CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Stock Code: 31)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr Zhou Limin *(Chairman)*
(appointed on 29 September 2020)
Mr Jin Xuesheng *(President)*
Mr Liu Meixuan *(Chairman)*
(resigned on 29 September 2020)

Non-Executive Directors

Mr Luo Zhenbang *(Independent)*
Ms Leung Sau Fan, Sylvia *(Independent)*
Mr Wang Xiaojun *(Independent)*
Mr Liu Xudong
Mr Hua Chongzhi *(appointed on 16 April 2020)*
Mr Mao Yijin
Mr Xu Liangwei *(retired on 16 April 2020)*

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 Hua Chongzhi *(appointed on 16 April 2020)*
Mr Xu Liangwei *(retired on 16 April 2020)*

NOMINATION COMMITTEE

Mr Zhou Limin *(Chairman)*
(appointed on 29 September 2020)
Mr Luo Zhenbang
Ms Leung Sau Fan, Sylvia
Mr Wang Xiaojun
Mr Liu Xudong *(appointed on 16 April 2020)*
Mr Liu Meixuan *(Chairman)*
(resigned on 29 September 2020)
Mr Xu Liangwei *(retired on 16 April 2020)*

COMPANY SECRETARY

Mr Chan Ka Kin, Ken

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor

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

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* 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

RESULTS

In 2020, although the novel coronavirus had posed severe impact to the global economy, the Company took various measures to fight against the pandemic in a timely manner to promptly restore the production capacity and achieved a steady business development.

For the year ended 31 December 2020, the operating revenue of the Company and its subsidiaries from continuing and discontinued operations was HK$3,580,121,000 (2019: HK$3,450,824,000), representing an increase of 3.75% as compared with that of last year. The Company's effective control of operating costs resulted in an increase in gross profit margin from 26.31% of last year to 27.02%. The Company and its subsidiaries recorded a net profit from continuing and discontinued operations of HK$378,565,000 after taking into account the effect of changes in fair value of investment properties, representing a decrease of 13.54% as compared to the profit from continuing and discontinued operations of HK$437,858,000 in 2019. Profit attributable to shareholders from continuing and discontinued operations was HK$296,681,000, a decrease of 12.32% as compared to the profit attributable to shareholders from continuing and discontinued operations of HK$338,350,000 in 2019; earnings per share attributable to shareholders from continuing and discontinued operations was HK9.62 cents (2019: HK10.97 cents). After deducting the effects of changes in fair value of investment properties and related deferred tax and non-controlling interests, profit attributable to shareholders of the Company was HK$288,187,000 (2019: HK$285,744,000), representing an increase of 0.85% as compared to last year.

Taking into account the Company's development needs and capital position, the Board recommends the payment of an annual dividend of HK2 cents per share.

BUSINESS REVIEW

In 2020, the revenue and profit of the hi-tech manufacturing business recorded a solid growth, whereas Shenzhen Aerospace Science & Technology Plaza provided a stable income to the Company.

Hi-tech manufacturing

In 2020, the handset and automobile industries were greatly impacted by the escalation of the Sino-U.S. trade friction. The industrial enterprises of the Company had leveraged on the advantages of refined management capability and enhanced premium clientele built up in years to overcome adverse factors such as fluctuations in orders, unstable supply chain, rising raw material prices and substantial appreciation of Renminbi, and actively adjusted the market and product structure. By effectively controlling the investment in fixed assets, the industrial enterprises had relieved the cash flow shortage and operating pressure, strengthened the management of receivables and inventories, and improved the quality of economic operation. In the midst of effect posed by the novel coronavirus pandemic around the world, the industrial enterprises had bucked the trend of significant decline in the scale of economics and efficiency, solid results were generated during the year. The hi-tech manufacturing business recorded a revenue of HK$3,184,620,000 (2019: HK$3,012,219,000), representing an increase of 5.72% as compared with last year; operating profit was HK$235,768,000 (2019: HK$205,945,000), representing an increase of 14.48% as compared with last year.

The plastic injection molding business expanded into emerging market segments such as new energy vehicles, intelligent equipment and robots, which drove the growth of its sales. The production base invested and constructed by the plastic injection molding business in Vietnam had successfully commenced trial production and achieved its first phase construction target.

The smart charger business is undergoing the structural adjustment of products, which will be gradually shifting from consumer electronics to commercial applications, and resources are concentrated to vigorously expand the medium-to-high power supply and inverter business.

In recent years, the printed circuit board ("PCB") business has focused on the development of micro-electrical system ("MEMS"), packaging substrate, optoelectronic and intelligent terminal businesses and successfully developed major customers which brought a satisfactory growth. The business continued to focus on improving its technological capabilities in fine line, microhole processing, high density interconnect ("HDI") circuit boards, surface plating, automatic lamination, etc., laying the foundation for the development of new business areas in China and overseas.

In 2020, the liquid crystal display ("LCD") business achieved a satisfactory performance. During the year, the business adjusted the allocation of resources and completed the relocation of LCM production line and the LCD module technical transformation project, which ensure a support for business growth to a certain extent.

Shenzhen Aerospace Science & Technology Plaza

In 2020, Shenzhen Aerospace Science & Technology Plaza was affected by factors such as the downturn of leasing market, the surrender of lease by certain tenants and the novel coronavirus pandemic. To cope with such situation, Shenzhen Aerospace Technology Investment Company Limited ("Shenzhen Aerospace") had taken measures such as offering partial rental concession to tenants in a timely manner. In 2020, the leasing and property management business of Shenzhen Aerospace recorded a total revenue of HK$385,261,000, representing a decrease of 9.43% as compared to that of HK$425,393,000 in 2019; and an operating profit of HK$309,927,000, representing a decrease of 29.49% as compared to that of HK$439,566,000 in 2019. The decrease in operating profit mainly reflected a decrease in property valuation as compared with last year and the effect of rental concession. The pandemic resulted in the decrease in rental and price of properties in Nanshan District, Shenzhen, and that imposed pressure on the fair value of investment properties in Shenzhen Aerospace Science & Technology Plaza. Excluding the effect of changes in fair value of investment properties, the operating profit of the business was HK$315,978,000 (2019: HK$348,770,000). As at the end of 2020, Shenzhen Aerospace Science & Technology Plaza was valued at approximately RMB7,770,800,000 (2019: RMB7,772,000,000).

