007 to 2011, Director of Aerospace Science & Technology Finance Company Limited. Mr Chen has been engaged into the machinery manufacturing of

BIOGRAPHICAL DETAILS OF DIRECTORS

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 43, 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 Bachelor's degree in 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 Wu Zhuo, aged 64, is a Research Fellow with graduate qualification. 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, re-designated as Vice Chairman of the Company in December 2010 and retired in March 2014.

Mr Wang Junyan, aged 43, is the Managing Director and Head of Asset Management of CITIC Securities International Investment Management (HK) 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 both are listed on The Stock Exchange of Hong Kong Limited. Mr Wang has over ten years' experience in investment banking and securities industry. He was appointed as an Independent Non-Executive Director of the Company in March 2007 and resigned in March 2013.

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 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries, associates and joint ventures are set out in notes 48, 49 and 50 to the consolidated financial statements, respectively.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 December 2013 are set out in the consolidated statement of profit or loss on page 34.

A final dividend of HK1 cent per share in respect of the year ended 31 December 2013 (2012: HK1 cent per share) 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 and construction in progress of HK$11,629,000, HK$38,612,000 and HK$22,983,000 and HK$16,826,000 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.

INVESTMENT PROPERTIES

Details of the movements in investment properties during the year are set out in note 16 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2013 comprised the retained profits of approximately HK$873,807,000 (2012: HK$878,222,000).

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 largest customer and five largest customers were 13.2% and 34.1% of the Group's consolidated turnover, respectively. 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

Li Hongjun *(President)*
Jin Xuesheng

Non-Executive

Zhang Jianheng *(Chairman)*	
Luo Zhenbang *(Independent)*	
Leung Sau Fan, Sylvia *(Independent)*	
Wang Xiaojun *(Independent)*	(appointed on 22 March 2013)
Chen Xuechuan	
Shi Weiguo	
Wu Zhuo *(Vice Chairman)*	(retired on 31 March 2014)
Wang Junyan *(Independent)*	(resigned on 22 March 2013)

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

Messrs. Zhang Jianheng, Chen Xuechuan, Shi Weiguo and Leung Sau Fan, Sylvia retire by rotation in accordance with Article 103(A) of the Company's Articles of Association. Mr Zhang Jianheng, if being re-elected, will resume the office of Chairman of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

The Company had adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 of the Listing Rules as the required standard for the Directors of the Company to trade the securities of the Company. Having made specific enquiry to all the Directors of the Company and in accordance with information provided, all the Directors have complied with the provisions under the Model Code in 2013.

As at 31 December 2013, save as disclosed below, none of the directors, chief executives or their associates have any beneficial or non-beneficial interests in the share capital, warrants and options of the Company or 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 or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers*.

Name	Capacity	Number of shares interested (long position)	Percentage of issued share capital
Leung Sau Fan, Sylvia	Director	130,000	0.004%

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 2013, the register of substantial shareholders maintained by the Company pursuant to Part XV of the Securities & Futures Ordinance disclosed the following shareholders as having 5% or more of the issued capital of the Company:

Name	Capacity	Direct interest (Yes/No)	Number of shares interested (Long position)	Percentage of issued share capital	Number of shares interested (Short position)	Percentage of issued share capital
China Aerospace Science & Technology Corporation	Interests in controlled corporation	No	1,205,010,636	39.06%	927,107,581	30.05%
Jetcote Investments Limited	Beneficial owner	Yes	131,837,011	4.27%	0	0
	Interests in controlled corporation	No	1,051,761,625	34.10%	927,107,581	30.05%
			1,183,598,636	38.37%	927,107,581	30.05%
Aerospace Science & Technology Finance Company Limited* (航天科技財務有限責任公司)	Beneficial owner	Yes	21,412,000	0.69%	0	0
Burhill Company Limited	Beneficial owner	Yes	579,834,136	18.80%	514,118,000	16.67%
Sin King Enterprises Company Limited	Beneficial owner	Yes	471,927,489	15.30%	412,989,581	13.38%

Note:

Jetcote Investments Limited, Aerospace Science & Technology Finance Company Limited* (航天科技財務有限責任公司), Burhill Company Limited and Sin King Enterprises Company Limited are subsidiaries of China Aerospace Science & Technology Corporation, the shares held by them form the total number of shares in which China Aerospace Science & Technology Corporation was deemed interested.

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 2013.

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 Company and the subsidiaries.

CONNECTED TRANSACTIONS

On 5 November 2012, CASIL Hainan Holdings Limited and 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"), wholly-owned subsidiaries of the Company, Hainan Expressway Co., Ltd.* (海南高速公路股份有限公司) ("Hainan Expressway") and China Great Wall Industry Corporation* (中國長城工業集團有限公司) ("China Great Wall") entered into the Subscription Agreement, pursuant to which each of Hainan Expressway and China Great Wall will subscribe the equity interest in Hainan Aerospace Investment Management Company Limited* (海南航天投資管理有限公司) ("Hainan Aerospace") at a consideration of RMB312,720,000 (the "Subscription"). As China Great Wall is a connected person of the Company and accordingly, the Subscription by China Great Wall in Hainan Aerospace constituted a connected transaction of the Company. The independent shareholders of the Company approved the transaction at the Extraordinary General Meeting held on 4 January 2013, China Aerospace Science & Technology Corporation ("CASC") and its associates were abstained from voting on the resolution. The procedures of the Subscription were completed on 19 March 2013. Upon completion, the Company, through CASIL Hainan Holdings Limited and New Century, totally holds a 50% shareholding in Hainan Aerospace and each of Hainan Expressway and China Great Wall holds a 25% shareholding in Hainan Aerospace. Hainan Aerospace is no longer a wholly-owned subsidiary of the Company and is accounted for as a joint venture of the Company. Details of which please refer to the Company's announcements made on 5 November 2012, 4 January 2013 and 20 March 2013 and the circular dated 11 December 2012, respectively.

On 26 March 2013, New Century (as the borrower) entered into an entrusted loan agreement with CASC (as the trustor), the substantial shareholder of the Company, and Bank of Beijing (as the trustee), pursuant to which CASC will provide an entrusted loan in the sum of RMB500,000,000 to the borrower with maturity of 60 months through Bank of Beijing. As CASC is a substantial shareholder of the Company, CASC entrusted a loan to New Century constituted a connected transaction of the Company. Details of which please refer to the Company's announcement made on 26 March 2013.

On 26 April 2013, Shenzhen Rayitek Hi-tech Film Company Limited* (深圳瑞華泰薄膜科技有限公司) ("Shenzhen Rayitek"), a subsidiary of the Company, entered into the Loan Agreement with Aerospace Science & Technology Finance Company Limited* (航天科技財務有限責任公司) ("Aerospace Finance") again, pursuant to which Aerospace Finance shall continue to provide a one-year loan in the sum of RMB60,000,000 to Shenzhen Rayitek. Shenzhen Rayitek will charge its land and buildings, and equipment and facilities in favour of Aerospace Finance as security for the Loan. In addition, New Century will provide the Guarantee in respect of all amounts outstanding under the Loan Agreement in favour of Aerospace Finance. As Aerospace Finance is a connected person of the Company, the provision of Guarantee to Aerospace Finance by New Century constituted a connected transaction of the Company. Details of which please refer to the Company's announcement made on 26 April 2013. The loan was repaid in full by Shenzhen Rayitek in January 2014.

On 4 November 2013, certain subsidiaries of the Company entered into the Settlement Account Management Agreement with Aerospace Finance respectively, pursuant to which Aerospace Finance shall provide deposit services and settlement services to the relevant subsidiaries which allow the relevant subsidiaries to make deposits or withdrawals through the RMB deposit accounts with Aerospace Finance, subject to the condition that the maximum daily outstanding balance of all deposits placed by all the relevant subsidiaries, and New Century, Shenzhen Aerospace and Shenzhen Rayitek, each of which had opened an account with Aerospace Finance in previous transactions, in their respective accounts shall not be more than RMB100,000,000 in aggregate within three years from the date of the Settlement Account Management Agreements. As Aerospace Finance is a connected person of the Company, the provision of deposits with the accounts of Aerospace Finance by certain subsidiaries of the Company constituted a connected transaction of the Company. Details of which please refer to the Company's announcement made on 4 November 2013.

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 are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The below continuing connected transactions, as confirmed by Independent Non-Executive Directors of the Company, were entered into:

1. in the ordinary course of business of the Company;

2. on normal commercial terms or on terms not less favourable to the terms offered by independent third parties; and

3. in accordance with the terms of the relevant agreements or contracts, respectively, which were fair and reasonable and in the interest of the Company and its shareholders as a whole.

The auditor of the Company has reviewed the below continuing connected transactions and issued a letter to the Board confirming that:

1. nothing has come to auditor's attention that causes them to believe that the connected transactions have not been approved by the Company's board of directors.

2. nothing has come to auditor's attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

3. with respect to the aggregate amount of each of the connected transactions set out below, nothing has come to auditor's attention that causes them to believe that the connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements by the Company in respect of connected transactions.

DIRECTORS' REPORT

List of Continuing Connected Transactions for the year ended 31 December 2013

The Company and/or its subsidiary(ies) involved	Connected person(s)	Continuing connected transactions	Annual cap	Amount outstanding as of 31 December 2013
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")	Aerospace Science & Technology Finance Company Limited* (航天科技財務有限責任公司) ("Aerospace Finance")	The provision of security by Shenzhen Aerospace to Aerospace Finance who is a member of the finance syndicate under a syndication loan in the amount of RMB1,500,000,000	N/A	RMB 469,300,000 or equivalent to HK$600,127,877
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")	China Aerospace Science & Technology Corporation	China Aerospace Science & Technology Corporation entrusted a loan in the sum of RMB500,000,000 to New Century with a maturity of 60 months through Bank of Beijing	N/A	RMB 500,000,000 or equivalent to HK$639,386,189
Shenzhen Rayitek Hi-tech Film Company Limited* (深圳瑞華泰薄膜科技有限公司) ("Shenzhen Rayitek")	Aerospace Finance	Both Shenzhen Rayitek charged its land and buildings, and equipment and facilities as security for a one-year loan in the sum of RMB60,000,000 and New Century provided the guarantee in respect of all amounts outstanding under the loan agreement in favour of Aerospace Finance	N/A	RMB 60,000,000 or equivalent to HK$76,726,343
Certain subsidiaries of the Company	Aerospace Finance	The provision of deposits with the accounts of Aerospace Finance by certain subsidiaries of the Company in the amount of not more than RMB 100,000,000 in aggregate	RMB100,000,000	RMB 6,913,542 or equivalent to HK$8,840,847

POST BALANCE SHEET EVENT

On 19 December 2013, Shenzhen Rayitek introduced several strategic investors and together with the existing shareholders to increase the capital by a sum of RMB267,532,400. As at 31 December 2013, the capital increase had not yet completed. Except that one of the shareholders' second term capital increase is yet to be due pursuant to the agreement, the deadline of which is 31 May 2014, the rest capital increase had been completed in January 2014. The capital equity of New Century in Shenzhen Rayitek had reduced from 55% to 44.48%. Shenzhen Rayitek is no longer a subsidiary of New Century nor an indirect subsidiary of the Company. Upon completion of all the capital increase, the equity interests of New Century in Shenzhen Rayitek will further decrease to 42.75%.

