CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Stock Code: 31)

ANNUAL REPORT 2018

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr Liu Meixuan *(Chairman)*
(appointed on 13 December 2018)
Mr Li Hongjun *(President)*
Mr Jin Xuesheng *(resigned on 13 December 2018)*

Non-Executive Directors

Mr Luo Zhenbang *(Independent)*
Ms Leung Sau Fan, Sylvia *(Independent)*
Mr Wang Xiaojun *(Independent)*
Mr Liu Xudong *(appointed on 13 December 2018)*
Mr Mao Yijin
Mr Xu Liangwei
Mr Gong Bo *(Chairman)*
(resigned on 13 December 2018)

AUDIT COMMITTEE

Mr Luo Zhenbang *(Chairman)*
Ms Leung Sau Fan, Sylvia
Mr Mao Yijin

REMUNERATION COMMITTEE

Ms Leung Sau Fan, Sylvia *(Chairman)*
Mr Wang Xiaojun
Mr Xu Liangwei

NOMINATION COMMITTEE

Mr Liu Meixuan *(Chairman)*
(appointed on 13 December 2018)
Mr Luo Zhenbang
Ms Leung Sau Fan, Sylvia
Mr Wang Xiaojun
Mr Xu Liangwei
Mr Gong Bo *(Chairman)*
(resigned on 13 December 2018)

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)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

OVERVIEW

In 2018, the global macroeconomic environment gradually deteriorated. Factors such as the Brexit negotiations, the US-China trade disputes, uncertainties of interest rate policy and lingering geopolitical risks caused uncertainties as to the economic prospects of Europe, the US, China and emerging markets, and affecting consumers' confidence. Economic weakness of the global market and the decline in demand for consumer electronics products made a considerable impact on the Company's manufacturing business. Despite facing the challenges, the Company took effective measures to maintain steady business operations in general.

For the year ended 31 December 2018, the Company and its subsidiaries reported a turnover of HK$3,690,804,000 (2017: HK$3,661,325,000), representing a slight increase as compared with that of last year. The increase in operating costs put overall gross profit under pressure, with gross profit margin decreasing from 27.97% last year to 24.29%. If the change in fair value of investment properties and the related effects on deferred taxation and non-controlling interests were taken out, the profit attributable to shareholders of the Company would be HK$324,642,000 for 2018 (2017: HK$334,481,000), representing a decrease of 2.94% from last year.

In 2018, including the impact of change in fair value of investment properties, the Company and its subsidiaries recorded a profit of HK$520,180,000, representing a decrease of 21.99% as compared with that of HK$666,817,000 in 2017. Profit attributable to shareholders was HK$404,115,000, representing a decrease of 16.88% as compared with that of HK$486,183,000 in 2017; earnings per share attributable to shareholders was HK13.10 cents (2017: HK15.76 cents).

Considering the development needs and funding position of the Company as a whole, the Board recommended the payment of a dividend of HK1 cent per share for the year.

BUSINESS REVIEW

In 2018, the turnover of the hi-tech manufacturing business remained stable but profitability was under pressure; Shenzhen Aerospace Science & Technology Plaza provided a stable income for the Company; and the internet of things application and cross-border e-commerce logistics business was greatly affected by policies, resulting in a decrease in turnover.

Hi-tech Manufacturing

In 2018, the hi-tech manufacturing business was affected by factors such as the US-China trade disputes, rising costs, depreciation of new fixed assets, plant relocation and exchange rate fluctuations, resulting in a stable turnover despite profitability under pressure. Turnover of the hi-tech manufacturing business for the year was HK$3,235,104,000 (2017: HK$3,166,627,000), representing an increase of 2.16% as compared with last year; operating profit was HK$214,732,000 (2017: HK$292,101,000), representing a decrease of 26.49% as compared with last year.

Orders from the plastic product business decreased as some customers relocated their production sites to other countries. The market for office equipment was relatively stable, and the newly developed high-end audio equipment and auto part products became new growth drivers. The lead-acid battery business was affected by factors such as environmental protection policies, consumption tax policies and the US-China trade disputes, leading to a decrease in sales as compared with last year. Development of the electroplating business was relatively stable, the operation of the new electroplating gantry line resulted in product diversification, with product offerings expanding from electroplating products of digital electronics to auto parts and home appliances. The intelligent charger business began to stabilise after reaching its trough in the past two years, and sales increased as compared with last year. The sales of new product of mini projectors were good in overseas markets, whereas those specifically manufactured for new domestic customers also contributed to sales growth.

The printed circuit board ("PCB") business was affected by factors such as the increase in depreciation and fixed costs of new plants and ancillary facilities and price cut requested by customers, resulting in a lower profitability. During the year, the successful introduction of customers from the markets of optoelectronic applications and fingerprint recognition became new growth drivers. The liquid crystal display ("LCD") business achieved satisfactory results given the successful acquisition of large orders in the thin-film transistor ("TFT") module market and LCD OEM market, as well as the completion of development of certain TFT module product series.

Shenzhen Aerospace Science & Technology Plaza

In 2018, Shenzhen Aerospace Technology Investment Company Limited* (深圳市航天高科投資管理有限公司) ("Shenzhen Aerospace") and its wholly owned subsidiary Shenzhen Aerospace Technology Property Management Company Limited* (深圳市航天高科物業管理有限公司) recorded a total turnover of HK$419,109,000, representing an increase of 6.34% as compared with that of HK$394,121,000 in 2017, and an operating profit of HK$515,821,000, representing a decrease of 29.77% as compared with that of HK$734,499,000 in 2017; if excluding the impact of change in fair value of investment properties, the operating profit would be HK$338,036,000. Property leasing made a good progress with tenants mainly being high-tech and financial enterprises. As of the end of 2018, the valuation of Shenzhen Aerospace Science & Technology Plaza was approximately RMB7,692,000,000 (2017: RMB7,642,000,000).

Internet of Things Application and Cross-border E-commerce Logistics

In 2018, the cross-border e-commerce logistics business, the major business of Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術 (深圳) 有限公司) ("Aerospace Digitnexus"), was affected by adjustments to customs policies. The business of internet of things application was under transformation, whereas the newly introduced electronic label tracking business was still under incubation. These factors caused the overall business performance of Aerospace Digitnexus to miss expectation. As of 31 December 2018, the turnover of Aerospace Digitnexus was approximately HK$32,485,000, representing a decrease of 65.50% as compared with that of HK$94,171,000 in 2017; the operating loss was approximately HK$37,133,000 (2017: operating profit: HK$9,176,000).

The Complex Zone of the Launching Site in Hainan

Following the termination of the Land Development Agreement of the Complex Zone of the Launching Site in Hainan by 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, and the Municipal Government of Wenchang City ("Wenchang Municipal Government") on 23 June 2017 (the "Settlement Agreement"), under which Wenchang Municipal Government returned a sum of RMB290,000,000 out of the project funds of RMB1,333,808,100 to Hainan Aerospace, and undertook to return the remaining portion by assets of equivalent value or cash to Hainan Aerospace by 31 December 2019. Hainan Aerospace is in negotiation with Wenchang Municipal Government for the arrangements of the return of the remaining project funds.

As of 31 December 2018, the carrying amount of the Company's interest in Hainan Aerospace was HK$646,754,000 (2017: HK$686,154,000). The Company's share of loss of Hainan Aerospace for the year ended 31 December 2018 was HK$5,229,000 (2017: HK$10,566,000), representing a significant decrease of 50.51% as compared with 2017.

Others

With the support of the Company's controlling shareholder, China Aerospace Science & Technology Corporation ("CASC"), the Company's wholly owned subsidiary, CASIL New Century Technology Development (Shenzhen) Company Limited* (航科新世紀科技發展(深圳)有限公司), CASC and Bank of Beijing renewed an unsecured entrusted loan of RMB500,000,000 for another five years during the year, allowing the Company and its subsidiaries to obtain funds for business development at a stable and low finance cost.

CASC used to hold the equity interest of the Company through its wholly-owned subsidiaries, namely Burhill Company Limited ("Burhill"), Jetcote Investments Limited ("Jetcote") and Sin King Enterprises Company Limited ("Sin King"). After CASC completed the reorganisation of the shareholding structure of the three companies during the year, Burhill directly owns 1,183,598,636 shares of the Company, representing 38.37% of the issued shares, and Jetcote and Sin King ceased to hold any shares of the Company.

PROSPECTS

Looking into 2019, the US-China trade dispute may be alleviated, but trade protectionism will bring uncertainty to global trade. Factors such as continued trade dispute and financial market volatility are expected to affect investment and economic confidence, increasing downside risks of the economy. Nevertheless, Hong Kong and its surrounding areas will benefit as China continues to strategically focus on the implementation of policies in relation to the "Belt and Road" and "Greater Bay Area" and introduces measures to strengthen internal demand. In the face of possible continued slowdown in global and Hong Kong economies, the Company will work on risks and internal control management, and will adhere to the principles of prudent operation and stringent risk control while actively pushing forward with various tasks.

In 2019, the hi-tech manufacturing business will enhance its marketing, continue to consolidate its existing premium customer base, increase investment in automation transformation, and strengthen research and development to enhance competitiveness generally. As for the plastic product business, it will vigorously develop domestic and overseas markets, strive to expand new markets such as new types of financial equipment, AI equipment, automobiles, energy storage equipment, and integrate its advantages to develop business in the market of military-civilian integration. In connection with the intelligent charger business, it will accelerate the development of power-related core technologies and enhance its technologies in power supply to pave the way for market transformation. Regarding the PCB business, it will explore new regional markets and areas of application, and increase the share of revenue from high-precision PCBs. In relation to the LCD business, it will commence the construction of a new liquid crystal module ("LCM") plant and actively seek new development opportunities so as to achieve business upgrade and transformation.

According to the Settlement Agreement entered into between Hainan Aerospace and Wenchang Municipal Government, Wenchang Municipal Government undertook to return the remaining project funds to Hainan Aerospace by 31 December 2019. With the support of CASC, the Company will assist Hainan Aerospace in full force in negotiating with Wenchang Municipal Government and Hainan Provincial Government to arrange for the return of funds.

The Company will review the development strategy of the internet of things application and cross-border e-commerce logistics business, and take timely measures to improve business operations and control investment risks.

The Chinese economy is shifting to the high-quality development stage, and the country is in the critical period of economic structure optimisation and growth momentum transformation. At the same time, the Chinese government's efforts to formulate policies and plans for the "Belt and Road" and "Greater Bay Area" have brought rare opportunities for the Company's development. In August 2018, CASC held its seventh working meeting since its establishment in 1999, clearly setting out the blueprint for building an aerospace superpower. Going forward, CASC will gradually work to transform into a world-class aerospace enterprise group to help China become one of the world's aerospace superpowers, based on which it will further help China to completely transform into an aerospace superpower in the world. Given that China vigorously promotes military-civilian integration and actively develops the commercial aerospace industry, CASC will strive to achieve aerospace technology application and service industry transformation and upgrade, and strengthen the development in areas such as energy conservation and environmental protection, advanced materials, electronic information and production services. Meanwhile, CASC will formulate plans for core technology development for industries such as high-end equipment and smart manufacturing, new materials, cloud computing, big data and bioastronautics.

As the only overseas listed company directly held by CASC, the Company will bring its unique advantages into play in the development of CASC and serve the internationalisation strategy of CASC. In the future, the Company will follow the fields of advanced manufacturing, modern service industry and high-tech industry, insist on innovation and development, military-civilian integration and capital operation, coordinate international and domestic markets, promote high-quality development, and build into a first-class aerospace technology enterprise. It is believed that with the leadership and support of CASC, the Company will be able to contribute to the establishment of the international business flagship of CASC, so as to create greater investment value and return for shareholders!

APPRECIATION

Mr Gong Bo made significant contributions to the Company during his tenure as Chairman of the Company, for which I would like to extend my sincere gratitude and heartfelt appreciation to him on behalf of the Board.

I hereby express my profound gratitude to my fellow Directors and all staff of the Company for their dedication, loyal services and invaluable contributions. 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,

Liu Meixuan
Chairman

Hong Kong, 23 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS PERFORMANCE

The turnover of the Company and the subsidiaries for the year ended 31 December 2018 was HK$3,690,804,000, representing an increase of 0.81% as compared with that of HK$3,661,325,000 for 2017. The profit of this year was HK$520,180,000, representing a decrease of 21.99% as compared with that of HK$666,817,000 for 2017.

PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Profit attributable to the owners of the Company was HK$404,115,000, representing a decrease of 16.88% as compared with that of HK$486,183,000 for 2017.

The decrease in profit attributable to the owners was mainly due to a decrease in both the operating profit of this year and the fair value gain of investment properties.

Based on the issued share capital of 3,085,022,000 shares during the year, the basic earnings per share was HK13.10 cents, representing a decrease of 16.88% as compared with that of HK15.76 cents for 2017.

DIVIDENDS

The Board considered that the operating profit was less than last year and a need to retain capital to explore development projects, hence, it proposed the distribution of 2018 final dividend of HK1 cent per share, subject to the approval by shareholders at the Annual General Meeting to be held on 31 May 2019. If approved, warrants of which will be dispatched to all shareholders on or about 26 June 2019.

The distribution of 2017 final dividend of HK3 cents per share was approved by shareholders at the Annual General Meeting in May 2018 and warrants of which were dispatched to all shareholders on 22 June 2018.

RESULTS OF CORE BUSINESSES

The core businesses of the Company and the subsidiaries are hi-tech manufacturing, internet of things application and cross border e-commerce logistics, and the operation of Shenzhen Aerospace Science & Technology Plaza.

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. In recent years, the Company has gradually developed other new businesses. Following the completion of Shenzhen Aerospace Science & Technology Plaza and that being turned into asset management, it brought in a constant rental revenue and achieved the Company's new development objective, and relatively reduced the risk arising from engaging in a single business.

Hi-tech Manufacturing

In 2018, the global economy maintained a steady growth in the first half of the year. With uncertain factors affecting the global economy in the second half of the year such as the US-China trade dispute, fluctuations of exchange rate, increase in interest rate, the continued increase in labour costs, the demand of electronic consumer goods slow down rapidly and many foreign companies move to the South East Asian countries gradually to reduce costs, the already intense competition being faced by hi-tech manufacturing was further impacted. Except for the continued strengthening the research and development of new products and exploring high end product markets, the hi-tech manufacturing strived to develop the Mainland's market so as to reduce market risks.

The turnover of the hi-tech manufacturing business for the year ended 31 December 2018 was HK$3,235,104,000, representing an increase of 2.16% as compared with last year; the operating profit was HK$214,732,000, representing a decrease of 26.49% as compared with last year. The results of the hi-tech manufacturing business are shown below:

	Turnover (HK$'000)			Operating Profit (HK$'000)		
	2018	2017	Changes (%)	**2018**	2017	Changes (%)
Plastic Products	**1,192,091**	1,227,047	(2.85)	**44,449**	87,619	(49.27)
Printed Circuit Boards	**862,348**	780,295	10.52	**63,474**	86,158	(26.33)
Intelligent Chargers	**542,799**	519,636	4.46	**20,852**	38,109	(45.28)
Liquid Crystal Display	**623,195**	623,696	(0.08)	**52,782**	55,162	(4.31)
Industrial Property Investment	**14,671**	15,953	(8.04)	**33,175**	25,053	32.42
Total	**3,235,104**	3,166,627	2.16	**214,732**	292,101	(26.49)

Looking forward to 2019, the global economy is yet to be optimistic while the competition in the electronic information industry will remain intense. The hi-tech manufacturing continues to put effort in the research and development of new products and marketing, enhancing the level of automation in production, and expanding the scale and capacity of production. In the meantime, it strives to reduce inventory and receivables, maintain stable business and sustainable development and ensure its continuous and stable growth.

Shenzhen Aerospace Science & Technology Plaza

In 2018, the rental income of Shenzhen Aerospace Science & Technology Plaza under Shenzhen Aerospace Technology Investment Company Limited* (深圳市航天高科投資管理有限公司) ("Shenzhen Aerospace") brought a consistent and constant revenue to the Company. In 2018, Shenzhen Aerospace and Shenzhen Aerospace Technology Property Management Company Limited* (深圳市航天高科物業管理有限公司) ("Shenzhen Property Management"), a wholly-owned subsidiary of Shenzhen Aerospace responsible for property management, recorded a total turnover of HK$419,109,000 and an operating profit of HK$515,821,000.

As at 31 December 2018, Shenzhen Aerospace Science & Technology Plaza was valued at approximately RMB7,692,000,000.

In 2019, Shenzhen Property Management will continue to do better in property management, paying special attention to safety management, and take effective measures to improve the quality of property services and enhance the satisfaction and praise of tenants.

Internet of Things Application and Cross-border E-commerce Logistics

The Kaiping Customs Clearance Centre is affected by local policy in quantity restrictions, and its performance was not as good as expected. While other businesses are still in the development stage, customer needs are constantly changing and fail to respond in time, hence it does not form a unique competitive advantage yet. In 2018, Aerospace Digitnexus recorded a turnover of HK$32,485,000 and an operating loss of HK$37,133,000.

In 2019, Aerospace Digitnexus will liaise with the customs and the local government to strive for better terms, and continue to improve the operation of the Kaiping Customs Clearance Centre. At the same time, efforts are being made by Aerospace Digitnexus to improve efficiency and to develop the markets in the face of fierce competition, it will also improve the business models of the other businesses and strengthen the development of customers in order to strive for a record of profit as soon as possible.

The Complex Zone of the Launching Site in Hainan

In 2017, 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, entered into a Settlement Agreement to the Land Development Agreement of the Complex Zone of the Launching Site in Hainan with the Municipal Government of Wenchang, pursuant to which both parties agreed to release the Land Development Agreement of the Complex Zone of the Launching Site in Hainan, their rights and obligations under which will be terminated accordingly. The Municipal Government of Wenchang also agreed to repay the investment amount and related expenses of RMB1,333,808,100 to Hainan Aerospace, of which, a sum of RMB290,000,000 had been repaid to Hainan Aerospace by the Municipal Government of Wenchang and the remaining amount will be returned by assets in equivalent value or in cash by 31 December 2019. Hainan Aerospace and the Municipal Government of Wenchang will continue the discussion in relation to the procedures of return of investment and complete it as soon as possible.

Details of which please refer to the Company's announcements published on 8 March 2017 and 23 June 2017.

ASSETS

(HK$'000)	31 December 2018	31 December 2017	Changes (%)
Non-Current Assets	11,518,775	11,847,675	(2.78)
Current Assets	2,800,505	2,727,433	2.68
Total Assets	14,319,280	14,575,108	(1.76)

The decrease in non-current assets was mainly due to a reduction in amount when those assets, recorded in RMB, were converted in equivalent to Hong Kong Dollars at the financial year end. The equity attributable to shareholders of the Company was HK$7,084,257,000, representing a decrease of 0.09% as compared with that of HK$7,090,625,000 as at 31 December 2017. 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$2.30.

As at 31 December 2018, a cash deposit of HK$14,572,000 and bills receivable of HK$80,008,000 of the Company and the subsidiaries had been pledged to banks to obtain credit facilities. As the application of property right certificates was completed, the mortgage of part of Shenzhen Aerospace Science & Technology Plaza at a value of approximately RMB1,900,000,000 by Shenzhen Aerospace to Aerospace Science & Technology Finance Company Limited* (航天科技財務有限責任公司) will be performed in due course.

LIABILITIES

(HK$'000)	31 December 2018	31 December 2017	Changes (%)
Non-Current Liabilities	3,890,239	3,110,127	25.08
Current Liabilities	1,248,674	2,258,769	(44.72)
Total Liabilities	5,138,913	5,368,896	(4.28)

The decrease in non-current liabilities and the increase in current liabilities were mainly due to the reclassification of a controlling shareholder's loan from current liabilities to non-current liabilities, as well as an reduction in accounts payable, accrual taxation, accrual payables of the construction costs of an investment properties and bank loans. As at 31 December 2018, the Company and the subsidiaries had bank and other borrowings of HK$1,468,223,000.

OPERATING EXPENSES

The administrative expenses of the Company and the subsidiaries in 2018 were HK$299,318,000, representing a decrease of 11.36% as compared with last year. The finance costs amounted to HK$66,598,000.

CONTINGENT LIABILITIES

As at 31 December 2018, the Company and the subsidiaries did not have any other material contingent liabilities.

