CASIL

ANNUAL REPORT 2014

CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Stock Code: 31)




CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr Li Hongjun *(President)*
Mr Jin Xuesheng

Non-Executive Directors

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

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
Mr Chen Xuechuan

NOMINATION COMMITTEE

Mr Zhang Jianheng *(Chairman)*
Mr Luo Zhenbang
Ms Leung Sau Fan, Sylvia
Mr Wang Xiaojun
Mr Chen Xuechuan

COMPANY SECRETARY

Mr Chan Ka Kin, Ken

AUDITOR

Deloitte Touche Tohmatsu

SHARE REGISTRAR

Tricor Standard Limited

LEGAL COUNSEL

Reed Smith Richards Butler

PRINCIPAL BANKS & FINANCIAL INSTITUTIONS

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

REGISTERED OFFICE

Room 1103–1107A, One Harbourfront
18 Tak Fung Street, Hung Hom
Kowloon, Hong Kong
Tel: (852) 2193 8888
Fax: (852) 2193 8899
E-mail: public@casil-group.com
Website: http://www.casil-group.com

* 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

Major economies of the world were lacking driving force in growth in 2014, with slow recovery in demand and extremely volatile bulk commodity prices. While the United States economy was back on a growth track, but the trend of some core economic indicators were not as expected. The European economy showed lacklustre growth following a feeble recovery, while Japan went into economic recession again, and conditions in emerging economies such as Russia and Brazil were also challenging. In China, although economic growth was sustained, there was a notable slowdown in growth pace with increasing pressure of deflation, as the new norm was introduced for macro-economic development. Confronted with adverse factors such as falling demand, significant depreciation of various foreign currencies and rising labour costs, the Company and its subsidiaries nevertheless completed their full-year business targets in a satisfactory manner thanks to persevering efforts to over challenges.

For the year ended 31 December 2014, the Company and its subsidiaries recorded a turnover of HK$2,791,175,000 (2013: HK$2,611,138,000), representing an increase of 6.89% compared with that of last year. Overall gross profit margin rose to 21.85% for 2014 from 20.98% for 2013. The overall profit level of the Company had been affected by the decrease in exceptional gain for the year as compared with last year, the depreciation in RMB and the decrease in the gain in the fair value of investment properties. Profit for 2014 amounted to HK$531,181,000, representing a decrease of 28.51% as compared with that of HK$742,968,000 for 2013. Profit attributable to shareholders amounted to HK$415,692,000, representing a decrease of 32.63% as compared with that of HK$617,011,000 for 2013. Earnings per share attributable to shareholders amounted to HK13.47 cents (2013: HK20.00 cents).

The Board recommends the payment of a dividend for the year of HK1 cent per share to the shareholders.

BUSINESS REVIEW

During the year, the Company's hi-tech manufacturing business continued to report a growth with record-high turnover and profit. The construction work of Shenzhen Aerospace Science & Technology Plaza had been topped out and is currently undergoing internal fitting work as scheduled. Compensation for land expropriation in respect of the Complex Zone of the Launching Site in Hainan Province had basically been completed and the construction of the resettlement area is currently underway as planned. The performance of the business of internet of things improved following the re-orientation of its business development.

Hi-tech Manufacturing

The hi-tech manufacturing business achieved a sound growth in overall business operations in 2014, reporting record-high turnover and operating profit. Turnover for the year amounted to HK$2,759,428,000 (2013: HK$2,525,768,000), representing an increase of approximately 9.25% as compared with last year. Operating profit for the year amounted to HK$307,933,000 (2013: HK$284,335,000), representing an increase of approximately 8.30% as compared with last year. Among them, the performance of the plastic product business remained stable, while the intelligent charger business was notably affected by the revised marketing strategies of certain key customers. The growth in results of the liquid crystal display ("LCD") business exceeded expectations as a result of the addition to new major customers while reporting an increase in sales to existing customers. The printed circuit board ("PCB") business maintained a sound growth on the back of continuously expanding market share in auxiliary products for high-end consumer electronics.

New progress had been made in market development. The LCD business seized market opportunities to successfully sign up key U.S. customers, and then achieved capacity expansion and effective supply chain integration in a short time span while fulfilling customers' requirements for quality and delivery thanks to technological and management innovations. The PCB business achieved notable results in new customer development, research on new products and introduction of new processes, continued to drive the research on IC boards, and developed smart phone camera lens modules into a growth niche for soft boards, while positives results were also achieved in the engagement of several core SMT customers.

As new capital investments and technological upgrades are essential for sustaining growth, the hi-tech manufacturing business had increased investments in technological upgrades to drive transformation and upgrades. Such investments were mainly applied to upgrade equipment, expand production capacity, procure environmental improvements, increase efficiency and enhance capabilities in process technologies. The PCB business commenced the high-density PCB project and purchased additional production equipment as required by its production, while waste gas and sewage control and treatment systems were also installed in the production facilities in accordance with environmental requirements of relevant government authorities. The LCD business installed a new high-end STN production line and other equipment to better fulfill customers' requirements, and business development had been bolstered as a result. A new-generation electroplating line was set up and commissioned in Boluo County, Huizhou City, Guangdong Province by the plastic products business. The new electroplating line offers higher technical capabilities and flexibilities to manufacture innovative electroplating products, the scope of application of which will be extended from digital consumer electronics products to auto accessories and home appliances. Meanwhile, a large number of energy-saving new technologies is applied to reduce production cost, optimise production processes and enhance production efficiency.

Notable results had been achieved in the technological research and intellectual property developments for hi-tech manufacturing. During the year, the LCD business obtained a national invention patent and 18 utility model patents, while the PCB business completed the research and development of 36 process technologies and filed applications for 3 invention patents and 5 utility model patents. The R & D centre of the PCB company was also granted the title of "Guangdong Provincial Engineering Technology Research Centre".

There have been ongoing improvements in the general management capabilities of the hi-tech manufacturing business. By building management succession teams and strengthening staff training, human resource management had been effectively enhanced. A number of effective measures was introduced in respect of cost control, quality enhancement and customer services, and we will continue to exercise refined management in various aspects. Proactive market development efforts were being made to maintain strong market competitiveness and ensure continued growth for the hi-tech manufacturing business.

Shenzhen Aerospace Science & Technology Plaza

With the topping-out of the main building of Shenzhen Aerospace Science & Technology Plaza in June 2014, the project entered into a new milestone. As at the end of 2014, about 90% of the scheduled project construction work had been completed, and the project had zero occurrence of safety incidents. In February 2014, the project of Shenzhen Aerospace Science & Technology Plaza received the "Double Excellence Work Site" award of Guangdong Province and the "National AAA Work Site" award. In June 2014, the project was named the "Sole Exemplary Work Site of Excellence for Safe Construction" by Shenzhen. In connection with business development, feasibility studies for project marketing, lease agent appointment and establishment of a property management company were conducted. As at the end of 2014, construction in progress of Shenzhen Aerospace Science & Technology Plaza, together with land use rights, was valued at approximately RMB3,418,000,000.

The Complex Zone of the Launching Site in Hainan Province

As at the end of 2014, land expropriation, conducted by the local government and assisted by Hainan Aerospace Investment Management Company Limited* (海南航天投資管理有限公司) ("Hainan Aerospace"), had basically been completed, and the construction of the resettlement area is currently underway as planned. Based on the professional opinion furnished by Shenzhen OCT Tour Planning Co., Ltd. regarding the overall development planning for the Complex Zone of the Launching Site in Hainan Province, Hainan Aerospace had completed the conceptual planning and the graphic plan design, as well as project proposal for the initial phase of the space home project under the aerospace theme park, and explored the possibility of cooperation with potential strategic investors.

CHAIRMAN'S STATEMENT

Internet of Things

Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術(深圳)有限公司) ("Aerospace Digitnexus") completed the second phase research and implementation of the supply chain management system project, improvements to the forestry alarm system platform and the research and development of the intelligent warehouse system project, as well as developed new projects such as cold-chain logistics warehouse management system and the third phase supply chain management system project, on the basis of core products including the intelligent warehouse management system and the command modulation management system. Turnover of Aerospace Digitnexus for 2014 amounted to HK$25,255,000, representing an increase of approximately 241.24% as compared with that of HK$7,401,000 for last year. Loss amounted to HK$3,609,000, representing a decrease of approximately 90.81% as compared with that of HK$39,274,000 for last year.

PROSPECTS

In 2015, global economic recovery may remain sluggish and imbalanced, while the trend of insufficient external demand of the macro-economic is unlikely to change. As a number of nations is implementing economic stimulus measures, some improvements in the global economy and trade may be expected. Under the multiple pressure of insufficient external demand, narrowing growth in real estate investment and accelerated elimination of surplus production capacity, the Chinese economy may experience a continued slowdown in the overall growth rate. The structural adjustment of the Chinese economy is expected to further accelerate as the magnitude of measures to stabilise growth and adjust structures will further increase, while the reform and restructuring of central state-owned enterprises will also be enhanced.

Against such challenging market conditions, the hi-tech manufacturing business will continue to adopt effective measures, in a bid to foster customer relationships and further strengthen new customer development and deliver premium solutions to customers. The hi-tech manufacturing business has plans to implement several major technological upgrades in 2015, such as increasing the composite facilities for high density PCB, the redevelopment of the new LCM purification and assembly line and the capacitive screen fusion line, and the upgrade of the high-speed chip fixing line, SMT barcode system and plastics injection moulding machine. In addition, the construction of the new high-density PCB plant, which is scheduled to launch during the year, is expected to provide sound conditions for capacity expansion, new product development and grooming of potential major customers.

In 2015, the construction of Shenzhen Aerospace Science & Technology Plaza will be fully completed. Construction work, project inspection and acceptance, approval applications, final cost accounting, and market development will also be completed successively to provide a solid foundation for operation. Business planning relating to sales and leasing will commence accordingly, with a view to realising sales within the year.

Hainan Aerospace plans to complete the construction of the resettlement area, related ancillary facilities and garden landscape in 2015, and arrange local residents to start moving into the resettlement area. In close liaison with the shareholders of Hainan Aerospace and with the support of China Aerospace Science & Technology Corporation ("CASC") and the Hainan Provincial Government, the Company seeks possibilities to improve the business development model of the Complex Zone of the Launching Site in Hainan Province, actively engages new strategic investors and makes appropriate strategic adjustments, subject to risk-control principles, to conform with the Company's long-term development strategy.

Aerospace Digitnexus will seek to improve its products and solutions such as cold-chain logistics warehouse management, on-site manufacturing execution system (MES) and remote data collection system upon the core structure of the internet-of-things intelligent platform. It will also develop the warehouse management system, integrated automated 3D warehousing system, intelligent refrigeration system and on-site truck modulation system for refrigerated storage so as to provide customers with solutions for the storage and transfer of refrigerated stock and materials. Moreover, intellectual property protection will be enhanced.

2015 is the final year of the "12th Five Year Plan ("FYP")" period (2011–2015) as well as a crucial year for the preparation of the "13th FYP" (2016–2020). While striving to complete various tasks at hand, the Company will dedicate its full effort to the planning and development of the "13th FYP".

CASC has set out ambitious goals for developments in its "13th FYP" planning. How is the Company going to expand and excel by integrating relevant and quality resources of CASC? How can the Company align its business segments with the development strategy of CASC's civilian businesses? And how can we leverage our listing status in Hong Kong to drive the international strategy of CASC? These are important questions we need to answer with strong resolve and extraordinary wisdom. On top of its current business tasks, the Company will dedicate its full efforts in 2015 in formulating the "13th FYP" planning under the direction and with the assistance of CASC, in order to lay out a blueprint for progressive development during the "13th FYP" period.