The Complex Zone of the Launching Site in Hainan

Following the return of the project investment fund and related expenses by the Municipal Government of Wenchang City to Hainan Aerospace Investment Management Company Limited ("Hainan Aerospace"), a joint venture of the Company, in December 2019, Hainan Aerospace completed the withdrawal from the land development project of the Complex Zone of the Launching Site in Hainan. In 2020, Hainan Company reduced its registered capital from RMB1.2 billion to RMB200 million and returned the proceeds from capital reduction to shareholders in proportion to their shareholdings. For the year ended 31 December 2020, the Company's share of profit from Hainan Aerospace was HK$17,701,000, representing a significant increase of 589.93% as compared to 2019 (2019: loss of HK$3,613,000). As at 31 December 2020, the carrying value of the Company's interest in Hainan Aerospace was HK$96,110,000 (2019: HK$629,508,000).

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

Aerospace Digitnexus Information Technology (Shenzhen) Limited ("Aerospace Digitnexus") introduced new investors to strengthen the equity base and assist the further development of the company. On 20 April 2020, Aerospace Digitnexus entered into a capital increase agreement with two new investors, pursuant to which, the two new investors subscribed for approximately 28.157% and 27.304% of the enlarged equity interest in Aerospace Digitnexus at a cash consideration of RMB33,000,000 and RMB32,000,000, respectively. Upon the completion of the capital increase, the Company's equity interest in Aerospace Digitnexus decreased from 72.128% to 32.125%, Aerospace Digitnexus ceased to be an indirect subsidiary of the Company and the financial results of Aerospace Digitnexus will not be consolidated into the financial statements of the Company and its subsidiaries. The capital increase of Aerospace Digitnexus was regarded as a deemed disposal of equity interest in Aerospace Digitnexus by the Company and a gain of approximately HK$54,075,000 was recorded.

PROSPECTS

Looking forward to 2021, the development of the novel coronavirus pandemic continues to bring uncertainties to the global economy. Factors such as the direction of diplomatic policies of the new U.S. government, the development of Sino-U.S. relations, geopolitical risks such as Brexit, the sustained low interest rate environment, the appreciation of the Renminbi and large-scale fiscal stimulus measures of various countries will likely affect the stability of the financial market. The above factors are likely to affect the Company's export-oriented industrial manufacturing business to various extent.

The Company will closely follow the development of the pandemic and the macro-economy, reasonably evaluate the situation of its subsidiaries and take decisive measures in a timely manner to make every effort to manage various risks and internal control, and actively promote the development of the Company on the premise of adhering to prudent operation and strict risk control.

In 2021, each industrial enterprise will enhance its marketing efforts, continue to consolidate its existing premium customer base, increase investment in automation transformation, and strengthen research and development effort to enhance competitiveness comprehensively. The plastic injection molding business will consolidate the high-quality customer base in the traditional market and strive to promote the growth of overseas business by the subsidiary in Vietnam. The plastic injection molding business will strive to enhance its comprehensive competitiveness, accelerate the expansion of the new intelligent equipment market, and cultivate the emerging new energy vehicle market. The smart charger business will achieve mass production of new products by strengthening research and development efforts, it will also strive to expand the application of lithium battery in electric bikes, power tools and robots, and actively cultivate the lithium battery inverter business, striving to become a new business growth point.

The PCB business will further enhance the level of intelligent manufacturing system and the capability of production process, and improve the capability of design, production and customer service with the application of big data. The business will strive to achieve breakthroughs in the research and development of carrier board products and strengthen the development of domestic and Japan markets while developing various products. The LCD business will carry out the transformation of LCD production lines to enhance automation capabilities, so as to improve the overall production efficiency.

Shenzhen Aerospace will actively improve the quality of customer service and property management so as to ensure that the occupancy rate of the office building and shopping mall of Shenzhen Aerospace Science & Technology Plaza maintains at a high and stable level.

2021 is the first year of the "14th Five-Year Plan". Under the global environment that is full of challenges and opportunities, the Company will adhere to stable operation, strive to expand new customers, new products and new markets, explore new economic growth points and ensure the sustainable development of the Company by improving management and competitiveness and actively maintaining existing customers. The Company will make every effort to build a new development pattern in accordance with the "14th Five-Year Plan". While strengthening the existing industrial layout, the Company will focus on the fields of advanced manufacturing, modern service industry and high-tech industry, make full use of domestic and international markets and two resources, develop new businesses with the core strategy of innovation-driven, capital operation and talent-oriented enterprise, and comprehensively expand the space for high-quality development.

APPRECIATION

On behalf of the Board, I express my profound gratitude to all the staff for their dedication and loyal services, especially those who stuck to their posts with unremitting efforts during the difficult time of the spread of the novel coronavirus. Grateful thanks are also due to shareholders, bankers, business partners and members of the community who have supported the Company's development all along.

By order of the Board,

Zhou Limin
Chairman and Executive Director

Hong Kong, 30 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS PERFORMANCE

The revenue of the Company and the subsidiaries from continuing and discontinued operations for the year ended 31 December 2020 was HK$3,580,121,000, representing an increase of 3.75% as compared with that of HK$3,450,824,000 for 2019. The profit of this year from continuing and discontinued operations was HK$378,565,000, representing a decrease of 13.54% as compared with that of HK$437,858,000 for 2019.

The decrease in profit was mainly due to the decrease in changes in fair value of investment properties and increase in operating costs and research & development expenses.

PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Profit attributable to the owners of the Company from continuing and discontinued operations was HK$296,681,000, representing a decrease of 12.32% as compared with that of HK$338,350,000 for 2019.

Based on the issued share capital of 3,085,022,000 shares during the year, the basic earnings per share from continuing and discontinued operations was HK9.62 cents, representing a decrease of 12.31% as compared with that of HK10.97 cents for 2019.

DIVIDENDS

The Board proposed the distribution of 2020 final dividend of HK2 cents per share, subject to the approval by shareholders at the annual general meeting to be held on 24 June 2021. If approved, warrants of which will be dispatched to all shareholders on or about 20 July 2021.

The distribution of 2019 final dividend of HK2 cent per share was approved by shareholders at the annual general meeting in June 2020 and warrants of which were dispatched to all shareholders on 20 July 2020.

RESULTS OF CORE BUSINESSES

The core businesses of the Company and the subsidiaries are the research and development, design, professional production, sales and services of plastic products, electronic products, power products and semiconductor products, as well as the operation of Shenzhen Aerospace Science & Technology Plaza.