FINANCIAL RATIOS

	2018	2017
Gross Profit Margin	24.29%	27.97%
Return on Net Assets	5.67%	7.24%

	31 December 2018	31 December 2017
Assets-Liabilities Ratio	35.89%	36.84%
Current Ratio	2.24	1.21
Quick Ratio	1.95	1.05

LIQUIDITY

The source of funds of the Company and the subsidiaries mainly relies on internal resources and banking facilities. As at 31 December 2018, the free cash and bank balance amounted to HK$966,428,000, the majority of which were in Hong Kong Dollars and Renminbi.

CAPITAL EXPENDITURE AND INVESTMENT COMMITMENT

As at 31 December 2018, the capital commitments of the Company and the relevant subsidiaries contracted for but not provided in the consolidated financial statements was HK$46,943,000, mainly for the acquisition of fixed assets.

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 human resources management skills 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 2018, the Company and the subsidiaries had a total of approximately 7,160 employees based in the mainland 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, 23 March 2019

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 2018, the Board of Directors of the Company comprises the Executive Directors, namely, Mr Liu Meixuan (Chairman) (appointed on 13 December 2018), Mr Li Hongjun (President) and Mr Jin Xuesheng (resigned on 13 December 2018); the Non-Executive Directors, namely, Mr Gong Bo (Chairman) (resigned on 13 December 2018), Mr Liu Xudong (appointed on 13 December 2018), Mr Mao Yijin and Mr Xu Liangwei; and the Independent Non-Executive Directors, namely, Mr Luo Zhenbang, Ms Leung Sau Fan, Sylvia and Mr Wang Xiaojun.

The Chairman of the Company was Mr Liu Meixuan (Chairman) (appointed on 13 December 2018) and Mr Gong Bo (resigned on 13 December 2018). Mr Li Hongjun had been appointed as President of the Company. Each of Mr Liu Meixuan, Mr Gong Bo and Mr Li Hongjun are not related to each other in financial, business or family aspects. The roles of Chairman and President have been divided according to respective written Terms of Reference.

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 in the Company's website for reference.

The Company had complied with the requirements of the Listing Rules to appoint three Independent Non-Executive Directors during 2018, namely, Mr Luo Zhenbang, Ms Leung Sau Fan, Sylvia and Mr Wang Xiaojun, they are unrelated to each other in every aspect, including financial, business or family. 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 and his immediate family members' independence in compliance with Rule 3.13 of the Listing Rules. In addition, Mr Luo Zhenbang has been the Company's Independent Non-Executive Director for more than nine years who continuously demonstrates the characters of being an Independent Non-Executive Director and is able to provide independent opinion. 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 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 allowed to trade any securities of the Company.

The Company had enquired with all the Directors as to whether they had complied with Appendix 10 while trading the securities of the Company during 2018. So far as was known to the Company, all Directors had complied with Appendix 10 during the year.

The Board is responsible for determining the Company and its subsidiaries' objectives, strategies, policies, principal business plans, risk management and internal control, 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 record of Directors during 2018 is set out below (due to personal business reason, Mr Luo Zhenbang, Chairman of the Audit Committee, was unable to attend the annual general meeting):

Annual General Meeting/Board Meeting

	Annual General Meeting		Board Meeting	
Directors	**Number of meetings entitled to attend**	**Number of attendance**	**Number of meetings entitled to attend**	**Number of attendance**
Liu Meixuan	0	0	1	1
Li Hongjun	1	1	4	4
Liu Xudong	0	0	1	1
Mao Yijin	1	1	4	4
Xu Liangwei	1	1	4	3
Luo Zhenbang	1	0	4	4
Leung Sau Fan, Sylvia	1	1	4	4
Wang Xiaojun	1	0	4	4
Gong Bo	1	1	3	2
Jin Xuesheng	1	1	3	3

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's 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, risk management system 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.

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 2018, the Company held four board meetings, and Mr Gong Bo (resigned on 13 December 2018), 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 are 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 are sent to all Directors for their comments within a reasonable time after each meeting and to be approved by the Board at the immediate following meeting. Final versions of the board minutes are 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 and accountable to the Board. The Terms of Reference of respective committees can be downloaded in the websites of both The Hong Kong Exchanges and Clearing Limited and the Company for reference.

Audit Committee

In 2018, 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 Mao Yijin, 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, risk management and internal control procedures.

The Audit Committee met twice during 2018 for the purpose of assessing and reviewing the internal control system, risk management, the financial statements and corporate governance practices and so on. The external auditors, the Financial Controller, the General Manager of Finance Department, the General Manager of Internal Audit Department and the Company Secretary attended both meetings.

The Audit Committee had also reviewed, discussed and approved the financial statements for the year ended 31 December 2018.

The attendance record of Audit Committee members during 2018 is set out below:

	Number of meetings eligible to attend	Number of attendance
Luo Zhenbang	2	2
Leung Sau Fan, Sylvia	2	2
Mao Yijin	2	2

Remuneration Committee

In 2018, the Remuneration Committee comprises Ms Leung Sau Fan, Sylvia (Chairman) and Mr Wang Xiaojun, both being Independent Non-Executive Directors, and Mr Xu Liangwei, being a Non-Executive Director. The Remuneration Committee takes the role of advisory and proposes to the Board on the emoluments of the Directors and senior management with regard to the operating results of the Company, the individual performance and the comparable market information.

The Remuneration Committee met once during 2018 for the purpose of reviewing the remuneration and the appraisal policy of the Company's Directors and senior management. The General Manager of General Affairs Department and the Company Secretary attended the meeting. In 2018, no Director was involved in deciding his/her remuneration.

The attendance record of Remuneration Committee members during 2018 is set out below:

	Number of meetings eligible to attend	Number of attendance
Leung Sau Fan, Sylvia	1	1
Wang Xiaojun	1	1
Xu Liangwei	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 2018, the Nomination Committee comprises Mr Liu Meixuan (Chairman) (appointed on 13 December 2018), the Executive Director and Chairman, Mr Gong Bo (Chairman) (resigned on 13 December 2018) and Mr Xu Liangwei, all being Non-Executive Directors, and Mr Luo Zhenbang, Ms Leung Sau Fan, Sylvia and Mr Wang Xiaojun, all being Independent Non-Executive Directors. 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 *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 reviews the implemented *Board Diversity Policy* at appropriate time and set up measurable targets in order to ensure effectiveness of the policy and fit into the ongoing business development of the Company.

The Company has formulated the *Directors' Nomination Policy*, which has been considered and passed by the Nomination Committee and the Board. Highlights of the policy are as follows:

1. The Nomination Committee shall at least consider the following factors when assessing candidates:

    a. compliance with the requirements on assuming directorship under, among others, the *Hong Kong Companies Ordinance*, *the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* and the *Articles of Association* of the Company;

    b. suitable candidate selected is based on the Board structure and actual needs of the Company's operation, including but not limited to the determination of the type of director to be identified (i.e. executive director, non-executive director or independent director), the determination of the director to be identified (e.g. possession of experience on finance and accounting, law or peers; lowering average age; candidates for the succession of the Board), the determination of the requirements for the director to be identified (e.g. one of the independent directors must possess experience on finance and accounting);

    c. the *Board Diversity Policy* of the Company;

    d. in case the assumption of the role of independent non-executive director of the Company represents his/her directorship in seven or more listed companies, the reasons why that independent non-executive director candidate could devote sufficient time; and

    e. other factors, including but not limited to, among others, his/her contributions to the Company (e.g. view and perspective, skills and experience, promotion of board diversity), familiarity with legal requirements in Hong Kong and China, as well as time to be devoted to the affairs of the Company.

2. Potential nominees shall provide sufficient information, such as biographical details, to the Nomination Committee for consideration.

3. Assessment on the independence of potential independent non-executive director nominee.

4. The Nomination Committee could invite other directors or senior management to assist in identifying candidates.

5. If necessary, the Nomination Committee can invite potential nominee(s) to attend meeting(s) for it to further learn about him/her.

6. The Nomination Committee has the discretion to nominate or reject the identified candidate(s).

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 professional qualifications in accountancy, chartered secretary and laws etc., and have ample experiences of giant enterprise management, financial management, legal and human resources etc. in different fields.

The Nomination Committee met twice during 2018 while the Company Secretary attended both meetings. The Nomination Committee reviewed the qualifications and experience of candidates of directorship, 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 record of Nomination Committee members during 2018 is set out below:

	Number of meetings eligible to attend	**Number of attendance**
Liu Meixuan *(appointed on 13 December 2018)*	0	0
Luo Zhenbang	2	2
Leung Sau Fan, Sylvia	2	2
Wang Xiaojun	2	2
Xu Liangwei	2	2
Gong Bo *(resigned on 13 December 2018)*	2	1

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 2018, the Company arranged a written training regarding the latest amendments of *Corporate Governance Code* of the Listing Rules. All Directors participated appropriate trainings according to their own needs and provided a training record during 2018 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 its subsidiaries in respect of the protection against contingent loss and liabilities arising from daily operations that may be borne by Directors and senior management.

COMPANY SECRETARY

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.

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 2018 which met the requirements as stipulated in Rule 3.28 of the Listing Rules.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Company's Board of Directors is responsible for the risk management and internal control system and ensuring their effectiveness. The Company has gradually established, maintained and implemented an effective internal control system with clear definition of the responsibilities and duties of all businesses and operating departments, and has set up an internal audit department which is responsible for conducting regular or irregular audit on relevant businesses and operating departments to ensure effective check and balance of power, and for maintaining and implementing the risk management and internal control system.

The Company's management evaluates the risk management and internal control system each year. Firstly, each of the subsidiaries reviews and evaluates the design and actual operation of their organizational structure, development strategy, human resource, corporate culture, social responsibility and so on. Secondly, the head of each department of the Company reviews the internal control of such companies by examining the risk identification and analysis and solutions taken, as well as reviewing and verifying the design and operation of relevant control measures on such as financing activities, asset management, purchase, sales, research and development, engineering project, guarantees, outsourcing, overall budget and contract management. If any potential loophole is noted and recognized, the Company will put forward proposals, requiring relevant companies to enact or revise their rules and rectify the loophole within a specified period. Appraisal of the internal control environment will be carried out each year. Continuous improvements can strengthen the Company and its subsidiaries' internal control and reduce the possibility of risk occurrence.

During this year, the Company and its subsidiaries had inspected whether or not the risk management and internal control system is effective, and reviewed and restructured the internal rules and systems to confront the potential operational, market and financial risks during daily operation. The inspection covered all major control levels including financial, operational, compliance and risk management control. It especially standardized the decision making on major issues, important appointment and removal, arrangement for material projects and use of large amount of funds.

The Company has established the *Rules on Administration of Information Disclosure Affairs* and *Guidelines on Identification of Discloseable Transactions and Inside Information* to maintain sound corporate governance and duly fulfill information disclosure obligations of a listed company and protect the rights and interests of the Company and investors. The Company and its subsidiaries shall regularly monitor their transactions and identify whether the counter-party is a connected party or not. Where a possible notifiable transaction is identified, it shall report to the Company immediately. When a transaction is confirmed as a notifiable transaction, the Company Secretary will draw up disclosure documents as soon as possible, publish an announcement upon obtaining approval from the Board of Directors. During the period, employees who have become aware of the transaction shall bear the duty of confidentiality and may not disclose it to the public without authorization.

The Model Code for Securities Transactions by Employees of the Company also provides that specific employees who are aware of or privy to any negotiations or agreements related to a notifiable transaction, connected transaction or any insider information must refrain from dealing in the Company's securities as soon as they become aware of them or privy to them.

The Board of Directors has considered and believed that the Company has sufficient resources; employee qualification and experience in executing accounting, financial reporting and internal audit functions, and relevant employees have received sufficient and proper training courses.

The Company's management has provided the Board of Directors with a confirmation letter relating to the effectiveness of the risk management and internal control system. The Board of Directors believes that such risk management and internal control system was designed to manage rather than eliminate the risks arising from the failure to meet business objectives, and will only make a reasonable but no absolute guarantee shall there be no significant misrepresentation or loss to be incurred. Therefore, the Company believes it is sufficient to implement the current risk management and internal control system, but it will make necessary review and revision from time to time to meet the requirements of laws and regulations, the Listing Rules and internal management and to strengthen its risk management and internal control.

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 its subsidiaries for that period. In preparing the accounts for the year ended 31 December 2018, the Directors had selected suitable accounting policies and adopted *Hong Kong Financial Reporting Standards* and applied them consistently. Based on judgments and estimations that are prudent and reasonable, the Directors prepared the accounts on a going concern basis. Auditor's reporting responsibilities are set out on the financial statements by the auditor.

During 2018, 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 2018, the Company paid a total of approximately HK$4,948,000 to the auditor, of which included an audit fee of approximately HK$4,155,000 and a non-audit fee of approximately HK$793,000. The latter comprised fees for provision of services in reviewing interim report, results announcements, continuing connected transactions and so on.

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 and 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 2018. 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 2017, 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 the shareholders.

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 the 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 Articles of Association in 2018.

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 at comsec@casil-group.com while for matters concerning investor relations and enquiries from reporters, enquiries shall be put forward to the email at investor.relations@casil-group.com.

SUFFICIENCY OF PUBLIC FLOAT

As at 31 December 2018, the issued share capital was approximately 3,085,022,000 shares, and the market capitalization was about HK$1,512,000,000.

As at 31 December 2018, the Company had total registered shareholders of 1,049, of which included the substantial shareholder, China Aerospace Science & Technology Corporation, holding approximately 38.37%. Since many other shareholders hold shares through HKSCC Nominees Limited in Hong Kong, the actual number of shareholders should be greater than the registered numbers.

According to the public information obtained by the Company and to the best knowledge of the Directors, the Company complied with the sufficiency of public float of not less than 25% as required by the Listing Rules as of 31 December 2018.

CORPORATE SOCIAL RESPONSIBILITY

In the midst of continuous business development, the Company, endeavouring to become a company with social responsibility, through consistently encouraging and advising staff and by complying related rules, hopes to gradually deliver the message of corporate social responsibility in minimising impacts on the environment and consumption of resources so as to contribute to the society and raise the society's capability of sustainability.

Working Environment

The Company and its subsidiaries adhere to the principle of fair recruitment regardless of age, gender, marital status, race, nationality, religion or disability, and always regard staff as the most important assets and appoint them according to their ability. Every staff enjoys equal opportunities. The remuneration policy is determined based on the employee's qualifications, experience and performance on the job, with reference to the current market situation. The Company and its subsidiaries will continue to enhance the human resources management skill 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.

In response to regulations and actual needs, all industrial enterprises have in place various provisions, including but not limited to labour protection for female workers and underage workers, adequate protection of staff's work and rest time, paid annual and causal leaves and occupational injury management, in order to comprehensively and reasonably protect the welfare of staff.

The Company and its subsidiaries provide the staff with a comparatively reasonable salary, appropriate medical protection and other insurance coverage. This helps to maintain a comparatively 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 and encourage staff to continuously develop themselves and increase their own competitiveness, in order to adapt to the ever-changing market and to meet with the requirements of the Company. Some industrial enterprises also set up a training management centre for staff training, including staff ability building, occupational safety and health, various trainings in vocational skills, etc.

In 2018, the Company and its subsidiaries had no significant labour disputes.

As at 31 December 2018, the Company and its subsidiaries had a total of approximately 7,160 employees based in Mainland China and Hong Kong respectively.

Environmental Protection

The Major Industrial Enterprises are principally engaged in manufacturing and selling plastic products, liquid crystal display, print circuit boards and intelligent chargers, and produce various wastes, pollutants and noise during their daily production. Emissions of which are mainly greenhouse gases, exhaust gas, waste water and waste materials etc. The Property Management Company engages in provision of property management services to Shenzhen Aerospace Science & Technology Plaza. Its impact on the environment mainly comes from the emission of exhaust gas, domestic garbage and wastes, consumption of electricity and water resources and various kinds of material consumption. Inappropriate treatment of such discharges would cause pollution and impose an adverse impact on local ecological environment and thus the rights of stakeholders. Emissions of these pollutants and wastes are significant scope of each Major Operating Enterprise. Shall the law of environmental protection be severely violated, the government may request for rectification or even mandatorily suspend operation, where the production progress would definitely be affected, thereby, hampering the Company's overall business results.

Hence, Major Operating Enterprises have always strictly complied with the provisions of laws of Mainland China concerning environmental protection, waste collection, pollutant emission and noise emission while at the same time have also established energy management system, pollutant emission and waste management control procedures and safety management system for hazardous chemicals in response to the needs of different industries. To ensure waste water, exhaust gas and waste materials treatment is in compliance with the requirements of local environmental protection government authorities, waste water will be passed through water recycling facilities in the waste water treatment system to boost water reuse rate and reduce waste water discharge. All exhaust gas would only be discharged upon meeting respective standards after passing through water filter and absorption. Waste materials produced are distinguished by disposing into rubbish bins of different logo and treated in a centralized manner, while domestic wastes are handled by environment and hygiene administration. Besides, each Major Operating Enterprise has also engaged qualified professional companies to test whether their noise, exhaust gas and waste water emission levels exceed the stipulated standard, and to dispose of and recycle various hazardous industrial wastes, thereby striving to control and reduce pollution on communities.

On the other hand, the Company encourages its staff to lower the consumption of natural resources and adopts energy saving measures, hoping to minimize unnecessary wastages of natural resources and environmental pollution.

In 2018, the wastes, pollutants and noise emitted by each Major Operating Enterprise generally conformed with the standard prescribed by laws, and did not materially violate the law requirements related to environmental protection. Also, no incident exerting material adverse impact was noted.

Operating Practices

The industrial enterprises are responsible for producing different types of products, and have established a sound internal test and detection system. The reject rate has remained at a relatively low level and the products are in compliance with relevant product safety regulations, so as to ensure the production process does not affect staff's health and safety and final products do not affect customers' health and safety.

In 2018, products of all hi-tech manufacturing business had no significant quality problems.

In addition, in response to the needs of different industries and the requirements of customers, the Major Operating Enterprises have respectively applied for and obtained relevant international certifications, such as Quality Management System Standard (ISO 9001), Environmental Management System Standard (ISO 14001), Occupational Health and Safety Management Standard (OHSAS 18001), Restriction of Hazardous Substances Directive (ROHS 2.0), Quality System Requirements for Automotive Products and Services (ISO/TS 16949) and Social Accountability 8000 International standard (SA 8000) and so on. Certain individual industrial enterprises even established manuals for green products and technical specifications for green product management. Relevant management and staff must learn and be familiar with all provisions, and strive for compliance with various specific requirements in the production process. This also implies that the Company attaches much importance to its social responsibility and is willing to safeguard the interests of all stakeholders and to assume its social responsibility reasonably.

The Company has always emphasized on arm's length transaction. The Company and its subsidiaries always maintain a good relationship with partners of various businesses and lending banks etc. and enter into transactions on fair, equal and reasonable terms in compliance with relevant laws and regulations, so as to reduce risks. The Company and its subsidiaries will perform agreements in accordance with provisions therein, and settle accounts payable within a reasonable and feasible period as prescribed therein and never defer payment without cause. It also hopes its clients to perform agreements likewise and settle their accounts payable within a reasonable and feasible period and never defer payment without cause to ensure nil interruption of respective capital flow and respective businesses will not be affected.

Pursuant to the requirements of the Listing Rules, the Company has developed the *Arrangements for Staff's Raising Concerns about Improprieties in Financial Reporting*. If an employee of the Company or its subsidiaries lodges complaints about improprieties in financial reporting, such improprieties will be independently investigated and handled by the Chairman of the Audit Committee. In 2018, the Company did not receive any complaints regarding improprieties in financial reporting; and there were no material disputes between the Company and its subsidiaries and business partners and lending banks.

Besides, major industrial enterprises have established the *Supplier Management and Control Procedures*, covering the qualification accreditation, annual assessment and regular monitoring of the suppliers, and developed provisions for anti-commercial bribery as well as product delivery and service management system, including product quality control methods and product complaint handling.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company had complied throughout the reporting period with the "comply or explain" provisions in the ESG Reporting Guide as set out in Appendix 27 of *the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (the "Listing Rules").

The Board of Directors of the Company is responsible for evaluating and determining relevant environmental, social and governance risks, ensuring that the Company has a proper and effective management and internal control system in place for environmental, social and governance risks. It assumes all responsibilities for environmental, social and governance strategies and reporting. The management of the Company has confirmed to the Board of Directors that the abovementioned risk management and internal control system is effective.