APPRECIATION

Mr Wu Zhuo, who had made outstanding contributions to the Company's development during his tenure of services as Chairman and Vice Chairman, retired in March 2014. On behalf of the Company and the Board, I would like to express the highest respect and my sincere gratitude to Mr Wu Zhuo. Meanwhile, I express my profound gratitude to my fellow Directors and all staff of the Company for their dedication, loyal services and invaluable contributions during the past year. Grateful thanks are also due to shareholders, bankers, business partners and members of the public who have supported the Company's development all along.

By order of the Board,

Zhang Jianheng
Chairman

Hong Kong, 24 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS PERFORMANCE

The audited turnover of the Company and the subsidiaries for the year ended 31 December 2014 was HK$2,791,175,000, representing an increase of about 6.89% as compared with that of HK$2,611,138,000 for 2013. The profit for the year was HK$531,181,000, representing a decrease of 28.51% as compared with that of HK$742,968,000 for 2013.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Profit attributable to shareholders of the Company was HK$415,692,000, representing a decrease of 32.63% as compared with that of HK$617,011,000 for 2013. Since the non-recurring incomes recorded by the Company in 2014 were less than that of 2013, profit for the year decreased in comparing to last year.

Based on the issued share capital of 3,085,022,000 shares during the year, the basic earnings per share was HK13.47 cents (2013: HK20 cents).

DIVIDENDS

The Board proposed the distribution of 2014 final dividend of HK1 cent per share in March 2015, subject to the approval by shareholders at the Annual General Meeting to be held on 22 May 2015. If approved, warrants of which will be dispatched to all shareholders on or about 18 June 2015.

The 2013 final dividend of HK1 cent per share had been approved by shareholders at the annual general meeting in May 2014 and warrants of which were dispatched to all shareholders on 17 June 2014.

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 enables 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 business for the year ended 31 December 2014 was HK$2,759,428,000, representing an increase of 9.25% as compared with last year; the operating profit was HK$307,933,000, representing an increase of 8.30% as compared with last year. The turnover and the results of the hi-tech manufacturing business are shown below:

	Turnover			Operating Profit		
	2014 (HK$'000)	2013 (HK$'000)	Changes (%)	**2014 (HK$'000)**	2013 (HK$'000)	Changes (%)
Plastic Products	**876,732**	855,248	2.51	**69,631**	68,112	2.23
Printed Circuit Boards	**610,571**	561,888	8.66	**133,147**	127,166	4.70
Intelligent Chargers	**649,604**	732,377	(11.30)	**44,380**	51,132	(13.21)
Liquid Crystal Display	**607,817**	361,723	68.03	**35,337**	16,271	117.18
Industrial Property Investment	**14,704**	14,532	1.18	**25,438**	21,654	17.47
Total	**2,759,428**	2,525,768	9.25	**307,933**	284,335	8.30

Looking forward to 2015, the competition in the electronic information industry will remain intense. The Company will continue to put effort in the research and development of new products and market development, strengthen management, enhance productivity, control costs and look vigorously in exploring business by ways of merger and acquisition and cooperation etc., so as to ensure the hi-tech manufacturing to have a stable growth continuously.

New Materials

In December 2013, Shenzhen Rayitek Hi-tech Film Company Limited* (深圳瑞華泰薄膜科技有限公司) ("Shenzhen Rayitek") introduced several strategic investors and together with the existing shareholders to increase the capital by a sum of RMB267,532,400. The capital increase by the other shareholders of Shenzhen Rayitek and the first term of capital increase of RMB5,000,000 by one of the shareholders were completed in January 2014. Upon the completion of the first term of the capital increase, the Company's indirect equity interest in Shenzhen Rayitek was decreased from 55% to 44.48%. As a result, Shenzhen Rayitek ceased to be an indirect subsidiary of the Company and becomes an associate of the Company. Besides, the second term of capital contribution was made in full by the shareholder. However, the procedures of business registration have yet to be completed owing to self reasons of the shareholder. Upon the completion of all capital increase procedures, the equity interest of the Company in Shenzhen Rayitek will further decrease from 44.48% to 42.75%. In 2014, the profit of Shenzhen Rayitek attributable to the Company after the completion of the capital increase amounted to HK$183,000.

Aerospace services business

The Complex Zone of the Launching Site in Hainan Province

In 2014, Hainan Aerospace Investment Management Company Limited* (海南航天投資管理有限公司) ("Hainan Aerospace"), a joint venture of the Company, underwent the construction of the resettlement zone and the planning of the theme park as scheduled. In 2014, the loss of Hainan Aerospace attributable to the Company amounted to HK$1,706,000.

In 2015, Hainan Aerospace will strive to complete all construction works of the resettlement zone, align with the government in resettling local residents, aggressively commence the planning of first phrase land development and related works, as well as explore financing options so as to satisfy its capital needs for subsequent construction works.

Shenzhen Aerospace Science & Technology Plaza

In 2014, 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. Main construction works had been completed, and some of which were inspected and accepted. During this period, the two non-controlling shareholders of Shenzhen Aerospace, due to its own strategic adjustment, transferred its holding of 40% interests in total to an independent third party by way of public tender, the shares transfer of which was completed. As at 31 December 2014, the property under construction and land use right of Shenzhen Aerospace Science & Technology Plaza was valuated at approximately HK$4,261,844,000. In the same year, Shenzhen Aerospace recorded a fair value gain of investment property of HK$420,884,000.

In 2015, Shenzhen Aerospace will continue to step up those remaining construction works and decorations, striving for completion of the construction work and inspection as early as possible, and aggressively commence business promotion and leasing etc.

Internet of Things

In 2014, Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術(深圳)有限公司) ("Aerospace Digitnexus") had completed research and development of software platform and had more practical knowledge in core technology, products and markets. These set a clearer concept for future development. In 2014, the turnover was HK$25,255,000 and the operating loss was HK$3,609,000.

MANAGEMENT DISCUSSION AND ANALYSIS

On 22 July 2014, the Company, Digilink Systems Limited ("Digilink"), a wholly owned subsidiary of the Company which in turn owns the entire interest in Aerospace Digitnexus, entered into the Subscription Agreement with two strategic investors. Pursuant to the Subscription Agreement, the two strategic investors will subscribe a total of 83,815,915 shares of Digilink for a consideration of HK$90,000,000. As at the date of announcement of 2014 Annual Results, both strategic investors, owing to self reasons, did not fulfil the terms as stated in the Subscription Agreement. Thereby, the Subscription has not been completed yet. Since the valuation report where the consideration was based on will expire on 31 March 2015, the Subscription Agreement will become void thereafter.

In 2015, Aerospace Digitnexus will put effort in optimizing its product techniques, strengthening the development in cold-chain logistics warehouse management, on-site manufacturing execution system, remote data collection system and so on, reinforcing its market development, project management and human resources, in order to lay a foundation for the company's further development and strive to realize profit.

ASSETS

On 30 July 2014, Vanbao Development (Canada) Ltd., an indirect subsidiary of the Company, as the vendor, disposed a property located in Canada to an independent third party through a public tender for a consideration of CAD19,200,000 (equivalent to approximately HK$138,508,800). The disposal was completed on 3 November 2014, of which a profit of HK$65,654,000 was recorded.

As at 31 December 2014, the total assets of the Company and the subsidiaries were HK$9,572,387,000, of which the non-current assets were HK$6,561,520,000, representing an increase of 12.31% as compared with that of HK$5,842,135,000 as at 31 December 2013. The current assets were HK$3,010,867,000, representing an increase of 5.83% as compared with that of HK$2,845,045,000 as at 31 December 2013. The equity attributable to shareholders of the Company was HK$4,992,235,000, representing an increase of 6.31% as compared with that of HK$4,696,014,000 as at 31 December 2013. The increase in non-current assets was mainly due to the increase in input in construction cost and fair value of the investment property under construction. 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$1.62.

As at 31 December 2014, a cash deposit of the Company and the subsidiaries of approximately HK$33,428,000 in total had been pledged to banks to obtain credit facilities, and Shenzhen Aerospace had obtained a syndicated loan by securing the land use right and property under construction thereof at value of RMB3,418,000,000 to a syndicate comprising banks and a financial institution.

LIABILITIES

As at 31 December 2014, the total liabilities of the Company and the subsidiaries were HK$3,641,569,000, of which the non-current liabilities were HK$2,500,800,000, representing an increase of 30.45% as compared with that of HK$1,917,086,000 as at 31 December 2013. The current liabilities were HK$1,140,769,000, representing a decrease of 5.20% as compared with that of HK$1,203,368,000 as at 31 December 2013. The increase in non-current liabilities was mainly due to the increase in bank loans and deferred tax, whereas the decrease in current liabilities was mainly due to the corresponding elimination in current liabilities upon a deemed disposal of a subsidiary, Shenzhen Rayitek. As at 31 December 2014, the Company and the subsidiaries had bank and other borrowings of HK$1,749,376,000.

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 2014, Shenzhen Aerospace had drawn down the loan in the amount of RMB873,000,000.

OPERATING EXPENSES

The administrative expenses of the continuing operations of the Company and the subsidiaries in 2014 were HK$312,805,000, which was more or less the same to last year. The finance costs amounted to HK$87,611,000, of which HK$52,634,000 had been capitalized and recorded as the construction cost of Shenzhen Aerospace Science & Technology Plaza.

CONTINGENT LIABILITIES

As at 31 December 2014, the Company and the subsidiaries did not have any other material contingent liabilities.

FINANCIAL RATIOS

	2014	2013
Gross Profit Margin	**21.85%**	20.98%
Return on Net Assets	**8.96%**	13.35%

	31 December 2014	31 December 2013
Assets-Liabilities Ratio	**38.04%**	35.92%
Current Ratio	**2.64**	2.36
Quick Ratio	**2.41**	2.15

LIQUIDITY

The source of funds of the Company and the subsidiaries mainly relies on internal resources, banking facilities and short term deposits.

As at 31 December 2014, the free cash, bank balance and short-term bank deposits amounted to HK$1,849,036,000, the majority of which were in Hong Kong Dollars and Renminbi.

CAPITAL EXPENDITURE AND INVESTMENT COMMITMENT

As at 31 December 2014, the capital commitments of the Company and the relevant subsidiaries contracted for but not provided in the consolidated financial statements was HK$342,414,000, 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.

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 2014, the Company and the subsidiaries had a total of approximately 6,150 employees based in the Mainland China and Hong Kong respectively.

APPRECIATION

I would like to express my heartfelt thanks to our 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, 24 March 2015

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").

BOARD OF DIRECTORS

In 2014, 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) (retired in March 2014), Mr Chen Xuechuan, Mr Shi Weiguo; and the Independent Non-Executive Directors, namely, Mr Luo Zhenbang, Ms Leung Sau Fan, Sylvia and Mr Wang Xiaojun.

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 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, if eligible, under the Articles of Association of the Company.

Those Directors appointed by the Board during the year shall hold office only until the next general meeting and shall then be eligible for re-election. The process for re-election of a Director is in accordance with the Company's Articles of Association, which requires that, other than those Directors appointed during the year, one-third of the Directors for the time being (or the nearest number) are required to retire by rotation at each annual general meeting and are eligible to stand for re-election. The annual report and the circular for annual general meeting contain detailed information on re-election of Directors including detailed biography of all Directors standing for election or re-election 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 2014, namely, Mr Luo Zhenbang, Ms Leung Sau Fan, Sylvia and Mr Wang Xiaojun. 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.