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
21 March 2014

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

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

We have audited the consolidated financial statements of China Aerospace International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 34 to 118, which comprise the consolidated and Company's statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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 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.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, 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
21 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Continuing operations			
Turnover	5	2,611,138	2,615,101
Cost of sales		(2,063,221)	(2,101,111)
Gross profit		547,917	513,990
Other income	7	59,050	38,936
Gain on disposal of available-for-sale investments		120,918	—
Other gains and losses	7	(11,324)	(25,951)
Selling and distribution expenses		(41,890)	(48,481)
Administrative expenses		(312,932)	(291,035)
Other expenses		(25,363)	(21,501)
Fair value changes of investment properties		539,812	256,230
Finance costs	9	(31,177)	(6,026)
Share of results of associates		1,465	402
Share of results of joint ventures		268	1,532
Profit before taxation	10	846,744	418,096
Taxation	11	(214,761)	(113,962)
Profit for the year from continuing operations		631,983	304,134
Discontinued operations			
Profit (loss) for the year from discontinued operations	39	110,985	(6,123)
Profit for the year		742,968	298,011
Profit (loss) attributable to the owners of the Company:			
From continuing operations		506,026	252,848
From discontinued operations		110,985	(6,123)
Profit for the year attributable to the owners of the Company		617,011	246,725
Profit attributable to non-controlling interests:			
From continuing operations		125,957	51,286
From discontinued operations		—	—
Profit for the year attributable to non-controlling interests		125,957	51,286
Earnings per share	12		
From continuing and discontinued operations — basic		HK20.00 cents	HK8.00 cents
From continuing operations — basic		HK16.40 cents	HK8.20 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013 HK$'000	2012 HK$'000
Profit for the year	**742,968**	298,011
Other comprehensive income includes:		
Items that may be reclassified subsequently to profit or loss:		
Fair value gain on available-for-sale investments	**82,530**	15,876
Reclassification adjustments upon the disposal of available-for-sale investments	**(120,918)**	—
Exchange differences arising on translating foreign operations	**82,526**	28,931
Share of exchange reserves of joint ventures	**21,130**	(503)
Reclassification adjustments for the cumulative exchange differences upon deregistration of foreign operations	**(1,688)**	—
Reclassification adjustments for the cumulative exchange differences upon deemed disposal of foreign operations	**(49,663)**	—
Other comprehensive income for the year	**13,917**	44,304
Total comprehensive income for the year	**756,885**	342,315
Total comprehensive income attributable to:		
Owners of the Company	**608,762**	285,280
Non-controlling interests	**148,123**	57,035
	756,885	342,315

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	14	**877,984**	903,618
Prepaid lease payments	15	**144,602**	74,970
Investment properties	16	**3,746,162**	2,629,529
Goodwill	18	**13,232**	12,241
Intangible assets	19	**67,578**	74,254
Interests in associates	20	**14,702**	12,845
Interests in joint ventures	21	**846,583**	63,891
Available-for-sale investments	22	**29,000**	58,140
Land development expenditure	23	**—**	665,551
Deposit paid for investment properties under construction		**64,624**	94,597
Deposit paid for intangible assets and property, plant and equipment		**37,668**	10,776
		5,842,135	4,600,412
Current assets			
Inventories	24	**253,257**	243,716
Trade and other receivables	25	**598,403**	590,357
Prepaid lease payments	15	**4,898**	2,391
Amounts due from customers for contract work	26	**—**	2,357
Amount due from a related party	27	**8,841**	—
Financial assets at fair value through profit or loss	28	**51,269**	63,417
Taxation recoverable		**3,168**	217
Pledged bank deposits	30	**20,075**	110,207
Short-term bank deposits	30	**137,126**	—
Bank balances and cash	30	**1,768,008**	1,022,285
		2,845,045	2,034,947
Current liabilities			
Trade and other payables	31	**1,003,131**	924,775
Amount due to an associate	32	**1,050**	1,050
Taxation payable		**58,309**	58,717
Bank and other borrowings	33	**131,713**	123,756
Other loan	34	**9,165**	8,914
		1,203,368	1,117,212
Net current assets		**1,641,677**	917,735
Total assets less current liabilities		**7,483,812**	5,518,147

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current liabilities			
Loan from a major shareholder	35	**639,386**	—
Bank and other borrowings	33	**600,128**	200,249
Deferred taxation	36	**677,572**	477,207
		1,917,086	677,456
		5,566,726	4,840,691
Capital and reserves			
Share capital	37	**308,502**	308,502
Reserves	38	**4,387,512**	3,809,600
Equity attributable to owners of the Company		**4,696,014**	4,118,102
Non-controlling interests		**870,712**	722,589
		5,566,726	4,840,691

The consolidated financial statements on pages 34 to 118 were approved and authorised for issue by the Board of Directors on 21 March 2014 and are signed on its behalf by:

Li Hongjun
Director

Jin Xuesheng
Director

STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	NOTES	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	14	**1,202**	1,799
Interests in subsidiaries	17	**652,334**	588,106
Amounts due from subsidiaries	17	**1,381,105**	1,508,038
Interests in joint ventures	21	**15,000**	15,000
Available-for-sale investments	22	**—**	9,000
		2,049,641	2,121,943
Current assets			
Other receivables		**2,197**	1,940
Amounts due from subsidiaries	29	**720,320**	668,568
Bank balances and cash	30	**64,157**	43,010
		786,674	713,518
Current liabilities			
Other payables	31	**63,648**	63,052
Amounts due to subsidiaries	29	**112,242**	107,569
Amount due to an associate	32	**1,050**	1,050
Taxation payable		**80**	80
		177,020	171,751
Net current assets		**609,654**	541,767
		2,659,295	2,663,710
Capital and reserves			
Share capital	37	**308,502**	308,502
Reserves	38	**2,350,793**	2,355,208
		2,659,295	2,663,710

Li Hongjun
Director

Jin Xuesheng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Special capital reserve HK$'000 *(Note 38)*	General reserve HK$'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 2012	308,502	844,929	14,044	23,916	295,091	22,512	11,010	14,309	1,080	2,328,279	3,863,672	665,554	4,529,226
Profit for the year	–	–	–	–	–	–	–	–	–	246,725	246,725	51,286	298,011
Fair value gain on available-for-sale investments	–	–	–	–	–	15,876	–	–	–	–	15,876	–	15,876
Exchange differences arising on translating foreign operations	–	–	–	–	23,182	–	–	–	–	–	23,182	5,749	28,931
Share of exchange reserves of joint ventures	–	–	–	–	(503)	–	–	–	–	–	(503)	–	(503)
Total comprehensive income for the year	–	–	–	–	22,679	15,876	–	–	–	246,725	285,280	57,035	342,315
Dividend recognised as distribution *(note 13)*	–	–	–	–	–	–	–	–	–	(30,850)	(30,850)	–	(30,850)
At 31 December 2012	308,502	844,929	14,044	23,916	317,770	38,388	11,010	14,309	1,080	2,544,154	4,118,102	722,589	4,840,691

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 2013

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Special capital reserve HK$'000 *(Note 38)*	General reserve HK$'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 2013	308,502	844,929	14,044	23,916	317,770	38,388	11,010	14,309	1,080	2,544,154	4,118,102	722,589	4,840,691
Profit for the year	–	–	–	–	–	–	–	–	–	617,011	617,011	125,957	742,968
Fair value gain on available-for-sale investments	–	–	–	–	–	82,530	–	–	–	–	82,530	–	82,530
Reclassification adjustments for the cumulative exchange differences upon deregistration of foreign operations	–	–	–	–	(1,621)	–	–	–	–	–	(1,621)	(67)	(1,688)
Reclassification adjustments for the cumulative exchange differences upon deemed disposal of foreign operations	–	–	–	–	(49,663)	–	–	–	–	–	(49,663)	–	(49,663)
Reclassification adjustments upon the disposal of available-for-sale investments	–	–	–	–	–	(120,918)	–	–	–	–	(120,918)	–	(120,918)
Exchange differences arising on translating foreign operations	–	–	–	–	60,293	–	–	–	–	–	60,293	22,233	82,526
Share of exchange reserves of joint ventures	–	–	–	–	21,130	–	–	–	–	–	21,130	–	21,130
Total comprehensive income (expense) for the year	–	–	–	–	30,139	(38,388)	–	–	–	617,011	608,762	148,123	756,885
Dividend recognised as distribution *(note 13)*	–	–	–	–	–	–	–	–	–	(30,850)	(30,850)	–	(30,850)
At 31 December 2013	308,502	844,929	14,044	23,916	347,909	–	11,010	14,309	1,080	3,130,315	4,696,014	870,712	5,566,726

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 2013

	2013 HK$'000	2012 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	957,729	411,973
Adjustments for:		
Depreciation	110,774	97,338
Amortisation of prepaid lease payments	3,231	2,465
Amortisation of intangible assets	14,990	13,360
Interest income	(40,125)	(13,796)
Interest expense	31,177	6,026
Fair value changes of investment properties	(539,812)	(256,230)
Allowance for doubtful debts	6,617	1,278
(Reversal of) allowance for obsolete inventories	(7,625)	3,375
Impairment loss recognised in respect of goodwill	—	23,000
Share of results of associates	(1,465)	(402)
Share of results of joint ventures	(268)	(1,532)
Gain on deemed disposal of subsidiaries	(112,912)	—
Loss (gain) on disposal/written-off of property, plant and equipment	4,451	(155)
Gain on disposal of available-for-sale investments	(120,918)	—
Gain on deregistration of subsidiaries	(1,688)	(83)
Operating cash flows before movements in working capital	304,156	286,617
Decrease (increase) in inventories	4,776	(13,112)
Increase in trade and other receivables	(8,481)	(140,659)
Decrease (increase) in amounts due from customers for contract work	2,326	(2,326)
Decrease (increase) in financial assets at fair value through profit or loss	12,180	(495)
(Decrease) increase in trade and other payables	(39,404)	151,188
Cash generated from operations	275,553	281,213
Hong Kong Profits Tax paid	(23,426)	(13,902)
PRC Enterprise Income Tax paid	(11,496)	(9,313)
NET CASH FROM OPERATING ACTIVITIES	240,631	257,998

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	NOTE	2013 HK$'000	2012 HK$'000
INVESTING ACTIVITIES			
Development costs/deposits paid for investment properties under construction		(372,738)	(141,388)
Purchase of property, plant and equipment		(90,050)	(132,931)
Purchase of prepaid lease payments		(70,598)	—
Placement of pledged bank deposits		(104,505)	(110,008)
Withdrawal of pledged bank deposits		110,207	24,942
Purchase of intangible assets		(6,495)	(20,865)
Interest received		40,125	13,796
Payment for land development		(24,260)	(10,871)
Fixed deposit placed with banks		(137,126)	—
Deposit paid for intangible assets and property, plant and equipment		(26,078)	(10,632)
Deposits with a related party		(8,664)	—
Proceeds on disposal of available-for-sale investments		131,670	—
Proceeds from disposal of property, plant and equipment		373	2,999
Disposal of subsidiaries, net of cash and cash equivalents disposed of	39	(80,371)	—
Repayment of amounts due from joint ventures		123,134	—
Acquisition of available-for-sale investments		(20,000)	—
NET CASH USED IN INVESTING ACTIVITIES		(535,376)	(384,958)
FINANCING ACTIVITIES			
Loan from a major shareholder		621,891	—
New bank loans raised		528,572	295,092
Repayment of bank loans		(81,407)	(254,724)
Dividend paid		(30,855)	(30,830)
Interest paid		(29,603)	(14,995)
Repayment of obligations under finance leases		—	(65)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		1,008,598	(5,522)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		713,853	(132,482)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,022,285	1,151,015
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		31,870	3,752
CASH AND CASH EQUIVALENTS AT END OF THE YEAR REPRESENTING BANK BALANCES AND CASH		1,768,008	1,022,285

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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 joint ventures are set out in notes 48, 49 and 50, respectively.