CORE BUSINESSES

The Company and its subsidiaries mainly engage in hi-tech manufacturing business, which includes production and sales of plastic products, liquid crystal display, printed circuit boards and intelligent chargers, the operations of Shenzhen Aerospace Science & Technology Plaza, internet of things applications and cross-border e-commerce logistics.

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. In recent years, the Company has gradually developed other new businesses. Following the completion of Shenzhen Aerospace Science & Technology Plaza and that being turned into asset management, it brought in a constant rental revenue and achieved the Company's new development objective, and relatively reduced the risk arising from engaging in a single business.

CORPORATE SOCIAL RESPONSIBILITY

In the midst of continuous business development, the Company endeavours to become a company committed to social responsibility by complying related laws and regulations, satisfying customers' requirements on environment and social responsibility and providing on-going encouragement and advice to staff in anticipation of gradually delivering the message of corporate social responsibility. This helps to enable all company-wide entities minimize environmental impacts and reduce consumption of resources, while providing employees with a stable and protected work environment so as to reward the society and enhance sustainability of the society.

Scope of coverage

Unless otherwise stated, the Environmental, Social and Governance Report includes several major enterprises incorporated in Mainland China in hi-tech manufacturing business responsible for manufacturing and selling plastic products, liquid crystal display, print circuit boards and intelligent chargers (hereinafter referred to as "Major Industrial Enterprise(s)"), and a property management company, an indirect subsidiary of the Company incorporated in Mainland China, responsible for management of Shenzhen Aerospace Science & Technology Plaza (hereinafter referred to as "Property Management Company"), whereas all these enterprises and company referred to as "Major Operating Enterprises" as a whole.

A. *Environment*

General disclosure

Emission

The Major Industrial Enterprises are principally engaged in manufacturing and selling plastic products, liquid crystal display, print circuit boards and intelligent chargers, and produce various wastes, pollutants and noise during their daily production. Emissions of which are mainly greenhouse gases, exhaust gas, waste water and waste materials etc. The Property Management Company engages in provision of property management services to Shenzhen Aerospace Science & Technology Plaza. Its impact on the environment mainly comes from the emission of exhaust gas, domestic garbage and wastes, consumption of electricity and water resources and various kinds of material consumption. Inappropriate treatment of such discharges would cause pollution and impose an adverse impact on local ecological environment and thus the rights of stakeholders. Emissions of these pollutants and wastes are significant scope of each Major Operating Enterprise. Shall the law of environmental protection be severely violated, the government may request for rectification or even mandatorily suspend operation, where the production progress would definitely be affected, thereby, hampering the Company's overall business results.

Hence, Major Operating Enterprises have always strictly complied with the provisions of laws of Mainland China concerning environmental protection, waste collection, pollutant emission and noise emission while at the same time have also established energy management system, pollutant emission and waste management control procedures and safety management system for hazardous chemicals in response to the needs of different industries. To ensure waste water, exhaust gas and waste materials treatment is in compliance with the requirements of local environmental protection government authorities, waste water will be passed through water recycling facilities in the waste water treatment system to boost water reuse rate and reduce waste water discharge. All exhaust gas would only be discharged upon meeting respective standards after passing through water filter and absorption. Waste materials produced are distinguished by disposing into rubbish bins of different logo and treated in a centralized manner, while domestic wastes are handled by environment and hygiene administration. Besides, each Major Operating Enterprise has also engaged qualified professional companies to test whether their noise, exhaust gas and waste water emission levels exceed the stipulated standard, and to dispose of and recycle various hazardous industrial wastes, thereby striving to control and reduce pollution on communities.

With the gradual move-in of tenants of Shenzhen Aerospace Science & Technology Plaza in 2018, both non-hazardous wastes produced and electricity and water consumption increased as compared with 2017. Along with the increase in production volume of industrial enterprise engaging in print circuit boards manufacturing, both energy consumption and waste materials had slightly increased, and in turn raised up the discharge volume of greenhouse gases, while the discharge of greenhouse gases and wastes from other industrial enterprises showed a declining trend.

All Major Operating Enterprises must comply with laws and requirements related to environmental protection, mainly the *Law on Prevention and Control of Atmospheric Pollution, Energy Conservation Law, Cleaner Production Promotion Law, Environmental Protection Tax Law, Solid Wastes Prevention Law, National Catalogue of Hazardous Wastes* and *Law on Prevention and Control of Pollution from Environmental Noise*, as well as regulations related to environmental protection at the place where the companies are located at, if applicable.

According to the *Environmental Protection Tax Law* became effective in 2018, requirements on regulating the pollutants discharge for enterprises tend to be more stringent. Verified pollutants of the Major Industrial Enterprises are categorized into atmospheric pollution and water pollutants, which in turn increased the tax burden on environmental protection tax to a certain extent, though the amount was not significant. For the Property Management Company, no environmental protection tax had to pay since no direct discharge of pollutants was made to the environment.

In 2018, the wastes, pollutants and noise emitted by each Major Operating Enterprise generally conformed with the standard prescribed by laws, and did not materially violate the law requirements related to environmental protection. Also, no incident exerting material adverse impact was noted.

Use of resources

The Company always encourages staff to reduce the consumption of natural resources and adopt energy saving measures. Its subsidiaries are also required to comply with the related environmental protection regulations and ensure such compliance during the process of production and operation. Further, the Major Operating Enterprises have strengthened continuing education to their staff about energy saving and environmental protection, implemented target management for use of water and electricity, replaced a majority of lighting to LED energy conservation system and regularly eliminated equipment of obsolete processes and higher energy consumption. Such approaches gradually reduce the consumption, and maximize the use of recyclable packaging materials instead of disposables with a view to reducing unnecessary consumption of natural resources and environmental pollution.

Environment and natural resources

The Major Industrial Enterprises, as manufacturers of electronic products, may affect the environment mainly due to emission of waste gas and waste water, production of solid wastes, consumption of electricity, water resources and various materials. The Property Management Company's impact on the environment mainly comes from the emission of exhaust gas, domestic garbage and wastes, consumption of electricity and water resources and various kinds of material consumption. By doing this, each Major Operating Enterprise had identified the impact of their business scope over the environment and relevant environmental factors, placed them in orders according to their environmental impact by using scientific methods and determined significant environmental factors, and took appropriate measures accordingly. These measures include improving the manufacturing technique, complying with regulatory requirements (including 24-hour real-time testing of waste water volume and its pH scale as required by relevant government departments), reducing emissions, recycling, contingency plans and setting goals for consumption reduction for reasonable management purpose.

The KPIs for the Major Operating Enterprises relating to the environment are roughly as follows:

Emissions			2017	**2018**
A1.2	Total greenhouse gas emissions		124,123 tonnes	**146,866 tonnes**
A1.3	Total hazardous waste produced		1,704 tonnes	**1,319 tonnes**
A1.4	Total non-hazardous waste produced		1,371 tonnes	**24,717 tonnes**
Use of Resources				
A2.1	Total direct and indirect energy consumption	Electricity	81,693,814 kilowatts	**105,434,199 kilowatts**
		LNG	126,800 kilograms	**107,307 kilograms**
		Environmental-friendly fuel	25,100 liters	**24,200 liters**
		Gasoline	52,519 liters	**47,951 liters**
		Diesel	20,849 liters	**29,640 liters**
A2.2	Total water consumption		1,088,057 tonnes	**1,440,793 tonnes**
A2.5	Total packaging material used		1,996 tonnes	**1,988 tonnes**

B. Social: Employment and Labour Practice

General disclosure

Employment

The Company and its subsidiaries adhere to the principle of fair recruitment regardless of age, gender, marital status, race, nationality, religion or disability, and always regard staff as the most important assets and appoint them according to their ability. On the other hand, the Company and its subsidiaries continuously enhance their human resources management skill and strictly implement the performance-based appraisal system, in order to motivate employees to make continuous improvement in their individual performance and contributions to the Company.

The Company and its subsidiaries provide the staff with a reasonable salary, appropriate medical protection and other insurance coverage, which helps to maintain a comparatively stable working environment for the staff. All employees enjoy equal opportunity and the salary policy is based on the qualification, experience and work performance of employees as well as the prevailing market rates.

Subject to regulations and based on actual needs, the Company and its subsidiaries have put in place various requirements, including but not limited to labour protection for female workers and underage workers, adequate protection of staff's work and rest time, paid annual and causal leaves and occupational injury management, so as to provide full and reasonable protection of staff's benefits.

All Major Operating Enterprises must comply with laws and requirements related to employment, mainly the *Labour Law, Labour Contract Law, Provisions on Prohibition of Using Child Labour* and *Protection System for Women Labour and Underage Labour*, as well as regulations related to employment at the place where the companies are located at, if applicable.

In 2018, all Major Operating Enterprises generally conformed with the standard prescribed by laws, and did not materially violate the law requirements related to employment. Also, no incident exerting material adverse impact was noted.

Health and safety

The Major Operating Enterprises have established a complete set of occupational safety and health management system in accordance with the provisions of regulations by establishing methods for evaluation (of which individual industrial enterprises have also implemented SA 8000 (social responsibility standards) management systems), disposal and administration of hazard sources, rules and methods for safe operation as well as relevant methods for administration of safety performance. The Major Operating Enterprises will monitor and check the above-mentioned methods on a regular basis, evaluate hazard sources once each year, offer trainings on safe operation rules on a regular basis, manage and drill emergency plans on a regular basis, and evaluate and assess safety performance.

The Major Operating Enterprises will provide employees with body check on a regular basis, and new employees will receive pre-employment training and can only be recruited after they pass the assessment.

All Major Operating Enterprises must comply with laws and requirements related to employees' health and occupational safety, mainly the *Labour Law, Safe Production Method, Law on Prevention and Control of Occupational Diseases* and *Fire Protection Law*, as well as regulations related to employees' health and occupational safety at the place where the companies are located at, if applicable.

In 2018, all Major Operating Enterprises generally complied with the law requirements, and did not materially violate the law requirements related to employees' health and occupational safety. Also, no incident exerting material adverse impact was noted.

Development and trainings

The Company and its subsidiaries will provide certain funding to their staff for attending some professional seminars and short-term courses, and encourage their staff to continuously develop themselves and increase their own competitiveness so as to adapt themselves to the ever-changing market and to meet with the requirements of the companies. Certain industrial enterprises also set up a specialized training management centre to steer for staff training, including staff ability building, occupational safety and health, various trainings in vocational skills, etc. All training costs are borne by such enterprises. Each Major Operating Enterprise also arrange for employees to attend ball games and other recreational activities held internally by the enterprises.

Labour standards

The Company and its subsidiaries expressively stipulate that they will not employ child labour of less than 16 years old and endeavor not to employ child labour by accident, and will not support the practice of employing child labour by other companies or social groups. Currently, all staff employed are 18 years old or above.

During recruitment, staff of the human resource department of Major Operating Enterprises must carry out a strict inspection of the personal documentation of candidates; verify their photos to confirm it is the candidate himself/herself before such application can be registered. The candidate must fill in a registration form and staff of the human resource department will check the information filled in by the candidate and verify the information in the registration form if necessary. If the enterprise finds out that child labour is employed out of negligence, it must stop the child labour from working and arrange as soon as possible the child labour back to the place where he/she is domiciled under the supervision of his/her parents or guardian and report to the local labour authority.

The Company and its subsidiaries also make it clear that they will not mandatorily require employees to work overtime persistently and employees can work overtime only on a voluntary basis.

In 2018, individual Major Industrial Enterprises were affected by a relatively high turnover. The turnover of employees aged below 30 was higher, of which many young employees prefer to engage in other emerging industries (such as information technology industry) or more relaxed duties instead of working in plants. For the Property Management Company, property security officer is the position with the most turnover, mainly due to the increase in demand for all positions along with the gradual development of surrounding area of the company where many office buildings had newly built. Hence, the employee mobility increased accordingly.

All Major Operating Enterprises have enlarged the room of development for employees and provided them with development platform and occupational guidance on various aspects, including inter-department employment and employment priority as well as enhanced incentives, so as to offer employees a sense of security. On the other hand, analysis reports are made on resigning employees for understanding the change in headcount. Adjustments are made on a timely basis to ensure the stability of headcount and lower turnover.

All Major Operating Enterprises must comply with laws and requirements related to labour protection, mainly the *Labour Law, Labour Contract Law, Provisions on Prohibition of Using Child Labour* and *Protection System for Women Labour and Underage Labour,* as well as regulations related to labour protection at the place where the companies are located at, if applicable.

In 2018, all Major Operating Enterprises had generally complied with the law requirements, and did not materially violate the law requirements related to labour protection. Also, no incident exerting material adverse impact and no significant labour disputes were noted.

As at 31 December 2018, the Company and its subsidiaries had a total of approximately 7,160 employees (31 December 2017: approximately 7,200 employees) based in Mainland China and Hong Kong.

The KPIs of the Major Operating Enterprises relating to employees and safety are roughly as follows:

Employment	Indicator	Type	Age	Sex	2017 Total	2017 Geographical Region	**2018 Total**	**2018 Geographical Region**
B1.1	Total workforce by gender, employment type, age group and geographical region	Clerical Staff	18–30	Male	300 persons	China (100%)	**311 persons**	**China (100%)**
			18–30	Female	127 persons	China (100%)	**135 persons**	**China (100%)**
			above 30	Male	525 persons	China (100%)	**529 persons**	**China (100%)**
			above 30	Female	164 persons	China (100%)	**165 persons**	**China (100%)**
		Factory Worker	18–30	Male	1,468 persons	China (100%)	**1,438 persons**	**China (100%)**
			18–30	Female	881 persons	China (100%)	**849 persons**	**China (100%)**
			above 30	Male	791 persons	China (100%)	**810 persons**	**China (100%)**
			above 30	Female	952 persons	China (100%)	**996 persons**	**China (100%)**
B1.2	Employee turnover rate by gender, age group and geographical region		18–30	Male	156 persons (5.35%)	China (100%)	**568 persons (20.62%)**	**China (100%)**
			18–30	Female	88 persons (3.00%)	China (100%)	**387 persons (14.05%)**	**China (100%)**
			above 30	Male	60 persons (2.78%)	China (100%)	**235 persons (9.53%)**	**China (100%)**
			above 30	Female	35 persons (1.61%)	China (100%)	**201 persons (8.15%)**	**China (100%)**

Safety	Indicator	2017	**2018**
B2.1	Number and rate of work related fatalities	0 (0%)	**0 (0%)**
B2.2	Lost working days due to work injury	641 days	**371 days**

Development & Training	Indicator			2017	2018
B3.1	The percentage of employees trained by gender and employee category	Senior Management	Male	100%	**100%**
			Female	100%	**100%**
		Middle Management	Male	100%	**100%**
			Female	100%	**100%**
		Other Employees	Male	100%	**100%**
			Female	100%	**100%**
B3.2	The average training hours completed per employee by gender and employee category	Senior Management	Male	20–60 hours	**19–48 hours**
			Female	20–30 hours	**20–30 hours**
		Middle Management	Male	32–60 hours	**30–50 hours**
			Female	12–60 hours	**30–50 hours**
		Other Employees	Male	12–195 hours	**12–158 hours**
			Female	12–195 hours	**12–158 hours**

C. *Social: Operational practices*

General disclosure

Supply chain management

The Company has always emphasized on arm's length transaction. The Company and its subsidiaries always maintain a good relationship with partners of various businesses and lending banks etc. and enter into transactions on fair, equal and reasonable terms in compliance with relevant laws and regulations, so as to reduce risks. The Company and its subsidiaries will perform agreements in accordance with provisions therein, and settle accounts payable within a reasonable and feasible period as prescribed therein and never defer payment without cause. It also hopes its clients to perform agreements likewise and settle their accounts payable within a reasonable and feasible period and never defer payment without cause to ensure nil interruption of respective capital flow and respective businesses will not be affected.

Prior to engaging a supplier, each Major Operating Enterprise will identify appropriate suppliers based on actual needs while collecting information such as quality, service, delivery terms, price and reputation in the industry as the basis for selection, and request suppliers to provide their basic information and product samples.

In addition, each Major Operating Enterprise has put into place procedures for administration and control of suppliers, including qualification identification, annual review and regular supervision for suppliers, formulated anti-commercial bribery rules. Meanwhile, management system for product delivery and service has been established, in which including product quality control methods and complaint handling. To ensure product and service quality, individual industrial enterprises have established and continuously optimized their respective supplier appraisal and management mechanism. Such enterprises have formulated and documented a set of rules and systems to strictly select suppliers and regularly assess their performance. Individual industrial enterprises have also extended the implementation of ISO 14001 environment management system to its suppliers, while continuously examine the packaging of all products and unleash more possibilities for lowering the demand for raw materials in innovative manner.

For procurement and supply chain management, all employees must strictly comply with all integrity systems, and keep the company's trade secret confidential. Those companies also signed the *Declaration on Integrity for Service Co-operation* with its partners, which clearly prescribes the respective authorities and obligations.

All Major Operating Enterprises must comply with laws and requirements related to supply chain management, mainly the *Anti-Money Laundering Law, Anti-Unfair Competition Law, Anti-Monopoly Law, Bidding Law* and *Interim Provisions on Banning Commercial Bribery*, as well as regulations related to supply chain management at the place where the companies are located at, if applicable.

In 2018, all Major Operating Enterprises had generally complied with the law requirements, and did not materially violate the law requirements related to supply chain management. Also, no incident exerting material adverse impact was noted.

The KPI of each Major Operating Enterprise relating to the number of suppliers by geographical region is roughly as follows:

		2017			**2018**		
	Indicator	Number of suppliers	Overseas proportion	Mainland China Proportion	**Number of suppliers**	**Overseas proportion**	**Mainland China Proportion**
B5.1	Number of suppliers by geographical region	1,093	28%	72%	**1,168**	**27%**	**73%**

Product liability

The industrial enterprises are responsible for producing different types of products, and have established a sound internal testing system. The reject rate has remained at a relatively low level and the products are in compliance with relevant product safety regulations, so as to ensure the production process does not affect the health and safety of staff and the finished products do not affect the health and safety of customers. In 2018, products of the industrial enterprises had no significant quality problems.

The Property Management Company is mainly provision of property management services to the tenants. It frequently improves service quality in correspondence to tenants' opinion. In 2018, no significant complaints arising from health and safety were received by Property Management Company.

In addition, in response to the needs of different industries and the requirements of customers, the Major Operating Enterprises have respectively applied for and obtained relevant international certifications, such as Quality Management System Standard (ISO 9001), Environmental Management System Standard (ISO 14001), Occupational Health and Safety Management Standard (OHSAS 18001), Restriction of Hazardous Substances Directive (ROHS 2.0), Quality System Requirements for Automotive Products and Services (ISO/TS 16949) and Social Accountability 8000 International standard (SA 8000) and so on. Certain individual industrial enterprises even established manuals for green products and technical specifications for green product management. Relevant management and staff must learn and be familiar with all provisions, and strive for compliance with various specific requirements in the production process. This also implies that the Company attaches much importance to its social responsibility and is willing to safeguard the interests of all stakeholders and to assume its social responsibility reasonably.

The Major Industrial Enterprises have established methods of product quality inspection. It will be carried out during purchase of materials, manufacturing and delivery. In case of recall of products or complaints, the enterprises will conduct sufficient communication with the counterparty and take provisional measures to avoid similar problems. In the meantime, the enterprises will analyze and verify preliminarily the cause of problem so that improvement and precautionary measures can be formed to reduce the possibility of problem recurrence, and will conclude and verify the effectiveness of such measures.

Individual industrial enterprises have dedicated personnel responsible for the management of intellectual property rights as well as the establishment trade secret systems and continuous optimization of trade secret. On the other hand, each Major Operating Enterprise always takes appropriate measures to protect clients' information, intellectual property and privacy in accordance with laws and upon clients' reasonable request.

All Major Operating Enterprises must comply with laws and requirements related to product liabilities, mainly the *Company Law, Property Law, Product Quality Law, Tort Law, Trademark Law* and *Patent Law*, as well as regulations related to product liabilities at the place where the companies are located at, if applicable.

In 2018, all Major Operating Enterprises had generally complied with the law requirements, and did not materially violate the law requirements related to product liabilities. Also, no incident exerting material adverse impact was noted.