CORPORATE GOVERNANCE REPORT

The Company 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 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 and effort 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*, 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 allow 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 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.

The attendance records of individual Directors during 2014 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, were unable to attend both general meetings):

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

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 2014, 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 have been sent to Directors within reasonable and practical time prior to a regular board meeting in order to facilitate the Directors informed discussion and decision-making.

The Company Secretary is responsible for taking minutes of meetings. Draft minutes will be sent to all Directors for their comments within a reasonable time after each meeting and will be approved by the Board at the immediate following meeting. Final versions of the board minutes will be sent to all Directors for inspection. The 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 advising 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 monitors 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. The Committees are accountable to the Board.

Audit Committee

In 2014, 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 Terms of Reference of the Audit Committee can be downloaded in the websites of both The Hong Kong Exchanges and Clearing Limited and the Company for reference.

The Audit Committee met twice during 2014 for the purpose of assessing and reviewing the internal control system, the financial statements and corporate governance practices and so on. The external auditors, the Financial Controller, the General Manager of Finance Department and the Company Secretary attended both meetings, whereas the General Manager of Internal Audit Department attended once.

The Audit Committee had also reviewed, discussed and approved the financial statements for the year ended 31December 2014.

The attendance records of individual Audit Committee members during 2014 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

Remuneration Committee

In 2014, the Remuneration Committee comprises Ms Leung Sau Fan, Sylvia (Chairman) and Mr Wang Xiaojun, both 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 Terms of Reference of the Remuneration Committee can be downloaded in the websites of both The Hong Kong Exchanges and Clearing Limited and the Company for reference.

The Remuneration Committee met once during 2014. 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 2014, no Director was involved in deciding his/her remuneration.

The attendance records of individual Remuneration Committee members during 2014 are set out below:

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

Nomination Committee

In 2014, 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 and Mr Wang Xiaojun, 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 Terms of Reference can be downloaded in the websites of both The Hong Kong Exchanges and Clearing Limited and the Company for reference.

The board diversity policy is 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, 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 business 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.

At present, there are 8 members in the board of the Company, including 7 male directors and 1 female director. All directors possess university or above educational level whereas some 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 Nomination Committee met once during 2014 while the Company Secretary attended the meeting. The Nomination Committee reviewed the structure of the Board, confirmed the rotation list of Directors at the Annual General Meeting, and 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.

The attendance records of individual Nomination Committee members during 2014 are set out below:

	Number of meetings eligible to attend	Number of attendance
Zhang Jianheng	1	1
Luo Zhenbang	1	1
Leung Sau Fan, Sylvia	1	1
Wang Xiaojun	1	0
Chen Xuechuan	1	1

CORPORATE GOVERNANCE REPORT

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 to 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 2014, the Company arranged several senior officers of China Aerospace Science & Technology Corporation to conduct a training, contents of which are related to the recent trend in reformation of state owned enterprises and thoughts on the reformation development of China Aerospace Science & Technology Corporation. All Directors had attended appropriate trainings according to their own needs and provided a training record during 2014 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 companies.

COMPANY SECRETARY

The Company Secretary of the Company is Mr Chan Ka Kin, Ken, who is a member of the Hong Kong Institute of Chartered Secretaries, has been servicing the Company for many years and he had taken not less than 15 hours' professional training in 2014 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 of Company Secretary in future (if any) should be approved by the Board at a meeting.

INTERNAL CONTROL

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

ACCOUNTABILITY AND AUDIT

The Directors are responsible for preparing the accounts of each financial year, 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 2014, the Directors had selected suitable accounting policies and adopted Hong Kong Financial Reporting Standards and applied them consistently. Based on judgments and estimates that are prudent and reasonable, the Directors prepared the accounts on the going concern basis. Auditor's reporting responsibilities are set out on the financial statements by the auditor.

During 2014, 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 2014, the Company paid a total of approximately HK$5,769,000 to the auditor, of which included an audit fee of approximately HK$5,525,000 and a non-audit fee of approximately HK$244,000. The latter comprised fees for provision of services in reviewing interim report and annual results announcement, continuing connected transactions, 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 Rule 13.39(4) of the Listing Rules, has set out clearly in the circulars to its shareholders that all resolutions to be made at general meetings would be conducted by poll. Besides, all proxies are counted at the general meeting whereas poll results are announced promptly at the meeting, of which the same will be uploaded in the websites of both The Hong Kong Exchanges and Clearing Limited and the Company on the same day.

The Company held an annual general meeting in May 2014. Circular of the meeting was sent beforehand as required by related rules. In the annual general meeting, the shareholders reviewed and approved the resolutions on the Company's financial results of 2013, the payment of a final dividend, re-election and remuneration fixing of Directors, the re-election and remuneration fixing of auditors, 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 meeting. Resolutions being put forward in the general meeting were duly approved by shareholders and the Company Secretary, representing the meeting chairman, announced all poll results promptly during the meeting, 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 2014.

CORPORATE GOVERNANCE REPORT

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 for reference.

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

Contacts of the Company are as follows:

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

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

SUFFICIENCY OF PUBLIC FLOAT

As at 31 December 2014, the issued share capital was 3,085,021,882 shares, and the market capitalization was about HK$2,869,000,000.

As at 31 December 2014, the Company had total registered shareholders of 1,235, of which included the substantial shareholder, China Aerospace Science & Technology Corporation, holding approximately 39.07%. 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 hi-tech manufacturing enterprises of the Company are made in compliance with related product safety regulations so as to ensure the production processes will not affect health and safety of the staff and finally that of our customers.

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

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr Zhang Jianheng, aged 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., the shares of which are listed on Shanghai Stock Exchange (stock code: 600135). 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 49, 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 52, 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, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr Luo Zhenbang, aged 48, 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 51, 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 Property Group Co., 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 60, 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 Norinco International Company Limited, shares of which are listed on Shenzhen Stock Exchange (stock code: 000065), Guangzhou Shipyard International Company Limited, shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 317) and Shanghai Stock Exchange (stock code: 600685), and Zijin Mining Group Company Limited, shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 2899) and Shanghai Stock Exchange (stock code: 601899), 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), Shanghai Stock Exchange (stock code: 600188) and New York Stock Exchange (stock code: YZC), and Livzon Pharmaceutical Group Co., Ltd., shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 1513) and Shenzhen Stock Exchange (stock code: 000513). 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.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr Chen Xuechuan, aged 52, 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 to 2015, Assistant to General Manager, Director of both General Office and Legal Affairs Office of China Aerospace Science & Technology Corporation from March 2015 till now, and to serve concurrently standing council member of Chinese Society of Astronautics, China Institute of Space Law and China Space Foundation, and Director of Aerospace Science & Technology Finance Company Limited from 2007 to 2011. Mr Chen has been engaged into the machinery manufacturing of launch vehicles, the management of corporations and academies, as well as human resources management and has substantial experience in corporate management and human resource management. He was appointed as a Non-Executive Director of the Company in August 2008.

Mr Shi Weiguo, aged 44, 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 65, 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.

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries, associates and a principal jointly controlled entity are set out in notes 45, 46 and 47 to the consolidated financial statements, respectively.

RESULTS AND APPROPRIATION

The results of the Company and its subsidiaries for the year ended 31 December 2014 are set out in the consolidated income statement on page 33.

A final dividend of HK1 cent per share in respect of the year ended 31 December 2014 (2013: 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 Company and its subsidiaries acquired land and buildings, plant and equipment and motor vehicles, furniture and other equipment of HK$3,242,000, HK$105,061,000 and HK$53,395,000 respectively and project in progress of HK$11,856,000 to cope with the expansion of the Company and its subsidiaries. Details of movements in property, plant and equipment 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 2014 comprised the retained profits of approximately HK$832,471,000 (2013: HK$873,807,000).

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 Company and its subsidiaries' largest customer and five largest customers were 14.7% and 32.7% of the Company and its subsidiaries' consolidated turnover, respectively. The aggregate purchases attributable to the Company and its subsidiaries' five largest suppliers were less than 30% of the Company and its subsidiaries' total purchases.

DIRECTORS' REPORT

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)*
Chen Xuechuan
Shi Weiguo
Wu Zhuo *(Vice Chairman) (retired on 31 March 2014)*

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. Jin Xuesheng, Luo Zhenbang and Wang Xiaojun retire by rotation in accordance with Article 103(A) of the Company's Articles of Association and, being eligible, offer themselves for re-election.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

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 2014.

As at 31 December 2014, save for Mr Zhang Jianheng, Mr Chen Xuechuan and Mr Shi Weiguo, the Directors of the Company, are the officers of China Aerospace Science & Technology Corporation, the substantial shareholder of the Company, and save as disclosed below, none of the directors, chief executives or their associates have any beneficial or non-beneficial interests or short positions 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 2014, the register of substantial shareholders maintained by the Company pursuant to Part XV of the Securities & Futures Ordinance discloses the following companies as having 5% or more of the issued capital of the Company:

Name	Capacity	Direct interest (Yes/No)	Number of shares interested (Long Position)	Percentage of issued share capital
China Aerospace Science & Technology Corporation	Interests in controlled corporation	No	1,205,210,636	39.07%
Jetcote Investments Limited	Beneficial owner	Yes	131,837,011	4.27%
	Interests in controlled corporation	No	1,051,761,625	34.10%
			1,183,598,636	38.37%
Aerospace Science & Technology Finance Company Limited* (航天科技財務有限責任公司)	Beneficial owner	Yes	21,612,000	0.70%
Burhill Company Limited	Beneficial owner	Yes	579,834,136	18.80%
Sin King Enterprises Company Limited	Beneficial owner	Yes	471,927,489	15.30%

Notes:

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 2014.

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 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 then 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 an 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.

Independent Non-Executive Directors of the Company had reviewed and confirmed that the connected transaction had been entered into on normal commercial terms and is fair and reasonable and in the interests 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 continuing 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 continuing connected transactions set out in the attached list of continuing connected transactions, nothing has come to auditor's attention that causes them to believe that the continuing connected transactions have exceeded the maximum aggregate annual value disclosed in the previous announcements by the Company in respect of each of the continuing connected transactions.

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; or on the terms which were fair; 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.

List of Continuing Connected Transactions for the year ended 31 December 2014

The Company and/or its subsidiary(ies) involved	Connected person(s)	Continuing connected transactions	Annual cap	Amount outstanding as of 31 December 2014
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 a connected person who is a member of the finance syndicate of a syndication loan in the amount of RMB1,500,000,000.	N/A	RMB873,300,000 or equivalent to HK$1,088,529,000
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 maturity of 60 months through Bank of Beijing.	N/A	RMB500,000,000 or equivalent to HK$623,441,000
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. The loan was repaid in full by Shenzhen Rayitek in January 2014.	N/A	Nil
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 RMB100,000,000 in aggregate.	RMB100,000,000	RMB99,912,000 or equivalent to HK$124,579,000

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, 24 March 2015

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 33 to 116, which comprise the consolidated and Company's statements of financial position as at 31 December 2014, 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 (Cap. 622) (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 80 of Schedule 11 to 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 judgement, 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.