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

In the current year, the Company and its subsidiaries (collectively referred to as the "Group") have applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 — 2012 cycle
Amendments to HKFRS 7	Disclosures — Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
Amendments to HKAS 1	Presentation of items of other comprehensive income
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
HK(IFRIC*) — INT 20	Stripping costs in the production phase of a surface mine

* IFRIC represents the IFRS Interpretations Committee.

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.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated financial statements", HKFRS 11 "Joint arrangements", HKFRS 12 "Disclosure of interests in other entities", HKAS 27 (as revised in 2011) "Separate financial statements" and HKAS 28 (as revised in 2011) "Investments in associates and joint ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

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

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) — INT 12 "Consolidation — Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company reviewed and assessed the control in the investments in investees of the Group in accordance with the requirements of HKFRS 10. The directors of the Company concluded that the application of HKFRS 10 has no impact on these consolidated financial statements.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 "Interests in joint ventures", and the guidance contained in a related interpretation, HK(SIC) — INT 13 "Jointly controlled entities — Non-monetary contributions by venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements — joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements — jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The directors of the Company concluded that the Group's investments in China Aerospace New World Technology Limited and Hainan Aerospace Investment Management Company Limited ("Hainan Aerospace"), which were classified as a jointly controlled entity under HKAS 31 and was accounted for using the equity method, should be classified as joint ventures under HKFRS 11 and accounted for using the equity method, whilst the arrangement between the Wenchang Government and the Group as detailed in note 23 was jointly controlled operation under HKAS 31 and is a joint operation under HKFRS 11 after assessing the legal form and contractual terms of the respective arrangements. Therefore, the application of HKFRS 11 in the current year has had no material impact on the Group's consolidated financial statements.

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

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 20, 21, 48, 49 and 50 for details).

HKFRS 13 "Fair value measurement"

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and nonfinancial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based payment, leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see notes 16, 22, 28 and 41 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 "Presentation of items of other comprehensive income"

The Group has applied the amendments to HKAS 1 "Presentation of items of other comprehensive income". Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed as the 'statement of profit or loss'. 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. Furthermore, 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 do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
HKFRS 9	Financial instruments[3]
HKFRS 14	Regulatory deferral accounts[5]
HK(IFRIC) — INT 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 July 2014.
3 Available for application — the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

Annual improvements to HKFRSs 2010–2012 cycle

The "Annual improvements to HKFRSs 2010–2012 cycle" include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

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

Annual improvements to HKFRSs 2010–2012 cycle (continued)

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of the amendments included in the "Annual improvements to HKFRSs 2010–2012 cycle" will have a material effect on the Group's consolidated financial statements.

Annual improvements to HKFRSs 2011–2013 cycle

The "Annual improvements to HKFRSs 2011–2013 cycle" include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The directors of the Company do not anticipate that the application of the amendments included in the "Annual Improvements to HKFRSs 2011–2013 cycle" will have a material effect on the Group's consolidated financial statements.

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 and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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

HKFRS 9 "Financial instruments" (continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

Except for available-for-sale investments, the directors of the Company 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 2013. 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.

Amendments to HKAS 36 "Recoverable amount disclosures for non-financial assets"

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related cash generating unit. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or cash generating unit was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

Other than those disclosed above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the Group's financial performance and positions.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group losses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-assets and liabilities, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted 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, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's 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 its carrying amount, 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 on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. 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.

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.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is 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 associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), 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 the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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 or a joint venture. 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 of disposal) 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 an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets

The Group's financial assets are classified into the following specified categories: 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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.

Interest 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 term; or
- on initial recognition it is a part of a portfolio of identified 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 any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets. Fair value is determined in the manner described in note 28.

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, pledged bank deposits, short-term bank deposits, amounts due from subsidiaries, amount due from a related party and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Available-for-sale financial assets

Available-for-sale ("AFS") 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 AFS investments.

Equity securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS equity investments are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the equity investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS 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).

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 considered to be 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 certain categories of financial assets, such as trade debtors that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of debtors could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period granted, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets' original effective interest rate.

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For the year ended 31 December 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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 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 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.

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.

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

Debt 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 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities

Financial liabilities including trade and other payables, amounts due to subsidiaries, amount due to an associate, bank and other borrowings, loan from a major shareholder 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, 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.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Revenue recognition

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

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

Service income is recognised when services are provided.

Interest income from a financial asset is 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 buildings, leasehold land (classified as finance leases) and freehold land held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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.

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.

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. Subsequent to initial recognition, investment properties are measured at their fair values. 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

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.

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.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

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, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), 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 joint arrangements 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 other comprehensive income.

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 with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment loss. Amortisation for intangible assets with finite useful lives is recognised 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).

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. 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.

Internally-generated intangible assets — 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 activities (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)

Internally-generated intangible assets — 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. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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 disposal 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 immediately in profit or loss.

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 immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts (continued)

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

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.

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 before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and 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 joint arrangements, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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. CRITICAL ACCOUNTING JUDGMENTS AND 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.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgments in applying accounting policies (continued)

(a) Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the management has reviewed the Group's investment properties portfolios and concluded that while the Group's investment properties located in Hong Kong, Canada and certain investment properties in the PRC are depreciable, they are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation arising from these investment properties in these locations, the management determined that the presumption that these investment properties measured using the fair value model are recovered through sale is not rebutted.

For certain of the Group's investment properties located in Shenzhen of the PRC, the management concluded that they are depreciable and are being held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation arising from these investment properties located in this location, the management determined that the presumption that investment properties measured using the fair value model are recovered through sale is rebutted. The potential deferred tax impact to the Group is recognised at the end of the reporting period as shown in note 36.

Key sources of estimation uncertainty

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.

(a) 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$550,681,000 (2012: HK$529,636,000) are recoverable due to its good credit quality.

(b) 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 2013, the carrying amount of inventories is HK$253,257,000 (net of allowances for inventories of HK$35,154,000) (2012: carrying amount of HK$243,716,000 (net of allowances for inventories of HK$42,127,000)).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

(c) 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 statement of profit or loss. As at 31 December 2013, the carrying amount of investment properties is HK$3,746,162,000 (2012: HK$2,629,529,000).

(d) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount which is higher fair value less costs to sell or 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 or there is downward revision of future estimated cash flows due to unfavourable changes in facts and circumstances, further impairment 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 2013, the carrying amount of goodwill was HK$13,232,000 (2012: HK$12,241,000), net of accumulated impairment loss of HK$23,000,000 (2012: HK$23,000,000). Details of the recoverable amount calculation are disclosed in note 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

5. TURNOVER

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

	2013	2012
	HK$'000	HK$'000
Sales of goods	**2,594,772**	2,599,514
Rental income	**16,366**	15,587
	2,611,138	2,615,101

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 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.

6. SEGMENT INFORMATION (continued)

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

For the year ended 31 December 2013

	Turnover			
	External sales HK$'000	Inter-segment sales HK$'000	Total HK$'000	Segment results HK$'000
Hi-Tech Manufacturing Business				
Plastic products	855,248	69,368	924,616	68,112
Liquid crystal display	361,723	218	361,941	16,271
Printed circuit boards	561,888	—	561,888	127,166
Intelligent chargers	732,377	—	732,377	51,132
Industrial property investment	14,532	20,683	35,215	21,654
	2,525,768	90,269	2,616,037	284,335
New Material Business				
Polyimide films manufacturing	76,134	—	76,134	4,844
Aerospace Service`				
Property investment in Shenzhen Aerospace Science & Technology Plaza	—	—	—	504,082
Land development in Hainan Launching Site Complex Zone *(Note)*	—	—	—	(3,502)
Internet of Things	7,401	—	7,401	(39,274)
	7,401	—	7,401	461,306
Reportable segment total	2,609,303	90,269	2,699,572	750,485
Elimination	—	(90,269)	(90,269)	—
Other Business	1,835	—	1,835	8,074
	2,611,138	—	2,611,138	758,559
Unallocated corporate income				64,336
Unallocated corporate expenses				(72,403)
				750,492
Gain on disposal of available-for-sale investments				120,918
Gain on deemed disposal of subsidiaries				112,912
Gain on deregistration of a subsidiary				1,688
Share of results of associates				1,465
Share of results of joint ventures *(Note)*				1,431
Finance costs				(31,177)
				957,729
Less: Profit for the year from discontinued operations				(110,985)
Profit before taxation from continuing operations				846,744

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. SEGMENT INFORMATION (continued)

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

For the year ended 31 December 2012

	Turnover			
	External sales HK$'000	Inter-segment sales HK$'000	Total HK$'000	Segment results HK$'000
Hi-Tech Manufacturing Business				
Plastic products	846,598	102,620	949,218	67,424
Liquid crystal display	358,866	435	359,301	13,420
Printed circuit boards	507,340	—	507,340	107,716
Intelligent chargers	764,975	—	764,975	49,007
Industrial property investment	13,743	16,619	30,362	14,350
	2,491,522	119,674	2,611,196	251,917
New Material Business				
Polyimide films manufacturing	84,751	—	84,751	(21,173)
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	—	—	—	219,222
Land development in Hainan Launching Site Complex Zone *(Note)*	—	—	—	(6,921)
Internet of Things	36,984	—	36,984	(4,706)
	36,984	—	36,984	207,595
Reportable segment total	2,613,257	119,674	2,732,931	438,339
Elimination	—	(119,674)	(119,674)	—
Other Business	1,844	—	1,844	12,810
	2,615,101	—	2,615,101	451,149
Unallocated corporate income				31,435
Unallocated corporate expenses				(66,519)
				416,065
Share of results of associates				402
Share of results of joint ventures				1,532
Finance costs				(6,026)
				411,973
Add: Loss for the year from discontinued operations				6,123
Profit before taxation from continuing operations				418,096

6. SEGMENT INFORMATION (continued)

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

Note: The land development in Hainan Launching Site Complex Zone is held by Hainan Aerospace, which became a joint venture of the Group as a result of deemed disposal as detailed in note 39. The President continuously reviews this segment information for the purpose of resources allocation and performance assessment. Thus, there is no change on the segment information reported to the President.

The share of loss of Hainan Aerospace for the year ended 31 December 2013 amount to HK$1,163,000 was included in the segment "Land development in Hainan Launching Site Complex Zone".