The KPI of each Major Operating Enterprise relating to the products subject to recalls for safety and health reasons is roughly as follows:

	Indicator	2017	**2018**
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	0%	**0%**

Anti-corruption

Each Major Operating Enterprise has established relevant anti-corruption rules. An employee who finds improper trade or operation can place a complaint in the mailbox of the general manager or a complaint box, which will be handled by a personnel designated by the general manager. If necessary, law enforcement agency may be required to intervene.

In 2018, the Major Operating Enterprises did not receive any complaint from any organization or individual against an employee's misconduct or other illegal activities.

In addition, the Company has put into place the *Arrangement for Employee's Concern on Misconduct in Financial Reporting* in accordance with the provisions of the Listing Rules. In case of a complaint lodged by an employee of the Company or its subsidiaries against any misconduct in financial reporting, it will be subject to independent investigation and handling by the Chairman of the Audit Committee.

In 2018, the Company did not receive complaints against misconduct in financial reporting. There was no significant dispute between the Company and its subsidiaries and partners of various businesses and lending banks.

All Major Operating Enterprises must comply with laws and requirements related to anti-corruption, mainly the *Anti-Money Laundering Law, Anti-Unfair Competition Law, Anti-Monopoly Law, Bidding Law* and *Interim Provisions on Banning Commercial Bribery*, as well as regulations related to anti-corruption at the place where the companies are located at, if applicable.

In 2018, all Major Operating Enterprises had generally complied with the law requirements, and did not materially violate the law requirements related to anti-corruption. Also, no incident exerting material adverse impact was noted.

The KPI of the Company and each Major Operating Enterprise relating to the number of concluded legal cases regarding corrupt practices is as follows:

	Indicator	2017	**2018**
B7.1	Number of concluded legal cases regarding corrupt practices brought against the Company and the Major Operating Enterprises or their respective employees and the outcomes of the legal actions	0	**0**

Community investment

Each Major Operating Enterprise will conduct necessary assistance to neighboring communities or people in need in accordance with different circumstances, and will use proper resources to support activities of communities.

CONCLUSION

The Company believes that the implementation of current measures on environmental protection and social responsibility is sufficient for compliance with relevant laws, regulations and the Listing Rules, but it will make necessary review and revision from time to time in response to the requirements of laws, the Listing Rules and internal management to strengthen its measures on environmental protection and social responsibility.

The Company's Board of Directors had reviewed, discussed and approved the contents of the Environmental, Social and Governance Report and its publication on 23 March 2019.

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Subject Areas	Aspects	KPI & Disclosure		Position in the Report (Page)
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		A1.5	Description of measures to mitigate emissions and results achieved	25–26
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Subject Areas	Aspects	KPI & Disclosure		Position in the Report (Page)
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	A3: The Environment and Natural Resources	General Disclosure	Policies on minimizing significant impact on the environment and natural resources	26
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Subject Areas	Aspects	KPI & Disclosure		Position in the Report (Page)
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	B4: Labour Standards	General Disclosure	Information on prevention of child and forced labour: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact	29
		B4.1	Description of measures to review employment practices to avoid child and forced labour	29
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	Operating Practices B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain	31–32
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		B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	31–32

Subject Areas	Aspects	KPI & Disclosure		Position in the Report (Page)
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Subject Areas	Aspects	KPI & Disclosure		Position in the Report (Page)
	B7: Anti-corruption	General Disclosure	Information on prevention of bribery, extortion, fraud and money laundering: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact	34
		B7.1	Number of concluded legal cases regarding corrupt practices brought against the Company and the Major Operating Enterprises or its employees during the reporting period and the outcomes of the cases	34
		B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored	34
	Community B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the Company and the Major Operating Enterprises operate and to ensure its activities take into consideration the communities' interests	34
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BIOGRAPHICAL DETAILS OF DIRECTORS

Mr Liu Meixuan, aged 52, the Executive Director and Chairman of the Company, graduated from Shanghai Jiao Tong University and obtained a bachelor's degree in engineering. From 1987, he held such positions as Vice Plant Director, Plant Director of No. 811 Plant and Director General of both Human Resources Department and General Operation Department of China Academy of Launch Vehicle Technology; Deputy General Manager and General Manager of China Aerospace Times Electronics Company Limited; President of Aerospace Long March Launch Vehicle Technology Company Limited and Chairman of China Aerospace Times Electronics Company Limited. From February 2009 to December 2018, he was the Dean of China Academy of Aerospace Electronics Technology, during which he also served as General Manager and Executive Director of China Aerospace Times Electronics Company Limited. Mr Liu possesses ample experience in enterprise management. He was appointed as Executive Director and Chairman of the Company in December 2018.

Mr Li Hongjun, aged 53, a Senior Engineer, is the Executive Director and President of the Company. He started his career in China Academy of Aerospace Propulsion Technology in September 1985 and held such posts as Technician, Vice President and President of Academy of Metrology, Director General of Civilian Products Department of China Academy of Aerospace Propulsion Technology, Deputy General Manager and General Manager of Shaanxi Aerospace Power High-tech Company Limited (stock code: 600343), 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 and appointed as President in May 2010.

Mr Luo Zhenbang, aged 52, 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) and Guorui Properties Limited, shares of which are listed on The Stock Exchange of Hong Kong (stock code: 2329). 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 55, is an Independent Non-Executive Director of the Company. Ms Leung holds a bachelor's degree of arts in accountancy from City University of Hong Kong and had studied as an external student and passed the approved examinations and obtained a bachelor of laws degree from the University of London. Ms Leung was an independent non-executive director of Prosper Construction Holdings Limited (stock code: 6816), shares of which is listed on The Stock Exchange of Hong Kong Limited. She is currently an independent non-executive director of both Poly Property Group Co., Limited (stock code: 119), shares of which is listed on The Stock Exchange of Hong Kong Limited, and is also a director of Celestial Capital Limited, a company licensed to conduct, among others, type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance. She has over 20 years of experience in company secretarial and corporate finance advisory. She was appointed as an Independent Non-Executive Director of the Company in March 2012.

Mr Wang Xiaojun, aged 64, 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), CSSC Offshore & Marine Engineering (Group) Company Limited (formerly known as 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), 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 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 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), 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.

Mr Liu Xudong, aged 59, a Senior Accountant, is a Non-Executive Director of the Company. He graduated from Tianjin University of Finance and Economics and Harbin Institute of Technology and obtained a bachelor's degree in economics and a master degree in management respectively. From October 1991 to December 2018, he held such positions as Deputy Division Director, Division Director of Accounting and Finance Department of China Aerospace Science & Industry Aviation Technology Academy; Chief Accountant of the Finance Department of China Aerospace Corporation; Deputy Director of Finance Department, Chief of Audit Bureau, Director General of Audit Department of China Aerospace Science and Technology Corporation; Chief Accountant of China Academy of Space Technology; Director of the Finance Department of China Aerospace Science and Technology Corporation. Mr Liu possesses ample experience in financial management. He was appointed as Non-Executive Director of the Company in December 2018.

Mr Mao Yijin, aged 56, is a Non-Executive Director of the Company. He graduated from the Faculty of Industrial Economics, Hubei Institute of Finance and Economics in 1985. He joined No. 1 Research Academy under China Aerospace Science & Technology Corporation shortly after graduation and held such posts as staff of the Planning Department, a Deputy Division Director and Senior Engineer of the Planning Division, a Division Director of the Finance Division, a Deputy Director General of the General Business Department; a Deputy Director General of No. 18 Research Institute, the Chief Accountant of No 11 Research Academy, and the Chief Accountant and Deputy Head of Shanghai Academy of Spaceflight Technology. Since June 2016, he has served as a Consultant of Shanghai Academy of Spaceflight Technology and a Director of both China Lucky Group Corporation and China Great Wall Industry Corporation. Mr Mao has ample experience in administration management and financial management. Mr Mao was appointed as an Non-Executive Director of the Company in August 2016.

Mr Xu Liangwei, aged 64, is a Non-Executive Director of the Company. He graduated from the Faculty of Chinese, Shanghai Television University, and obtained a Master degree in Business Administration from Fudan University. Mr Xu joined Shanghai Academy of Spaceflight Technology in 1991 and held such posts as a Deputy Director, Director of General Office and Assistant to Academy General. He served as a Vice President of Shanghai Aerospace Corporation from 1995 to 1998; as a Deputy Academy General of Shanghai Academy of Spaceflight Technology, the Chairman and President of Shanghai Aerospace Industrial Company Limited, the Chairman of both Shanghai Instrument Company Limited and Shanghai Aerospace Energy Company Limited from 2000 to 2011; and he served as Deputy Director of the preparation group of China Academy of Launch Vehicle Technology Company Limited and as a Consultant of Shanghai Academy of Spaceflight Technology from 2011 to 2015. Mr Xu has ample experience in administration management. Mr Xu was appointed as an Non-Executive Director of the Company in August 2016.

Mr Gong Bo, aged 53, a Research Fellow, was the Non-Executive Director and Chairman of the Company. Mr Gong obtained a bachelor's degree from Beijing Institute of Technology, a master's degree from Beijing Polytechnic University, and an Executive MBA from the business school of the University of Texas at Arlington. Joined the China Academy of Launch Vehicle Technology in 1987, he served as a Deputy Director General of Quality & Technology Department, then as a Deputy Director General and a Director General of Quality Assurance & Supervision Department, and a Director General of Business Investment Department of China Aerospace Science & Technology Corporation. From 2006 to 2016, he also served as an Executive Director and General Manager of Aerospace Technology Investment Holdings Limited, the Dean of Sichuan Academy of Aerospace Technology, and the Chairman of Sichuan Aerospace Industrial Group Company Limited. He was a Non-Executive Director of the Company from June 2005 to March 2008, and has been serving as the Chief Engineer of China Aerospace Science & Technology Corporation since December 2016. He was appointed as an Independent Non-Executive Director and Chairman of the Company in February 2017 and resigned in December 2018.

Mr Jin Xuesheng, aged 56, a Senior Engineer, was an Executive Director and presently the Executive Vice President of the Company. He graduated from Harbin Institute of Technology with an engineering bachelor degree and the University of Lancaster in the United Kingdom with a MBA degree. From 1984, he held such positions as Deputy Division Director and Division Director of the Planning and Operation Division, Engineer and Deputy Factory Director at Capital Engineering Factory under China Academy of Launch Vehicle Technology, as well as Managing Director of Langfang Hangxing Packaging Machinery Company Limited, 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, and 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 Company and its subsidiaries in May 2010. He resigned the position of Executive Director in December 2018 but remained the position of Executive Vice President.

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 2018.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

The business review of the Company and its subsidiaries for the year ended 31 December 2018 is set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" respectively. Description of the risks and uncertainties facing the Company can be found throughout this Annual Report.

RESULTS AND APPROPRIATION

The results of the Company and its subsidiaries for the year ended 31 December 2018 are set out in the consolidated statement of profit or loss on page 56.

A final dividend of HK1 cent per share in respect of the year ended 31 December 2018 (2017: HK3 cents per share) had 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$16,715,000, HK$115,393,000 and HK$41,039,000 respectively and project in progress of HK$66,587,000 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 2018 comprised the retained profits of approximately HK$963,415,000 (2017: HK$974,008,000).

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 5.3% and 22.0% 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

The Directors during 2018 and up to the date of this Report were:

Executive

Liu Meixuan *(Chairman) (appointed on 13 December 2018)*
Li Hongjun *(President)*
Jin Xuesheng *(resigned on 13 December 2018)*

Non-Executive

Luo Zhenbang *(Independent)*
Leung Sau Fan, Sylvia *(Independent)*
Wang Xiaojun *(Independent)*
Liu Xudong *(appointed on 13 December 2018)*
Mao Yijin
Xu Liangwei
Gong Bo *(Chairman) (resigned on 13 December 2018)*

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

Mr Liu Meixuan and Mr Liu Xudong retire by rotation at the Annual General Meeting pursuant to Code A4.2 of Appendix 14 of the Listing Rules and Article 94 of the Company's Articles of Association that all directors of listed issuers appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointments. Mr Luo Zhenbang and Mr Wang Xiaojun, due to expiry of their two-year term, retire by rotation at the Annual General Meeting in accordance with Article 103(A) of the Company's Articles of Association. All, being eligible, offer themselves for re-election.

Mr Liu Meixuan, if being re-elected, will resume the office of Chairman of the Company.

During 2018 and up to the date of this Report, the directors of subsidiary undertakings of the Company in alphabetical order were Messrs. Chan Ka Kin Ken*, Chen Yongjie, Cheng Zhanheng, Chu Kam Ching, Gao Yuda, Gong Benning, Gu Caihua, Guo Xiaokui, Han Jinguang, Hu Min, Jin Xuesheng, Li Gang, Li Guangneng, Li Hongjun, Li Wenjie, Lin Jianming, Lin Zhijian, Liu Weixiong, Liu Xiangyang, Niu Zhanjie, Qiu Jihua, Shi Lei, Shum King Mo, Song Dasheng, Wang Hai*, Wang Libo, Wang Muchun, Wang Mushun, Wong Siu Fong Jenny, Yang Honghui, Yin Guang, Yu Kehu, Yu Xiaomei*, Zhao Jinlong, Zhen Feng, Zhen Zhiping*, Zhong Shangqiong and Zhou Weibing.

* Resigned during 2018 or the period up to the date of this report.

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 2018.

As at 31 December 2018, save for Mr Liu Xudong, Mr Mao Yijin and Mr Xu Liangwei, the Directors of the Company, are the officers of the substantial shareholder China Aerospace Science & Technology Corporation and its subsidiaries, 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 Model Code for Securities Transactions by Directors of Listed Issuers* of The Stock Exchange of Hong Kong Limited.

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

In 2018, China Aerospace Science & Technology Corporation conducted a restructure that all the shares of the Company held by its subsidiaries, Jetcote Investments Limited and Sin King Enterprises Company Limited, were transferred to its subsidiary Burhill Company Limited.

Upon the completion of the restructure, China Aerospace Science & Technology Corporation holds 100% shareholding in Burhill Company Limited, which in turn holds 1,183,598,636 shares of the Company directly, approximately 38.37% of the issued capital of the Company, whereas Jetcote Investments Limited and Sin King Enterprises Company Limited no longer held any shares in the Company. Details of which please refer to the Company's announcement published on 21 May 2018.

As at 31 December 2018, 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 of shareholder	Capacity	Direct Interest (Y/N)	Number of shares held (Long Position)	Percentage of issued share capital of the Company
China Aerospace Science & Technology Corporation	Interested in controlled corporation	N	1,183,598,636	38.37%
Burhill Company Limited	Beneficial owner	Y	1,183,598,636	38.37%

Note: Burhill Company Limited is a wholly-owned subsidiary of China Aerospace Science & Technology Corporation, the shares held by it 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 2018.

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.

EMOLUMENT POLICY

The remuneration policy of the Company and the subsidiaries is based on the employee's qualifications, experience and performance, with reference to the current market situation. The Company and the subsidiaries will continue to strengthen the 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.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every director shall be indemnified out of funds of the Company against all liabilities incurred by them to the extent permitted by the Hong Kong Companies Ordinance. In addition, the Company has bought and maintained a director and officer liability insurance for the benefit of directors and officers of the Company and its subsidiaries against liability which may lawfully be insured by the Company.

CONNECTED TRANSACTIONS

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

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

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

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with *Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to *Practice Note 740, Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in page 49 of the Annual Report in accordance with Main Board Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

Save as the transactions as shown in notes 42(b)(ii) to (iv) to the consolidated financial statements which constituted connected transactions of the Company under Chapter 14A of the Listing Rules, the transactions as shown in notes 42(a) and 42(b)(i) was connected transaction exempted from announcement, reporting, annual review and shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company had complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the above connected transactions.

List of Continuing Connected Transactions for the year ended 31 December 2018

The Company and/or its subsidiary(ies) involved	Connected person(s)	Continuing connected transactions	Annual cap	Amount outstanding as of 31 December 2018
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 ("CASC")	CASC 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$569,476,000
Shenzhen Aerospace Technology Investment Management Limited* (深圳市航天高科投資管理有限公司) ("Shenzhen Aerospace")	Aerospace Science & Technology Finance Company Limited* (航天科技財務有限責任公司) ("Aerospace Finance")	The provision of security by Shenzhen Aerospace to Aerospace Finance for a loan in the amount of RMB1,300,000,000	N/A	RMB789,100,000 or equivalent to HK$898,747,000

* This PRC entity does not have an English name, the English name sets out here is for identification purpose only.

DIVIDEND POLICY

The dividend policy reflects the Board's current view on the financial and cash flow positions of the Company and its subsidiaries. The Board will review the dividend policy from time to time, but the Company does not guarantee any payment of dividends in any specific amount at any designated period.

Pursuant to the Company's dividend policy, profit is shared with shareholders in the form of dividend or other forms by the Company. Dividend payout ratio for each year is determined based on the then profit attributable to shareholders for the year (after deducting non-cash flow items such as the increase in fair value of investment properties, minority interests and depreciation), and is subject to the following conditions:

1. Dividend distribution by the Company is subject to the laws of Hong Kong and relevant provisions of the *Articles of Association* of the Company;

2. Dividend distribution by the Company depends on, among others, the prevailing and future operation, liquidity position and capital requirements of the Company and its subsidiaries;

3. The form, frequency, timing and amount of dividend distribution depend on the operation and profit, capital requirements and surplus, financial position and contractual constraints of the Company and its subsidiaries, as well as other factors affecting the Company and its subsidiaries, including the appropriation of dividend tax payment by subsidiaries and foreign exchange conditions, if applicable;

4. Other factors deemed fit by the Board; and

5. Dividend distribution by the Company is subject to the approval by shareholders at the general meeting.

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, 23 March 2019

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)

OPINION

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 56 to 146, which comprise the consolidated statement of financial position as at 31 December 2018, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
We have identified the valuation of investment properties as a key audit matter due to the significant judgements and assumptions in determining the fair value. As disclosed in notes 4 and 16 to the consolidated financial statements as at 31 December 2018, the fair value of investment properties is HK$9,179,973,000, with a fair value gain recorded in the consolidated statement of profit or loss of HK$205,401,000. All the Group's investment properties are stated at fair value based on valuations performed by independent qualified professional valuers. Details of the valuation techniques and key inputs used in the valuations are disclosed in note 16 to the consolidated financial statements. The valuations are dependent on certain key assumptions that require significant management judgements. The fair value of investment properties is assessed 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 capitalisation rate.	Our procedures in relation to the valuation of investment properties included: • Obtaining the valuation reports and evaluating the management's process in respect of reviewing the valuation performed by independent qualified professional valuers. • Evaluating the competence, capabilities and objectivity of independent qualified professional valuers. • Evaluating the valuation techniques and assessing the reasonableness of the key inputs used in the valuations based on our knowledge of the property industry. • Checking, on a sample basis, the market transactions and market rents/capitalisation rate of similar properties and locations, and assessing the appropriateness of specific assumptions made on adjustments of the properties by reference to age, location and individual factors which affect the valuation of properties.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
We identified the impairment assessment of trade receivables as a key audit matter due to the significance of trade receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's trade receivables at the end of the reporting period. As at 31 December 2018, the Group's net trade receivables amounting to approximately HK$1,017,400,000, which represented approximately 7.11% of total assets of the Group and out of these trade receivables of approximately HK$146,409,000 were past due. As explained in note 2 to the consolidated financial statements, in the current year, the Group adopted Hong Kong Financial Reporting Standard 9 "Financial Instruments" (HKFRS 9) and no additional impairment has been recognised as at 1 January 2018 in accordance with the transitional provisions of HKFRS 9. As disclosed in notes 2 and 41 to the consolidated financial statements, the management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, ageing, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. In addition, trade receivables with significant outstanding balances or credit-impaired are assessed for ECL individually. The loss allowance amount of the credit-impaired trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. As disclosed in note 41 to the consolidated financial statements, the Group recognised an additional amount of HK$45,225,000 of impairment of trade receivables for the year and the Group's lifetime ECL on trade receivables as at 31 December 2018 amounted to approximately HK$74,281,000.	Our procedures in relation to impairment assessment of trade receivables included: • Obtaining an understanding of how the management estimates the loss allowance for trade receivables; • Testing the integrity of information used by management to develop the provision matrix, including trade receivables ageing analysis as at 1 January 2018 and 31 December 2018, on a sample basis, by comparing individual items in the analysis with the relevant sales agreements, sales invoices and other supporting documents; • Challenging management's basis and judgement in determining credit loss allowance on trade receivables as at 1 January 2018 and 31 December 2018, including their identification of credit-impaired trade receivables, the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information); • Evaluating the disclosures regarding the impairment assessment of trade receivables in note 41 to the consolidated financial statements; and • Testing subsequent settlements of credit-impaired trade receivables, on a sample basis, by inspecting supporting documents in relation to cash receipt from trade debtors subsequent to the end of the current reporting period.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Au Mei Yin.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
23 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Turnover	5	3,690,804	3,661,325
Cost of sales		(2,794,220)	(2,637,087)
Gross profit		896,584	1,024,238
Other income	7	71,815	68,082
Impairment loss, net of reversal, for doubtful debts		(45,225)	(4,127)
Other gains and losses	7	(7,635)	(30,632)
Gain on deemed disposal of an associate	18	41,121	—
Selling and distribution expenses		(56,783)	(53,482)
Administrative expenses		(299,318)	(337,674)
Research and development expenses		(86,345)	(79,192)
Fair value changes of investment properties	16	205,401	405,283
Finance costs	9	(66,598)	(57,217)
Share of results of associates		16,718	6,075
Share of results of joint ventures		(4,371)	(9,629)
Profit before taxation	10	665,364	931,725
Taxation	11	(145,184)	(264,908)
Profit for the year		520,180	666,817
Profit for the year attributable to:			
Owners of the Company		404,115	486,183
Non-controlling interests		116,065	180,634
		520,180	666,817
Earnings per share	12		
Basic		HK13.10 cents	HK15.76 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
Profit for the year	520,180	666,817
Other comprehensive (expense) income includes:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations		
— subsidiaries	(389,300)	527,885
— associates	(7,884)	10,365
— joint ventures	(34,236)	50,756
Reclassification adjustments for the cumulative exchange differences upon disposal of a foreign operation	(982)	—
Reclassification adjustments for the cumulative exchange differences upon deemed disposal of an associate	4,444	—
Reclassification adjustments for the cumulative exchange differences upon deregistration of a foreign operation	—	19,564
	(427,958)	608,570
Item that will not be reclassified to profit or loss:		
Revaluation surplus on certain properties transferred to investment properties, net of tax	—	19,513
Other comprehensive (expense) income for the year	(427,958)	628,083
Total comprehensive income for the year	92,222	1,294,900
Total comprehensive income for the year attributable to:		
Owners of the Company	86,183	962,167
Non-controlling interests	6,039	332,733
	92,222	1,294,900