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, 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
24 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Continuing operations			
Turnover	5	2,787,871	2,535,004
Cost of sales		(2,178,253)	(2,004,301)
Gross profit		609,618	530,703
Other income	7	82,075	58,842
Gain on disposal of investment properties		65,654	—
Gain on disposal of available-for-sale investments		—	120,918
Other gains and losses	7	(51,308)	(11,324)
Selling and distribution expenses		(45,462)	(38,731)
Administrative expenses		(312,805)	(303,608)
Other expenses		(40,425)	(25,363)
Fair value changes of investment properties	16	446,949	539,812
Finance costs	9	(34,473)	(25,712)
Share of results of associates		32	1,465
Share of results of joint ventures		(8)	268
Profit before taxation	10	719,847	847,270
Taxation	11	(196,478)	(214,761)
Profit for the year from continuing operations		523,369	632,509
Discontinued operations			
Profit for the year from discontinued operations	37	7,812	110,459
Profit for the year		531,181	742,968
Profit attributable to owners of the Company:			
From continuing operations		406,884	502,931
From discontinued operations		8,808	114,080
Profit for the year attributable to owners of the Company		415,692	617,011
Profit (loss) attributable to non-controlling interests:			
From continuing operations		116,485	129,578
From discontinued operations		(996)	(3,621)
Profit for the year attributable to non-controlling interests		115,489	125,957
Earnings per share	12		
From continuing and discontinued operations — basic		HK13.47 cents	HK20.00 cents
From continuing operations — basic		HK13.19 cents	HK16.30 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Profit for the year	531,181	742,968
Other comprehensive income includes:		
Items that may be reclassified subsequently to profit or loss:		
Fair value gain on available-for-sale investments	—	82,530
Reclassification adjustments upon the disposal of available-for-sale investments	—	(120,918)
Exchange differences arising on translating foreign operations	(88,060)	82,526
Share of exchange reserves of associates	(4,886)	—
Share of exchange reserves of joint ventures	(19,642)	21,130
Reclassification adjustments for non-controlling interests upon deemed disposal of a subsidiary	(24,390)	—
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	739	(49,663)
Other comprehensive (expense) income for the year	(136,239)	13,917
Total comprehensive income for the year	394,942	756,885
Total comprehensive income attributable to:		
Owners of the Company	327,071	608,762
Non-controlling interests	67,871	148,123
	394,942	756,885

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	14	762,104	877,984
Prepaid lease payments	15	106,238	144,602
Investment properties	16	4,595,088	3,746,162
Goodwill	18	—	13,232
Intangible assets	19	23,415	67,578
Interests in associates	20	191,088	14,702
Interests in joint ventures	21	826,933	846,583
Available-for-sale investments	22	29,000	29,000
Deposit paid for investment properties under construction		16,411	64,624
Deposit paid for intangible assets and property, plant and equipment		11,243	37,668
		6,561,520	5,842,135
Current assets			
Inventories	23	257,703	253,257
Trade and other receivables	24	702,433	598,403
Prepaid lease payments	15	4,064	4,898
Amount due from a related party	25	124,579	8,841
Financial assets at fair value through profit or loss	26	39,624	51,269
Taxation recoverable		—	3,168
Pledged bank deposits	28	33,428	20,075
Short-term bank deposits	28	123,118	137,126
Bank balances and cash	28	1,725,918	1,768,008
		3,010,867	2,845,045
Current liabilities			
Trade and other payables	29	1,014,845	1,003,131
Amount due to an associate	30	1,050	1,050
Taxation payable		78,532	58,309
Bank and other borrowings	31	37,406	131,713
Other loan	32	8,936	9,165
		1,140,769	1,203,368
Net current assets		1,870,098	1,641,677
Total assets less current liabilities		8,431,618	7,483,812

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Loan from a major shareholder	33	623,441	639,386
Bank and other borrowings	31	1,088,529	600,128
Deferred taxation	34	788,830	677,572
		2,500,800	1,917,086
		5,930,818	5,566,726
Capital and reserves			
Share capital	35	1,154,511	308,502
Reserves	36	3,837,724	4,387,512
Equity attributable to owners of the Company		4,992,235	4,696,014
Non-controlling interests		938,583	870,712
		5,930,818	5,566,726

The consolidated financial statements on pages 33 to 116 were approved and authorised for issue by the Board of Directors on 24 March 2015 and are signed on its behalf by:

Li Hongjun
Director

Jin Xuesheng
Director

STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	14	600	1,202
Interests in subsidiaries	17	716,306	652,334
Amounts due from subsidiaries	17	1,440,883	1,381,105
Interests in joint ventures	21	15,000	15,000
		2,172,789	2,049,641
Current assets			
Other receivables		1,587	2,197
Amounts due from subsidiaries	27	599,794	720,320
Bank balances and cash	28	22,250	64,157
		623,631	786,674
Current liabilities			
Other payables	29	66,230	63,648
Amounts due to subsidiaries	27	111,101	112,242
Amount due to an associate	30	1,050	1,050
Taxation payable		80	80
		178,461	177,020
Net current assets		445,170	609,654
		2,617,959	2,659,295
Capital and reserves			
Share capital	35	1,154,511	308,502
Reserves	36	1,463,448	2,350,793
		2,617,959	2,659,295

Li Hongjun
Director

Jin Xuesheng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Special capital reserve HK$'000 *(Note 36)*	General reserve HK$'000 *(Note 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 CHANGES IN EQUITY

For the year ended 31 December 2014

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Special capital reserve HK$'000 *(Note 36)*	General reserve HK$'000 *(Note 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 2014	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
Profit for the year	–	–	–	–	–	–	–	–	–	415,692	415,692	115,489	531,181
Reclassification adjustments for the cumulative exchange differences upon deemed disposal of foreign operations *(Note 37)*	–	–	–	–	739	–	–	–	–	–	739	–	739
Reclassification adjustments for non-controlling interests upon deemed disposal of a subsidiary *(Note 37)*	–	–	–	–	–	–	–	–	–	–	–	(24,390)	(24,390)
Share of exchange reserves of associates	–	–	–	–	(4,886)	–	–	–	–	–	(4,886)	–	(4,886)
Exchange differences arising on translating foreign operations	–	–	–	–	(64,832)	–	–	–	–	–	(64,832)	(23,228)	(88,060)
Share of exchange reserves of joint ventures	–	–	–	–	(19,642)	–	–	–	–	–	(19,642)	–	(19,642)
Total comprehensive (expense) income for the year	–	–	–	–	(88,621)	–	–	–	–	415,692	327,071	67,871	394,942
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance	846,009	(844,929)	–	–	–	–	–	–	(1,080)	–	–	–	–
Dividend recognised as distribution *(Note 13)*	–	–	–	–	–	–	–	–	–	(30,850)	(30,850)	–	(30,850)
At 31 December 2014	1,154,511	–	14,044	23,916	259,288	–	11,010	14,309	–	3,515,157	4,992,235	938,583	5,930,818

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 2014

	2014 HK$'000	2013 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	727,659	957,729
Adjustments for:		
Depreciation	95,517	110,774
Amortisation of prepaid lease payments	3,735	3,231
Amortisation of intangible assets	16,007	14,990
Interest income	(56,393)	(40,125)
Interest expense	34,977	31,177
Gain on disposal of investment properties	(65,654)	—
Fair value changes of investment properties	(446,949)	(539,812)
Fair value changes of financial assets at fair value through profit or loss	9,720	12,180
Allowance for doubtful debts	5,324	6,617
Reversal of obsolete inventories	(7,613)	(7,625)
Share of results of associates	(32)	(1,465)
Share of results of joint ventures	8	(268)
Gain on deemed disposal of subsidiaries	(9,583)	(112,912)
Loss on disposal/written-off of property, plant and equipment	5,503	4,451
Gain on disposal of available-for-sale investments	—	(120,918)
Gain on deregistration of subsidiaries	—	(1,688)
Operating cash flows before movements in working capital	312,226	316,336
(Increase) decrease in inventories	(11,759)	4,776
Increase in trade and other receivables	(46,344)	(8,481)
Decrease in amounts due from customers for contract work	—	2,326
Increase (decrease) in trade and other payables	71,188	(39,404)
Cash generated from operations	325,311	275,553
Hong Kong Profits Tax paid	(18,665)	(23,426)
PRC Enterprise Income Tax paid	(5,155)	(11,496)
NET CASH FROM OPERATING ACTIVITIES	301,491	240,631

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	NOTE	2014 HK$'000	2013 HK$'000
INVESTING ACTIVITIES			
Development costs/deposits paid for investment properties under construction		(475,504)	(372,738)
Purchase of property, plant and equipment		(173,554)	(90,050)
Purchase of prepaid lease payments		(9,632)	(70,598)
Placement of pledged bank deposits		(34,104)	(104,505)
Withdrawal of pledged bank deposits		20,075	110,207
Purchase of intangible assets		(5,996)	(6,495)
Interest received		56,393	40,125
Payment for land development		—	(24,260)
Fixed deposit withdrew from (placed with) banks		14,008	(137,126)
Deposit paid for intangible assets and property, plant and equipment		(6,220)	(26,078)
Deposits placed with a related company		(117,515)	(8,664)
Proceeds on disposal of available-for-sale investments		—	131,670
Proceeds from disposal of property, plant and equipment		229	373
Proceeds from disposal of financial assets at fair value through profit or loss		1,911	—
Disposal of subsidiaries, net of cash and cash equivalents disposed of	37	27,965	(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		(701,944)	(535,376)
FINANCING ACTIVITIES			
Loan from a major shareholder		—	621,891
New bank loans raised		570,328	528,572
Repayment of bank loans		(60,606)	(81,407)
Dividend paid		(30,832)	(30,855)
Interest paid		(87,272)	(29,603)
NET CASH FROM FINANCING ACTIVITIES		391,618	1,008,598
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(8,835)	713,853
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,768,008	1,022,285
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(33,255)	31,870
CASH AND CASH EQUIVALENTS AT END OF THE YEAR REPRESENTING BANK BALANCES AND CASH		1,725,918	1,768,008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 45, 46 and 47, 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, for the first time, the following new interpretation and amendments to HKFRSs (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) — INT 21	Levies

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.

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

HKFRS 9	Financial instruments[1]
HKFRS 14	Regulatory deferral accounts[2]
HKFRS 15	Revenue from contracts with customers[3]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[5]
Amendments to HKAS 1	Disclosure initiative[5]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[5]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[5]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[4]
Amendments to HKAS 27	Equity method in separate financial statements[5]
Amendments to HKFRS 10 and HKAS 28	Sale and contribution of assets between an investor and its associate or joint venture[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception[5]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle[6]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle[5]

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

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

[4] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

[5] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

[6] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

- 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.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

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

HKFRS 9 "Financial instruments" (continued)

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

HKFRS 15 "Revenue from Contracts with Customers"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the HKFRS 9 and HKFRS 15 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018 and 1 January 2017 respectively. The application of these two standards may have significant impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet qualified the extent of the impact.

The Directors do not anticipate that the application of the other new and revised HKFRSs will have a material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance (Cap. 622) (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.

Basis of preparation

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses 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.

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

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 less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position as an intangible asset.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Interests in subsidiaries

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

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into 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.

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 26.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

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).

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 when 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

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 or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in 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 will 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.

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.

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.

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.

Sale of goods

Revenue from sales of goods are recognised when goods are delivered and title has passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Rendering of services

Service income is recognised when services are rendered.

Dividend and interest income

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

The Group's policy for recognition of revenue from operating leases is described in the following policy below.

Property, plant and equipment

Property, plant and equipment including buildings and leasehold land (classified as finance leases) 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.

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.

Construction in progress including property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Construction in progress is 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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At 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).

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 lose 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 jointly 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

When 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.

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.

Current 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax

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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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.

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 for the year are recognised in profit or loss, except when they relate 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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 JUDGEMENTS 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 judgements in applying accounting policies

The following are the critical judgements, 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 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgements 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 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 34.