The Company had established a five-year planning, which determined its positioning to become the benchmark of international development and market-driven operation of China Aerospace, with the core strategies being innovation-driven, capital operation, and talent-based enterprise. In the next few years, the Company will focus on the development of advanced manufacturing, modern services and high-tech industries, fully utilizing the resources from the markets in overseas and China, and comprehensively deepening reform to achieve high-quality development of the Company.

The revenue of the hi-tech manufacturing is the main source of the Company's revenue and that contributes a significant profit and cash flow. With the completion of Shenzhen Aerospace Science & Technology Plaza and that being turned into asset management, it brought in a stable income for the Company. The Company will continue to identify and develop new business opportunities to minimize its individual business risk.

Hi-tech Manufacturing

In 2020, the global outbreak of novel coronavirus brought a halt to the consumption activities in affected countries and cities. Overall demand plummeted and economic activities significantly weakened, hence seriously hampering global economy. In this tough time, hi-tech manufacturing industry overcame unfavourable factors, such as volatility of orders, obstructed supply chain, price surge of bulk materials and components as well as appreciation of Renminbi, yet the overall business was still affected to a considerable extent. Amidst the pandemic, the hi-tech manufacturing industries continued to place efforts on the exploration of high-end products and market development, enhance automation of production and maintain production scale and capacity. Meanwhile, they strived to reduce inventory and account receivables to stabilise our business and attain sustainable development.

In order to strengthen market competitiveness, enlarge business scale and expand overseas markets, the Company's subsidiary whose main business is injection molding products, Chee Yuen Industrial Company Limited, established a wholly-owned subsidiary in Vietnam in January 2020. It planned to install multiple production lines to manufacture plastics, molds, hardware, electronic products, etc. At the end of 2020, the installation and commissioning of phase one equipment had been completed. It is expected that inspection and examination of the project will be concluded in the first quarter of 2021, and production will commence in the second half of the year.

In 2020, the Company established a research and development academy, which is to focus on new technology development, research and development of hi-tech products, nurturing of high-caliber scientific research talents, and incubation of industrialised projects. The Company also requires all industrial enterprises to strengthen their research and development team, introduce industry experts and academics to carry out project's research and development, and provide support for the development of technology industry.

The revenue of the hi-tech manufacturing business for the year ended 31 December 2020 was HK$3,184,620,000, representing an increase of 5.72% as compared with last year; the operating profit was HK$235,768,000, representing an increase of 14.48% as compared with last year. The results of the hi-tech manufacturing business are shown below:

	Turnover (HK$'000)			Operating Profit (HK$'000)		
	2020	2019	Changes (%)	**2020**	2019	Changes (%)
Plastic Products	**1,118,922**	1,105,308	1.23	**52,728**	55,476	(4.95)
Printed Circuit Boards	**996,365**	861,194	15.70	**81,787**	52,494	55.80
Intelligent Chargers	**302,262**	352,480	(14.25)	**14,019**	10,877	28.89
Liquid Crystal Display	**753,589**	680,064	10.81	**59,508**	60,285	(1.29)
Industrial Property Investment	**13,482**	13,173	2.35	**27,726**	26,813	3.41
Total	**3,184,620**	3,012,219	5.72	**235,768**	205,945	14.48

Looking forward to 2021, the novel coronavirus pandemic will still bring various uncertainties. With the successive launch of vaccination and orderly injection by a number of countries, the pandemic is expected to be alleviated in the second half of the year. After the pandemic becomes under control, it is expected that the overall demand will boom in short term, thereby boosting global economic recovery as well as benefitting electronics and information technology industries. Nonetheless, to strive for better results, enterprises will adopt intense and cut-throat marketing approaches and it will be difficult to attain large profit growth. Besides, the continuous appreciation of Renminbi will affect the profit of export enterprises, such as those industrial enterprises under the Company.

At this unstable moment under the pandemic and in face of intense market competition, the hi-tech manufacturing business still needs to work hard to open up the mainland China and other overseas markets, tries its best to reduce inventory and accounts receivable, maintains business stability and continuous development; at the same time it will continue to develop high-end products and research and development of new technologies, improve production automation, maintain production scale and capacity to reverse the trend of business difficulties.

Shenzhen Aerospace Science & Technology Plaza

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 stable income to the Company. In 2020, 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 revenue of HK$385,261,000 and an operating profit of HK$309,927,000.

During the pandemic, Shenzhen Property Management reinforced the management and control of Shenzhen Aerospace Science & Technology Plaza and adopted various measures. For instance, some access was closed, major entries and exits were set, identity and temperature checks were strictly implemented for all entries, and cold and hot air circulation means for central air-conditioning were adjusted. Such measures have effectively blocked the channels for cross-infection to prevent the spread of pandemic.

As at 31 December 2020, Shenzhen Aerospace Science & Technology Plaza was valued at approximately RMB7,770,800,000 (2019: RMB7,772,000,000).

In 2021, Shenzhen Property Management will continue to do better in property management, paying special attention to anti-epidemic measures, public hygiene and safety management and take effective measures so as to improve the quality of property services, enhance facilities and equipment repairment and maintenance, maintain the optimal conditions and smooth operation of equipment such as power generators, air-conditioning system and power distribution rooms, and increase the satisfaction and praise of tenants. Meanwhile, promotion will be strengthened to increase pedestrian traffic, so as to escalate the overall value of Shenzhen Aerospace Science & Technology Plaza.

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

The performance of Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術(深圳)有限公司) ("Aerospace Digitnexus"), an indirect 72.128% owned subsidiary of the Company originally, was not ideal. As of April 2020, it recorded operating income of HK$149,000 only and an operating loss of HK$408,000.

In April 2020, Aerospace Digitnexus entered into a capital increase agreement with two new investors, pursuant to which the two new investors shall acquire approximately 28.1568% and 27.3036% of the enlarged equity interest at the consideration of RMB33,000,000 and RMB32,000,000 in cash, respectively. Upon the completion of the transaction, the Company's interest in Aerospace Digitnexus decreased to 32.1254% and Aerospace Digitnexus ceased to be an indirect subsidiary of the Company and the financial results of Aerospace Digitnexus will not be consolidated into the Company and its subsidiaries' financial statements.

In 2021, Aerospace Digitnexus should strive to improve its business model, elevate efficiency and reduce losses as soon as possible, whereas the Company will prudently consider the business sustainability of Aerospace Digitnexus with the other shareholders when appropriate.