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 earned by/loss from each segment without allocation of interest income, change in fair value of financial assets at fair value through profit or loss, share of results of associates, share of results of joint ventures, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. SEGMENT INFORMATION (continued)

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

	2013 HK$'000	2012 HK$'000
Segment assets		
Hi-Tech Manufacturing Business		
Plastic products	618,934	578,381
Liquid crystal display	285,713	298,059
Printed circuit boards	358,769	273,965
Intelligent chargers	322,477	350,317
Industrial property investment	256,870	235,766
	1,842,763	1,736,488
New Material Business		
Polyimide films manufacturing	327,779	315,208
Aerospace Service		
Property investment in Shenzhen		
Aerospace Science & Technology Plaza	3,428,083	2,369,201
Land development in Hainan		
Launching Site Complex Zone	781,525	689,328
Internet of Things	52,474	54,618
	4,262,082	3,113,147
Total assets for reportable segments	6,432,624	5,164,843
Other Business	129,364	123,575
Available-for-sale investments	29,000	58,140
Interests in joint ventures	65,058	63,891
Interests in associates	14,702	12,845
Unallocated assets	2,016,432	1,212,065
Consolidated assets	8,687,180	6,635,359

6. SEGMENT INFORMATION (continued)

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

	2013 HK$'000	2012 HK$'000
Segment liabilities		
Hi-Tech Manufacturing Business		
Plastic products	176,141	173,528
Liquid crystal display	52,464	51,698
Printed circuit boards	102,830	102,783
Intelligent chargers	155,035	134,510
Industrial property investment	15,012	11,372
	501,482	473,891
New Material Business		
Polyimide films manufacturing	22,908	17,543
Aerospace Service		
Property investment in Shenzhen Aerospace Science & Technology Plaza	176,964	107,876
Land development in Hainan Launching Site Complex Zone	–	1,916
Internet of Things	17,925	29,630
	194,889	139,422
Total liabilities for reportable segments	719,279	630,856
Other Business	1,290	1,252
Unallocated liabilities	2,399,885	1,162,560
Consolidated liabilities	3,120,454	1,794,668

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, short-term bank deposits, 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, bank and other borrowings, loan from a major shareholder and the other unallocated liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. SEGMENT INFORMATION (continued)

(c) Other segment information

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

2013

	Capital additions HK$'000	Depreciation and amortisation HK$'000	Fair value gain on investment properties HK$'000	Impairment of goodwill HK$'000	(Gain) loss on disposal of property, plant and equipment HK$'000
Hi-Tech Manufacturing Business					
Plastic products	15,551	29,159	–	–	4,499
Liquid crystal display	7,044	11,083	–	–	–
Printed circuit boards	106,397	35,217	–	–	(60)
Intelligent chargers	15,179	7,469	–	–	–
Industrial property investment	4,273	15,087	16,655	–	–
	148,444	98,015	16,655	–	4,439
New Material Business					
Polyimide films manufacturing	21,056	17,323	–	–	–
Aerospace Service					
Property investment in Shenzhen Aerospace Science & Technology Plaza	458,885	402	514,175	–	–
Land development in Hainan Launching Site Complex Zone	–	205	–	–	–
Internet of Things	21,385	11,041	–	–	4
	480,270	11,648	514,175	–	4
Segment total	649,770	126,986	530,830	–	4,443

6. SEGMENT INFORMATION (continued)

(c) Other segment information (continued)

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

2012

	Capital additions HK$'000	Depreciation and amortisation HK$'000	Fair value gain on investment properties HK$'000	Impairment of goodwill HK$'000	(Gain) loss on disposal of property, plant and equipment HK$'000
Hi-Tech Manufacturing Business					
Plastic products	50,396	22,891	–	–	1,422
Liquid crystal display	7,849	10,655	–	–	–
Printed circuit boards	54,531	26,444	–	–	(1,519)
Intelligent chargers	9,469	7,009	–	–	–
Industrial property investment	8,347	14,225	13,972	–	–
	130,592	81,224	13,972	–	(97)
New Material Business					
Polyimide films manufacturing	3,646	17,563	–	23,000	–
Aerospace Service					
Property investment in Shenzhen Aerospace Science & Technology Plaza	230,517	461	229,325	–	(58)
Land development in Hainan Launching Site Complex Zone	28	1,693	–	–	–
Internet of Things	29,043	8,771	–	–	–
	259,588	10,925	229,325	–	(58)
Segment total	393,826	109,712	243,297	23,000	(155)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

6. SEGMENT INFORMATION (continued)

(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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**2,094,632**	2,089,595	**225,893**	210,705
The PRC	**516,397**	525,334	**5,516,906**	4,260,474
Canada	**109**	172	**70,336**	71,093
	2,611,138	2,615,101	**5,813,135**	4,542,272

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2013	2012
	HK$'000	HK$'000
Customer A[1]	**—**	373,938
Customer B[1]	**345,969**	—

1 Revenue from intelligent chargers.

7. OTHER INCOME AND OTHER GAINS AND LOSSES

	2013	2012
	HK$'000	HK$'000
Continuing operations		
The Group's other income mainly comprises:		
Interest income	**39,713**	13,004
The Group's other gains and losses comprise:		
Impairment loss recognised in respect of goodwill	**–**	(23,000)
Net exchange gain (loss)	**10,236**	(5,294)
Net (loss) gain from change in fair value of financial assets at fair value through profit or loss	**(12,180)**	3,383
Allowance for doubtful trade debts	**(6,617)**	(1,278)
Gain on deregistration of subsidiaries	**1,688**	83
(Loss) gain on disposal/written off of property, plant and equipment	**(4,451)**	155
Discontinued operations		
The Group's other income mainly comprises:		
Bank interest income	**412**	792
The Group's other gains and losses mainly comprise:		
Net exchange loss	**(11)**	(1,169)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

8. DIRECTORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 10 (2012: 13) directors were as follows:

	Li Hongjun HK$'000	Jin Xuesheng HK$'000	Zhang Jianheng HK$'000	Wu Zhuo HK$'000	Chen Xuechuan HK$'000	Shi Weiguo HK$'000	Luo Zhenbang HK$'000	Wang Junyan# HK$'000	Leung Sau Fan, Sylvia HK$'000	Wang Xiaojun* HK$'000	2013 HK$'000
Directors' fees											
Executives	–	–	–	–	–	–	–	–	–	–	–
Non-executives (excluding independent non-executives)	–	–	–	–	–	–	–	–	–	–	–
Independent non-executives	–	–	–	–	–	–	150	33	150	117	450
	–	–	–	–	–	–	150	33	150	117	450
Other emoluments											
Salaries and other benefits	1,594	1,432	–	520	20	30	80	14	110	46	3,846
Bonuses	656	818	–	50	–	–	–	–	–	–	1,524
	2,250	2,250	–	570	20	30	80	14	110	46	5,370
Total emoluments	2,250	2,250	–	570	20	30	230	47	260	163	5,820

	Li Hongjun HK$'000	Jin Xuesheng HK$'000	Zhang Jianheng HK$'000	Wu Zhuo HK$'000	Chen Xuechuan HK$'000	Shi Weiguo HK$'000	Luo Zhenbang HK$'000	Wang Junyan HK$'000	Leung Sau Fan, Sylvia HK$'000	Wu Yanhua## HK$'000	Chan Ching Har, Eliza## HK$'000	Zhou Qingquan## HK$'000	Chow Chan Lum, Charles## HK$'000	2012 HK$'000
Directors' fees														
Executives	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Non-executives (excluding independent non-executives)	–	–	–	–	–	–	–	–	–	–	35	–	–	35
Independent non-executives	–	–	–	–	–	–	150	150	115	–	–	–	35	450
	–	–	–	–	–	–	150	150	115	–	35	–	35	485
Other emoluments														
Salaries and other benefits	1,594	1,432	–	520	30	30	87	55	89	–	15	99	26	3,977
Bonuses	656	818	–	50	–	–	–	–	–	–	–	–	–	1,524
	2,250	2,250	–	570	30	30	87	55	89	–	15	99	26	5,501
Total emoluments	2,250	2,250	–	570	30	30	237	205	204	–	50	99	61	5,986

Note: The bonuses are determined with reference to the operating results, individual performance and comparable market statistics for the two years ended 31 December 2013.

Mr. Li Hongjun is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

* Appointed in 2013
\# Resigned in 2013
\#\# Resigned/retired in 2012

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

(b) Highest paid individuals' emoluments

During the year, the five highest paid individuals included two directors (2012: two directors), details of whose emoluments are set out above. The emoluments of the remaining three (2012: three) highest paid individuals were as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefits	3,393	3,432
Bonuses *(Note)*	2,007	2,068
Contributions to retirement benefits scheme	—	—
	5,400	5,500

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 band:

Emoluments band	**Number of individuals** 2013	2012
HK$1,500,001 to HK$2,000,000	3	3

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

9. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Continuing operations		
Interest expenses on bank and other borrowings wholly repayable within five years	54,303	9,549
Less: Amount capitalised to investment properties under construction	(23,126)	(3,523)
	31,177	6,026
Discontinued operations		
Interest expenses on bank and other borrowings wholly repayable within five years	1,966	5,446
Less: Amount capitalised to land development expenditure	(1,966)	(5,446)
	—	—

Interest expenses capitalised during the year arose on the borrowings specifically in relation to the investment properties under construction in Shenzhen Aerospace Science & Technology Plaza.

10. PROFIT BEFORE TAXATION

	2013 HK$'000	2012 HK$'000
Continuing operations		
Profit before taxation has been arrived at after charging (crediting):		
Depreciation on property, plant and equipment	110,569	95,645
Amortisation of prepaid lease payments	3,231	2,465
Amortisation of intangible asset (included in cost of sales)	14,990	13,360
Auditors' remuneration		
— current year	4,458	4,200
— overprovision in prior year	(172)	(192)
Minimum lease payments under operating leases in respect of land and buildings	16,023	13,630
Research and development expenses (included in other expenses)	25,363	21,501
Staff costs, including directors' remuneration	498,385	458,417
Cost of inventories charged to profit or loss including reversal of obsolete inventories of HK$7,625,000 (2012: allowance for obsolete inventories of HK$3,375,000)	2,063,221	2,101,111
Gross rental income	(16,366)	(15,587)
Less: Direct operating expenses for investment properties that generated rental income during the year	2,662	2,418
	(13,704)	(13,169)
Discontinued operations		
Profit before taxation has been arrived at after charging:		
Depreciation on property, plant and equipment	205	1,693
Staff costs, including directors' remuneration	1,309	4,706

11. TAXATION

Continuing operations

The tax charge for the year comprises:

	2013 HK$'000	2012 HK$'000
Current tax		
Hong Kong Profits Tax	19,408	18,799
PRC Enterprise Income Tax	12,503	13,024
	31,911	31,823
Overprovision in prior years		
Hong Kong Profits Tax	(440)	(73)
PRC Enterprise Income Tax	(640)	(3,032)
	(1,080)	(3,105)
Deferred tax *(note 36)*	183,930	85,244
	214,761	113,962

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

	2013 HK$'000	2012 HK$'000
Profit before taxation (from continuing operations)	846,744	418,096
Tax at Hong Kong Profits Tax of 16.5%	139,713	68,986
Tax effect of share of results of associates	(242)	(66)
Tax effect of share of results of joint ventures	(44)	(253)
Tax effect of expenses not deductible for tax purposes	3,219	7,032
Tax effect of income not taxable for tax purpose	(29,175)	(2,027)
Land appreciation tax	53,981	23,502
Tax effect of tax losses not recognised	9,688	5,749
Utilisation of tax losses previously not recognised	(5,643)	(8,169)
Effect of different tax rates of subsidiaries operating in other jurisdictions	46,429	26,510
Effect of income tax on concessionary rates for certain subsidiaries	(547)	(6,164)
Overprovision in prior years	(1,080)	(3,105)
Others	(1,538)	1,967
Income tax expenses for the year (relating to continuing operations)	214,761	113,962

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11. TAXATION (continued)

Continuing operations (continued)

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

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. Certain subsidiaries of the Company operating in the PRC are eligible as High and New Technology Enterprise and the income tax rate of these subsidiaries is 15%.