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 24) and will strengthen its effort to chase the debts and thus considers that the trade receivables with carrying amount of HK$504,663,000 (2013: HK$550,681,000) 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 2014, the carrying amount of inventories is HK$257,703,000 (net of allowances for inventories of HK$24,513,000) (2013: carrying amount of inventories is HK$253,257,000 (net of allowances for inventories of HK$35,154,000)).

4. CRITICAL ACCOUNTING JUDGEMENTS 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 judgement 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 2014, the carrying amount of investment properties is HK$4,595,088,000 (2013: HK$3,746,162,000).

5. TURNOVER

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

	2014 HK$'000	2013 HK$'000
Continuing operations		
Sales of goods	2,769,979	2,518,638
Rental income	17,892	16,366
	2,787,871	2,535,004
Discontinued operations		
Sales of goods	3,304	76,134

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 2014

	Turnover			
	External sales HK$'000	Inter-segment sales HK$'000	Total HK$'000	Segment results HK$'000
Hi-Tech Manufacturing Business				
Plastic products	876,732	61,246	937,978	69,631
Liquid crystal display	607,817	367	608,184	35,337
Printed circuit boards	610,571	—	610,571	133,147
Intelligent chargers	649,604	2,249	651,853	44,380
Industrial property investment	14,704	21,332	36,036	25,438
	2,759,428	85,194	2,844,622	307,933
New Material Business				
Polyimide films manufacturing *(Note)*	3,304	—	3,304	(1,084)
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	—	—	—	413,138
Land development in Hainan Launching Site Complex Zone *(Note)*	—	—	—	(1,706)
Internet of Things	25,255	—	25,255	(3,609)
	25,255	—	25,255	407,823
Reportable segment total	2,787,987	85,194	2,873,181	714,672
Elimination	—	(85,194)	(85,194)	—
Other Business	3,188	—	3,188	65,115
	2,791,175	—	2,791,175	779,787
Unallocated corporate income				64,077
Unallocated corporate expenses				(92,358)
				751,506
Gain on deemed disposal of a subsidiary				9,583
Share of results of associates *(Note)*				(151)
Share of results of joint ventures *(Note)*				1,698
Finance costs				(34,977)
				727,659
Less: Profit for the year from discontinued operations				(7,812)
Profit before taxation from continuing operations				719,847

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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 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				(110,459)
Profit before taxation from continuing operations				847,270

6. SEGMENT INFORMATION (continued)

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

Note: During the year ended 31 December 2014, the Polyimide films manufacturing business is held by Shenzhen Rayitek Hi-tech Film Company Limited ("Shenzhen Rayitek"), which became an associate of the Group as a result of deemed disposal as detailed in Note 37.

The share of profit of Shenzhen Rayitek for the year ended 31 December 2014 amount to HK$183,000 was included in the segment "Polyimide films manufacturing".

During the year ended 31 December 2013, the land development in Hainan Launching Site Complex Zone was held by Hainan Aerospace Investment Management Company Limited ("Hainan Aerospace"), which became a joint venture of the Group as a result of deemed disposal as detailed in Note 37.

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 President continuously reviews these 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 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 resources 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 2014

6. SEGMENT INFORMATION (continued)

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

	2014 HK$'000	2013 HK$'000
Segment assets		
Hi-Tech Manufacturing Business		
Plastic products	611,373	618,934
Liquid crystal display	373,217	285,713
Printed circuit boards	410,550	358,769
Intelligent chargers	277,715	322,477
Industrial property investment	274,694	256,870
	1,947,549	1,842,763
New Material Business		
Polyimide films manufacturing	176,902	327,779
Aerospace Service		
Property investment in Shenzhen Aerospace Science & Technology Plaza	4,280,155	3,428,083
Land development in Hainan Launching Site Complex Zone	760,351	781,525
Internet of Things	44,687	52,474
	5,085,193	4,262,082
Total assets for reportable segments	7,209,644	6,432,624
Other Business	62,190	129,364
Available-for-sale investments	29,000	29,000
Interests in joint ventures	66,582	65,058
Interests in associates	14,186	14,702
Unallocated assets	2,190,785	2,016,432
Consolidated assets	9,572,387	8,687,180

6. SEGMENT INFORMATION (continued)

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

	2014 HK$'000	2013 HK$'000
Segment liabilities		
Hi-Tech Manufacturing Business		
Plastic products	197,772	176,141
Liquid crystal display	82,518	52,464
Printed circuit boards	121,071	102,830
Intelligent chargers	131,995	155,035
Industrial property investment	12,245	15,012
	545,601	501,482
New Material Business		
Polyimide films manufacturing	—	22,908
Aerospace Service		
Property investment in Shenzhen Aerospace Science & Technology Plaza	188,733	176,964
Land development in Hainan Launching Site Complex Zone	—	—
Internet of Things	6,932	17,925
	195,665	194,889
Total liabilities for reportable segments	741,266	719,279
Other Business	1,382	1,290
Unallocated liabilities	2,898,921	2,399,885
Consolidated liabilities	3,641,569	3,120,454

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 2014

6. SEGMENT INFORMATION (continued)

(c) Other segment information

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

2014

	Capital additions HK$'000	Depreciation and amortisation HK$'000	Fair value gain on investment properties HK$'000	(Gain) loss on disposal of property, plant and equipment HK$'000
Hi-Tech Manufacturing Business				
Plastic products	54,645	16,909	–	309
Liquid crystal display	35,018	12,420	–	3,695
Printed circuit boards	65,991	42,159	–	(42)
Intelligent chargers	11,788	7,892	–	120
Industrial property investment	3,270	14,394	19,966	114
	170,712	93,774	19,966	4,196
New Material Business				
Polyimide films manufacturing	9,960	929	–	–
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	575,363	259	420,883	–
Land development in Hainan Launching Site Complex Zone	–	–	–	–
Internet of Things	1,498	2,733	–	–
	576,861	2,992	420,883	–
Segment total	757,533	97,695	440,849	4,196

6. SEGMENT INFORMATION (continued)

(c) Other segment information (continued)

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

2013

	Capital additions HK$'000	Depreciation and amortisation HK$'000	Fair value gain on investment properties HK$'000	(Gain) loss on disposal of property, plant and equipment HK$'000
Hi-Tech Manufacturing Business				
Plastic products	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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**2,211,557**	2,094,632	**232,630**	225,893
The PRC	**579,377**	516,397	**6,299,876**	5,516,906
Canada	**241**	109	**14**	70,336
	2,791,175	2,611,138	**6,532,520**	5,813,135

Information about major customers

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

	2014	2013
	HK$'000	HK$'000
Customer A[1]	**410,254**	345,969

[1] Revenue from intelligent chargers.

7. OTHER INCOME AND OTHER GAINS AND LOSSES

	2014 HK$'000	2013 HK$'000
Continuing operations		
The Group's other income mainly comprises:		
Interest income	56,393	39,618
The Group's other gains and losses comprise:		
Net exchange (loss) gain	(30,761)	10,236
Net loss from change in fair value of financial assets at fair value through profit or loss	(9,720)	(12,180)
Allowance for doubtful trade debts	(5,324)	(6,617)
Gain on deregistration of subsidiaries	–	1,688
Loss on disposal/written off of property, plant and equipment	(5,503)	(4,451)
Discontinued operations		
The Group's other income mainly comprises:		
Bank interest income	–	507
The Group's other gains and losses mainly comprise:		
Net exchange loss	(5)	(11)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

8. DIRECTORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 9 (2013: 10) 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$'000	Leung Sau Fan, Sylvia HK$'000	Wang Xiaojun HK$'000	2014 Total HK$'000
Directors' fees										
Executives	–	–	–	–	–	–	–	–	–	–
Non-executives (excluding independent non-executives)	–	–	–	–	–	–	–	–	–	–
Independent non-executives	–	–	–	–	–	–	150	150	150	450
	–	–	–	–	–	–	150	150	150	450
Other emoluments										
Salaries and other benefits	1,594	1,432	–	–	–	–	80	110	45	3,261
Bonuses	791	953	–	–	–	–	–	–	–	1,744
	2,385	2,385	–	–	–	–	80	110	45	5,005
Total emoluments	2,385	2,385	–	–	–	–	230	260	195	5,455

	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 Total 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

Note: The bonuses are determined with reference to the operating results, individual performance and comparable market statistics for the two years ended 31 December 2014.

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
Retired in 2014

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

(b) Highest paid individuals' emoluments

During the year, the five highest paid individuals included two directors (2013: two directors), details of whose emoluments are set out above. The emoluments of the remaining three (2013: three) highest paid individuals were as follows:

	2014 HK$'000	2013 HK$'000
Salaries and other benefits	3,393	3,393
Bonuses *(Note)*	2,331	2,007
Contributions to retirement benefits scheme	–	–
	5,724	5,400

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 2014	2013
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

	2014 HK$'000	2013 HK$'000
Continuing operations		
Interest expenses on bank and other borrowings wholly repayable within five years	87,107	48,838
Less: Amount capitalised to investment properties under construction	(52,634)	(23,126)
	34,473	25,712
Discontinued operations		
Interest expenses on bank and other borrowings wholly repayable within five years	504	7,431
Less: Amount capitalised to land development expenditure	–	(1,966)
	504	5,465

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

10. PROFIT BEFORE TAXATION

	2014 HK$'000	2013 HK$'000
Continuing operations		
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	3,675	2,516
Amortisation of intangible assets (included in cost of sales)	15,433	8,235
Auditors' remuneration		
— current year	4,205	4,458
— under(over)provision in prior year	38	(172)
Cost of inventories charged to profit or loss including reversal of obsolete inventories of HK$7,613,000 (2013: allowance for obsolete inventories of HK$7,625,000)	2,175,212	2,004,301
Depreciation on property, plant and equipment	94,648	100,027
Minimum lease payments under operating leases in respect of land and buildings	17,120	15,907
Research and development expenses (included in other expenses)	40,425	25,363
Staff costs, including directors' remuneration	527,473	488,558
Gross rental income	(17,892)	(16,366)
Less: Direct operating expenses for investment properties that generated rental income during the year	2,826	2,662
	(15,066)	(13,704)
Discontinued operations		
Profit before taxation has been arrived at after charging:		
Amortisation of prepaid lease payments	60	715
Amortisation of intangible assets (included in cost of sales)	574	6,755
Cost of inventories charged to profit or loss	3,041	58,920
Depreciation on property, plant and equipment	869	10,747
Minimum lease payments under operating leases in respect of land and buildings	169	116
Staff costs, including directors' remuneration	13,413	11,136

11. TAXATION

Continuing operations

The tax charge (credit) for the year comprises:

	2014 HK$'000	2013 HK$'000
Current tax		
Hong Kong Profits Tax	25,484	19,408
PRC Enterprise Income Tax	13,535	12,503
Canada Corporate Income Tax	9,204	—
	48,223	31,911
Under(over)provision in prior year		
Hong Kong Profits Tax	55	(440)
PRC Enterprise Income Tax	108	(640)
	163	(1,080)
Deferred tax *(Note 34)*	148,092	183,930
	196,478	214,761

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

	2014 HK$'000	2013 HK$'000
Profit before taxation (from continuing operations)	719,847	847,270
Tax at Hong Kong Profits Tax of 16.5%	118,775	139,800
Tax effect of share of results of associates	(5)	(242)
Tax effect of share of results of joint ventures	1	(44)
Tax effect of expenses not deductible for tax purposes	7,806	3,219
Tax effect of income not taxable for tax purpose	(26,844)	(29,175)
Land appreciation tax	58,855	53,981
Tax effect of tax losses not recognised	6,446	9,688
Utilisation of tax losses previously not recognised	(6,745)	(5,643)
Deferred tax effect of disposal of investment properties	(5,508)	—
Effect of different tax rates of subsidiaries operating in other jurisdictions	45,537	46,429
Effect of income tax on concessionary rates for certain subsidiaries	(907)	(547)
Under(over)provision in prior years	163	(1,080)
Others	(1,096)	(1,625)
Income tax expenses for the year (relating to continuing operations)	196,478	214,761