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	14	1,132,630	1,104,487
Prepaid lease payments	15	86,808	97,390
Investment properties	16	9,179,973	9,568,215
Interests in associates	18	192,680	142,725
Interests in joint ventures	19	714,623	753,230
Deposit paid for property, plant and equipment		31,929	56,975
Other long term assets	21	180,132	124,653
		11,518,775	11,847,675
Current assets			
Inventories	22	364,556	348,216
Trade and other receivables	23	1,437,610	1,277,204
Prepaid lease payments	15	4,138	4,176
Amount due from a related party	24	5,745	851
Financial assets at fair value through profit or loss	25	7,456	13,720
Pledged bank deposits	26	14,572	20,098
Short-term bank deposits	26	7,800	—
Bank balances and cash	26	958,628	1,063,168
		2,800,505	2,727,433
Current liabilities			
Trade and other payables	27	1,079,924	1,550,229
Contract liabilities	28	115,011	—
Taxation payable		45,576	81,241
Unsecured bank borrowings	29	—	19,185
Other loan	30	8,163	8,594
Loan from a controlling shareholder	31	—	599,520
		1,248,674	2,258,769
Net current assets		1,551,831	468,664
Total assets less current liabilities		13,070,606	12,316,339

Consolidated Statement of Financial Position (continued)
At 31 December 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Loan from a controlling shareholder	31	569,476	—
Loan from a related party	32	898,747	676,379
Deferred taxation	33	2,422,016	2,433,748
		3,890,239	3,110,127
		9,180,367	9,206,212
Capital and reserves			
Share capital	34	1,154,511	1,154,511
Reserves		5,929,746	5,936,114
Equity attributable to owners of the Company		7,084,257	7,090,625
Non-controlling interests		2,096,110	2,115,587
		9,180,367	9,206,212

The consolidated financial statements on pages 56 to 146 were approved and authorised for issue by the Board of Directors on 23 March 2019 and are signed on its behalf by:

Liu Meixuan
Director

Li Hongjun
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company									
	Share capital HK$'000	Special capital reserve HK$'000	General reserve HK$'000 *(Note a)*	Translation reserve HK$'000	Property revaluation reserve HK$'000	Other reserves HK$'000 *(Note b)*	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2017	1,154,511	14,044	23,916	(291,509)	11,010	43,925	5,234,261	6,190,158	1,784,976	7,975,134
Profit for the year	—	—	—	—	—	—	486,183	486,183	180,634	666,817
Exchange differences arising on translating foreign operations										
— subsidiaries	—	—	—	375,786	—	—	—	375,786	152,099	527,885
— associates	—	—	—	10,365	—	—	—	10,365	—	10,365
— joint ventures	—	—	—	50,756	—	—	—	50,756	—	50,756
Reclassification adjustments for the cumulative exchange differences upon deregistration of a foreign operation	—	—	—	19,564	—	—	—	19,564	—	19,564
Revaluation surplus on certain properties transferred to investment properties	—	—	—	—	19,513	—	—	19,513	—	19,513
Total comprehensive income for the year	—	—	—	456,471	19,513	—	486,183	962,167	332,733	1,294,900
Dividend recognised as distribution *(note 13)*	—	—	—	—	—	—	(61,700)	(61,700)	—	(61,700)
Dividend paid to non-controlling interests of a subsidiary	—	—	—	—	—	—	—	—	(2,122)	(2,122)
Transfer to general reserve	—	—	14,878	—	—	—	(14,878)	—	—	—
	—	—	14,878	—	—	—	(76,578)	(61,700)	(2,122)	(63,822)
At 31 December 2017	1,154,511	14,044	38,794	164,962	30,523	43,925	5,643,866	7,090,625	2,115,587	9,206,212

Consolidated Statement of Changes in Equity (continued)
For the year ended 31 December 2018

	Attributable to owners of the Company									
	Share capital HK$'000	Special capital reserve HK$'000	General reserve HK$'000 *(Note a)*	Translation reserve HK$'000	Property revaluation reserve HK$'000	Other reserves HK$'000 *(Note b)*	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2018	1,154,511	14,044	38,794	164,962	30,523	43,925	5,643,866	7,090,625	2,115,587	9,206,212
Profit for the year	–	–	–	–	–	–	404,115	404,115	116,065	520,180
Exchange differences arising on translating foreign operations										
– subsidiaries	–	–	–	(279,274)	–	–	–	(279,274)	(110,026)	(389,300)
– associates	–	–	–	(7,884)	–	–	–	(7,884)	–	(7,884)
– joint ventures	–	–	–	(34,236)	–	–	–	(34,236)	–	(34,236)
Reclassification adjustments for the cumulative exchange differences upon disposal of a foreign operation *(note 35)*	–	–	–	(982)	–	–	–	(982)	–	(982)
Reclassification adjustments for the cumulative exchange differences upon deemed disposal of an associate	–	–	–	4,444	–	–	–	4,444	–	4,444
Total comprehensive (expense) income for the year	–	–	–	(317,932)	–	–	404,115	86,183	6,039	92,222
Dividend recognised as distribution *(note 13)*	–	–	–	–	–	–	(92,551)	(92,551)	–	(92,551)
Dividend paid to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	(19,018)	(19,018)
Disposal of a subsidiary *(note 35)*	–	–	–	–	–	–	–	–	(6,498)	(6,498)
Transfer to general reserve	–	–	18,441	–	–	–	(18,441)	–	–	–
	–	–	18,441	–	–	–	(110,992)	(92,551)	(25,516)	(118,067)
At 31 December 2018	1,154,511	14,044	57,235	(152,970)	30,523	43,925	5,936,989	7,084,257	2,096,110	9,180,367

Notes:

(a) The general reserve is non-distributable and represents reserve fund and enterprise expansion fund of the subsidiaries established 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 other reserves represent (i) capital contribution from a controlling shareholder of the Company arising from acquisition of subsidiaries, (ii) the difference between the amount of non-controlling interests and fair value of consideration paid upon acquisition of additional interests in subsidiaries, and (iii) amount arising from deemed disposal of partial interest in a subsidiary without a loss of control.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 HK$'000	2017 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	665,364	931,725
Adjustments for:		
Interest income	(10,160)	(14,824)
Interest expense	66,598	57,217
Depreciation of property, plant and equipment	146,632	117,476
Impairment loss, net of reversal, for doubtful debts	45,225	4,127
Amortisation of prepaid lease payments	3,667	3,521
Fair value changes of investment properties	(205,401)	(405,283)
Net loss from change in fair value of financial assets at fair value through profit or loss	3,841	11,955
(Reversal of allowance for) allowance for obsolete inventories	(132)	270
Share of results of associates	(16,718)	(6,075)
Share of results of joint ventures	4,371	9,629
Gain on disposal of a subsidiary	(8,641)	—
Gain on deemed disposal of an associate	(41,121)	—
Loss on disposal/written off of property, plant and equipment	3,427	2,669
Loss on disposal of prepaid lease payments	—	840
Loss on deregistration of a subsidiary	—	19,564
Operating cash flows before movements in working capital	656,952	732,811
Increase in inventories	(32,894)	(64,626)
Increase in trade and other receivables	(300,276)	(443,542)
(Decrease) increase in trade and other payables	(48,695)	15,456
Increase in contract liabilities	14,827	—
Cash generated from operations	289,914	240,099
Hong Kong Profits Tax paid	(43,567)	(17,903)
PRC Enterprise Income Tax paid	(21,390)	(17,579)
Taxation in other jurisdiction paid	—	(146)
Withholding tax paid	—	(405)
NET CASH FROM OPERATING ACTIVITIES	224,957	204,066

Consolidated Statement of Cash Flows (continued)
For the year ended 31 December 2018

	NOTE	2018 HK$'000	2017 HK$'000
INVESTING ACTIVITIES			
Payment for development costs incurred in respect of investment properties		(170,440)	(137,566)
Purchase of property, plant and equipment		(169,779)	(103,690)
Deposit paid for property, plant and equipment		(44,663)	(55,113)
Placement of pledged bank deposits		(15,207)	(18,940)
Placement of short-term bank deposits		(7,800)	—
Placement of deposits with a related party		(5,214)	(787)
Proceeds from disposal of a subsidiary, net of cash and cash equivalents disposed of	35	(108)	—
Withdrawal of pledged bank deposits		19,923	6,262
Interest received		10,160	14,824
Proceeds from disposal of financial assets at fair value through profit or loss		2,423	—
Proceeds from disposal of property, plant and equipment		2,044	184
Repayment from a joint venture		—	27,778
Proceeds from disposal of prepaid lease payments		—	3,593
NET CASH USED IN INVESTING ACTIVITIES		(378,661)	(263,455)
FINANCING ACTIVITIES			
Loan from a related party		267,443	62,147
Deposit received from potential investor of a subsidiary		6,106	—
Dividend paid		(92,474)	(61,647)
Interest paid		(66,598)	(57,217)
Repayment of bank loans		(19,018)	(33,898)
Dividend paid to non-controlling interests of a subsidiary		(19,018)	(2,122)
New bank borrowings raised		—	20,339
NET CASH FROM (USED IN) FINANCING ACTIVITIES		76,441	(72,398)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(77,263)	(131,787)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,063,168	1,150,271
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(27,277)	44,684
CASH AND CASH EQUIVALENTS AT END OF THE YEAR REPRESENTING BANK BALANCES AND CASH		958,628	1,063,168

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

China Aerospace International Holdings Limited (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 ("HK$"), 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Company and its subsidiaries (collectively referred to as the "Group") has applied the following new and amendments to HKFRSs and an interpretation issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 "Financial Instruments" with HKFRS 4 "Insurance Contracts"
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014—2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to HKFRSs and the interpretation 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.

2.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 HKFRS 15 "Revenue from Contracts with Customers" (continued)

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Sale of manufacturing products
- Rendering of building management of services
- Rendering of logistic services

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	**Carrying amount previously reported at 31 December 2017** HK$'000	**Impacts of adopting HKFRS 15** HK$'000	**Carrying amount under HKFRS 15 at 1 January 2018** HK$'000
Current liabilities				
Trade and other payables	a	1,550,229	(100,184)	1,450,045
Contract liabilities	a	—	100,184	100,184

Note:

(a) As at 1 January 2018, advances from customers of HK$100,184,000 in respect of purchase orders of goods placed with the Group previously included in the trade and other payables were reclassified to contract liabilities as the Group has obligations to transfer goods or services to its customers for which the Group has received consideration from the customer.

The application of HKFRS 15 has had no material impact on the Group's retained profits as at 1 January 2018.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.1 HKFRS 15 "Revenue from Contracts with Customers" (continued)

Summary of effects arising from initial application of HKFRS 15 (continued)

The following tables summarise the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 and consolidated statement of cash flows for the current year for each of the line items affected. Line items that were not affected by the changes have not been included.

Impacts on the consolidated statement of financial position for the year ended 31 December 2018

	Note	As reported HK$'000	Reclassification HK$'000	Amounts without application of HKFRS 15 HK$'000
Trade and other payables	a	1,079,924	115,011	1,194,935
Contract liabilities	a	115,011	(115,011)	—

Impacts on the consolidated statement of cash flows for the year ended 31 December 2018

	As reported HK$'000	Adjustments HK$'000	Amounts without application of HKFRS 15 HK$'000
Operating activities			
Increase in contract liabilities	14,827	(14,827)	—
Decrease in trade and other payables	(48,695)	14,827	(33,868)

Note:

(a) As at 31 December 2018, an amount of HK$115,011,000 in respect of future purchases to be made by customers was classified as contract liabilities and the amount shall remain as it is and included in trade and other payables without application of HKFRS 15.

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

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

2.2 HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. There is no change in measurement on the Group's financial assets.

Summary of effects arising from initial application of HKFRS 9

Below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

(a) Reclassification from available-for-sale ("AFS") equity investment to equity instrument at fair value through profit or loss ("FVTPL")

At the date of initial application of HKFRS 9, the Group's equity investments were reclassified from available-for-sale investments to financial assets at FVTPL. No fair value adjustment relating to this unquoted equity investment previously carried at cost less impairment was adjusted to equity instrument at FVTPL and retained profits as at 1 January 2018 because the carrying value under HKAS 39 was fully impaired in prior years.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. Except for those which had been determined as credit-impaired under HKAS 39, trade receivables have been assessed individually with outstanding significant balances, the remaining balances are grouped based on internal credit rating.

Except for those which had been determined as credit-impaired under HKAS 39, ECL for other long-term assets and other financial assets at amortised cost, including pledged bank deposits, short-term bank deposits, bank balances, amount due from a related party and other receivables, are assessed on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition, except for the other receivables which are assessed and measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

As at 1 January 2018, no additional credit loss allowance has been recognised against retained profits as the estimated allowance under the ECL model was not significantly different to that under HKAS 39 based on the counterparties' past repayment history and forward-looking information.

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

Except for the new HKFRS and the interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

HKFRS 16 "Leases" (continued)

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of HK$175,668,000 as disclosed in note 38. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$11,076,000 and refundable rental deposits received of HK$11,654,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)–Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)–Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary 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 intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. 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 carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. 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 HKFRS 9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Group assess whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, 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 the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised 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 except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. 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 FVTPL) 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 FVTPL are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (continued)

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.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, other receivables, other long-term assets, amount due from a related party, pledged bank deposits, short-term bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

(i) Significant increase in credit risk (continued)

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full.

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2) (continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments;
- past-due status;
- nature, size and industry of debtors; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL, loans and receivables and AFS 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.

(i) 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 receivables, other receivables, short-term bank deposits, pledged bank deposits, 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).

(ii) Financial assets at FVTPL

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 25.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (continued)

(iii) AFS financial assets

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.

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 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 (before application of HKFRS 9 on 1 January 2018)

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 AFS equity investments, a significant or prolonged decline in the fair value of the security below its costs 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018) (continued)

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 recognised in profit or loss.

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

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

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 Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, unsecured bank borrowings, loan from a controlling shareholder, loan from a related party and other loan are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (continued)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

A point in time revenue recognition

The revenue (including sales of plastic products, liquid crystal display, printed circuit boards, intelligent chargers, revenue from internet of things and other business) of the Group is recognised at a point in time. Under the transfer-of-control approach in HKFRS 15, revenue from sales of goods to the Group's customers in connection with the production of products are recognised when the goods are passed to the customers, which is the point of time when the customer has the ability to direct the use of the goods and obtain substantially all of the remaining benefits of the goods.

Over time revenue recognition

E-commerce logistic service and building management fee income are recognised over time when the customer simultaneously receives and consumes the benefits of the Group's performance over time.

Over time revenue recognition: measurement of progress towards complete satisfaction of performance obligation

Output Method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (continued)

Warranties

If a customer has the option to purchase a warranty separately, the Group accounts for the warranty as a separate performance obligation and allocates a portion of the transaction price to that performance obligation.

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" unless the warranty provides the customer with a service in addition to the assurance that the product complies with agreed-upon specifications (i.e. service-type warranties).

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs (sales commissions) as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

The Group applies the practical expedient of expensing all incremental costs to obtain a contract if these costs would otherwise have been fully amortised to profit or loss within one year.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Sale of goods

Revenue from the sale of goods is recognised when goods are delivered and titles have passed and the significant risks and rewards of ownership of the goods have been transferred to the customers.

Rendering of services

Service income is recognised when services are provided.

Dividend and interest income

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

Interest income 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 assets other than properties under construction less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties are 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.

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 property is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight line basis over the terms of the relevant lease. Where the lease includes a rent-free period, the rental income foregone is allocated evenly over the lease terms.

The Group as lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease terms.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold 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 property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant 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 terms 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 leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

An item of prepaid lease payments is derecognised upon disposal. Any gain or loss arising on the disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates/joint ventures.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) 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 loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or 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.

Intangible assets

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;

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

***Internally-generated intangible assets — research and development expenses** (continued)*

- 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 recognised in profit or loss in the period in which it is incurred.

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

Impairment on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of 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. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a 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.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary difference associated with investments in subsidiaries, associates and joint ventures, 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 each 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 assets and liabilities are measured 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 taxes 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax 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.

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.

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.

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 of the Company 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 taxes 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 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 these locations, the management determined that the presumption that investment properties measured using the fair value model are recovered through sale is rebutted.

For certain other Group's investment properties located in the PRC, the management concluded that they are depreciable and 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, the management determined that the presumption that these investment properties measured using the fair value model are recovered through sale is not rebutted. As a result, the Group has recognised deferred tax liabilities on changes in fair value of these investment properties on the assumption that these investment properties will be recovered through sale.

The deferred tax impact of the Group is recognised at the end of the reporting period as shown in note 33.

(b) Revenue recognition from sales of manufacturing products with no alternative use at a point in time

Under HKFRS 15, control of the asset is transferred over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Significant judgment is required in determining whether the terms of the Group's contracts with customers in relation to products with no alternative use create an enforceable right to payment for the Group. After considering the contract terms and the relevant local laws that apply to those relevant contracts, the terms of the relevant sales contracts do not create an enforceable right to payment for performance completed to date. Accordingly, the revenue is recognised at a point in time.

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) 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 capitalisation rate.

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

Key sources of estimation uncertainty (continued)

(a) Investment properties (continued)

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 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 2018, the carrying amount of investment properties is HK$9,179,973,000 (2017: HK$9,568,215,000). Information about the valuation techniques and inputs used in determining the fair value of the Group's investment properties is described in note 16.

(b) Impairment assessment for trade receivables

The management of the Group estimates the amount of lifetime ECL of trade receivables based on provision matrix through grouping of various debtors that have similar loss pattern and/or individual assessment, after considering internal credit ratings of trade debtors, aging, repayment history and/or past due status of respective trade receivables. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information. At every reporting date, the default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 23 and 41.

As at 31 December 2018, the carrying amount of trade receivables is HK$1,017,400,000 (2017: HK$914,976,000) net of allowance for impairment loss HK$74,281,000 (2017: HK$31,735,000).