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

12. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

From continuing operations and discontinued operations

	2013 HK$'000	2012 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	617,011	246,725

	2013 Number of shares	2012 Number of shares
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	3,085,022,000	3,085,022,000

From continuing operations

	2013 HK$'000	2012 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	506,026	252,848

	2013 Number of shares	2012 Number of shares
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	3,085,022,000	3,085,022,000

12. EARNINGS PER SHARE (continued)

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data: (continued)

From discontinued operations

	2013 HK$'000	2012 HK$'000
Earnings		
Profit (loss) for the year attributable to owners of the Company for the purpose of basic earnings per share	**110,985**	(6,123)

	2013 Number of shares	2012 Number of shares
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**3,085,022,000**	3,085,022,000

No diluted earnings per share have been presented as there were no potential ordinary shares outstanding for both years.

13. DIVIDENDS

	2013 HK$'000	2012 HK$'000
Dividends recognised as distribution during the year:		
2012 final, paid — HK1 cent (2012: 2011 final dividend of HK1 cent) per share	**30,850**	30,850

A final dividend of HK1 cent per share in respect of the year ended 31 December 2013 (2012: HK1 cent) has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

14. PROPERTY, PLANT AND EQUIPMENT

	Medium-term leasehold land and buildings in Hong Kong	Long-term leasehold land and buildings in the PRC	Medium-term leasehold land and buildings in the PRC	Plant and equipment	Motor vehicles, furniture and other equipment	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE GROUP							
COST							
At 1 January 2012	76,875	8,085	479,925	754,762	163,698	—	1,483,345
Exchange realignment	—	59	4,299	6,139	1,637	—	12,134
Additions	—	—	9,263	77,385	51,844	—	138,492
Disposals/written off	—	—	—	(28,424)	(3,966)	—	(32,390)
At 31 December 2012	76,875	8,144	493,487	809,862	213,213	—	1,601,581
Exchange realignment	—	224	15,712	21,401	5,219	344	42,900
Additions	—	—	11,629	38,612	22,983	16,826	90,050
Disposal/written off	—	—	—	(59,736)	(4,129)	—	(63,865)
Eliminated on disposal of subsidiaries *(note 39)*	—	—	(22,581)	—	(5,427)	—	(28,008)
At 31 December 2013	76,875	8,368	498,247	810,139	231,859	17,170	1,642,658
DEPRECIATION AND IMPAIRMENT							
At 1 January 2012	30,896	1,139	137,002	364,412	91,735	—	625,184
Exchange realignment	—	13	1,393	2,882	699	—	4,987
Charge for the year	1,984	124	14,250	59,461	21,519	—	97,338
Eliminated on disposals	—	—	—	(25,850)	(3,696)	—	(29,546)
At 31 December 2012	32,880	1,276	152,645	400,905	110,257	—	697,963
Exchange realignment	—	34	5,465	11,793	2,643	—	19,935
Charge for the year	1,985	131	18,236	60,525	29,897	—	110,774
Eliminated on disposal/written off	—	—	—	(55,036)	(4,005)	—	(59,041)
Eliminated on disposal of subsidiaries *(note 39)*	—	—	(1,300)	—	(3,657)	—	(4,957)
At 31 December 2013	34,865	1,441	175,046	418,187	135,135	—	764,674
CARRYING VALUES							
At 31 December 2013	42,010	6,927	323,201	391,952	96,724	17,170	877,984
At 31 December 2012	43,995	6,868	340,842	408,957	102,956	—	903,618

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Motor vehicles, furniture and other equipment HK$'000
THE COMPANY	
COST	
At 1 January 2012	14,338
Additions	19
Disposal	(864)
At 31 December 2012	13,493
Additions	184
At 31 December 2013	13,677
DEPRECIATION AND IMPAIRMENT	
At 1 January 2012	11,335
Provided for the year	1,223
Eliminated on disposal	(864)
At 31 December 2012	11,694
Provided for the year	781
At 31 December 2013	12,475
CARRYING VALUES	
At 31 December 2013	1,202
At 31 December 2012	1,799

Note:

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

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

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15. PREPAID LEASE PAYMENTS

	THE GROUP	
	2013	2012
	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:		
Non-current portion	**144,602**	74,970
Current portion	**4,898**	2,391
	149,500	77,361

16. INVESTMENT PROPERTIES

THE GROUP

	Completed investment properties	Investment properties under construction	Total
	HK$'000	HK$'000	HK$'000
FAIR VALUE			
At 1 January 2012	327,049	1,817,284	2,144,333
Exchange realignment	3,187	19,521	22,708
Construction costs incurred	—	206,258	206,258
Net increase in fair value recognised in profit or loss	26,905	229,325	256,230
At 31 December 2012	357,141	2,272,388	2,629,529
Exchange realignment	1,491	84,491	85,982
Construction costs incurred	—	490,839	490,839
Net increase in fair value recognised in profit or loss	25,637	514,175	539,812
At 31 December 2013	384,269	3,361,893	3,746,162
Unrealised gain on property revaluation included in profit or loss of this year	25,637	514,175	539,812

16. INVESTMENT PROPERTIES (continued)

THE GROUP (continued)

The carrying value of investment properties shown above comprises:

	2013 HK$'000	2012 HK$'000
Land in Hong Kong:		
Medium-term lease	**84,810**	68,155
Land outside Hong Kong:		
Freehold	**69,698**	71,006
Long lease	**21,686**	18,833
Medium-term lease	**3,569,968**	2,471,535
	3,746,162	2,629,529

The fair values of the Group's investment properties at 31 December 2013 and 31 December 2012 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 development plan, after taking into account of the estimated construction costs to completion to reflect the quality of the completed development, developer's profits and the restrictions imposed on the development properties to lease or to sell to the third parties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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16. INVESTMENT PROPERTIES (continued)

THE GROUP (continued)

	Fair value as at 31.12.2013 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Units 402, 405 to 407 on 4th Floor, 17th Floor China Aerospace Centre 143 Hoi Bun Road Kwun Tong Kowloon	63,281	Level 2	Direct comparison method based on market observable transaction of similar properties and adjust to reflect the conditions and location of the property	N/A	N/A
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	10,051	Level 2	Direct comparison method based on market observable transaction of similar properties and adjust to reflect the conditions and location of the property	N/A	N/A
Unit A on 2nd Floor of Tsun Win Factory Building No. 60 Tsun Yip Street Kwun Tong Kowloon	7,478	Level 2	Direct comparison method based on market observable transaction of similar properties and adjust to reflect the conditions and location of the property	N/A	N/A
Car Parking Space Nos. 4,5,8, 12 and 13 on Ground Floor of Wah Hing Industrial Mansions No. 36 Tai Yau Street and Nos. 21–25 Tseuk Luk Street San Po Kong Kowloon	4,000	Level 2	Direct comparison method based on market observable transaction of similar properties and adjust to reflect the conditions and location of the property	N/A	N/A
China Aerospace Industrial Estate Zhong Kai Development Zone Huizhou City Guangdong Province China	170,094	Level 3	Direct Capitalisation Approach The key inputs are: (1) Capitalisation rate; (2) Monthly rent	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 8.75%. Monthly rent, based on net floor area, using direct market comparable and taking into account of age, location and individual factors such as size of property and layout/ design, of RMB8/sq.m. on average for the base level.	The higher the capitalisation rate, the lower the fair value. The higher the monthly rent, the higher the fair value.
Office Unit Nos 801–819 on Level 8 together with Car Parking Space Nos 2355–2357, 3105–3107, Zhong Hai Hua Ting North Zone, No. 399 Fu Hua Road, Futian District, Shenzhen, Guangdong Province China	21,686	Level 3	Direct Capitalisation Approach The key inputs are: (1) Capitalisation rate; (2) Monthly rent	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4.5%. Monthly rent, based on net floor area, using direct market comparable and taking into account of age, location and individual factors such as size of property and layout/ design, of RMB124/sq.m. on average for the base level.	The higher the capitalisation rate, the lower the fair value. The higher the monthly rent, the higher the fair value.

16. INVESTMENT PROPERTIES (continued)

THE GROUP (continued)

	Fair value as at 31.12.2013 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
South of Bin Hai Avenue and the East of Hou Hai Bin Road Nanshan District Shenzhen Guangdong Province China	3,361,893	Level 3	Market-based Approach The key inputs are: (1) Gross development value; (2) Developer's profit; (3) Capitalisation rate; (4) Monthly rent; (5) Construction costs	Gross development value on completion basis, taking into account the time, location and individual factors, such as size, location, between comparable and the property, of RMB5,349 million.	The higher the gross development value, the higher the fair value.
				Developer's profit, taking into account of the comparable land transactions and progress of the property of 10%.	The higher the developer's profit, the lower the fair value.
				Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 5%.	The higher the capitalisation rate, the lower the fair value.
				Monthly rent, based on net floor area, using direct market comparable and taking into account of age, location and individual factors such as size of property and layout/ design of RMB123/sq.m. on average for office and RMB40/sq.m. – RMB183/sq.m. for commercial area.	The higher the monthly rent, the higher the fair value.
				Construction costs, according to the management's experience and construction budget.	The higher the construction costs, the lower the fair value.
Level 8 Qian Cun Commercial Building Block No. 2 of 5th District of An Zhen West Lane Chao Yang District Beijing China	37,981	Level 3	Direct Capitalisation Approach The key inputs are: (1) Capitalisation rate; (2) Monthly rent	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4%.	The higher the capitalisation rate, the lower the fair value.
				Monthly rent, based on net floor area, using direct market comparable and taking into account of age, location and individual factors such as size of property and layout/ design, of RMB76/sq.m. on average.	The higher the monthly rent, the higher the fair value.
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	69,698	Level 3	Direct comparison method The key inputs are: (1) Location adjustment; (2) Size adjustment; (3) Condition of land	Location adjustment, taking into account of the distance with the city centre, of 5% – 20% for the base level.	The better the location, the higher the fair value.
				Size adjustment, taking into account of the size of the property, of 20% – 25% for the base level.	The larger the size, the lower the fair value per sq. ft.
				Condition of the land, taking into account of the land use and the status of development, of 5% – 10% for the base level.	The better the condition of the land, the higher the fair value.

16. INVESTMENT PROPERTIES (continued)

THE GROUP (continued)

Fair value measurements and valuation processes

In estimating the fair value of the Group's investment properties, the Group uses market observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation of the Group's investment properties. At the end of each reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs for Level 2 and Level 3 fair value measurements. The Group will first consider and adopt Level 2 inputs where inputs can be derived observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. Where there is a material change in the fair value of the assets, the causes of the fluctuations will be reported to the board of directors of the Company.