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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. A subsidiary of the Company operating in the PRC is eligible as High and New Technology Enterprise and the income tax rate of this subsidiary 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 owners of the Company is based on the following data:

From continuing operations and discontinued operations

	2014 HK$'000	2013 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	415,692	617,011

	2014 Number of shares	2013 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

	2014 HK$'000	2013 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	406,884	502,931

	2014 Number of shares	2013 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)

From discontinued operations

	2014 **HK$'000**	2013 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	**8,808**	114,080

	2014 **Number of shares**	2013 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

	2014 **HK$'000**	2013 HK$'000
Dividends recognised as distribution during the year:		
2013 final, paid — HK1 cent (2013: 2012 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 2014 (2013: 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 2014

14. PROPERTY, PLANT AND EQUIPMENT

	Medium-term leasehold land and buildings in Hong Kong HK$'000	Long-term leasehold land and buildings in the PRC HK$'000	Medium-term leasehold land and buildings in the PRC HK$'000	Plant and equipment HK$'000	Motor vehicles, furniture and other equipment HK$'000	Construction in progress HK$'000	Total HK$'000
THE GROUP							
COST							
At 1 January 2013	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
Disposals/written off	—	—	—	(59,736)	(4,129)	—	(63,865)
Eliminated on disposal of subsidiaries *(Note 37)*	—	—	(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
Exchange realignment	—	(204)	(13,376)	(16,255)	(5,248)	(162)	(35,245)
Additions	—	—	3,242	105,061	53,395	11,856	173,554
Disposals/written off	—	—	—	(90,746)	(15,164)	—	(105,910)
Eliminated on disposal of subsidiaries *(Note 37)*	—	—	(32,619)	(142,961)	(5,884)	(16,251)	(197,715)
At 31 December 2014	76,875	8,164	455,494	665,238	258,958	12,613	1,477,342
DEPRECIATION AND IMPAIRMENT							
At 1 January 2013	32,880	1,276	152,645	400,905	110,257	—	697,963
Exchange realignment	—	34	5,465	11,793	2,643	—	19,935
Provided for the year	1,985	131	18,236	60,525	29,897	—	110,774
Eliminated on disposals/ written off	—	—	—	(55,036)	(4,005)	—	(59,041)
Eliminated on disposal of subsidiaries *(Note 37)*	—	—	(1,300)	—	(3,657)	—	(4,957)
At 31 December 2013	34,865	1,441	175,046	418,187	135,135	—	764,674
Exchange realignment	—	(33)	(5,225)	(5,934)	(2,652)	—	(13,844)
Provided for the year	1,985	126	12,353	49,904	31,149	—	95,517
Eliminated on disposals/ written off	—	—	—	(85,835)	(14,343)	—	(100,178)
Eliminated on disposal of subsidiaries *(Note 37)*	—	—	(4,352)	(24,006)	(2,573)	—	(30,931)
At 31 December 2014	36,850	1,534	177,822	352,316	146,716	—	715,238
CARRYING VALUES							
At 31 December 2014	40,025	6,630	277,672	312,922	112,242	12,613	762,104
At 31 December 2013	42,010	6,927	323,201	391,952	96,724	17,170	877,984

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Motor vehicles, furniture and other equipment HK$'000
THE COMPANY	
COST	
At 1 January 2013	13,493
Additions	184
At 31 December 2013	13,677
Additions	143
At 31 December 2014	13,820
DEPRECIATION AND IMPAIRMENT	
At 1 January 2013	11,694
Provided for the year	781
At 31 December 2013	12,475
Provided for the year	745
At 31 December 2014	13,220
CARRYING VALUES	
At 31 December 2014	600
At 31 December 2013	1,202

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%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

15. PREPAID LEASE PAYMENTS

	THE GROUP 2014 HK$'000	2013 HK$'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	**106,238**	144,602
Current portion	**4,064**	4,898
	110,302	149,500

16. INVESTMENT PROPERTIES

THE GROUP

	Completed investment properties HK$'000	Investment properties under construction HK$'000	Total HK$'000
FAIR VALUE			
At 1 January 2013	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
Exchange realignment	(8,642)	(96,262)	(104,904)
Construction costs incurred	—	575,329	575,329
Disposal	(68,448)	—	(68,448)
Net increase in fair value recognised in profit or loss	26,065	420,884	446,949
At 31 December 2014	333,244	4,261,844	4,595,088
Unrealised gain on property revaluation included in profit or loss of this year	26,065	420,884	446,949

16. INVESTMENT PROPERTIES (continued)

THE GROUP (continued)

The carrying value of investment properties shown above comprises:

	2014 HK$'000	2013 HK$'000
Land in Hong Kong:		
Medium-term lease	104,775	84,810
Land outside Hong Kong:		
Freehold	–	69,698
Long lease	21,901	21,686
Medium-term lease	4,468,412	3,569,968
	4,595,088	3,746,162

The fair values of the Group's investment properties at 31 December 2014 and 31 December 2013 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 in 2013. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

16. INVESTMENT PROPERTIES (continued)

THE GROUP (continued)

	Fair value as at 31.12.2014 HK$'000	Fair value as at 31.12.2013 HK$'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	77,700	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
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	12,975	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	9,100	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	5,000	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	166,292	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% (2013: 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. (2013: 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	21,901	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% (2013: 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 RMB131/sq.m. (2013: 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 31.12.2014 HK$'000	Fair value as at 31.12.2013 HK$'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	4,261,844	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 RMB4,284 million (2013: RMB4,162 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 5% (2013: 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% (2013: 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 RMB134/sq.m. (2013: RMB123/sq.m.) on average for office and RMB48/sq.m.–RMB208/sq.m. (2013: RMB40/sq.m.–RMB183/sq.m.) for commercial.	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	40,276	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% (2013: 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 RMB83/sq.m. (2013: 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 nil% (2013: 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 nil% (2013: 20%–25%) for the base level.	The larger the size, the lower the fair value per sq. ft.
					Condition of the land, taking into the land use and the status of development, of nil% (2013: 5%–10%) for the base level.	The better the condition of the land, the higher the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

16. INVESTMENT PROPERTIES (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	
	2014	2013
	HK$'000	HK$'000
Unlisted shares and capital contribution, at cost	805,586	741,614
Less: Impairment losses recognised	(89,280)	(89,280)
	716,306	652,334
Amounts due from subsidiaries	1,440,883	1,381,105

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

At 31 December 2014, 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 2014 and 2013 are set out in Note 45.

18. GOODWILL

	HK$'000
COST	
At 1 January 2013	35,241
Exchange realignment	991
At 31 December 2013	36,232
Derecognised on deemed disposal of a subsidiary *(Note 37)*	(36,232)
At 31 December 2014	—
IMPAIRMENT	
At 1 January 2013 and 31 December 2013	23,000
Derecognised on deemed disposal of a subsidiary *(Note 37)*	(23,000)
At 31 December 2014	—
CARRYING VALUES	
At 31 December 2014	—
At 31 December 2013	13,232

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 were determined based on value in use calculations, which was higher than or approximates the fair value less costs to sell. The key assumptions for the value in use calculations were those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimated discount rate of 16.5% using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU in 2013. The growth rates were based on industry growth forecasts.

The value in use calculations were derived from cash flow projections based on the most recent financial budgets for the next 5 years approved by management. Cash flows beyond the 5-year period have been extrapolated using growth rates of 3.0% per annum.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

19. INTANGIBLE ASSETS

	Technical knowhow HK$'000	Development costs HK$'000	Total HK$'000
COST			
At 1 January 2013	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
Exchange realignment	—	(962)	(962)
Additions	—	20,189	20,189
Derecognised on deemed disposal of a subsidiary *(Note 37)*	(63,247)	—	(63,247)
At 31 December 2014	—	53,725	53,725
AMORTISATION			
At 1 January 2013	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
Exchange realignment	—	(463)	(463)
Provided for the year	574	15,433	16,007
Derecognised on deemed disposal of a subsidiary *(Note 37)*	(15,401)	—	(15,401)
At 31 December 2014	—	30,310	30,310
CARRYING VALUES			
At 31 December 2014	—	23,415	23,415
At 31 December 2013	48,420	19,158	67,578

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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cost of unlisted investments in associates	**197,189**	15,949	**3,603**	3,603
Share of other comprehensive expense	**(4,886)**	—	**—**	—
Share of post-acquisition losses, net of dividends received	**(1,215)**	(1,247)	**—**	—
Less: Impairment loss recognised	**—**	—	**(3,603)**	(3,603)
	191,088	14,702	**—**	—

Particulars of the associates of the Group at 31 December 2014 and 2013 are set out in Note 46.

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates 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.

Shenzhen Rayitek

	2014	2013
	HK$'000	HK$'000
Current assets	**147,939**	60,580
Non-current assets	**284,780**	264,701
Current liabilities	**(27,704)**	(250,243)
Non-current liabilities	**(18,162)**	(18,627)
Revenue	**63,280**	76,134
Profit for the year	**429**	8,045
Other comprehensive expense for the year	**(10,578)**	—
Total comprehensive expense for the year	**(10,149)**	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

20. INTERESTS IN ASSOCIATES (continued)

Summarised financial information of material associates (continued)

Shenzhen Rayitek (continued)

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

	2014 HK$'000	2013 HK$'000
Net assets of Shenzhen Rayitek	386,853	—
Effect of fair value adjustments at acquisition	26,953	—
	413,806	—
Proportion of the Group's ownership interest in Shenzhen Rayitek	42.75%	—
Carrying amount of the Group's interest in Shenzhen Rayitek	176,902	—

航天新商務信息科技有限公司 (“新商務信息”)

	2014 HK$'000	2013 HK$'000
Current assets	88,301	89,086
Non-current assets	17,173	11,177
Current liabilities	(15,638)	(7,137)
Revenue	299,451	192,582
(Loss) profit for the year	(965)	9,347
Other comprehensive (expense) income for the year	(2,325)	2,474
Total comprehensive (expense) income for the year	(3,290)	11,821

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:

	2014 HK$'000	2013 HK$'000
Net assets of 新商務信息	89,836	93,126
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	14,104	14,621

	2014 HK$'000	2013 HK$'000
Unrecognised share of (loss) profit of associates for the year	(102)	392
Accumulated unrecognised share of losses of associates	(12,841)	(12,739)

21. INTERESTS IN JOINT VENTURES

	THE GROUP		THE COMPANY	
	2014	2013	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000
Cost of unlisted investments in joint ventures	849,825	849,825	15,000	15,000
Share of other comprehensive income	14,473	34,115	—	—
Share of post-acquisition losses	(37,365)	(37,357)	—	—
	826,933	846,583	15,000	15,000

Particulars of the principal joint ventures of the Group at 31 December 2014 and 2013 are set out in Note 47.