ASSETS

(HK$'000)	**31 December 2020**	31 December 2019	Changes (%)
Non-Current Assets	**12,380,371**	11,656,155	6.21
Current Assets	**3,736,393**	3,049,116	22.54
Total Assets	**16,116,764**	14,705,271	9.60

The increase in non-current assets was mainly due to the increase in fixed assets and right-of-use assets, increase in investment in associated company, reclassification of long-term bank deposits, the change in foreign exchange rate and the offsetting of investment from the book value reduction of Hainan Aerospace; the increase in current assets was mainly due to the recovery of investment of Hainan Aerospace upon the increased bank deposits. The equity attributable to shareholders of the Company was HK$7,925,975,000, representing an increase of 9.39% as compared with that of HK$7,245,792,000 as at the end of 2019. 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$2.57.

As at 31 December 2020, a cash deposit of HK$52,957,000 and bills receivable of HK$145,566,000 of the Company and the subsidiaries had been pledged to banks to obtain credit facilities. In addition, property right certificates at an approximate value of RMB1,900,000,000 of Shenzhen Aerospace Science & Technology Plaza were mortgaged by Shenzhen Aerospace to Aerospace Science & Technology Finance Company Limited* (航天科技財務有限責任公司) as a guarantee of repayment of a 12-year term loan in the amount of RMB1,300,000,000. Details of which please refer to the Company's announcement published on 30 August 2016.

LIABILITIES

(HK$'000)	**31 December 2020**	31 December 2019	Changes (%)
Non-Current Liabilities	**4,208,670**	3,954,619	6.42
Current Liabilities	**1,622,356**	1,369,666	18.45
Total Liabilities	**5,831,026**	5,324,285	9.52

The increase in both non-current liabilities and current liabilities were mainly due to the impact of exchange rate differences arising from the conversion of liabilities denominated in foreign currencies into Hong Kong dollars.

As at 31 December 2020, the Company and the subsidiaries had other borrowings of HK$1,536,472,000.

OPERATING EXPENSES

The administrative expenses from continuing and discontinued operations of the Company and the subsidiaries in 2020 were HK$372,470,000, representing an increase of 14.4%, mainly due to the increase in labor costs and depreciation and amortization expenses as compared with last year. The finance costs from continuing and discontinued operations of the Company and the subsidiaries amounted to HK$72,188,000, representing a decrease of 3.8% as compared with last year.

CONTINGENT LIABILITIES

As at 31 December 2020, the Company and the subsidiaries did not have any other material contingent liabilities.

FINANCIAL RATIOS

	2020	2019
Gross Profit Margin from Continuing and Discontinued Operations	**27.02%**	26.31%
Return from Continuing and Discontinued Operations on Net Assets	**3.68%**	4.67%

	31 December 2020	31 December 2019
Assets-Liabilities Ratio	**36.18%**	36.21%
Current Ratio	**2.30**	2.23
Quick Ratio	**2.02**	1.96

LIQUIDITY

The source of funds of the Company and the subsidiaries mainly relies on internal resources and banking facilities. As at 31 December 2020, the free cash and bank balance amounted to HK$1,985,862,000, the majority of which were in Hong Kong Dollars and Renminbi.

CAPITAL EXPENDITURE AND INVESTMENT COMMITMENT

As at 31 December 2020, the capital commitments of the Company and the relevant subsidiaries contracted for but not provided in the consolidated financial statements was approximately HK$142,457,000, 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

In 2020, under the premise of attaching great importance to the health of employees, the Company and its subsidiaries had taken certain anti-epidemic measures, including requiring employees to actively declare travel records, allowing flexible commuting and lunch time, free distribution of masks and disinfecting alcohol, arranging employees to participate in anti-epidemic training seminars, reducing physical meetings by means of video conferences, work from home on a shift basis etc. These helped to protect the health of employees and their family members from infection and avoided infecting other colleagues which in turn affected the daily operation of the companies. On the other hand, the subsidiaries arranged staff from low-risk areas to work in advance and paid the basic salary during their isolation period. For those staff being held up, pandemic prevention measures were required while subsidies were offered.

In 2021, with vaccination commencing around the world, the pandemic is set to be alleviated. Nonetheless, the Company and its subsidiaries would still stay alert, and continuously adopt appropriate and stringent pandemic prevention measures to prevent the spread of the virus.

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 2020, the Company and the subsidiaries had a total of approximately 6,780 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,

Jin Xuesheng
Executive Director and President

Hong Kong, 30 March 2021

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 2020, the Board of Directors of the Company comprised the Executive Directors, namely, Mr Zhou Limin (Chairman) (appointed on 29 September 2020), Mr Jin Xuesheng (President) and Mr Liu Meixuan (Chairman) (resigned on 29 September 2020); the Non-Executive Directors, namely, Mr Liu Xudong, Mr Hua Chongzhi (appointed on 16 April 2020), Mr Mao Yijin and Mr Xu Liangwei (retired on 16 April 2020); and the Independent Non-Executive Directors, namely, Mr Luo Zhenbang, Ms Leung Sau Fan, Sylvia and Mr Wang Xiaojun. Each of the Directors is not related to each other in financial, business or family aspects.

The Chairman of the Company is Mr Zhou Limin (appointed on 29 September 2020) and was Mr Liu Meixuan (Chairman) (resigned on 29 September 2020), whereas the President of the Company is Mr Jin Xuesheng. Mr Zhou Limin, Mr Jin Xuesheng and Mr Liu Meixuan 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 information on re-election of Directors including 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 2020, 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. 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. In addition, Mr Luo Zhenbang has been an 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.

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 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, other 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 2020. 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 2020 is set out below (due to the ongoing novel coronavirus pandemic and the compulsory isolation policy of arrivals implemented by the Hong Kong government, Mr Liu Meixuan, the former Chairman, and Mr Luo Zhenbang, the Chairman of the Audit Committee, who were in mainland China and were unable to attend the annual general 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
Zhou Limin	0	0	1	1
Jin Xuesheng	1	1	4	4
Liu Xudong	1	0	4	4
Hua Chongzhi	1	0	3	3
Mao Yijin	1	0	4	4
Luo Zhenbang	1	0	4	4
Leung Sau Fan, Sylvia	1	1	4	4
Wang Xiaojun	1	1	4	4
Liu Meixuan	1	0	3	2
Xu Liangwei	0	0	1	1

CORPORATE GOVERNANCE POLICY

The Board is responsible for the Company's corporate governance and shall review and approve the Company's corporate governance in board meeting(s) in a timely manner. This includes but not limited to reviewing the effectiveness and sufficiency of corporate governance measures and policies, reviewing the training arrangements of Directors and senior management, whether the Company'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 2020, the Company held four board meetings, and Mr Zhou Limin, the Chairman, and Mr Liu Meixuan, the former Chairman, also convened a meeting with the Independent Non-Executive Directors without the presence of other Directors and management officers, respectively.