5. TURNOVER

For the year ended 31 December 2018

(i) Disaggregation of revenue

	For the year ended 31 December 2018 Timing of revenue recognition A point in time HK$'000	Over time HK$'000	Total HK$'000
Hi-Tech Manufacturing Business			
Plastic products	1,192,091	–	1,192,091
Liquid crystal display	623,195	–	623,195
Printed circuit boards	862,348	–	862,348
Intelligent chargers	542,799	–	542,799
Property investment in Shenzhen Aerospace Science & Technology Plaza	–	78,506	78,506
Internet of Things	513	–	513
Cross-border e-commerce	–	31,972	31,972
Other business	308	–	308
Revenue from contracts with customers	3,221,254	110,478	3,331,732
Rental income			359,072
			3,690,804

(ii) Performance obligations for contracts with customers

a) Hi-Tech Manufacturing Business (revenue recognised at one point in time)

The Group sells plastic products, liquid crystal display, printed circuit boards and intelligent chargers to customers.

For sales of plastic products, liquid crystal display, printed circuit boards and intelligent chargers, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customers. The contracts with customers are with fixed consideration and the duration is within one year.

b) Property investment in Shenzhen Aerospace Science & Technology Plaza (revenue recognised over time)

The Group invests in properties in Shenzhen Aerospace Science & Technology Plaza. Building management fee income is recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue is recognised for these services based on the stage of completion of the contract using output method.

The contracts with customers are with fixed consideration and are with duration over one year. The contracts are recognised on straight line basis over the terms of relevant contracts.

5. TURNOVER (continued)

For the year ended 31 December 2018 (continued)

(ii) Performance obligations for contracts with customers (continued)

c) Internet of Things (revenue recognised at one point in time)

The Group maintains and completes the prevailing projects of internet of things. Revenue is recognised at a point in time when the customer obtains the control of the goods and the Group has present right to payment and the collection of the consideration is probable. The contracts with customers are with fixed consideration and the duration is within one year.

d) Cross-border e-commerce (revenue recognised over time)

The Group develops an e-commerce logistics service platform. Such service income is recognised over time as the customer simultaneously receives and consumes the benefits of the Group's performance over time. The contracts with customers are with fixed consideration and the duration is within one year.

For the year ended 31 December 2017

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

	2017 HK$'000
Sales of goods and services	3,248,772
Rental income and building management fee income	412,553
	3,661,325

6. SEGMENT INFORMATION

The Group determines its operating and reportable segments based on the internal reports reviewed by the President, the chief operating decision maker ("CODM") of the Group, that are used to make strategic decisions. There were 8 operating and reportable segments, namely Hi-Tech Manufacturing Business (including plastic products, liquid crystal display, printed circuit boards, intelligent chargers and industrial property investment), Aerospace Service (including property investment in Shenzhen Aerospace Science & Technology Plaza, Internet of Things and Cross-border e-commerce) which represent the major industries in which the Group is engaged.

Other business mainly represents income and expenses relating to investment properties which cannot be allocated to other operating and reportable segments.

6. SEGMENT INFORMATION (continued)

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

For the year ended 31 December 2018

	Turnover			
	External sales HK$'000	Inter-segment sales HK$'000	Total HK$'000	Segment results HK$'000
Hi-Tech Manufacturing Business				
Plastic products	1,192,091	50,189	1,242,280	44,449
Liquid crystal display	623,195	346	623,541	52,782
Printed circuit boards	862,348	—	862,348	63,474
Intelligent chargers	542,799	1,939	544,738	20,852
Industrial property investment	14,671	21,269	35,940	33,175
	3,235,104	73,743	3,308,847	214,732
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	419,109	6,127	425,236	515,821
Internet of Things	513	—	513	(2,015)
Cross-border e-commerce	31,972	—	31,972	(35,118)
	451,594	6,127	457,721	478,688
Reportable segment total	3,686,698	79,870	3,766,568	693,420
Elimination	—	(79,870)	(79,870)	—
Other Business	4,106	—	4,106	5,135
	3,690,804	—	3,690,804	698,555
Unallocated corporate income				45,945
Unallocated corporate expenses				(74,647)
				669,853
Share of results of associates				16,718
Share of results of joint ventures				(4,371)
Finance costs				(66,598)
Gain on deemed disposal of an associate				41,121
Gain on disposal of a subsidiary				8,641
Profit before taxation				665,364

6. SEGMENT INFORMATION (continued)

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

For the year ended 31 December 2017

	Turnover			
	External sales HK$'000	Inter-segment sales HK$'000	Total HK$'000	Segment results HK$'000
Hi-Tech Manufacturing Business				
Plastic products	1,227,047	59,205	1,286,252	87,619
Liquid crystal display	623,696	930	624,626	55,162
Printed circuit boards	780,295	—	780,295	86,158
Intelligent chargers	519,636	1,874	521,510	38,109
Industrial property investment	15,953	19,256	35,209	25,053
	3,166,627	81,265	3,247,892	292,101
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	394,121	2,622	396,743	734,499
Internet of Things	46,491	—	46,491	13,395
Cross-border e-commerce	47,680	—	47,680	(4,219)
	488,292	2,622	490,914	743,675
Reportable segment total	3,654,919	83,887	3,738,806	1,035,776
Elimination	—	(83,887)	(83,887)	—
Other Business	6,406	—	6,406	10,174
	3,661,325	—	3,661,325	1,045,950
Unallocated corporate income				46,563
Unallocated corporate expenses				(80,453)
				1,012,060
Share of results of associates				6,075
Share of results of joint ventures				(9,629)
Finance costs				(57,217)
Loss on deregistration of a subsidiary				(19,564)
Profit before taxation				931,725

6. SEGMENT INFORMATION (continued)

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

The accounting policies of the operating and reportable 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, gain on deemed disposal of an associate, interest expenses, gain on disposal of a subsidiary, loss on deregistration of a subsidiary and other corporate income and corporate expenses. This is the measure reported to the President for the purpose of resource allocation and performance assessment.

Inter-segment sales are charged at cost-plus basis.

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

	2018 HK$'000	2017 HK$'000
Segment assets		
Hi-Tech Manufacturing Business		
Plastic products	869,851	783,195
Liquid crystal display	447,618	398,278
Printed circuit boards	933,442	1,023,911
Intelligent chargers	249,310	275,528
Industrial property investment	321,134	302,826
	2,821,355	2,783,738
Aerospace Service		
Property investment in Shenzhen Aerospace Science & Technology Plaza	9,407,249	9,648,360
Internet of Things	4,082	23,697
Cross-border e-commerce	20,162	10,218
	9,431,493	9,682,275
Total assets for operating and reportable segments	12,252,848	12,466,013
Other Business	99,886	104,077
Interests in associates	192,680	142,725
Interests in joint ventures	714,623	753,230
Unallocated assets	1,059,243	1,109,063
Consolidated assets	14,319,280	14,575,108

6. SEGMENT INFORMATION (continued)

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

	2018 HK$'000	2017 HK$'000
Segment liabilities		
Hi-Tech Manufacturing Business		
Plastic products	225,457	236,528
Liquid crystal display	130,452	112,386
Printed circuit boards	258,889	312,859
Intelligent chargers	92,251	105,674
Industrial property investment	6,439	9,033
	713,488	776,480
Aerospace Service		
Property investment in Shenzhen Aerospace Science & Technology Plaza	183,345	462,823
Internet of Things	744	5,379
Cross-border e-commerce	18,502	5,935
	202,591	474,137
Total liabilities for operating and reportable segments	916,079	1,250,617
Other Business	—	—
Unallocated liabilities	4,222,834	4,118,279
Consolidated liabilities	5,138,913	5,368,896

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

- all assets are allocated to operating and reportable segments other than bank balances and cash, pledged bank deposits, short-term bank deposits, amount due from a related party, financial assets at FVTPL, interests in joint ventures, interests in associates, and the other unallocated assets; and

- all liabilities are allocated to operating and reportable segments other than taxation payable, deferred taxation, other loan, unsecured bank borrowings, loan from a controlling shareholder, loan from a related party and the other unallocated liabilities.

6. SEGMENT INFORMATION (continued)

(c) Other segment information

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

2018

	Capital additions HK$'000	Depreciation and amortisation HK$'000	Fair value gain on investment properties HK$'000	Loss (gain) on disposal of property, plant and equipment HK$'000
Hi-Tech Manufacturing Business				
Plastic products	95,709	29,810	—	2,604
Liquid crystal display	25,629	12,734	—	1,322
Printed circuit boards	88,261	83,570	—	(723)
Intelligent chargers	9,691	7,769	—	230
Industrial property investment	16,780	13,392	26,546	—
	236,070	147,275	26,546	3,433
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	483	347	177,785	2
Internet of Things	431	311	—	—
Cross-border e-commerce	1,940	1,192	—	—
	2,854	1,850	177,785	2
Reportable segment total	238,924	149,125	204,331	3,435

6. SEGMENT INFORMATION (continued)

(c) Other segment information (continued)

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

2017

	Capital additions HK$'000	Depreciation and amortisation HK$'000	Fair value gain on investment properties HK$'000	Loss (gain) on disposal of property, plant and equipment and prepaid lease payments HK$'000
Hi-Tech Manufacturing Business				
Plastic products	41,464	28,093	—	1,156
Liquid crystal display	16,723	11,269	—	1,055
Printed circuit boards	122,658	58,546	—	(42)
Intelligent chargers	6,855	7,191	—	162
Industrial property investment	3,471	13,404	16,704	840
	191,171	118,503	16,704	3,171
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	—	480	381,293	—
Internet of Things	—	—	—	48
Cross-border e-commerce	3,962	810	—	—
	3,962	1,290	381,293	48
Reportable segment total	195,133	119,793	397,997	3,219

6. SEGMENT INFORMATION (continued)

(d) Geographical information

The Group operates in two principal geographical areas — Hong Kong and the PRC.

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

	Revenue from external customers		Non-current assets	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Hong Kong	**2,042,902**	2,114,494	**297,584**	295,103
The PRC	**1,647,902**	1,546,831	**11,221,191**	11,552,572
	3,690,804	3,661,325	**11,518,775**	11,847,675

Information about major customers

No individual customer of the Group has contributed over 10% of the turnover of the Group for both reporting periods.

7. OTHER INCOME AND OTHER GAINS AND LOSSES

	2018 HK$'000	2017 HK$'000
The Group's other income mainly comprises:		
Interest income	**10,160**	14,824
Sales of scrap materials	**10,818**	9,141
Government subsidies in respect of research expenses	**9,951**	4,379
The Group's other gains and losses mainly comprise:		
Net exchange (loss) gain	**(9,053)**	4,396
Gain on disposal of a subsidiary *(note 35)*	**8,641**	—
Net loss from change in fair value of financial assets at fair value through profit or loss	**(3,841)**	(11,955)
Loss on disposal/written off of property, plant and equipment	**(3,427)**	(2,669)
Loss on disposal of prepaid lease payments	**—**	(840)
Loss on deregistration of a subsidiary *(note)*	**—**	(19,564)

Note: The amount represents the cumulative exchange differences included in translation reserve reclassified to profit or loss upon deregistration of a subsidiary.

8. DIRECTORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 10 (2017: 9) directors are as follows:

	Executive directors			Non-executive directors				Independent non-executive directors			
	Li Hongjun HK$'000	Liu Meixuan* HK$'000	Jin Xuesheng** HK$'000	Gong Bo^/** HK$'000	Mao Yijin HK$'000	Xu Liangwei HK$'000	Liu Xudong* HK$'000	Luo Zhenbang HK$'000	Leung Sau Fan, Sylvia HK$'000	Wang Xiaojun HK$'000	2018 Total HK$'000
Directors' fees											
Executives	–	–	–	–	–	–	–	–	–	–	–
Non-executives (excluding independent non-executives)	–	–	–	–	–	95	–	–	–	–	95
Independent non-executives	–	–	–	–	–	–	–	150	150	150	450
	–	–	–	–	–	95	–	150	150	150	545
Other emoluments											
Salaries and other benefits	1,602	–	1,524	–	–	11	–	80	110	60	3,387
Bonuses	579	–	579	–	–	–	–	–	–	–	1,158
	2,181	–	2,103	–	–	11	–	80	110	60	4,545
Total emoluments	2,181	–	2,103	–	–	106	–	230	260	210	5,090

	Executive directors		Non-executive directors				Independent non-executive directors			
	Li Hongjun HK$'000	Jin Xuesheng** HK$'000	Gong Bo^/** HK$'000	Zhang Jianheng^^ HK$'000	Mao Yijin HK$'000	Xu Liangwei HK$'000	Luo Zhenbang HK$'000	Leung Sau Fan, Sylvia HK$'000	Wang Xiaojun HK$'000	2017 Total HK$'000
Directors' fees										
Executives	–	–	–	–	–	–	–	–	–	–
Non-executives (excluding independent non-executives)	–	–	–	–	–	90	–	–	–	90
Independent non-executives	–	–	–	–	–	–	150	150	150	450
	–	–	–	–	–	90	150	150	150	540
Other emoluments										
Salaries and other benefits	1,602	1,602	–	–	–	12	80	110	60	3,466
Bonuses	398	398	–	–	–	–	–	–	–	796
	2,000	2,000	–	–	–	12	80	110	60	4,262
Total emoluments	2,000	2,000	–	–	–	102	230	260	210	4,802

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

(a) Directors' emoluments (continued)

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

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 while Mr Jin Xuesheng and Mr Liu Meixuan's emoluments shown above are for their services in connection with the management of the affairs of the Company and the Group.

The non-executive and independent non-executive directors' emoluments shown above are for their services as directors of the Company.

* Appointed on 13 December 2018

** Resigned on 13 December 2018

^ Appointed on 24 February 2017

^^ Resigned on 24 February 2017

(b) Highest paid individuals' emoluments

During the year, the five highest paid individuals included two directors (2017: two directors), details of whose emoluments are set out above. The emoluments of the remaining three (2017: three) highest paid individuals are as follows:

	2018 HK$'000	2017 HK$'000
Salaries and other benefits	1,510	1,510
Bonuses *(Note)*	8,099	11,197
Contributions to retirement benefits scheme	18	18
	9,627	12,725

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

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

(b) Highest paid individuals' emoluments (continued)

The emoluments of these individuals and all directors were within the following band:

	Number of individuals	
Emoluments band	**2018**	2017
HK$5,000,001 to HK$5,500,000	–	1
HK$4,000,001 to HK$4,500,000	–	1
HK$3,500,001 to HK$4,000,000	1	1
HK$3,000,001 to HK$3,500,000	1	–
HK$2,500,001 to HK$3,000,000	1	–
HK$2,000,001 to HK$2,500,000	2	–
HK$1,500,001 to HK$2,000,000	–	2
Nil to HK$1,000,000	8	7

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, no director waived any emoluments during the year.

9. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Interest expenses on bank and other borrowings	66,598	57,217

10. PROFIT BEFORE TAXATION

	2018 HK$'000	2017 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	3,667	3,521
Auditors' remuneration		
— current year	4,640	4,806
— overprovision in prior years	(215)	(6)
Cost of inventories charged to profit or loss including reversal of allowance for obsolete inventories of HK$132,000 (2017: allowance for obsolete inventories of HK$270,000)	2,727,432	2,583,150
Depreciation of property, plant and equipment	146,632	117,476
Impairment loss, net of reversal, for doubtful debts	45,225	4,127
Minimum lease payments under operating leases in respect of land and buildings	32,029	21,420
Staff costs, including directors' remuneration	680,472	640,111
Gross rental income	(359,072)	(356,120)
Less: Direct operating expenses for investment properties that generated rental income during the year	8,237	7,815
	(350,835)	(348,305)

11. TAXATION

The tax charge (credit) for the year comprises:

	2018 HK$'000	2017 HK$'000
Current tax:		
Hong Kong Profits Tax	8,216	30,644
PRC Enterprise Income Tax	23,255	26,955
Taxation in other jurisdiction	—	146
Withholding tax on distribution of profits in a Canadian subsidiary	—	405
	31,471	58,150
Overprovision in prior years:		
Hong Kong Profits Tax	(90)	(100)
PRC Enterprise Income Tax	(69)	(2,356)
	(159)	(2,456)
Deferred tax charge *(note 33)*	113,872	209,214
	145,184	264,908

11. TAXATION (continued)

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

	2018 HK$'000	2017 HK$'000
Profit before taxation	665,364	931,725
Tax at Hong Kong Profits Tax of 16.5%	109,785	153,735
Tax effect of share of results of associates	(2,758)	(1,002)
Tax effect of share of results of joint ventures	721	1,589
Tax effect of expenses not deductible for tax purpose	11,411	11,038
Tax effect of income not taxable for tax purpose	(36,411)	(14,325)
Withholding tax paid in other jurisdiction	—	405
Land appreciation tax	38,824	86,990
Tax effect of land appreciation tax deductible for PRC Enterprise Income Tax	(9,706)	(21,748)
Tax effect of additional deduction for research and development expenses	(6,742)	(4,380)
Tax effect of tax losses not recognised	12,702	—
Utilisation of tax losses previously not recognised	(7,230)	(4,493)
Effect of different tax rates of subsidiaries operating in other jurisdictions	35,234	57,787
Effect of income tax on concessionary rates for certain subsidiaries	(2,013)	(129)
Overprovision in prior years	(159)	(2,456)
Others	1,526	1,897
Income tax expenses for the year	145,184	264,908

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, starting from the current year, the Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits for the qualifying group entity and at 16.5% on the estimated assessable profits above HK$2 million.

Hong Kong Profits Tax was calculated at a single flat rate of 16.5% of the estimated assessable profits for the year ended 31 December 2017.

11. TAXATION (continued)

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Four subsidiaries (2017: four subsidiaries) of the Company operating in the PRC are eligible as High and New Technology Enterprise and the income tax rate of these subsidiaries is 15%.

Taxation arising in other jurisdiction and withholding tax on dividend income are calculated at the rate prevailing in the relevant jurisdiction.

Details of deferred taxation are set out in note 33.

12. EARNINGS PER SHARE

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

	2018 HK$'000	2017 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	404,115	486,183

	2018 Number of shares	2017 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

	2018 HK$'000	2017 HK$'000
Dividends recognised as distribution during the year:		
2017 final dividend of HK3 cents (2017: 2016 final dividend of HK2 cents) per ordinary share	92,551	61,700

A final dividend of HK1 cent per share in respect of the year ended 31 December 2018 (2017: HK3 cents) has been proposed by the board of directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

14. PROPERTY, PLANT AND EQUIPMENT

	Medium-term leasehold land and buildings in Hong Kong HK$'000	Long-term leasehold land and buildings in the PRC HK$'000	Medium-term leasehold land and buildings in the PRC HK$'000	Plant and equipment HK$'000	Motor vehicles, furniture and other equipment HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1 January 2017	76,875	7,295	409,741	683,495	247,001	252,972	1,677,379
Exchange realignment	–	563	49,071	65,023	17,918	6,181	138,756
Additions	–	–	3,656	120,918	20,890	51,429	196,893
Disposals/written off	–	–	–	(18,641)	(5,515)	–	(24,156)
Transfer	–	–	166,139	99,428	16,299	(281,866)	–
Surplus on revaluation *(note b)*	–	26,017	–	–	–	–	26,017
Transfer to completed investment properties *(note b)*	–	(33,503)	–	–	–	–	(33,503)
At 31 December 2017	76,875	372	628,607	950,223	296,593	28,716	1,981,386
Exchange realignment	–	(2)	(35,675)	(49,840)	(14,700)	(2,273)	(102,490)
Additions	–	–	16,715	115,393	41,039	66,587	239,734
Disposals/written off	–	(370)	(35,848)	(65,222)	(28,509)	–	(129,949)
Transfer	–	–	8,646	29,220	8,696	(46,562)	–
At 31 December 2018	76,875	–	582,445	979,774	303,119	46,468	1,988,681
DEPRECIATION AND IMPAIRMENT							
At 1 January 2017	40,820	1,603	178,026	344,854	158,549	–	723,852
Exchange realignment	–	142	18,389	29,329	10,497	–	58,357
Provided for the year	1,985	110	15,720	79,077	20,584	–	117,476
Eliminated on disposals/ written off	–	–	–	(16,103)	(5,200)	–	(21,303)
Eliminated on transfer to completed investment properties *(note b)*	–	(1,483)	–	–	–	–	(1,483)
At 31 December 2017	42,805	372	212,135	437,157	184,430	–	876,899
Exchange realignment	–	(2)	(12,468)	(22,316)	(8,216)	–	(43,002)
Provided for the year	1,985	–	17,821	99,591	27,235	–	146,632
Eliminated on disposals/written off	–	(370)	(35,848)	(62,642)	(25,618)	–	(124,478)
At 31 December 2018	44,790	–	181,640	451,790	177,831	–	856,051
CARRYING VALUES							
At 31 December 2018	32,085	–	400,805	527,984	125,288	46,468	1,132,630
At 31 December 2017	34,070	–	416,472	513,066	112,163	28,716	1,104,487

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Notes:

(a) Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress 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 terms of lease, or 50 years
Plant and equipment	5%–15%
Motor vehicles, furniture and other equipment	6%–25%

(b) During the year ended 31 December 2017, certain properties had transferred to completed investment properties with a view to earn rentals and for capital appreciation at a fair value of HK$32,020,000 at the date of transfer.