Information about the valuation techniques and inputs used in determining the fair value of the Group's investment properties are disclosed above.

There were no transfers into or out of Level 3 during the year.

17. INTERESTS IN SUBSIDIARIES/AMOUNTS DUE FROM SUBSIDIARIES

	THE COMPANY	
	2013	2012
	HK$'000	HK$'000
Unlisted shares and capital contribution, at cost	**741,614**	677,386
Less: Impairment losses recognised	**(89,280)**	(89,280)
	652,334	588,106
Amounts due from subsidiaries	**1,381,105**	1,508,038

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

At 31 December 2013, 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 2013 and 2012 are set out in note 48.

18. GOODWILL

	HK$'000
COST	
At 1 January 2012	34,980
Exchange realignment	261
At 31 December 2012	35,241
Exchange realignment	991
At 31 December 2013	36,232
IMPAIRMENT	
At 1 January 2012	—
Impairment loss recognised in the year	23,000
At 31 December 2012 and 31 December 2013	23,000
CARRYING VALUES	
At 31 December 2013	13,232
At 31 December 2012	12,241

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 unit of the new material business.

The recoverable amounts of the CGUs are determined based on value in use calculations, which is higher or approximates the fair value less costs to sell. 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 16.5% (2012: 16.5%) 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 5 years (2012: 3 years) approved by management. Cash flows beyond the 5-year period have been extrapolated using growth rates of 3.0% (2012: 3.0%) per annum. During the year ended 31 December 2012, the Group recognised an impairment loss of HK$23,000,000 in relation to goodwill arising on acquisition of Shenzhen Rayitek Hi-tech Film Company Limited ("Shenzhen Rayitek") due to the market conditions and the forecast sales in 2012 not being achieved (2013: nil).

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19. INTANGIBLE ASSETS

	Technical knowhow HK$'000	Development costs HK$'000	Total HK$'000
COST			
At 1 January 2012	61,060	—	61,060
Exchange realignment	456	287	743
Additions	—	26,985	26,985
At 31 December 2012	61,516	27,272	88,788
Exchange realignment	1,731	731	2,462
Additions	—	6,495	6,495
At 31 December 2013	63,247	34,498	97,745
AMORTISATION			
At 1 January 2012	1,004	—	1,004
Exchange realignment	98	72	170
Provided for the year	6,614	6,746	13,360
At 31 December 2012	7,716	6,818	14,534
Exchange realignment	356	287	643
Provided for the year	6,755	8,235	14,990
At 31 December 2013	14,827	15,340	30,167
CARRYING VALUES			
At 31 December 2013	48,420	19,158	67,578
At 31 December 2012	53,800	20,454	74,254

The above intangible assets have finite useful lives. Such intangible assets are amortised on a straight-line basis over the following periods:

Technical knowhow	8 years
Development costs	4 years

Technical knowhow represents technical knowledge and techniques acquired through acquisition of a subsidiary to manufacture polyimide films.

20. INTERESTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cost of unlisted investments in associates	**15,949**	15,949	**3,603**	3,603
Share of post-acquisition profits, net of dividends received	**(1,247)**	(3,104)	**—**	—
Less: Impairment loss recognised	**—**	—	**(3,603)**	(3,603)
	14,702	12,845	**—**	—

Particulars of the associates of the Group at 31 December 2013 and 2012 are set out in note 49.

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All associates are accounted for using the equity method in these consolidated financial statements.

航天新商務信息科技有限公司（"新商務信息"）

	2013	2012
	HK$'000	HK$'000
Current assets	**89,086**	88,152
Non-current assets	**11,177**	11,868
Current liabilities	**7,137**	18,721
Revenue	**192,582**	36,321
Profit for the year	**9,347**	2,555
Other comprehensive income for the year	**2,474**	3,178
Total comprehensive income for the year	**11,821**	5,733

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20. INTERESTS IN ASSOCIATES (continued)

Summarised financial information of material associates (continued)

航天新商務信息科技有限公司(“新商務信息”) (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in 新商務信息 recognised in the consolidated financial statements:

	2013 HK$'000	2012 HK$'000
Net assets of 新商務信息	93,126	81,299
Proportion of the Group's ownership interest in 新商務信息	15.7%	15.7%
Carrying amount of the Group's interest in 新商務信息	14,621	12,764

	2013 HK$'000	2012 HK$'000
Unrecognised share of profit (loss) of associates for the year	392	(266)
Accumulated unrecognised share of losses of associates	(12,739)	(13,131)

21. INTERESTS IN JOINT VENTURES

	THE GROUP		THE COMPANY	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Cost of unlisted investments in joint ventures	849,825	88,531	15,000	15,000
Share of other comprehensive income	34,115	12,985	—	—
Share of post-acquisition losses	(37,357)	(37,625)	—	—
	846,583	63,891	15,000	15,000

Particulars of the principal joint ventures of the Group at 31 December 2013 and 2012 are set out in note 50.

21. INTERESTS IN JOINT VENTURES (continued)

Summarised financial information of material joint ventures

The joint ventures are accounted for using the equity method in these consolidated financial statements.

The summarised financial information in respect of the Group's material joint venture which has been extracted from the unaudited consolidated financial statements is as follows:

Hainan Aerospace

	2013 HK$'000	2012 HK$'000
Current assets	388,700	—
Non-current assets	1,174,710	—
Current liabilities	37,212	—
Revenue	12,580	—
Loss for the year	(2,324)	—
Other comprehensive income for the year	42,788	—
Total comprehensive income for the year	40,464	—

The above loss for the year included the following:

	2013 HK$'000	2012 HK$'000
Depreciation and amortisation	1,278	—
Interest income	12,165	—
Interest expense	(19)	—

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21. INTERESTS IN JOINT VENTURES (continued)

Summarised financial information of material joint ventures (continued)

Hainan Aerospace (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Hainan Aerospace recognised in the consolidated financial statements:

	2013 HK$'000	2012 HK$'000
Net assets of Hainan Aerospace	1,526,198	—
Effect of fair value adjustments at acquisition	36,852	—
	1,563,050	—
Proportion of the Group's ownership interest in Hainan Aerospace	50%	—
Carrying amount of the Group's interest in Hainan Aerospace	781,525	—

Aggregate information of a joint venture that is not individually material

	2013 HK$'000	2012 HK$'000
The Group's share of profit from continuing operations	1,430	1,558
The Group's share of other comprehensive expense	(264)	(529)
The Group's share of total comprehensive income	1,166	1,029
Aggregate carrying amount of the Group's interests in this joint venture	65,058	63,891

22. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP		THE COMPANY	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Available-for-sale investments:				
At fair value				
— equity securities listed in Hong Kong	—	49,140	—	—
At cost				
— unlisted equity securities in Hong Kong	29,000	9,000	—	9,000
	29,000	58,140	—	9,000

22. AVAILABLE-FOR-SALE INVESTMENTS (continued)

At 31 December 2013, the unlisted equity securities of HK$29,000,000 (2012: HK$9,000,000) 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.

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$49,140,000 at 31 December 2012 is Level 1 under the fair value hierarchy (2013: nil). Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

In the current year, the Group disposed of certain listed equity securities with carrying amount of HK$49,140,000, which had been carried at fair value before disposal. A gain on disposal of HK$120,918,000 has been recognised in profit or loss for the current year.

23. LAND DEVELOPMENT EXPENDITURE

THE GROUP

Pursuant to a land development agreement entered into between CASIL Hainan Holdings Limited ("Hainan Holdings"), an indirectly wholly-owned subsidiary of the Company 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 to the Wenchang Government for the demolition and resettlement works carried out by the Wenchang Government for the Land Development Project and such advance was included in land development expenditure in Hainan Aerospace, a subsidiary of Hainan Holdings before deemed disposal as detailed in note 39. 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 Hainan Holdings for the above Land Development Project is considered as joint 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) from the sale of the land from the Land Development Project shall be shared between the Wenchang Government and Hainan Holdings in the ratio of 30%: 70%.

During the year ended 31 December 2013, Hainan Aerospace became a joint venture of the Group as a result of deemed disposal as detailed in note 39. Accordingly, the land development expenditure was derecognised and being included in interests in joint ventures as at 31 December 2013.

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24. INVENTORIES

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Raw materials	**124,730**	104,502
Work-in-progress	**47,311**	60,967
Finished goods	**81,216**	78,247
	253,257	243,716

25. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Trade receivables	**581,936**	554,274
Less: Allowance for doubtful debts	**(31,255)**	(24,638)
	550,681	529,636
Other receivables, deposits and prepayments	**47,722**	60,721
	598,403	590,357

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

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Within 90 days	**509,999**	491,252
Between 91–180 days	**34,396**	33,141
Between 181–365 days	**6,286**	5,243
	550,681	529,636

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$40,682,000 (2012: HK$38,384,000) 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	
	2013	2012
	HK$'000	HK$'000
Overdue 1–90 days	**34,396**	33,141
Overdue 91–270 days	**6,286**	5,243
	40,682	38,384

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	
	2013	2012
	HK$'000	HK$'000
At 1 January	**24,638**	24,776
Allowance for doubtful debts	**6,617**	1,278
Amount written off as uncollectible	**–**	(1,416)
At 31 December	**31,255**	24,638

26. AMOUNTS DUE FROM CUSTOMERS FOR CONTRACT WORK

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Contracts in progress at the end of the reporting period		
Contract costs incurred plus recognised profits less recognised losses	**–**	36,984
Less: Progress billings	**–**	(34,627)
	–	2,357
Analysed for reporting purposes as:		
Amounts due from contract customers	**–**	2,357

At 31 December 2012, advances received from customers for contract work amounted to HK$5,977,000 were included in trade and other payables (2013: nil).

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27. AMOUNT DUE FROM A RELATED PARTY

THE GROUP

The amount represents the deposits placed with Aerospace Science & Technology Finance Company Limited (航天科技財務有限責任公司) ("Aerospace Finance"), a subsidiary of China Aerospace Science & Technology Corporation ("CASC"). The amount is unsecured, receivable on demand and carries interests at prevailing market rate.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2013	2012
	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	**50,196**	62,125
— listed in the PRC	**1,073**	1,292
	51,269	63,417

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$51,269,000 (2012: HK$63,417,000) at 31 December 2013 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.

29. AMOUNTS DUE FROM/TO SUBSIDIARIES

THE COMPANY

Other than HK$6,128,000 (2012: HK$6,128,000) due from certain subsidiaries and HK$7,500,000 (2012: 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.

30. PLEDGED BANK DEPOSITS, SHORT-TERM BANK DEPOSITS, BANK BALANCES AND CASH

THE GROUP

The Group's bank deposits amounting to HK$20,075,000 (2012: HK$110,207,000) have been pledged to secure general banking facilities of the Group and are therefore classified as current assets.

Short-term bank deposits with original maturity more than three months carry fixed interest ranging from 3.30% to 3.80% per annum (2012: nil).

THE GROUP AND THE COMPANY

Bank balances and pledged bank deposits carry interest at prevailing market rates which range from 0.01% to 2.86% (2012: 0.35% to 1.39%) per annum at 31 December 2013.

31. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**304,016**	285,109	**—**	—
Accrued charges	**133,738**	124,108	**14,837**	14,396
Receipt in advance	**92,298**	137,196	**—**	—
Other payables	**473,079**	378,362	**48,811**	48,656
	1,003,131	924,775	**63,648**	63,052

Other payables included an amount of HK$54,000,000 (2012: HK$54,000,000) received on behalf of CASC and payables to contractors for investment properties under construction of HK$171,587,000 (2012: HK$104,263,000).

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

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Within 90 days	**296,335**	268,944
Between 91–180 days	**2,653**	2,825
Between 181–365 days	**924**	442
Over 1 year	**4,104**	12,898
	304,016	285,109

32. 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.

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33. BANK AND OTHER BORROWINGS

The bank and other borrowings at the end of the reporting period comprise:

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Borrowings from the Finance Syndicate *(note 46(a)(v))*	**600,128**	175,373
Bank borrowings	**54,987**	74,005
Loan from a related party *(note 46(a)(i))*	**76,726**	74,627
	731,841	324,005

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Secured	**731,841**	324,005
The borrowings are repayable as follows:		
Within one year	**131,713**	123,756
More than one year but not exceeding two years	**300,064**	24,876
More than two years but not more than five years	**300,064**	175,373
	731,841	324,005
Less: Amounts due within one year shown under current liabilities	**131,713**	123,756
Amounts due after one year	**600,128**	200,249

The borrowings carry interest at variable market rate ranging from 5.60% to 6.56% (2012: 6.15% to 7.93%) per annum.

The loan from a related party of HK$76,726,000 carried fixed rate at 6.0% per annum with contractual maturity date within 1 year.

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. LOAN FROM A MAJOR SHAREHOLDER

The loan is unsecured, bears a fixed interest at 5% per annum and will be repayable in 2018 (note 46(a)(iii)).

36. DEFERRED TAXATION

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

THE GROUP

	Accelerated tax depreciation HK$'000	Revaluation of investment properties HK$'000	Others HK$'000 *(Note)*	Total HK$'000
At 1 January 2012	3,592	367,319	16,971	387,882
Charge (credit) to profit or loss for the year	13	87,431	(2,200)	85,244
Exchange realignment	—	3,947	134	4,081
At 31 December 2012	3,605	458,697	14,905	477,207
Charge to profit or loss for the year	140	183,790	—	183,930
Exchange realignment	—	15,925	510	16,435
At 31 December 2013	3,745	658,412	15,415	677,572

Note: The amount mainly represents temporary differences arising from 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 2013, the Group has unused tax losses of approximately HK$1,123 million (2012: HK$1,098 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$1,033 million (2012: HK$1,050 million) may be carried forward indefinitely and the remaining balance will expire at various dates up to 2018.

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$1,047 million (2012: HK$797 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 2013, the Company had unused tax losses of approximately HK$35 million (2012: HK$40 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.

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37. 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 2012, 31 December 2012 and 31 December 2013	100,000,000	10,000,000
Issued and fully paid:		
At 1 January 2012, 31 December 2012 and 31 December 2013	3,085,022	308,502

38. RESERVES

THE GROUP AND THE COMPANY

Share premium

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

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

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

38. RESERVES (continued)

THE GROUP AND THE COMPANY (continued)

Share premium (continued)

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

(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.

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38. RESERVES (continued)

THE COMPANY

	Share premium HK$'000	Special capital reserve HK$'000 *(note a)*	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2012	844,929	630,977	1,080	894,986	2,371,972
Profit and total comprehensive income for the year	—	—	—	14,086	14,086
Dividend recognised as distribution	—	—	—	(30,850)	(30,850)
At 31 December 2012	844,929	630,977	1,080	878,222	2,355,208
Profit and total comprehensive income for the year	—	—	—	26,435	26,435
Dividend recognised as distribution	—	—	—	(30,850)	(30,850)
At 31 December 2013	844,929	630,977	1,080	873,807	2,350,793

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 2013 comprised the retained profits of HK$873,807,000 (2012: HK$878,222,000).

39. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)

On 5 November 2012, the Group entered into a subscription agreement with Hainan Expressway Co., Ltd. ("海南高速公路股份有限公司") ("Hainan Expressway") and China Great Wall Industry Corporation ("中國長城工業集團有限公司") ("China Great Wall"), pursuant to which Hainan Expressway and China Great Wall would conditionally subscribe for 50% of enlarged equity interests in aggregate in Hainan Aerospace, a wholly-owned subsidiary of the Company before such subscription which is engaged in a Land Development Project in Hainan, at an amount of RMB312,720,000 (equivalent to approximately HK$388,955,000) by each of Hainan Expressway and China Great Wall. China Great Wall is an indirect wholly-owned subsidiary of CASC.

On 19 March 2013, the above transaction was completed. Hainan Aerospace was ceased to be a subsidiary of the Company and represented the entire segment of "Land development in Hainan Launching Site Complex Zone" under "Aerospace Service". Accordingly, the operation of Hainan Aerospace is presented as discontinued operations. Hainan Aerospace became a 50% joint venture of the Company, and is accounted for in the consolidated financial statements using equity-accounting method since 19 March 2013.

39. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS) (continued)

The profit (loss) from the discontinued operations for the current and prior year is analysed as follows:

	2013 HK$'000	2012 HK$'000
Other gains and losses	(11)	(1,169)
Bank interest income	412	792
Administrative expenses	(2,328)	(5,746)
Gain on deemed disposal of subsidiaries	112,912	—
Profit (loss) for the year attributable to owners of the Company	110,985	(6,123)

The major classes of assets and liabilities of Hainan Aerospace as at the date of disposal are as follows:

	HK$'000
Property, plant and equipment	23,051
Land development expenditure	689,811
Pledged bank deposits	85,000
Bank balances and cash	80,371
Other assets	793
Amount due to the Group	(123,134)
Bank borrowings	(55,971)
Other liabilities	(1,876)
Net assets disposed of	698,045
Gain on deemed disposal	
Interest in a joint venture	761,294
Net assets disposed of	(698,045)
Exchange differences arising on translation released	49,663
	112,912
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	80,371

During the period up to the date of disposal, Hainan Aerospace contributed HK$2,438,000 (2012: HK$8,963,000) to the Group's net operating cash outflows, paid HK$25,808,000 (2012: HK$16,180,000) in respect of investing activities and generated cash outflows of HK$6,219,000 (2012: HK$557,000) in respect of financing activities.

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 33, 34 and 35, 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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Fair value through profit or loss				
Held for trading	**51,269**	63,417	**–**	–
Loans and receivables				
(including cash and cash equivalents)	**2,504,985**	1,666,972	**2,167,779**	2,221,556
Available-for-sale investments	**29,000**	58,140	**–**	9,000
Financial liabilities				
Amortised cost	**2,158,537**	997,444	**159,763**	154,938

b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, pledged bank deposits, short-term bank deposits, trade and other receivables, financial assets at fair value through profit or loss, amount due from a related party, bank balances and cash, trade and other payables, amount due to an associate, loan from a major shareholder, bank and other 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 exposed to fair value interest rate risk in relation to fixed-rate bank deposits and loans from a related party and a major shareholder (see notes 33 and 35 for details of these borrowings). The Group currently does not have a policy on hedging of interest rate risks. However, the management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise. 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).

The Group is also exposed to cash flow interest rate risk in relation to floating-rate borrowings (see note 33 for details). In addition, the Group and the Company are 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 and other borrowings after considering the impact of interest expenses being capitalised as land development expenditure in 2012. For variable-rate bank and other 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 2013 would decrease/increase by HK$2,735,000 (2012: HK$1,353,000).

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 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% (2012: 10%) higher/lower, the Group's profit for the year ended 31 December 2013 would increase/decrease by HK$4,281,000 (2012: HK$5,295,000) as a result of the changes in fair value of the financial assets at fair value through profit or loss.

As at 31 December 2012, if the prices of the listed available-for-sale investments had been 10% higher/lower, the Group's investment revaluation reserve would increase/decrease by HK$4,914,000 as a result of the changes in fair value of available-for-sale investments for the year ended 31 December 2012 (2013: nil).

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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**2,052,485**	823,762	**1,681,819**	59,497

Sensitivity analysis

The sensitivity analyses below details the Company's sensitivity to a 5% (2012: 5%) increase and decrease in Hong Kong dollars against RMB. 5% (2012: 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
2013	
— if Hong Kong dollars weaken against RMB	**18,533**
— if Hong Kong dollars strengthen against RMB	**(18,533)**
2012	
— if Hong Kong dollars weaken against RMB	38,214
— if Hong Kong dollars strengthen against RMB	(38,214)

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 2013 and 2012 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. In addition, regular reviews on aging and recoverability are performed by the management of the Company to ensure that adequate impairment losses, if any, are made for irrecoverable amounts.

At 31 December 2013, the Company also has significant concentration of credit risk where an amount of HK$2,101,425,000 (2012: HK$2,176,606,000) is 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 and other 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 interest rates at year end. 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.

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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 2013						
Financial liabilities						
Non-interest bearing	—	483,295	304,015	—	787,310	787,310
Loan from a major shareholder	5.00	—	—	799,233	799,233	639,386
Bank and other borrowings						
— fixed rate	6.00	—	78,261	—	78,261	76,726
— variable rate	6.36	—	94,301	676,944	771,245	655,115
		483,295	476,577	1,476,177	2,436,049	2,158,537
At 31 December 2012						
Financial liabilities						
Non-interest bearing	—	285,199	388,240	—	673,439	673,439
Bank and other borrowings						
— variable rate	6.29	—	141,774	212,931	354,705	324,005
		285,199	530,014	212,931	1,028,144	997,444

41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

	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 2013						
Financial liabilities						
Non-interest bearing	—	159,763	—	—	159,763	159,763
At 31 December 2012						
Financial liabilities						
Non-interest bearing	—	154,938	—	—	154,938	154,938

c. Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis.

The fair value of financial assets and 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 2013 and 2012 using the fair value hierarchy is Levels 1 and 2 (see notes 22 and 28). 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 2013, bank deposits of HK$20,075,000 (2012: HK$110,207,000), plant and equipment of HK$99,228,000 (2012: HK$110,392,000), land use right of HK$16,950,000 (2012: HK$14,341,000) and investment properties with an aggregated carrying amount of HK$3,361,893,000 (2012: HK$2,272,388,000) respectively were pledged to banks and related parties to secure general banking facilities and loan facilities granted to the Group.

43. COMMITMENTS

	THE GROUP	
	2013	2012
	HK$'000	HK$'000
Capital expenditure authorised but not contracted for:		
— properties under construction	**526,838**	548,180
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
— acquisition of property, plant and equipment	**36,246**	16,448
— acquisition of an intangible asset	**—**	13,993
— properties under construction	**624,694**	886,122
	660,940	916,563

In addition, at 31 December 2013, a joint venture has committed in an investment for the Land Development Project amounting to RMB299,920,000 (equivalent to approximately HK$383,529,000) as detailed in note 23. At 31 December 2012, the Group's investment commitment in the Land Development Project was RMB664,897,000 (equivalent to approximately HK$826,986,000).