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 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 or the relevant committee at the immediate following meeting. Final versions of the board minutes are sent to all Directors for record. 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 Audit Committee, Remuneration Committee and Nomination Committee, all of which respectively monitor the Company's governance such as financial situation, directors and senior management's remuneration policy, and nomination of directors. The Committees are governed by their respective Terms of Reference and accountable to the Board. The Terms of Reference of respective committees can be downloaded on the websites of both The Hong Kong Exchanges and Clearing Limited and the Company for reference.

Audit Committee

In 2020, the Audit Committee 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 2020 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 General Manager of Finance Department, the General Manager of Internal Audit & Risk Management Department and the Company Secretary attended both meetings, whereas the Chief Accountant attended once.

The Audit Committee had also reviewed, discussed and approved the financial statements for the year ended 31 December 2020.

The attendance record of Audit Committee members during 2020 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 2020, the Remuneration Committee comprises Ms Leung Sau Fan, Sylvia (Chairman) and Mr Wang Xiaojun, both being Independent Non-Executive Directors, and Mr Hua Chongzhi (appointed on 16 April 2020) and Mr Xu Liangwei (retired on 16 April 2020), both being Non-Executive Directors. 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 2020 for the purpose of reviewing the remuneration and the appraisal policy of the Company's Directors and senior management. The Deputy General Manager of General Affairs Department and the Company Secretary attended the meeting. In 2020, no Director was involved in deciding his/her remuneration.

The attendance record of Remuneration Committee members during 2020 is set out below:

	Number of meetings eligible to attend	Number of attendance
Leung Sau Fan, Sylvia	1	1
Wang Xiaojun	1	1
Hua Chongzhi	0	0
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 2020, the Nomination Committee comprises Mr Zhou Limin (Chairman) (appointed on 29 September 2020) and Mr Liu Meixuan (Chairman) (resigned on 29 September 2020), both the Chairman and Executive Directors, and Mr Liu Xudong (appointed on 16 April 2020) and Mr Xu Liangwei (retired on 16 April 2020), both 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, size and composition 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 non-executive 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 can 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 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 2020 while the Company Secretary attended both meetings. The Nomination Committee reviewed the structure of the Board, confirmed the rotation list of Directors at the Annual General Meeting, and reviewed the independency of each of the Independent Non-Executive Directors and confirmed all of them are independent, and the Board, based on the recommendation of the Nomination Committee, also confirmed that all of them have an independency. The Nomination Committee also reviewed a candidate for election as a director and made recommendations to the Board of Directors.

The attendance record of Nomination Committee members during 2020 is set out below:

	Number of meetings eligible to attend	Number of attendance
Zhou Limin	0	0
Luo Zhenbang	2	2
Leung Sau Fan, Sylvia	2	2
Wang Xiaojun	2	2
Liu Xudong	1	1
Liu Meixuan	2	1
Xu Liangwei	1	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 2020, the Company arranged a professional institute to conduct training regarding the Stock Exchange's latest amendment to the "Environmental, Social and Governance Report" to the Directors and other management and all Directors were attended. All Directors also participated other trainings according to their own needs and provided a training record during 2020 to the Company pursuant to the *Corporate Governance Code and Corporate Governance Report*. On the other hand, the Company Secretary also conducted a training to the Executive Directors and the other management regarding the regulations of connected transactions under the Listing Rules.

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 other management.

COMPANY SECRETARY

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

The Company Secretary of the Company is Mr Chan Ka Kin, Ken, a member of the Hong Kong Institute of Chartered Secretaries, who has been serving the Company for many years and he had taken not less than 15 hours' professional training in 2020 which met the requirements as stipulated in Rules 3.28 and 3.29 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 the Internal Audit & Risk Management 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 Company reviews the internal control of such subsidiaries 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, including 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 counterparty 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, and 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 inside information must refrain from dealing in the Company's securities on the date 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.

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 so as 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 2020, 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 2020, 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 2020, the Company paid a total of approximately HK$5,185,000 to the auditor, of which included an audit fee of approximately HK$3,990,000 and a non-audit fee of approximately HK$1,195,000. 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 material 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 June 2020. 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 2019, the payment of a final dividend, re-election of Directors, remuneration fixing of Directors, the re-election of auditors and authorization to the Board in fixing remuneration to auditors, and 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. The results of resolutions were verified by the share registrar, 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 2020.

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. 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 it 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 2020, the issued share capital was approximately 3,085,022,000 shares, and the market capitalization was about HK$1,403,685,000.

As at 31 December 2020, the Company had total registered shareholders of 1,029, 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 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company had complied throughout the reporting period for the year ended 31 December 2020 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 above-mentioned risk management and internal control system is effective.

CORE BUSINESSES

The Company and its subsidiaries mainly engage in the research and development, design, specialized production, sales and services of plastic products, semiconductor products, electronic products and power products, as well as the operations 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 operating cash flow. Following the completion of Shenzhen Aerospace Science & Technology Plaza and that being turned into asset management, it brought in constant rental income for the Company. The Company will continue to identify and implement the development of new business opportunities with a view to minimize individual business risk.

CORPORATE SOCIAL RESPONSIBILITY

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

Major scope of coverage

Unless otherwise stated, the Environmental, Social and Governance Report (the "Report") identifies the scope of reporting based on the materiality principle and considers the core business, main revenue source and the relationship between business and environment, social and governance. The environmental, social and governance performance disclosed in this Report includes several major enterprises incorporated in Mainland China in hi-tech manufacturing business, responsible for manufacturing and selling plastic products, semiconductor products, electronic products and power products (hereinafter referred to as "Major Industrial Enterprise(s)"), where their revenues and profits accounted for a significant portion of their respective businesses, as well as a property management company, an indirect subsidiary of the Company incorporated in Mainland China, responsible for property management of Shenzhen Aerospace Science & Technology Plaza (hereinafter referred to as "Property Management Company"), which accounted for all revenue and profit of the operations of Shenzhen Aerospace Science & Technology Plaza. All these companies are referred to as "Major Operating Enterprises".

Unless otherwise stated, the data for 2019 and 2020 in the Report adopts the same calculation method and is thus sustainable and comparable.