15. PREPAID LEASE PAYMENTS

	2018 HK$'000	2017 HK$'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	86,808	97,390
Current portion	4,138	4,176
	90,946	101,566

16. INVESTMENT PROPERTIES

	Completed investment properties HK$'000
FAIR VALUE	
At 1 January 2017	8,492,873
Exchange realignment	638,039
Transfer from property, plant and equipment	32,020
Net increase in fair value recognised in profit or loss	405,283
At 31 December 2017	9,568,215
Exchange realignment	(475,290)
Adjustment of cost *(note)*	(118,353)
Net increase in fair value recognised in profit or loss	205,401
At 31 December 2018	9,179,973
Unrealised gain on property revaluation included in profit or loss of current year	205,401

Note: During the year ended 31 December 2018, the Group has reached agreements with contractors over the total development cost incurred for the construction of investment properties.

The fair values of the Group's investment properties at 31 December 2018 and 31 December 2017 have been arrived at on the basis of valuations carried out on that date by Jones Lang LaSalle Limited ("Jones Lang") for properties situated in Hong Kong and Knight Frank Petty Limited ("Knight Frank") for properties situated in the PRC. Jones Lang and Knight Frank are independent qualified professional valuers not connected with the Group.

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 from 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.

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

16. INVESTMENT PROPERTIES (continued)

Fair value measurements and valuation processes (continued)

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.

	Fair value as at 31.12.2018 HK$'000	Fair value as at 31.12.2017 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
The PRC						
Industrial premises	158,331	166,135	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% per annum (2017: 8% per annum).	The higher the capitalisation rate, the lower the fair value.
					Monthly rent, using direct market comparable and taking into account of age, location and individual factors such as size of property and layout/design, of RMB10/sq.m. (2017: RMB9.9/sq.m.) on average for the base level.	The higher the monthly rent, the higher the fair value.
Office premises	99,886	104,077	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%–5.25% per annum (2017: 4%–5.25% per annum).	The higher the capitalisation rate, the lower the fair value.
					Monthly rent, using direct market comparable and taking into account of age, location and individual factors such as size of property and layout/design, of RMB95/sq.m.–RMB212/sq.m. (2017: RMB95/sq.m.–RMB210/sq.m.) on average.	The higher the monthly rent, the higher the fair value.

16. INVESTMENT PROPERTIES (continued)

Fair value measurements and valuation processes (continued)

	Fair value as at 31.12.2018 HK$'000	Fair value as at 31.12.2017 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Retail and office premises	8,760,826	9,163,073	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 7.5% per annum (2017: 7.5% per annum) (retail) and 3.5% per annum (2017: 3.5% per annum) (office).	The higher the capitalisation rate, the lower the fair value.
					Monthly rent, using direct market comparable and taking into account of age, location and individual factors such as size of property and layout/design, of RMB100–RMB110/sq.m. (2017: RMB100–RMB110/sq.m.) for retail and RMB150–RMB160/sq.m. (2017: RMB150–RMB160/sq.m.) for office.	The higher the monthly rent, the higher the fair value.
Hong Kong						
Industrial premises	133,530	110,730	Level 3	Direct comparison method based on market observable transactions of similar properties	Market unit rate, mainly taking into account the conditions and location, between the comparables, at HK$5,600–HK$7,700 (2017: HK$4,600–HK$6,200) per square feet.	A significant increase in the market unit rate used would result in a significant increase in the fair value of the investment properties, and vice versa.
Carparks	27,400	24,200	Level 3	Direct comparison method based on market observable transactions of similar properties	Market unit rate, mainly taking into account the conditions and location, between the comparables, at HK$1,680,000–HK$1,700,000 (2017: HK$1,480,000–HK$1,500,000).	A significant increase in the market unit rate used would result in a significant increase in the fair value of the investment properties, and vice versa.

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 both years.

17. INTANGIBLE ASSETS

	Development costs HK$'000
COST	
At 1 January 2017	49,115
Exchange realignment	3,887
At 31 December 2017	53,002
Exchange realignment	(2,656)
At 31 December 2018	50,346
AMORTISATION AND IMPAIRMENT	
At 1 January 2017	49,115
Exchange realignment	3,887
At 31 December 2017	53,002
Exchange realignment	(2,656)
At 31 December 2018	50,346
CARRYING VALUES	
At 31 December 2018	–
At 31 December 2017	–

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

Development costs 4 years

18. INTERESTS IN ASSOCIATES

	2018 HK$'000	2017 HK$'000
Cost of unlisted investments in associates	193,586	193,586
Share of other comprehensive expense	(13,527)	(10,087)
Share of post-acquisition profits (losses), net of dividends received	12,621	(40,774)
Share of net assets	192,680	142,725

On 27 April 2018, the Group entered into a capital increment agreement with several existing and strategic investors in which the registered capital of Shenzhen Rayitek Hi-tech Film Company Limited (深圳瑞華泰薄膜科技股份有限公司) ("Shenzhen Rayitek") would be increased from RMB98,442,972 to RMB135,000,000. The transaction was completed on 26 September 2018. The Group did not subscribe for additional shares and accordingly, the equity interest held by the Group in Shenzhen Rayitek decreased from 42.75% to 31.17% after completion of the transaction. Gain on deemed disposal of an associate amounted to HK$41,121,000 is recognised in profit or loss for the year ended 31 December 2018.

As at 31 December 2018 and 2017, the directors of the Company performed impairment assessments of the carrying amounts of the interests in Shenzhen Rayitek. The recoverable amounts are determined based on share of present value of the estimated future cash flows. Based on the assessment, the recoverable amount of the Group's interest in Shenzhen Rayitek is estimated to be higher than the carrying amount and no impairment is made during the years ended 31 December 2018 and 2017.

Particulars of the associates of the Group at 31 December 2018 and 2017 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.

18. INTERESTS IN ASSOCIATES (continued)

Summarised financial information of material associates (continued)

Shenzhen Rayitek

	2018 HK$'000	2017 HK$'000
Current assets	387,127	145,491
Non-current assets	651,960	565,239
Current liabilities	(202,960)	(137,492)
Non-current liabilities	(245,033)	(259,670)
Revenue	261,650	136,689
Profit for the year	41,734	22,265
Other comprehensive (expense) income for the year	(17,410)	22,624
Total comprehensive income for the year	24,324	44,889

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

	2018 HK$'000	2017 HK$'000
Net assets of Shenzhen Rayitek	591,094	313,568
Proportion of the Group's ownership interest in Shenzhen Rayitek	31.17%	42.75%
Carrying amount of the Group's interest in Shenzhen Rayitek	184,244	134,050

18. INTERESTS IN ASSOCIATES (continued)

Aggregate information of an associate that is not individually material

	2018 HK$'000	2017 HK$'000
The Group's share of profit (loss) for the year	202	(3,443)
The Group's share of other comprehensive (expense) income for the year	(441)	693
The Group's share of total comprehensive expense for the year	(239)	(2,750)
Aggregate carrying amount of the Group's interests in these associates	8,436	8,675

19. INTERESTS IN JOINT VENTURES

	2018 HK$'000	2017 HK$'000
Cost of unlisted investments in joint ventures	849,825	849,825
Share of other comprehensive expenses	(51,302)	(17,066)
Share of post-acquisition losses	(83,900)	(79,529)
	714,623	753,230

Particulars of the joint ventures of the Group at 31 December 2018 and 2017 are set out in note 47.

Summarised financial information of material joint ventures

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

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

19. INTERESTS IN JOINT VENTURES (continued)

Summarised financial information of material joint ventures (continued)

Hainan Aerospace Investment Management Company Limited (海南航天投資管理有限公司) ("Hainan Aerospace")

	2018 HK$'000	2017 HK$'000
Current assets	1,256,202	80,233
Non-current assets	47,320	1,440,038
Current liabilities	(10,014)	(147,963)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	67,488	80,223

	2018 HK$'000	2017 HK$'000
Revenue	1,694	711
Loss for the year	(10,458)	(21,130)
Other comprehensive (expense) income for the year	(68,342)	100,982
Total comprehensive (expense) income for the year	(78,800)	79,852

The above loss for the year included the following:

	2018 HK$'000	2017 HK$'000
Depreciation and amortisation	(551)	(600)
Interest income	1,198	686
Interest expense	–	(5,263)

19. INTERESTS IN JOINT VENTURES (continued)

Summarised financial information of material joint ventures (continued)

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

	2018 HK$'000	2017 HK$'000
Net assets of Hainan Aerospace	1,293,508	1,372,308
Proportion of the Group's ownership interest in Hainan Aerospace	50%	50%
Carrying amount of the Group's interest in Hainan Aerospace	646,754	686,154

Information of a joint venture that is not individually material

	2018 HK$'000	2017 HK$'000
The Group's share of profit for the year	858	936
The Group's share of other comprehensive (expense) income for the year	(65)	265
The Group's share of total comprehensive income for the year	793	1,201
Aggregate carrying amount of the Group's interests in this joint venture	67,869	67,076

20. AVAILABLE-FOR-SALE INVESTMENTS

	2018 HK$'000	2017 HK$'000
Unlisted equity securities in Hong Kong, at cost	29,000	29,000
Less: Impairment loss recognised	(29,000)	(29,000)
	–	–

The unlisted equity securities represent investments in unlisted equity interests and are measured at cost less impairment because the range of reasonable fair value estimates was so significant that the directors of the Company were of the opinion that the fair value cannot be measured reliably. Upon the application of HKFRS 9, the directors of the Company have elected to designate these investments in equity instruments at FVTPL.

21. OTHER LONG TERM ASSETS

The amounts represent accrued rental income taking into account of rent free periods and are recognised in profit or loss on a straight line basis over the terms of the relevant leases.

22. INVENTORIES

	2018 HK$'000	2017 HK$'000
Raw materials	113,999	116,580
Work-in-progress	77,429	88,070
Finished goods	173,128	143,566
	364,556	348,216

23. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables		
arising from contracts with customers	949,813	911,299
rental receivables	141,868	35,412
Less: Allowance for doubtful debts	(74,281)	(31,735)
	1,017,400	914,976
Other receivables, deposits and prepayments	420,210	362,228
	1,437,610	1,277,204

Included in the Group's trade receivables at 31 December 2018 is bills receivables of HK$109,736,000 (2017: HK$158,354,000). Included in the Group's other receivables, deposits and prepayments at 31 December 2018 is current portion of other long term assets of HK$286,323,000 (2017: HK$289,116,000) and value-added tax recoverable of HK$51,516,000 (2017: HK$46,430,000).

23. TRADE AND OTHER RECEIVABLES (continued)

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

	2018 HK$'000	2017 HK$'000
Within 90 days	870,991	840,166
Between 91–180 days	134,485	60,286
Between 181–365 days	11,924	14,524
	1,017,400	914,976

As at 31 December 2018, total bills received amounting to HK$109,736,000 (31 December 2017: HK$158,345,000) are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

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.

No credit period was granted to tenants of rental of premises. Before accepting any new tenants, the Group will internally assess the credit quality of the potential tenant.

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.

Before the application of HKFRS 9 on 1 January 2018, included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$74,810,000 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. Based on the historical experience of the Group, trade receivables aged within one year which are past due but not impaired are generally recoverable. There are no balances included in other receivables which have been past due.

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$146,409,000 which are past due as at the reporting date. The Group considers the information developed internally or obtained from external sources and considered that the debtor is likely to pay its creditors, including the Group, and the past due balances are therefore, not considered as in default.

23. TRADE AND OTHER RECEIVABLES (continued)

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

	2018 HK$'000	2017 HK$'000
Overdue 1–90 days	134,485	60,286
Overdue 91–270 days	11,924	14,524
	146,409	74,810

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

	2017 HK$'000
At 1 January	26,509
Allowance for doubtful debts	4,127
Exchange realignment	1,099
At 31 December	31,735

Details of impairment assessment of trade and other receivables for the year ended 31 December 2018 are set out in note 41.

24. AMOUNT DUE FROM A RELATED PARTY

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 the Company's controlling shareholder, China Aerospace Science & Technology Corporation ("CASC"). The amount is unsecured, receivable on demand and carries interests at prevailing market rate (note 42(b)(i)).

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK$'000	2017 HK$'000
Financial assets at FVTPL held for trading is analysed as follows:		
Equity securities		
— listed in Hong Kong	7,456	13,720

At 31 December 2018 and 2017, the fair value of listed securities is determined by the quoted market bid price available on the Hong Kong Stock 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.

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

The Group's bank deposits amounting to HK$14,572,000 (2017: HK$20,098,000) have been pledged to secure general banking facilities of the Group and are therefore classified as current assets.

At 31 December 2018, short-term bank deposits with maturity more than three months carry fixed interest rate at 2.50% per annum (2017: nil).

At 31 December 2018, bank balances and pledged bank deposits carry interest at prevailing market rates which range from 0.01% to 4.4% (2017: 0.01% to 8%) per annum.

27. TRADE AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Trade payables	430,461	470,925
Accrued charges	169,875	178,313
Receipt in advance	30,325	132,413
Other payables	449,263	768,578
	1,079,924	1,550,229

Other payables included an amount of HK$54,000,000 (2017: HK$54,000,000) received on behalf of CASC and payables with respect to development costs for investment properties of HK$92,152,000 (2017: HK$388,294,000).

27. TRADE AND OTHER PAYABLES (continued)

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

	2018 HK$'000	2017 HK$'000
Within 90 days	389,714	377,785
Between 91–180 days	940	29,475
Between 181–365 days	30,964	57,764
Over 1 year	8,843	5,901
	430,461	470,925

28. CONTRACT LIABILITIES

The amounts represent advances from customers in relation to their purchase orders of goods placed with the Group. At 31 December 2018, the advances from customers are contract liabilities and the Group does not expect to refund any of the advance payments. The Group applied the limited retrospective method of transition to HKFRS 15 with comparative figure not restated and hence the advance payments from customers as at 31 December 2017, which was of the same nature, are not restated but are presented in the same line item. The amount of advances from customers as at 1 January 2018 after the adjustments from the application of HKFRS 15 is disclosed in note 2.

Revenue recognised in current year of HK$100,184,000 was included in the contract liability balance at the beginning of the year.

The management of the Group considered the contract liabilities as at 31 December 2018 of HK$115,011,000 will be recognised as revenue for the year ending 31 December 2019.

29. UNSECURED BANK BORROWINGS

At 31 December 2017, the unsecured bank borrowings were repayable within one year and carried a variable interest rate at 5.35% per annum. The borrowings were repaid during the year ended 31 December 2018.

30. OTHER LOAN

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

31. LOAN FROM A CONTROLLING SHAREHOLDER

The loan is unsecured and bears a fixed interest rate at 5% per annum (note 42(b)(ii)).

As at 31 December 2018, the loan is repayable in 2023 (2017: 2018).

32. LOAN FROM A RELATED PARTY

The amount represents loan from Aerospace Finance. The amount is secured, bears a variable interest rate at 4.41% (2017: 4.41%) per annum, and is repayable in 2028 (note 42(b)(iv)).

33. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Revaluation of investment properties HK$'000	Others HK$'000 *(Note)*	Total HK$'000
At 1 January 2017	3,616	2,030,156	11,061	2,044,833
Exchange realignment	57	169,382	3,758	173,197
Charge to profit or loss for the year *(note 11)*	956	165,407	42,851	209,214
Charge to other comprehensive income for the year	—	—	6,504	6,504
At 31 December 2017	4,629	2,364,945	64,174	2,433,748
Exchange realignment	(90)	(121,090)	(4,424)	(125,604)
Charge to profit or loss for the year *(note 11)*	983	88,008	24,881	113,872
At 31 December 2018	**5,522**	**2,331,863**	**84,631**	**2,422,016**

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

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

As at 31 December 2018, the Group has unused tax losses of HK$1,236 million (2017: HK$1,224 million) available to offset against future profits. Deferred tax assets have been recognised in respect of HK$123 million (2017: HK$124 million) of such losses. No deferred tax asset has been recognised in respect of remaining tax losses of approximately HK$1,113 million (2017: HK$1,100 million) due to the unpredictability of future profit streams. Included in the unrecognised tax losses, HK$938 million (2017: HK$957 million) may be carried forward indefinitely and the remaining balance will expire at various dates up to the end of 2023 (2017: expire at various dates up to the end of 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$3,467 million (2017: HK$3,329 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.

34. SHARE CAPITAL

	HK$'000
Issued and fully paid:	
At 1 January 2017, 31 December 2017 and 31 December 2018	
— 3,085,022,000 ordinary shares with no par value	1,154,511

35. DISPOSAL OF A SUBSIDIARY

During the year, the Group entered into an agreement to dispose of its 45.9% equity interest in Huizhou Hai Yin Hotel Company Limited (惠州市海燕賓館有限公司) ("Hai Yin") to a third party for a cash consideration of RMB1 through the Shanghai United Assets and Equity Exchange. The disposal was completed on 29 September 2018.

The major classes of assets and liabilities of Hai Yin as at the date of disposal are as follows:

	HK$'000
Other receivables	1,108
Bank balances and cash	108
Trade and other payables	(2,372)
Taxation payable	(5)
Net liabilities disposed of	(1,161)
Gain on disposal	
Net liabilities disposed of	1,161
Non-controlling interests	6,498
Exchange differences arising from translation released	982
	8,641
Net cash outflow arising on disposal	
Cash consideration	—
Bank balances and cash disposed of	(108)
	(108)

The disposal of Hai Yin did not contribute significantly to the Group's cash flows or operating results.

36. PLEDGE OF ASSETS

At 31 December 2018, bank deposits of HK$14,572,000 (2017: HK$20,098,000) and bills receivables of HK$80,008,000 (2017: HK$104,626,000) were pledged to banks to secure general banking facilities granted to the Group.

37. CAPITAL COMMITMENTS

	2018 HK$'000	2017 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
— acquisition of property, plant and equipment	46,943	51,061

38. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	30,229	25,017
In the second to fifth year inclusive	78,141	76,036
Over five years	67,298	18,101
	175,668	119,154

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 (2017: two to thirty years).

The Group as lessor

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

	2018 HK$'000	2017 HK$'000
Within one year	293,878	294,987
In the second to fifth year inclusive	1,490,485	1,437,818
Over five years	1,685,640	2,265,281
	3,470,003	3,998,086

The properties held have committed tenants for the next one to thirteen years (2017: one to fourteen years).

39. 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$18,000 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 PRC 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$30,234,000 (2017: HK$34,383,000) represents contribution to the schemes by the Group at the rates specified in the rules of the schemes.

40. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which mainly includes the borrowings disclosed in notes 29, 30, 31 and 32, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves including retained profits.

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

41. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Financial assets at FVTPL	7,456	13,720
Loans and receivables (including cash and cash equivalents)	N/A	2,007,186
Financial assets at amortised cost	2,014,028	N/A
Financial liabilities		
Financial liabilities at amortised cost	2,324,704	2,164,228

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from a related party, pledged bank deposits, short-term bank deposits, bank balances and cash, financial assets at FVTPL, trade and other payables, loan from a controlling shareholder, loan from a related party, unsecured bank borrowings and other loan. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits and loan from a controlling shareholder (see notes 26 and 31 for details of these deposits and 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 Group is also exposed to cash flow interest rate risk in relation to floating-rate borrowings and loan from a related party (see notes 29 and 32 for details). In addition, the Group is 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 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.

41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to cash flow interest rate risk for bank and other borrowings and loan from a related party. 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 2018 would have decreased/increased by HK$3,752,000 (2017: HK$2,904,000).

Equity price risk

The Group is exposed to equity price risk through its investments in listed 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 analysis below have been determined based on the exposure to equity price risks at the end of the reporting period.