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

	2014	2013
	HK$'000	HK$'000
Current assets	225,526	388,700
Non-current assets	1,346,330	1,174,710
Current liabilities	(36,532)	(37,212)
Non-current liabilities	(49,874)	—
Revenue	8,631	12,580
Loss for the year	(3,412)	(2,324)
Other comprehensive (expense) income for the year	(38,936)	42,788
Total comprehensive (expense) income for the year	(42,348)	40,464

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

21. INTERESTS IN JOINT VENTURES (continued)

Summarised financial information of material joint ventures (continued)

Hainan Aerospace (continued)

The above loss for the year included the following:

	2014 HK$'000	2013 HK$'000
Depreciation and amortisation	(1,217)	(1,278)
Interest income	5,737	12,165
Interest expense	–	(19)

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

	2014 HK$'000	2013 HK$'000
Net assets of Hainan Aerospace	1,485,450	1,526,198
Effect of fair value adjustments at acquisition	35,252	36,852
	1,520,702	1,563,050
Proportion of the Group's ownership interest in Hainan Aerospace	50%	50%
Carrying amount of the Group's interest in Hainan Aerospace	760,351	781,525

Aggregate information of a joint venture that is not individually material

	2014 HK$'000	2013 HK$'000
The Group's share of profit from continuing operations	1,698	1,430
The Group's share of other comprehensive expense	(174)	(264)
The Group's share of total comprehensive income	1,524	1,166
Aggregate carrying amount of the Group's interests in this joint venture	66,582	65,058

22. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP 2014 & 2013 HK$'000
Available-for-sale investments:	
At cost	
— unlisted equity securities in Hong Kong	29,000

At 31 December 2014, the unlisted equity securities of HK$29,000,000 (2013: HK$29,000,000) 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.

23. INVENTORIES

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Raw materials	101,589	124,730
Work-in-progress	53,853	47,311
Finished goods	102,261	81,216
	257,703	253,257

24. TRADE AND OTHER RECEIVABLES

	THE GROUP	
	2014 HK$'000	2013 HK$'000
Trade receivables	541,019	581,936
Less: Allowance for doubtful debts	(36,356)	(31,255)
	504,663	550,681
Other receivables, deposits and prepayments	197,770	47,722
	702,433	598,403

Included in the Group's other receivables, deposits and prepayments at 31 December 2014 is consideration receivable for disposal of investment properties of HK$122,784,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

24. TRADE AND OTHER RECEIVABLES (continued)

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	
	2014	2013
	HK$'000	HK$'000
Within 90 days	473,349	509,999
Between 91–180 days	26,331	34,396
Between 181–365 days	4,983	6,286
	504,663	550,681

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$31,314,000 (2013: HK$40,682,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. There are no balances included in other receivables which have been past due.

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

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Overdue 1–90 days	26,331	34,396
Overdue 91–270 days	4,983	6,286
	31,314	40,682

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

24. TRADE AND OTHER RECEIVABLES (continued)

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

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
At 1 January	31,255	24,638
Allowance for doubtful debts	5,324	6,617
Derecognised on deemed disposal of a subsidiary	(181)	—
Amount written off as uncollectible	(42)	—
At 31 December	36,356	31,255

25. 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.

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2014	2013
	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	39,621	50,196
— listed in the PRC	3	1,073
	39,624	51,269

At reporting date, 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 all the listed equity securities is Level 1 under the fair value hierarchy. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

27. AMOUNTS DUE FROM/TO SUBSIDIARIES

THE COMPANY

Other than HK$6,128,000 (2013: HK$6,128,000) due from certain subsidiaries and HK$7,500,000 (2013: 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

THE GROUP

The Group's bank deposits amounting to HK$33,428,000 (2013: HK$20,075,000) 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 2.90% to 3.30% per annum (2013: 3.30% to 3.80%).

THE GROUP AND THE COMPANY

Bank balances and pledged bank deposits carry interest at prevailing market rates which range from 0.01% to 3.12% (2013: 0.01% to 2.86%) per annum at 31 December 2014.

29. TRADE AND OTHER PAYABLES

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**305,298**	304,016	**—**	—
Accrued charges	**160,192**	133,738	**17,170**	14,837
Receipt in advance	**105,664**	92,298	**—**	—
Other payables	**443,691**	473,079	**49,060**	48,811
	1,014,845	1,003,131	**66,230**	63,648

Other payables included an amount of HK$54,000,000 (2013: HK$54,000,000) received on behalf of CASC and payables to contractors for investment properties under construction of HK$184,022,000 (2013: HK$171,587,000).

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

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Within 90 days	**283,135**	296,335
Between 91–180 days	**16,167**	2,653
Between 181–365 days	**1,356**	924
Over 1 year	**4,640**	4,104
	305,298	304,016

30. AMOUNT DUE TO AN ASSOCIATE

THE GROUP AND THE COMPANY

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

31. BANK AND OTHER BORROWINGS

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

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Borrowings from the Finance Syndicate *(Note 44(a)(v))*	1,088,529	600,128
Bank borrowings	37,406	54,987
Loan from a related party *(Note 44(a)(i))*	—	76,726
	1,125,935	731,841

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Unsecured	37,406	—
Secured	1,088,529	731,841
	1,125,935	731,841
The borrowings are repayable as follows:		
Within one year	37,406	131,713
More than one year but not exceeding two years	1,088,529	300,064
More than two years but not more than five years	—	300,064
	1,125,935	731,841
Less: Amounts due within one year shown under current liabilities	(37,406)	(131,713)
Amounts due after one year	1,088,529	600,128

The borrowings carry interest at variable market rate ranging from 5.88% to 6.40% (2013: 5.60% to 6.56%) per annum.

32. 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.

33. LOAN FROM A MAJOR SHAREHOLDER

THE GROUP

The loan is unsecured, bears a fixed interest at 5% per annum and will be repayable in 2018 (Note 44(a)(iii)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

34. 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 2013	3,605	458,697	14,905	477,207
Exchange realignment	—	15,925	510	16,435
Charge to profit or loss for the year	140	183,790	—	183,930
At 31 December 2013	3,745	658,412	15,415	677,572
Exchange realignment	—	(18,207)	—	(18,207)
Charge to profit or loss for the year	(69)	148,161	—	148,092
Derecognised on deemed disposal of a subsidiary *(Note 37)*	—	—	(18,627)	(18,627)
At 31 December 2014	3,676	788,366	(3,212)	788,830

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 2014, the Group has unused tax losses of approximately HK$1,121 million (2013: HK$1,123 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$1,015 million (2013: HK$1,033 million) may be carried forward indefinitely and the remaining balance will expire at various dates up to 2019.

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$1,266 million (2013: HK$1,047 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 2014, the Company had unused tax losses of approximately HK$45 million (2013: HK$35 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax loss due to unpredictability of future profit streams, and such tax losses may be carried forward indefinitely.

35. SHARE CAPITAL

	Number of shares '000	Share capital HK$'000
Authorised:		
At 1 January 2014		
Ordinary shares of HK$0.10 each	100,000,000	10,000,000
At 31 December 2014	*Note*	*Note*
Issued and fully paid:		
At 1 January 2014		
Ordinary shares of HK$0.10 each	3,085,022	308,502
Transfer from share premium and capital redemption reserve upon abolition of par value	—	846,009
At 31 December 2014		
Ordinary shares with no par value	3,085,022	1,154,511

Note: Under the Hong Kong Companies Ordinance (Cap. 622), with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.

36. RESERVES

THE GROUP AND THE COMPANY

Share premium

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

On 1 November 2005, an order of petition (the "Order") was granted by the High Court of Hong Kong Special Administrative Region (the "High Court"). Pursuant to the Order, the reduction of the share capital and the cancellation of the share premium account of the Company as resolved and effected by a special resolution passed at an extraordinary general meeting of the Company held on 25 August 2005, be and the same was confirmed in accordance with the provisions of Sections 226 and 227 of the Companies Ordinance.

36. RESERVES (continued)

THE GROUP AND THE COMPANY (continued)

Share premium (continued)

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

The Company provided an undertaking that in the event of the Company makes any future recoveries in respect of the assets, in respect of which provisions for 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 Sections 290 and 298 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

36. RESERVES (continued)

THE GROUP AND THE COMPANY (continued)

Share premium (continued)

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

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

THE COMPANY

	Share premium HK$'000	Special capital reserve HK$'000 *(note a)*	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2013	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
Loss and total comprehensive expense for the year	—	—	—	(10,486)	(10,486)
Dividend recognised as distribution	—	—	—	(30,850)	(30,850)
Transfer upon abolition of par value under the new Hong Kong Companies Ordinance *(note c)*	(844,929)	—	(1,080)	—	(846,009)
At 31 December 2014	—	630,977	—	832,471	1,463,448

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 2014 comprised the retained profits of HK$832,471,000 (2013: HK$873,807,000).

(c) The Company has no authorised share capital and its shares have no par value from the commencement date of new Hong Kong Companies Ordinance (i.e. 3 March 2014).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

37. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)

Shenzhen Rayitek

On 19 December 2013, the Group entered into a capital increment agreement with several existing and strategic investors in which the registered capital of Shenzhen Rayitek would be increased from RMB30,000,000 to RMB98,442,972. The Group, through its wholly-owned subsidiary, CASIL New Century Technology Development (Shenzhen) Company Limited ("New Century"), agreed to subscribe for registered capital of RMB25,583,059.

The transaction was completed on 21 January 2014. The equity interests held by the Group in Shenzhen Rayitek decreased from 55% to 42.75%. Shenzhen Rayitek ceased to be a subsidiary of the Company and represented the entire segment of "Polyimide films manufacturing" under "New Material Business". Accordingly, the operation of Shenzhen Rayitek is presented as discontinued operations for the year ended 31 December 2014. Shenzhen Rayitek became an associate of the Company, and is accounted for in the consolidated financial statements using equity-accounting method since 21 January 2014.

The profits (losses) from the discontinued operations for the current and prior year are analysed as follows:

	For the year ended	
	2014	2013
	HK$'000	HK$'000
Turnover	**3,304**	76,134
Cost of sales	**(3,041)**	(58,920)
Bank interest income	**—**	95
Other income	**—**	113
Other gains and losses	**(5)**	—
Selling and distribution expenses	**(459)**	(3,159)
Administrative expenses	**(1,066)**	(9,324)
Finance costs	**(504)**	(5,465)
Gain on deemed disposal of a subsidiary	**9,583**	—
Profit (loss) for the year	**7,812**	(526)
Profit (loss) for the year attributable to:		
Owners of the Company	**8,808**	3,095
Non-controlling interests	**(996)**	(3,621)
	7,812	(526)

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

Shenzhen Rayitek (continued)

The major classes of assets and liabilities of Shenzhen Rayitek as at the date of disposal are as follows:

	HK$'000
Property, plant and equipment	166,784
Prepaid lease payments	41,137
Deposit paid for acquisition of intangible assets and property, plant and equipment	18,121
Intangible assets	47,846
Bank balances and cash	320,697
Trade and other receivables	60,269
Inventories	8,955
Amount due from a related party	107
Amount due to the Group	(134,426)
Trade and other payables	(21,201)
Bank loans	(16,624)
Loan from a related party	(76,726)
Deferred taxation	(18,627)
Net assets disposed of	396,312
Gain on the deemed disposal	
Fair value of the equity interest retained in Shenzhen Rayitek	181,240
Net assets disposed of	(396,312)
Goodwill on acquisition, net of impairment loss	(13,232)
Non-controlling interests	24,390
Contribution from new investors	214,236
Exchange differences arising on translation released	(739)
	9,583
Net cash inflow arising on disposal:	
Bank balances and cash disposed of	320,697
Amount due to the Group	(134,426)
Contribution from new investors	(214,236)
	(27,965)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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

Shenzhen Rayitek (continued)

During the year up to the date of disposal, Shenzhen Rayitek contributed HK$73,276,000 to the Group's net operating cash inflows, paid HK$44,039,000 in respect of investing activities and generated cash inflows of HK$281,895,000 in respect of financing activities.