A. Environment

General disclosure

Emission

The Major Industrial Enterprises are principally engaged in manufacturing and selling plastic products, semiconductor products, electronic products and power products and will consume electricity, water resources and various materials while 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 concerns of each Major Operating Enterprise. Shall the law of environmental protection be severely violated, the government may request for rectification and fines or even mandatorily suspend the operation, where the production progress would definitely be affected, thereby, hampering the Company's overall business results.

The 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 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 and relevant standards and regulations. These management systems are formulated and implemented by the management of respective enterprises. 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 logos and treated in a centralized manner, while domestic wastes are handled by environment and hygiene administration. For the treatment of hazardous waste, the Major Operating Enterprises will report it through the designated webpage of local environmental protection bureaus, and that will be recovered by those companies with hazardous waste recycling permits, whereas those general wastes will be recycled by qualified waste recycling companies. Besides, each Major Operating Enterprise has also engaged qualified professional companies to examine whether their noise, exhaust gas and waste water emission levels exceed the stipulated standard, and to dispose of and recycle various hazardous industrial wastes. Corresponding wastes are reduced and lowered in an effort to control and reduce pollution on communities.

For the industrial enterprise mainly engages in the manufacturing of print circuit board, major exhaust gases generated during the course of manufacturing are nitrogen oxides and hydrogen chloride. Emissions in 2020 slightly increased as compared with that of 2019, mainly due to the increase in production volume in 2020, which in turn correspondingly increased the amount of exhaust gas generated. Apart from the overall usage of environmental-friendly fuel, petrol and diesel, which was roughly the same as compared to the previous year, the overall power consumption of the Major Industrial Enterprises slightly increased as compared with that of 2019, while water consumption as well as waste and greenhouse gas emissions also slightly increased as compared with that of 2019, mainly as a result of the increase in production volume in 2020. On the other hand, three industrial enterprises used liquefied petroleum gas in 2019 and completely replaced by natural gas in 2020. One industrial enterprise and the Property Management Company still used liquefied petroleum gas instead of natural gas in the same period. Accordingly, the usage data of liquefied petroleum gas and natural gas for 2019 and 2020 is not comparable.

In 2020, power consumption and water consumption are roughly the same with that of 2019. Diesel consumption as well as waste, exhaust gas and greenhouse gas emission of the Property Management Company slightly increased as compared with that of 2019. The main reason was the increase in the number of tenants dining in their offices in Shenzhen Aerospace Science & Technology Plaza under the influence of the pandemic in 2020, which correspondingly increased power consumption, water consumption and wastes, and therefore increased the emission of greenhouse gases. Besides, apart from daily maintenance, a power outage in 2020 caused the usage of reserve diesel power generator and thus generated little emission of exhaust gas.

All Major Operating Enterprises must comply with and formulate corresponding measures regarding laws and requirements related to environmental protection, mainly the Atmospheric Pollution Prevention and Control Law, Energy Conservation Law, Cleaner Production Promotion Law, Environmental Protection Tax Law, Solid Wastes Prevention Law, National Hazardous Waste Inventory 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.

The Atmospheric Pollution Prevention and Control Law aims to protect and improve the environment, prevent and control atmospheric pollution, safeguard the health of the general public. The Energy Conservation Law aims to promote energy conservation in the whole society, enhance energy utilization efficiency, protect and improve the environment, and promote comprehensive, coordinated and sustainable economic and social development. The Cleaner Production Promotion Law aims to promote cleaner production, raise the efficiency of utilization of resources, reduce and avoid the generation of pollutants, protect and improve the environment, safeguard the health of the general public, and promote the sustainable development of economy and society. The Environmental Protection Tax Law levies environmental protection tax on enterprises and other manufacturers and operators who directly emit pollutants to the environment in order to protect and improve the environment as well as to reduce pollutant discharges. The Solid Wastes Prevention Law aims to protect and improve the ecological environment, prevent and control environmental pollution by solid wastes, safeguard the health of the general public, maintain the ecological safety, promote modern ecological construction as well as promote the sustainable development of the economy and society. The National Hazardous Waste Inventory determines the solid wastes mixing hazardous wastes and other substances, as well as the categories of solid wastes upon the utilization and disposal of hazardous wastes. The Law on Prevention and Control of Pollution from Environmental Noise aims to prevent and control environmental noise pollution, protect and improve the living environment, safeguard the health of the general public and promote economic and social development.

According to the Environmental Protection Tax Law effective in 2018 in Mainland China, requirements on regulating the pollutants discharge for enterprises are becoming 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 be paid since no direct discharge of pollutants was made to the environment. In case the amount of pollutant emissions of the Major Industrial Enterprises continuously increases, the environmental protection tax burden will increase accordingly and thus affects their profits.

In 2020, with reference to the above measures adopted, the wastes, pollutants and noise emitted by each Major Operating Enterprise generally complied with the standard prescribed by laws and did not have material violations of the law requirements related to environmental protection. Also, no incident exerting material adverse impact on the environment was noted.

Use of resources

The Company requires its subsidiaries to adopt appropriate environmental protection measures in their daily operations to minimize emissions of, among others, wastes, pollutants and noises, with a long-term goal of gradually reducing emissions. The Company and its subsidiaries have entirely utilized office automation system since the beginning of 2019, whereby their staff could make use of different parts of the system based on their respective authorities, including internal communication, documents receipt and transmission as well as circulation of messages, rules and systems, hence accelerating the speed of document transmission and reducing paper usage. On the other hand, the Company always encourages staff to reduce the consumption of natural resources and adopts 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. 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, utilized rain collection system to store water for cleaning and environmental friendly water use, 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 recycleable packaging materials instead of disposables. For the Property Management Company, power supply with high demand level is used to replace that with massive power consumption. Statistics and analysis on total power consumption are made on a monthly basis, so that prompt response could be made in case of abnormality. Besides, automatic on-off switching equipment and lighting are adopted in public areas, and room temperature is adjusted according to outdoor temperature, so that unnecessary consumption of natural resources and environmental pollution could be reduced.

Environment and natural resources

The Major Industrial Enterprises, as manufacturers of electronic products, may affect the environment mainly due to emission of exhaust gases (such as sulphur oxides, nitrogen oxides, hydrogen chloride and particulate matter), greenhouse gases (such as carbon dioxide) 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 gases, greenhouse gases, generation of 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 its 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. Each of the Major Operating Enterprises had obtained the certification of Environmental Management System Standard (ISO14001) in hope of reducing the impact of operations to the environment.