If the prices of the financial assets at fair value through profit or loss had been 10% (2017: 10%) higher/lower, the Group's profit for the year ended 31 December 2018 would have increased/decreased by HK$623,000 (2017: HK$1,146,000) 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 HK$ 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.

41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

As at 31 December 2018 and 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties, is the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets except that the credit risks associated with settlements of certain trade receivables are backed by bills issued by financial institutions.

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 receivables, with exposure spread over a number of counterparties and customers. The credit risk on liquid funds is limited because the counter parties are banks with good reputation.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For trade receivables not backed by bank bills, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the ECL on these items by using a provision matrix.

Management assessed the expected loss on trade receivables not backed by bank bills individually or based on provision matrix by estimation based on historical credit loss experience, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

In addition, the management is of the opinion that there has no default occurred for trade receivables past due 90 days or more and the balances are still considered fully recoverable due to long term/on-going relationship and good repayment record from these customers.

As part of the Group's credit risk management, the Group applied internal credit rating for its customers. The Group's trade receivables not backed by bank bills are grouped under a provision matrix based on shared credit risk characteristics by reference to past default experience and current past due exposure of the debtors. The following table provides information about the exposure to credit risk and ECL for trade receivables not backed by bank bills as at 31 December 2018 which are assessed collectively based on provision matrix during the year. Debtors not backed by bank bills with significant outstanding balances and credit-impaired with gross carrying amount of HK$523,299,000 and HK$74,281,000 respectively were assessed individually.

41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables arising from contracts with customers (continued)

Collective assessment

Carrying amount

Credit rating	**Trade receivables not backed by bank bills** HK$'000
Strong	218,270
Good	18,362
Satisfactory	5,865
	242,497

Individual assessment

As part of the Group's credit assessment, the Group assessed credit risk of its individual customers by reference to internal credit rating. The following table provides information about the exposure to credit risk for trade receivables not backed by bank bills which are assessed individually as at 31 December 2018 within lifetime ECL.

Carrying amount

Credit rating	**Trade receivables not backed by bank bills** HK$'000
Strong	515,832
Good	7,467
	523,299

Quality classification definitions:

"Strong": The counterparty has low probability of default.

"Good": The counterparty has low default risk.

"Satisfactory": The counterparty has moderate default risk.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

No impairment allowance for trade receivables not backed by bank bills was provided based on the provision matrix as the amount is insignificant since the loss given default and exposure at default are low based on historical credit loss experience while impairment allowance of HK$45,225,000 were made on credit-impaired debtors. The directors of the Company have also assessed all available forward looking information, including but not limited to expected growth rate of the industry and subsequent settlement, and concluded that there is no significant increase in credit risk.

In determining the ECL for trade receivables backed by bank bills, the management of the Group considers the probability of default is negligible on the basis of banks issuing the bills, and accordingly, no loss allowance is made in the consolidated financial statement.

41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables arising from contracts with customers (continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (provision matrix) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
As at 1 January 2018	—	31,735	31,735
Impairment losses recognised	—	45,225	45,225
Exchange realignment	—	(2,679)	(2,679)
As at 31 December 2018	—	74,281	74,281

The Group writes off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Other long term assets and rental receivables

The Group measure the loss allowance for other long term assets and rental receivables equal to 12m ECL. The balances were assessed individually and was not included in the provision matrix. No additional allowance was recognised as the risk of default by the counterparties is not significant in the opinion of the management of the Group.

Other receivables

In determining the ECL for other receivables, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate, for example, the Group has considered the consistently low historical default rate in connection with payments, and concluded that credit risk inherent in the Group's outstanding other receivables is insignificant.

Amount due from a related party

For amount due from a related party, the balance was assessed individually and was not included in provision matrix, no additional allowance was recognised during the year. In the opinion of the management of the Group, the risk of default by the counterparty is not significant and the Group assessed that the ECL on these balances are insignificant in accordance with HKFRS 9 as at 31 December 2018 and thus no impairment loss allowance was recognised.

Pledged bank deposits, short-term bank deposits and bank balances

The management of the Group considers the pledged bank deposits, short-term bank deposits and bank balances that are deposited with the financial institutions with good credit rating to be low credit risk financial assets. The management of the Group considers the bank balances are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers, and accordingly, loss allowance was considered as insignificant.

41. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

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.

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$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2018							
Financial liabilities							
Non-interest bearing	–	438,624	417,857	–	–	856,481	856,481
Loan from a controlling shareholder	5.00 p.a.	–	–	690,030	–	690,030	569,476
Loan from a related party	4.41 p.a.	–	–	–	1,281,883	1,281,883	898,747
		438,624	417,857	690,030	1,281,883	2,828,394	2,324,704
At 31 December 2017							
Financial liabilities							
Non-interest bearing	–	479,519	389,625	–	–	869,144	869,144
Loan from a controlling shareholder	5.00 p.a.	–	629,496	–	–	629,496	599,520
Loan from a related party	4.41 p.a.	–	–	–	994,548	994,548	676,379
Unsecured bank borrowings – variable rate	5.35 p.a.	–	19,998	–	–	19,998	19,185
		479,519	1,039,119	–	994,548	2,513,186	2,164,228

41. FINANCIAL INSTRUMENTS (continued)

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 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 2018 and 2017 using the fair value hierarchy is Level 1 (see note 25). The directors consider that the fair values of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximates their carrying amounts.

42. RELATED PARTY TRANSACTIONS

Balances of related parties of 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 controlling shareholder, 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.

(a) During the year ended 31 December 2012, the Group entered into electronic commercial service agreements (the "Agreement") with 航天新商務信息科技有限公司 ("新商務信息"), an associate of the Group, for an amount of RMB300,000 per year for a period of five years commencing from the date of the Agreement. CASC and its subsidiaries also have substantial interests and significant influence over 新商務信息. The Agreement was expired during the year ended 31 December 2017.

42. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with the CASC and its subsidiaries

(i) As at 31 December 2018, deposits placed with Aerospace Finance by the Group amounted to RMB5,044,000 (equivalent to approximately HK$5,745,000) (2017: RMB710,000 (equivalent to approximately HK$851,000)) and are included in amount due from a related party.

(ii) 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 for a period of five years from the first drawdown date. The loan has been renewed for another five years during the current year. As at 31 December 2018, the Group has drawn down RMB500,000,000 (equivalent to approximately HK$569,476,000) (2017: RMB500,000,000 (equivalent to approximately HK$599,520,000)). Such loan carries a fixed interest rate of 5% per annum and the interest incurred to CASC for the year ended 31 December 2018 is RMB25,347,000 (equivalent to approximately HK$30,128,000 (2017: RMB25,347,000 (equivalent to approximately HK$28,641,000)).

(iii) During the year ended 31 December 2016, the Group entered into a loan agreement with Hainan Aerospace for an amount of RMB45,000,000 (equivalent to approximately HK$50,000,000) for a period of two years from the first drawn down date. The loan was early repaid during the year ended 31 December 2017. The interest income from Hainan Aerospace during the year ended 31 December 2017 amounted to RMB364,000 (equivalent to approximately HK$411,000) (2018: nil).

(iv) During the year ended 31 December 2016, the Group entered into a facility with Aerospace Finance, for advances up to RMB1,300,000,000 for a period of 12 years from the first drawdown date. The property ownership certificate(s) of a portion of Shenzhen Aerospace Science & Technology Plaza with a valuation amount of approximately RMB1,900,000,000 will be subsequently mortgaged in favour of Aerospace Finance after Shenzhen Aerospace Technology Investment Company Limited ("Shenzhen Aerospace") complete the mortgage procedures. As at 31 December 2018, the Group has drawn down RMB789,100,000 (equivalent to approximately HK$898,747,000) (2017: RMB564,100,000 (equivalent to approximately HK$676,379,000)). The interest paid to loans drawn from the facility in the current year amounted to RMB30,056,000 (equivalent to approximately HK$35,726,000) (2017: RMB24,127,000 (equivalent to approximately HK$27,262,000)).

(c) 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 29), the facility with these banks and sales transactions, remaining transactions with other government-related entities are individually insignificant.

(d) 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.

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Unsecured bank borrowings HK$'000 *(Note 29)*	Other loan HK$'000 *(Note 30)*	Loan from a controlling shareholder HK$'000 *(Note 31)*	Loan from a related party HK$'000 *(Note 32)*	Interest payable HK$'000	Deposits received from potential investor of a subsidiary HK$'000	Dividend payable HK$'000	Dividend payable to non-controlling interests of a subsidiary HK$'000	Total HK$'000
At 1 January 2017	31,111	7,963	555,556	565,667	912	–	125	–	1,161,334
Financing cash flows *(note)*	(13,559)	–	–	62,147	(57,217)	–	(61,647)	(2,122)	(72,398)
Foreign exchange translation	1,633	631	43,964	48,565	73	–	–	–	94,866
Interest expenses	–	–	–	–	57,217	–	–	–	57,217
Dividend declared	–	–	–	–	–	–	61,700	–	61,700
Dividend declared to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	2,122	2,122
At 31 December 2017	19,185	8,594	599,520	676,379	985	–	178	–	1,304,841
Financing cash flows *(note)*	(19,018)	–	–	267,443	(66,598)	6,106	(92,474)	(19,018)	76,441
Foreign exchange translation	(167)	(431)	(30,044)	(45,075)	271	–	–	–	(75,446)
Interest expenses	–	–	–	–	66,598	–	–	–	66,598
Dividend declared	–	–	–	–	–	–	92,551	–	92,551
Dividend declared to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	19,018	19,018
At 31 December 2018	–	8,163	569,476	898,747	1,256	6,106	255	–	1,484,003

Note: The cash flows represent the new unsecured bank borrowings raised, repayment of unsecured bank borrowings, loan from a related party, interest paid, deposits received from potential investor of a subsidiary, dividends paid to shareholders of the Company and non-controlling interests of a subsidiary in the consolidated statement of cash flows.

44. FINANCIAL INFORMATION OF THE COMPANY

(a) Statement of financial position of the Company is set out below:

	2018 HK$'000	2017 HK$'000
Non-current assets		
Property, plant and equipment	1,224	1,165
Interests in subsidiaries	2,002,675	1,841,371
Amounts due from subsidiaries	1,421,938	1,524,979
Interests in joint ventures	15,000	15,000
	3,440,837	3,382,515
Current assets		
Other receivables	3,426	2,885
Amounts due from subsidiaries	32,643	44,552
Bank balances and cash	69,537	45,196
	105,606	92,633
Current liabilities		
Other payables	77,383	69,513
Amounts due to subsidiaries	720,077	646,057
Taxation payable	80	82
	797,540	715,652
Net current liabilities	(691,934)	(623,019)
	2,748,903	2,759,496
Capital and reserves		
Share capital	1,154,511	1,154,511
Reserves *(Note 44(b))*	1,594,392	1,604,985
	2,748,903	2,759,496

The Company's statement of financial position are approved and authorised for issue by the Board of Directors on 23 March 2019 and are signed on its behalf by:

Liu Meixuan
Director

Li Hongjun
Director

44. FINANCIAL INFORMATION OF THE COMPANY (continued)

(b) Reserves

	Share premium HK$'000 *(note a)*	Special capital reserve HK$'000 *(note a)*	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2017	—	630,977	—	784,571	1,415,548
Profit and total comprehensive income for the year	—	—	—	251,137	251,137
Dividend recognised as distribution	—	—	—	(61,700)	(61,700)
At 31 December 2017	—	630,977	—	974,008	1,604,985
Profit and total comprehensive income for the year	**—**	**—**	**—**	**81,958**	**81,958**
Dividend recognised as distribution	**—**	**—**	**—**	**(92,551)**	**(92,551)**
At 31 December 2018	**—**	**630,977**	**—**	**963,415**	**1,594,392**

Notes:

(a) 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 until the amount of paid up 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) below 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.

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, was confirmed.

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.

44. FINANCIAL INFORMATION OF THE COMPANY (continued)

(b) Reserves (continued)

Notes: (continued)

(a) (continued)

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

(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 reserve 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.

(b) The Company's reserves available for distribution to shareholders as at 31 December 2018 comprised the retained profits of HK$963,415,000 (2017: HK$974,008,000).

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2018 and 2017 are as follows:

Name of subsidiary	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity held by the Company 2018 %	held by the Company 2017 %	held by subsidiaries 2018 %	held by subsidiaries 2017 %	attributable to the Company 2018 %	attributable to the Company 2017 %	Principal activities
Incorporated and operating in Hong Kong:								
CASIL Clearing Limited	HK$10,000,000	100	100	–	–	100	100	Provision of treasury services
CASIL Electronic Products Limited	HK$15,000,000	100	100	–	–	100	100	Distribution of plastic and metal products and moulds
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	–	–	100	100	Distribution of liquid crystal displays
China Aerospace Industrial Limited	HK$1,000,000	100	100	–	–	100	100	Property investment
Chee Yuen Industrial Company Limited	HK$20,000,000	100	100	–	–	100	100	Distribution of plastic and metal products and moulds
Digilink Systems Limited	HK$60,000,000	100	100	–	–	100	100	Investment holding
Hong Yuen Electronics Limited	HK$5,000,000	100	100	–	–	100	100	Distribution of printed circuit boards
Jeckson Electric Company Limited	HK$5,000,000	100	100	–	–	100	100	Distribution of intelligent battery chargers and electronic components
Jeckson Electronics Company Limited	HK$10,000,000	100	100	–	–	100	100	Distribution of intelligent battery chargers and electronic components

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity held by the Company 2018 %	Percentage of equity held by the Company 2017 %	Percentage of equity held by subsidiaries 2018 %	Percentage of equity held by subsidiaries 2017 %	Percentage of equity attributable to the Company 2018 %	Percentage of equity attributable to the Company 2017 %	Principal activities
Registered and operating in the PRC:								
Chee Yuen Plastic Products (Huizhou) Company Limited#	HK$72,000,000	–	–	100	100	100	100	Manufacturing of plastic and metal products and moulds
China Aerospace (Huizhou) Industrial Garden Limited##	US$12,000,000	90	90	–	–	90	90	Property investment
Conhui (Huizhou) Semiconductor Company Limited#	HK$90,400,000	–	–	100	100	100	100	Manufacturing and distribution of liquid crystal displays and LCD modules
東莞康源電子有限公司#	HK$405,020,000	–	–	100	100	100	100	Manufacturing and distribution of printed circuit boards
Huizhou Jeckson Electric Company Limited##	US$1,000,000	–	–	90	90	90	90	Manufacturing of intelligent battery chargers and electronic products
Huizhou Zhi Fat Metal & Plastic Electroplating Company Limited##	US$720,000	–	–	90	90	90	90	Electroplating of metals
志源表面處理(惠州)有限公司#	RMB60,000,000	–	–	100	100	100	100	Electroplating of metals
志源電子科技(惠州)有限公司#	RMB10,500,000	–	–	100	100	100	100	Distribution of packing products
Shenzhen Chee Yuen Plastics Company Limited#	HK$25,000,000	–	–	100	100	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	–	–	100	100	Investment holding

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity held by the Company 2018 %	held by the Company 2017 %	held by subsidiaries 2018 %	held by subsidiaries 2017 %	attributable to the Company 2018 %	attributable to the Company 2017 %	Principal activities
Registered and operating in the PRC: (continued)								
深圳市航天高科投資管理有限公司##	RMB700,000,000	–	–	60	60	60	60	Property investment
深圳市航天高科物業管理有限公司	RMB5,000,000	–	–	100	100	60	60	Property management
航天數聯信息技術(深圳)有限公司##	HK$100,340,000	–	–	72.13	72.13	72.13	72.13	Development and sale of software and related products, and warehouse and logistic services
江門航天數聯科技有限公司	RMB5,000,000	–	–	100	100	72.13	72.13	Development and sale of software and related products, and warehouse and logistic services

\# Wholly foreign-owned enterprises registered in the PRC

\## Sino-foreign joint equity enterprises registered in the PRC

\### Deregistered during the year ended 31 December 2018

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	
		2018	2017	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
Shenzhen Aerospace (深圳市航天高科投資管理有限公司) and its subsidiary	PRC	40%	40%	126,676	179,007	2,087,918	2,089,469
Individually immaterial subsidiaries with non-controlling interests				(10,611)	1,627	8,192	26,118
				116,065	180,634	2,096,110	2,115,587

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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

Summarised financial information in respect of Shenzhen Aerospace and its subsidiary is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2018 HK$'000	2017 HK$'000
Current assets	507,927	440,592
Non-current assets	8,942,429	9,289,165
Current liabilities	(353,024)	(887,045)
Non-current liabilities	(3,877,540)	(3,619,041)
Equity attributable to owners of the Company	3,131,875	3,134,202
Non-controlling interests	2,087,917	2,089,469
Income	567,586	756,354
Expenses	(250,897)	(308,837)
Profit for the year	316,689	447,517
Profit attributable to owners of the Company	190,013	268,510
Profit attributable to the non-controlling interests	126,676	179,007
Profit for the year	316,689	447,517
Other comprehensive (expense) income attributable to owners of the Company	(163,814)	225,365
Other comprehensive (expense) income attributable to the non-controlling interests	(109,209)	150,244
Other comprehensive (expense) income for the year	(273,023)	375,609
Total comprehensive income attributable to owners of the Company	26,199	493,875
Total comprehensive income attributable to the non-controlling interests	17,467	329,251
Total comprehensive income for the year	43,666	823,126
Net cash inflow from operating activities	165,049	63,160
Net cash outflow used in investing activities	(155,243)	(139,142)
Net cash (outflow) inflow from financing activities	(45,150)	136,662
Effect of foreign exchange rate changes	5,931	4,967
Net cash (outflow) inflow	(29,413)	65,647
Dividends paid to non-controlling interests of Shenzhen Aerospace and its subsidiary	19,018	—

46. PARTICULARS OF ASSOCIATES

Details of the Group's associates at 31 December 2018 and 2017 are as follows:

Name of associates	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group		Principal activities
		2018 %	2017 %	
Registered and operating in the PRC:				
航天新商務信息科技有限公司*	RMB63,800,000	15.7	15.7	Provision of information service
深圳瑞華泰薄膜科技股份有限公司 (Shenzhen Rayitek) (formerly known as 深圳瑞華泰薄膜科技有限公司)	RMB135,000,000	31.17	42.75	Manufacturing and distribution of polyimide films and related composite materials

* 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.

47. PARTICULARS OF JOINT VENTURES

Details of the Group's joint ventures at 31 December 2018 and 2017 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
Incorporated and operating in Hong Kong:			
China Aerospace New World Technology Limited	HK$30,000,000	50	Investment holding
Registered and operating in the PRC:			
海南航天投資管理有限公司 (Hainan Aerospace)	RMB1,200,000,000	50	Land development

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

APPENDIX I FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Turnover	3,690,804	3,661,325	3,087,848	2,765,720	2,791,175
Profit before taxation	665,364	931,725	1,722,665	2,647,413	727,659
Taxation	(145,184)	(264,908)	(519,413)	(1,021,090)	(196,478)
Profit for the year	520,180	666,817	1,203,252	1,626,323	531,181
Attributable to:					
Owners of the Company	404,115	486,183	796,108	984,696	415,692
Non-controlling interests	116,065	180,634	407,144	641,627	115,489
	520,180	666,817	1,203,252	1,626,323	531,181

ASSETS AND LIABILITIES

	At 31 December				
	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Non-current assets	11,518,775	11,847,675	10,463,151	8,981,919	6,561,520
Current assets	2,800,505	2,727,433	2,321,425	2,993,724	3,010,867
Current liabilities	(1,248,674)	(2,258,769)	(1,643,386)	(2,494,379)	(1,140,769)
Non-current liabilities	(3,890,239)	(3,110,127)	(3,166,056)	(2,278,002)	(2,500,800)
Total equity	9,180,367	9,206,212	7,975,134	7,203,262	5,930,818
Attributable to:					
Owners of the Company	7,084,257	7,090,625	6,190,158	5,705,770	4,992,235
Non-controlling interests	2,096,110	2,115,587	1,784,976	1,497,492	938,583
	9,180,367	9,206,212	7,975,134	7,203,262	5,930,818

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, P18 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 The PRC	—	Industrial	118,867	90
South of Bin Hai Avenue and the East of Hou Hai Bin Road Nanshan District Shenzhen Guangdong Province The PRC	—	Retail and office	157,825	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 The PRC	—	Office	1,043	100