The fair value of the equity interest retained in Rayitek has been arrived at on the basis of a valuation carried out by American Appraisal China Limited, who is an independent qualified professional valuer not connected with the Group and is a member of the Institute of Valuers.

Hainan Aerospace

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.

The profit from the discontinued operations for the prior year is analysed as follows:

	2013 HK$'000
Other gains and losses	(11)
Bank interest income	412
Administrative expenses	(2,328)
Gain on deemed disposal of a subsidiary	112,912
Profit for the year attributable to owners of the Company	110,985

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

Hainan Aerospace (continued)

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 year up to the date of disposal, Hainan Aerospace contributed HK$2,438,000 to the Group's net operating cash outflows, paid HK$25,808,000 in respect of investing activities and generated cash outflows of HK$6,219,000 in respect of financing activities.

38. 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 31, 32 and 33, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

39. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Fair value through profit or loss				
Held for trading	**39,624**	51,269	**—**	—
Loans and receivables (including cash and cash equivalents)	**2,668,800**	2,504,985	**2,064,514**	2,167,779
Available-for-sale investments	**29,000**	29,000	**—**	—
Financial liabilities				
Amortised cost	**2,508,630**	2,158,537	**159,449**	159,763

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, 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.

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 31 and 33 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 31 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.

39. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

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 2013. 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 2014 would decrease/increase by HK$4,701,000 (2013: HK$2,735,000).

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% (2013: 10%) higher/lower, the Group's profit for the year ended 31 December 2014 would increase/decrease by HK$3,309,000 (2013: HK$4,281,000) as a result of the changes in fair value of the financial assets at fair value through profit or loss.

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.

39. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Foreign currency risk (continued)

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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
RMB	**932,248**	2,052,485	**62,592**	1,681,819

Sensitivity analysis

The sensitivity analyses below details the Company's sensitivity to a 5% (2013: 5%) increase and decrease in Hong Kong dollars against RMB. 5% (2013: 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
2014	
— if Hong Kong dollars weaken against RMB	**36,308**
— if Hong Kong dollars strengthen against RMB	**(36,308)**
2013	
— if Hong Kong dollars weaken against RMB	18,533
— if Hong Kong dollars strengthen against RMB	(18,533)

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

39. 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 2014 and 2013 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 2014, the Company also has significant concentration of credit risk where an amount of HK$2,040,677,000 (2013: HK$2,101,425,000) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

39. 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 2014						
Financial liabilities						
Non-interest bearing	—	305,298	453,956	—	759,254	759,254
Loan from a major shareholder	5.00	—	—	748,129	748,129	623,441
Bank and other borrowings						
— variable rate	6.38	—	108,117	1,158,195	1,266,312	1,125,935
		305,298	562,073	1,906,324	2,773,695	2,508,630
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

39. 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	1 month to 1 year	1–5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
THE COMPANY						
At 31 December 2014						
Financial liabilities						
Non-interest bearing	–	**159,449**	–	–	**159,449**	**159,449**
At 31 December 2013						
Financial liabilities						
Non-interest bearing	–	159,763	–	–	159,763	159,763

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 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 2014 and 2013 using the fair value hierarchy is Level 1 (see Note 26). The directors consider that the fair value of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximates to the carrying amount.

40. PLEDGE OF ASSETS

At 31 December 2014, bank deposits of HK$33,428,000 (2013: HK$20,075,000), plant and equipment of HK$nil (2013: HK$99,228,000), land use right of HK$nil (2013: HK$16,950,000) and investment properties with an aggregated carrying amount of HK$4,261,844,000 (2013: HK$3,361,893,000) respectively were pledged to banks and related parties to secure general banking facilities and loan facilities granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

41. COMMITMENTS

	THE GROUP	
	2014	2013
	HK$'000	HK$'000
Capital expenditure authorised but not contracted for:		
— acquisition of property, plant and equipment	**24,168**	—
— properties under construction	**211,070**	526,838
	235,238	526,838
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
— acquisition of property, plant and equipment	**33,361**	36,246
— properties under construction	**309,053**	624,694
	342,414	660,940

In addition, at 31 December 2014, a joint venture has committed in an investment for the land development in Hainan Launching Site Complex Zone amounting to RMB137,886,000 (equivalent to approximately HK$171,928,000) (2013: RMB299,920,000 (equivalent to approximately HK$383,529,000)).

42. 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	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**13,837**	18,302	**1,356**	2,968
In the second to fifth year inclusive	**23,481**	17,778	**—**	1,366
Over five years	**32,036**	35,441	**—**	—
	69,354	71,521	**1,356**	4,334

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

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

42. OPERATING LEASES (continued)

The Group as lessor

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

	2014 HK$'000	2013 HK$'000
Within one year	10,367	6,557
In the second to fifth year inclusive	8,014	8,310
	18,381	14,867

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

43. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of trustee. The Group basically contributes 5% of relevant payroll costs to the scheme, limit to HK$1,250 per month from 1 January 2014 to 31 May 2014 and HK$1,500 per month from 1 June 2014 to 31 December 2014 (2013: HK$15,000 per annum) per staff.

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

The total cost charged to the consolidated statement of profit or loss of HK$17,809,000 (2013: HK$13,450,000) represents contribution to the schemes by the Group at the rates specified in the rules of the schemes.

44. 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.

44. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with the CASC Group

(i) During the year ended 31 December 2013, the Group renewed a loan facility with Aerospace Finance, for an amount of RMB60,000,000 (equivalent to approximately HK$76,726,000) for a period of one year. The loan was disposed upon the deemed disposal of interests in a subsidiary, as detailed in Note 37. The interest paid to Aerospace Finance during the year amounting to HK$396,000 (2013: 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 (equivalent to approximately HK$379,000) (2013: RMB300,000 (equivalent to approximately HK$376,000)) per year for a period of five years commencing from the date of the Agreement. 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) (2014: RMB500,000,000 (equivalent to approximately HK$623,441,000)) 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 2014 is HK$32,343,000 (2013: HK$24,204,000).

(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 37.

(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 2014, the Group has drawn down RMB873,000,000 (equivalent to approximately HK$1,088,529,000) (2013: RMB469,300,000 (equivalent to approximately HK$600,128,000)). The interest paid to loans drawn from the Facility in the current year amounting to RMB41,686,000 (equivalent to approximately HK$52,634,000) (2013: RMB18,455,000 (equivalent to approximately HK$23,126,000)).

(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 2014, such deposits placed by the Group amounted to RMB99,912,000 (equivalent to approximately HK$124,579,000) (2013: RMB6,914,000 (equivalent to approximately HK$8,841,000)), was included in amount due from a related party and carries interests at prevailing market rate.

44. RELATED PARTY TRANSACTIONS (continued)

(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 31) and the Facility with these banks, 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.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2014 and 2013 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 liquid crystal display 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Details of the Company's principal subsidiaries at 31 December 2014 and 2013 are as follows: (continued)

Name of subsidiary	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity held by the Company %	held by subsidiaries %	attributable to the Company %	Principal activities
Registered and operating in the PRC:					
Chee Yuen Plastic Products (Huizhou) Company Limited#	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$238,645,190	–	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
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

At 31 December 2013, Shenzhen Rayitek was an indirectly owned subsidiary of the Company which engaged in Polyimide films manufacturing business. On 21 January 2014, Shenzhen Rayitek ceased to be a subsidiary of the Company and became an associate of the Group upon completion of the capital increment agreement with several existing and strategic investor as detail in Note 37.

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.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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	
		2014	2013	2014 HK$'000	2013 HK$'000	2014 HK$'000	2013 HK$'000
深圳市航天高科投資管理有限公司	PRC	40%	40%	105,676	130,052	899,155	815,122
Individually immaterial subsidiaries with non-controlling interests						39,428	55,590
						938,583	870,712

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 intra-group eliminations.

深圳市航天高科投資管理有限公司

	2014 HK$'000	2013 HK$'000
Current assets	15,306	24,948
Non-current assets	4,278,770	3,427,271
Current liabilities	(188,733)	(176,965)
Non-current liabilities	(1,857,456)	(1,237,448)
Equity attributable to owners of the Company	1,348,732	1,222,684
Non-controlling interests	899,155	815,122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

45. 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)

	2014 HK$'000	2013 HK$'000
Other income	421,330	514,175
Expenses	(157,141)	(189,046)
Profit for the year	264,189	325,129
Profit attributable to owners of the Company	158,513	195,077
Profit attributable to the non-controlling interests	105,676	130,052
Profit for the year	264,189	325,129
Other comprehensive (expense) income attributable to owners of the Company	(32,463)	32,001
Other comprehensive (expense) income attributable to the non-controlling interests	(21,643)	21,334
Other comprehensive (expense) income for the year	(54,106)	53,335
Total comprehensive income attributable to owners of the Company	126,050	227,078
Total comprehensive income attributable to the non-controlling interests	84,033	151,386
Total comprehensive income for the year	210,083	378,464
Net cash inflow from (outflow used in) operating activities	44,273	(7,239)
Net cash outflow used in investing activities	(414,001)	(296,060)
Net cash inflow from financing activities	362,014	309,845
Net cash (outflow) inflow	(7,714)	6,546

46. PARTICULARS OF ASSOCIATES

Details of the Group's associates at 31 December 2014 and 2013 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
深圳瑞華泰薄膜科技有限公司#	RMB98,442,972	42.75	Manufacturing and distribution of polyimide films and related composite materials
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.

\# Being ceased to be a subsidiary of the Company and became an associate in 2014. Please refer to Note 37 for details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

47. PARTICULARS OF PRINCIPAL JOINT VENTURES

Details of the Group's principal joint ventures at 31 December 2014 and 2013 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 37 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.

48. MAJOR NON-CASH TRANSACTIONS

The Group disposed an investment property with a carrying amount of HK$68,448,000. The proceeds of HK$134,102,000 was outstanding and was included in other receivables.

During the year, the Group acquired intangible assets of HK$20,189,000. The intangible asset was partially settled by deposit paid in prior year of HK$14,193,000.

APPENDIX I FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000 (Restated)	2010 HK$'000
Turnover	2,791,175	2,611,138	2,615,101	2,187,006	1,879,745
Profit before taxation	727,659	957,729	411,973	564,047	419,464
Taxation	(196,478)	(214,761)	(113,962)	(115,608)	(75,335)
Profit for the year	531,181	742,968	298,011	448,439	344,129
Attributable to:					
Owners of the Company	415,692	617,011	246,725	387,231	292,478
Non-controlling interests	115,489	125,957	51,286	61,208	51,651
	531,181	742,968	298,011	448,439	344,129

ASSETS AND LIABILITIES

	At 31 December				
	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000 (Restated)	2010 HK$'000
Non-current assets	6,561,520	5,842,135	4,600,412	4,017,469	2,869,896
Current assets	3,010,867	2,845,045	2,034,947	1,922,948	2,204,647
Current liabilities	(1,140,769)	(1,203,368)	(1,117,212)	(976,396)	(763,942)
Non-current liabilities	(2,500,800)	(1,917,086)	(677,456)	(434,795)	(187,837)
Shareholders' funds	5,930,818	5,566,726	4,840,691	4,529,226	4,122,764
Attributable to:					
Owners of the Company	4,992,235	4,696,014	4,118,102	3,863,672	3,550,532
Non-controlling interests	938,583	870,712	722,589	665,554	572,232
	5,930,818	5,566,726	4,840,691	4,529,226	4,122,764

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 year ended 31 December 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
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