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

Emissions			2019	Intensity (consumption per employee)	**2020**	**Intensity (consumption per employee)**
A1.	Exhaust gas emission	Sulphur oxides	0.29 kilogram	0.000057 kilogram	**0.24 kilogram**	**0.000041 kilogram**
		Nitrogen oxides	810.55 kilograms	0.16 kilogram	**840.53 kilograms**	**0.15 kilogram**
		Hydrogen chloride	243 kilograms	0.047 kilogram	**252 kilograms**	**0.044 kilogram**
		Particulate matter	2.49 kilograms	0.00049 kilogram	**3.43 kilograms**	**0.00059 kilogram**
A1.2	Total direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions and intensity	Scope 1 (tonnes of carbon dioxide equivalent)	64,142 tonnes	12.51 tonnes	**64,389 tonnes**	**11.13 tonnes**
		Scope 2 (tonnes of carbon dioxide equivalent)	91,002 tonnes	17.75 tonnes	**97,452 tonnes**	**16.85 tonnes**
A1.3	Total hazardous waste produced and intensity		1,442 tonnes	0.28 tonne	**1,690 tonnes**	**0.29 tonne**
A1.4	Total non-hazardous waste produced and intensity		3,690 tonnes	0.72 tonne	**4,157 tonnes**	**0.72 tonne**
Use of Resources						
A2.1	Total direct and indirect energy consumption and intensity	Electricity	114,605,562 kilowatt hours	22,358 kilowatt hours	**127,318,522 kilowatt hours**	**22,008 kilowatt hours**
		Liquefied petroleum gas(note)	83,130 kilograms	16.22 kilograms	**10,851 kilograms**	**1.88 kilograms**
		Natural gas(note)	0 kilogram	0 kilogram	**90,550 kilograms**	**15.65 kilograms**
		Environmental-friendly fuel	24,296 liters	4.74 liters	**25,700 liters**	**4.44 liters**
		Gasoline	47,454 liters	9.26 liters	**49,155 liters**	**8.50 liters**
		Diesel	18,838 liters	3.68 liters	**18,583 liters**	**3.21 liters**
A2.2	Total water consumption and intensity		1,619,397 tonnes	315.92 tonnes	**1,666,127 tonnes**	**288.01 tonnes**
A2.5	Total packaging material used and consumption per production unit		1,903 tonnes	0.37 tonne	**2,071 tonnes**	**0.36 tonne**

Note: A2.1 Three Industrial Enterprises used liquefied petroleum gas in 2019 and completely used natural gas in 2020. An Industrial Enterprise and the Property Management Company still used liquefied petroleum gas instead of natural gas in the same period. Accordingly, the usage data of liquefied petroleum gas and natural gas for 2019 and 2020 is not comparable.

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 help to maintain a comparatively stable working environment for employees. All employees enjoy equal opportunity and the salary policy is based on their qualification, experience and work performance 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 the laws and requirements related to employment, mainly the Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China, 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.

The Labour Law of the People's Republic of China aims to protect the legitimate rights and interests of labourers, readjust labour relationship, establish and safeguard the labour system suiting the socialist market economy, and promote economic development and social progress. The Labour Contract Law of the People's Republic of China aims to improve the labour contractual system, clarify the rights and obligations of both parties of labour contracts, protect the legitimate rights and interests of employees, and establish and develop a harmonious and stable employment relationship. The Provisions on Prohibition of Using Child Labour protects the physical and psychological health of the minors, promotes the implementation of compulsory education system and safeguards the legal rights and interests of the minors. The Protection System for Women Labour and Underage Labour aims to enhance the protection of women labour and the underaged.

In 2020, with reference to the above measures adopted, all Major Operating Enterprises generally complied with the law requirements and did not have material violations of 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, mainly including the establishment of methods for evaluation, disposal and administration of hazard sources, various rules and methods for safe operation as well as the corresponding methods for administration of safety performance. Individual Industrial Enterprises have also implemented SA8000 (social responsibility standards) management systems. 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 have passed the assessment.

In 2020, on the premise of highly valuing the health of their staff, the Company and its subsidiaries have adopted a number of pandemic prevention measures, such as requesting their staff to take the initiative to declare their travel history, flexible working and lunch hours, free distribution of masks and disinfection alcohol, arranging pandemic prevention trainings and seminars, reducing physical meetings by way of conference call and allowing staff to work at home on shift basis. Such efforts did not only prevent staff and their families from infection, but also avoided spread to other staff which would affect the daily operation of the Company and its subsidiaries. On the other hand, the subsidiaries arranged staff from low-risk areas to work in advance and paid the basic salary during their isolation period. For those staff being held up, pandemic prevention measures were required while subsidies were offered.

In 2021, with vaccination commencing around the world, the novel coronavirus pandemic is set to be alleviated. Nonetheless, the Company and its subsidiaries would still stay alert, and continuously adopt appropriate and stringent pandemic prevention measures to prevent the spread of the virus.

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

The Labour Law of the People's Republic of China aims to protect the legitimate rights and interests of labour, readjust labour relationship, establish and safeguard the labour system suiting the socialist market economy, and promote economic development and social progress. The Production Safety Law of the People's Republic of China aims to enhance safe production, prevent and reduce safety accidents, defend the safety of life and property of the masses, and promote the continuous and healthy development of the economy and the society. The Law on the Prevention and Treatment of Occupational Diseases of the People's Republic of China aims to prevent, control and eliminate the harm of occupational diseases, prevent and treat occupational diseases, protect the health and relevant rights and interests of the labour, and promote the economic development. The Fire Control Law of the People's Republic of China aims to prevent fire and reduce fire damage, improve emergency rescue, safeguard citizen's personal security and security of property, and uphold public security.

In 2020, with reference to the above measures adopted, all Major Operating Enterprises generally complied with the law requirements and did not have material violations of the law requirements related to employees' health and occupational safety. Though the total number of working days lost due to work-related injuries increased as compared with last year, no work-related fatalities nor incident exerting material adverse impact was noted.

Development and trainings

The Company and its subsidiaries will subsidize appropriately 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 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 arranges employees to attend ball games and other recreational activities organized internally by the enterprises.