44. OPERATING LEASES

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	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**18,302**	15,747	**2,968**	2,712
In the second to fifth year inclusive	**17,778**	22,317	**1,366**	4,068
Over five years	**35,441**	33,506	**—**	—
	71,521	71,570	**4,334**	6,780

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.

44. OPERATING LEASES (continued)

The Group and the Company as lessee (continued)

Operating lease payments represent rentals payable by the Company for its office premises. Leases are negotiated and rentals are fixed for 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:

	2013 HK$'000	2012 HK$'000
Within one year	6,557	4,243
In the second to fifth year inclusive	8,310	4,399
	14,867	8,642

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$15,000 per annum (2012: HK$1,000 per month from 1 January 2012 to 31 May 2012 and HK$1,250 per month from 1 June 2012 to 31 December 2012) 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 statement of profit or loss of HK$13,450,000 (2012: HK$10,835,000) 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.

46. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with the CASC Group

(i) During the year ended 31 December 2012, the Group entered into a loan facility with Aerospace Finance, for an amount of RMB60,000,000 (equivalent to approximately HK$74,627,000) for a period of one year from the first draw down date. As security of the loan, the relevant land use right and plant and equipment with carrying amount of HK$14,341,000 and HK$110,392,000 respectively were charged in favour of Aerospace Finance. The interest paid to Aerospace Finance during the year ended 31 December 2012 amounting to HK$2,852,000. During the year ended 31 December 2013, the Group renewed the loan facility with Aerospace Finance, pursuant to which Aerospace Finance shall continue to provide a one-year loan in the sum of RMB60,000,000 (equivalent to approximately HK$76,726,000) to the Group. As security of the loan, the relevant land use right and plant and equipment with carrying amount of HK$16,950,000 and HK$99,228,000 respectively were charged in favour of Aerospace Finance. The interest paid to Aerospace Finance during the year amounting to HK$4,561,000.

(ii) During the year ended 31 December 2012, the Group entered into electronic commercial service agreements (the "Agreement") with an associate 新商務信息, for an amount of RMB300,000 per year for a period of five years commencing from the date of the Agreement. During the year ended 31 December 2012, the Group also paid to 新商務信息 service fee of RMB200,000 (equivalent to approximately HK$246,000) for renovation and maintenance of the Group's website and RMB200,000 (equivalent to approximately HK$246,000) as corporate membership fee. CASC and its related companies also have substantial interests and significant influence over 新商務信息.

(iii) During the year ended 31 December 2013, the Group entered into a long-term loan agreement with CASC for an amount of RMB500,000,000 (equivalent to approximately HK$639,386,000) for a period of five years from the first draw down date. Such loan carries a fixed interest of 5% per annum and the interest incurred to CASC for the year ended 31 December 2013 is HK$24,204,000 (2012: nil).

(iv) During the year ended 31 December 2013, China Great Wall, an indirect wholly-owned subsidiary of CASC, injected RMB312,720,000 to Hainan Aerospace as a result of share subscription as detailed in note 39.

(v) During the year ended 31 December 2011, the Group entered into a facility ("Facility") with a syndicate of financial institutions including Aerospace Finance, 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 and Technology Plaza ("Aerospace Plaza") for a period of 5 years from the first drawdown date. The land use right of Aerospace Plaza has been mortgaged in favour of the Finance Syndicate as security. As at 31 December 2013, the Group has drawn down RMB469,300,000 (equivalent to approximately HK$600,128,000) (2012: RMB141,000,000 (equivalent to approximately HK$175,373,000)). The interest paid to loans drawn from the Facility in the current year amounting to RMB18,455,000 (equivalent to approximately HK$23,126,000) (2012: RMB2,872,000 (equivalent to approximately HK$3,523,000)).

46. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with the CASC Group (continued)

(vi) During the year ended 31 December 2013, the Group entered into an agreement with Aerospace Finance, pursuant to which Aerospace Finance shall provide deposit services and settlement services to the Group which allow the Group to make deposits or withdrawals through the RMB deposit accounts with Aerospace Finance, subject to the condition that the maximum daily outstanding balance of all deposits placed by the Group shall not be more than RMB100,000,000 in aggregate within three years from the date of the agreements. As at 31 December 2013, such deposits placed by the Group amounted to RMB6,914,000 (equivalent to approximately HK$8,841,000) (2012: nil) and was included in amount due from a related party.

(b) 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 33) and the Facility with these banks, Land Development Project with the Wenchang Government (note 23), transactions with other government-related entities are individually insignificant.

(c) 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. EVENT AFTER THE END OF THE REPORTING PERIOD

Shenzhen Rayitek, an indirect non wholly-owned subsidiary of the Company, increased its registered capital in January 2014 by the amount of RMB267,532,400 on introduction of several strategic investors and the Group's equity interests in Shenzhen Rayitek decreased from 55% at 31 December 2013 to 44.48% at the date of this report and will be further decreased to 42.75% on completion of the capital increase. After assessment by the directors of the Company, the Group lost control on Shenzhen Rayitek which ceased to be a subsidiary of the Company since then. Please refer to announcement of the Company dated 19 December 2013 for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2013 and 2012 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 Electronic Products Limited	HK$15,000,000	100	–	100	Distribution of plastic and metal products and moulds
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 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	HK$60,000,000	100	–	100	Investment holding
Hong Yuen Electronics Limited	HK$5,000,000	–	100	100	Distribution of printed circuit boards
Jeckson Electric Company Limited	HK$5,000,000	–	100	100	Distribution of intelligent battery chargers and electronic components
Incorporated and operating in Canada:					
Vanbao Development (Canada) Limited	CAD1,080,000	–	79.25	79.25	Property investment
Incorporated in the British Virgin Islands and operating in Hong Kong:					
Sinolike Investments Limited	US$1	100	–	100	Investment holding

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Details of the Company's principal subsidiaries at 31 December 2013 and 2012 are as follows: (continued)

Name of subsidiary	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity held by the Company %	Percentage of equity held by subsidiaries %	Percentage of equity attributable to the Company %	Principal activities
Registered and operating in the PRC:					
Chee Yuen Plastic Products (Huizhou) Company Limited#	HK$72,000,000	–	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#	HK$90,400,000	–	100	100	Manufacturing and distribution of liquid crystal displays and LCD modules
東莞康源電子有限公司#	HK$150,000,000	–	100	100	Manufacturing and distribution 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$720,000	–	90	90	Electroplating of metals
Shenzhen Chee Yuen Plastics Company Limited#	HK$25,000,000	–	100	100	Manufacturing and distribution of plastic products
航科新世紀科技發展（深圳）有限公司#	US$50,000,000	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
深圳瑞華泰薄膜科技有限公司##	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#	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2013

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

At 31 December 2012, Hainan Aerospace was an indirect wholly owned subsidiary of the Company which engaged in the Land Development Project. On 19 March 2013, Hainan Aerospace ceased to be a subsidiary of the Company and became a 50% joint venture of the Group upon completion of the subscription agreement with Hainan Expressway and China Great Wall as detailed in Note 39.

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.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2013	2012	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
深圳市航天高科投資管理有限公司	PRC	40%	40%	130,051	55,252	815,122	663,708
Individually immaterial subsidiaries with non-controlling interests						55,590	58,881
						870,712	722,589

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

深圳市航天高科投資管理有限公司

	2013 HK$'000	2012 HK$'000
Current assets	24,948	16,442
Non-current assets	3,427,271	2,368,093
Current liabilities	176,965	107,876
Non-current liabilities	1,237,448	617,315
Equity attributable to owners of the Company	1,222,684	995,606
Non-controlling interests	815,122	663,738

48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

深圳市航天高科投資管理有限公司 (continued)

	2013 HK$'000	2012 HK$'000
Other income	514,175	229,535
Expenses	(189,046)	(91,406)
Profit for the year	325,129	138,129
Profit attributable to owners of the Company	195,077	82,877
Profit attributable to the non-controlling interests	130,052	55,252
Profit for the year	325,129	138,129
Other comprehensive income attributable to owners of the Company	32,001	8,060
Other comprehensive income attributable to the non-controlling interests	21,334	5,373
Other comprehensive income for the year	53,335	13,433
Total comprehensive income attributable to owners of the Company	227,078	90,937
Total comprehensive income attributable to the non-controlling interests	151,386	60,625
Total comprehensive income for the year	378,464	151,562
Net cash outflow used in operating activities	(7,239)	(7,513)
Net cash outflow used in investing activities	(296,060)	(116,465)
Net cash inflow from financing activities	309,845	118,128
Net cash inflow (outflow)	6,546	(5,850)

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For the year ended 31 December 2013

49. PARTICULARS OF ASSOCIATES

Details of the Group's associates at 31 December 2013 and 2012 are as follows:

Name of associates	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

* 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.

50. PARTICULARS OF PRINCIPAL JOINT VENTURES

Details of the Group's principal joint ventures at 31 December 2013 and 2012 are as follows:

Name of joint ventures	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group %	Principal activities
Registered and operating in the PRC:			
海南航天投資管理有限公司*	RMB1,200,000,000	50	Land development
Incorporated and operating in Hong Kong:			
China Aerospace New World Technology Limited	HK$30,000,000	50	Investment holding

* Being ceased to be a subsidiary of the Company and became a joint venture in 2013. Please refer to note 39 for details.

According to the legal form and the contractual arrangements, each of the joint venturer in the joint ventures that has joint control of the arrangement has rights to the net assets of the arrangement, hence it is regarded as joint venture.

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

APPENDIX I FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000
Turnover	**2,611,138**	2,615,101	2,187,006	1,879,745	1,361,045
Profit before taxation	**957,729**	411,973	564,047	419,464	680,888
Taxation	**(214,761)**	(113,962)	(115,608)	(75,335)	(141,050)
Profit for the year	**742,968**	298,011	448,439	344,129	539,838
Attributable to:					
Owners of the Company	**617,011**	246,725	387,231	292,478	393,940
Non-controlling interests	**125,957**	51,286	61,208	51,651	145,898
	742,968	298,011	448,439	344,129	539,838

ASSETS AND LIABILITIES

	At 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000 (Restated)	HK$'000	HK$'000
Non-current assets	**5,842,135**	4,600,412	4,017,469	2,869,896	2,293,318
Current assets	**2,845,045**	2,034,947	1,922,948	2,204,647	1,831,762
Current liabilities	**(1,203,368)**	(1,117,212)	(976,396)	(763,942)	(760,601)
Non-current liabilities	**(1,917,086)**	(677,456)	(434,795)	(187,837)	(132,595)
Shareholders' funds	**5,566,726**	4,840,691	4,529,226	4,122,764	3,231,884
Attributable to:					
Owners of the Company	**4,696,014**	4,118,102	3,863,672	3,550,532	2,690,430
Non-controlling interests	**870,712**	722,589	665,554	572,232	541,454
	5,566,726	4,840,691	4,529,226	4,122,764	3,231,884

Note: The financial information for the year ended 31 December 2011 has been restated to reflect the effect of early adoption of Amendments to HKAS 12 titled "Deferred tax: Recovery of underlying assets" issued by the Hong Kong Institute of Certified Public Accountants. The financial information for the years ended 31 December 2009 and 2010 has not been adjusted.

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 LEASEHOLD 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