Labour standards

The Company and its subsidiaries expressively stipulate that no child labour of less than 16 years old will be employed and endeavour 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 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, and to 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 any child labour is employed out of negligence, it will 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 2020, certain Major Industrial Enterprises were affected by a relatively high turnover rate. The turnover rate of employees aged below 30, especially male, was higher than that of 2019, 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, and as a traditional industry, the aging of employment is very obvious. The turnover of Property Management Company was also similar with an increase in turnover rate. Overall, the problem of turnover rate is still obvious. 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 the laws and requirements related to labour protection, mainly the Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China, 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 2020, with reference to the above measures adopted, all Major Operating Enterprises generally complied with the law requirements and did not have material violations of 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 2020, all Major Operating Enterprises had a total of approximately 5,785 employees (31 December 2019: approximately 5,126 employees).

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

Employment	Indicator			2019 Total persons	2020 Total persons
B1.1	Total workforce by gender, employment type, age group and geographical region	Gender	Male	3,054	3,442
			Female	2,072	2,343
		Employee category	Full-time	5,096	5,785
			Part-time	30	0
		Age group	18–30	2,305	2,682
			Above 30	2,821	3,103
		Location	Mainland China	5,126	5,785
			Other than China	0	0
B1.2	Employee turnover rate by gender, age group and geographical region	Gender	Male	39.60%	46.21%
			Female	36.04%	43.31%
		Age group	18–30	47.96%	54.62%
			Above 30	28.87%	36.90%
		Location	Mainland China	38.15%	45.00%
			Other than China	N/A	N/A

Safety	Indicator	2018	2019	2020
B2.1	Number and rate of work-related fatalities occurred in each of the past three years	0(0%)	0(0%)	0(0%)
B2.2	Lost working days due to work injury	371 days	22 days	173 days

Development and Training	Indicator			2019	2020
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	17–63 hours	23–50 hours
			Female	17–25 hours	23–28 hours
		Middle management	Male	22–52 hours	29–53 hours
			Female	22–52 hours	29–53 hours
		Other employees	Male	16–139 hours	17–108 hours
			Female	16–139 hours	17–108 hours

B. 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 time 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 time and never defer payment without cause to ensure non-disruption 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, and request suppliers to provide their basic information and product samples as the basis for selection.

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, which includes product quality control methods and complaint handling. To ensure product and service quality, each of the industrial enterprises has 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. Each of the industrial enterprises has also extended the implementation of ISO14001 Environment Management System Standard to its suppliers, while continuously examine the packaging of all products and unleash more possibilities for lowering the demand for raw materials in an innovative manner.

For procurement and supply chain management, all employees must strictly comply with all integrity systems, and keep the enterprises' trade secret confidential. Those enterprises 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 the law and requirements related to supply chain management, mainly the Anti-Money Laundering Law of the People's Republic of China, Anti-Unfair Competition Law of the People's Republic of China, Anti-Monopoly Law of the People's Republic of China, Bidding Law of the People's Republic of China 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.

The Anti-Money Laundering Law of the People's Republic of China aims to prevent money-laundering, preserve financial order, and check the crime of money-laundering as well as related crimes. The Anti-Unfair Competition Law of the People's Republic of China aims to safeguard the healthy development of socialist market economy, encourage and protect fair competition, repress unfair competition acts, and protect the lawful rights and interests of business operators and consumers. The Anti-Monopoly Law of the People's Republic of China aims to prevent and restrain monopolistic conducts, protect fair market competition, enhance economic efficiency, safeguard the interests of consumers and the interests of the society as a whole, and promote the healthy development of socialist market economy. The Bidding Law of the People's Republic of China aims to regulate bid invitation and bidding activities, protect the interests of the State and the public as well as the lawful rights and interests of the parties involved in bid invitation and bidding activities, increase economic benefits and ensure project quality. The Interim Provisions on Banning Commercial Bribery aim to curb commercial bribery and maintain fair competition and order.

In 2020, with reference to the above measures adopted, all Major Operating Enterprises generally complied with the law requirements and did not have material violations of the law requirements related to supply chain management. Also, no incident exerting material adverse impact was noted.

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

		2019			2020		
	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	1,290	18%	82%	1,104	17%	83%

Product responsibility

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 2020, products of the Industrial Enterprises had no significant quality problems.

The Property Management Company mainly provides property management services to the tenants. It frequently improves service quality in correspondence to tenants' opinion. In 2020, the Property Management Company implemented a tenant's opinion survey, and the main opinions of which related to the demand for improving sanitation, complaining about indoor smoking of certain tenants, and strengthening management, etc., no significant complaints arising from health and safety were received by the Property Management Company and certain tenants were revisited after rectification. During the period, the Property Management Company could basically handle tenants' complaints and repaired equipment and facilities on a timely basis, and maintained its equipment and facilities in good conditions, which was well praised among tenants. No significant safe production incidents nor fire incidents occurred during the whole year.

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 (ISO9001), Environmental Management System Standard (ISO14001), Occupational Health and Safety Administration System Standard (OHSAS18001), Restriction of Hazardous Substances Directive (ROHS2.0), Quality System Requirements for Automotive Products and Services (ISO/TS16949) and Social Accountability Standard (SA8000) and so on. Certain 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.

Each of the Major Industrial Enterprise has established methods of product quality inspection. It will be carried out during purchase of materials, manufacturing and delivery. In case of complaints or recall of products, the Industrial Enterprises will conduct sufficient communication with the counterparty, track, curb, assess and dispose unqualified products, and take provisional measures to avoid similar problems. In the meantime, the Industrial 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.

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

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

The Company Law of the People's Republic of China aims to standardize the organization and behaviour of companies, protect the legitimate rights and interests of companies, shareholders and creditors, maintain the socio-economic order and promote the development of the socialist market economy. The Property Law of the People's Republic of China aims to uphold the basic economic system of the State, maintain the order of the socialist market economy, define the attribution of things, give play to the usefulness of things and protect the property right of obligees. The Product Quality Law of the People's Republic of China aims to strengthen the supervision and control over product quality, improve product quality, define the liability relating thereto, protect the legitimate rights and interests of consumers and safeguard the social and economic order. The Tort Law of the People's Republic of China aims to protect the legitimate rights and interests of civil subjects, define tort liability, prevent and punish acts of tort, and promote social harmony and stability. The Trademark Law of the People's Republic of China aims to improve the administration of trademarks, protect the exclusive right to the use of a trademark, and encourage producers and dealers to guarantee the quality of their goods and services and preserve the credibility of trademarks, so as to protect the interests of consumers, producers and dealers and promote the development of the socialist market economy. The Patent Law of the People's Republic of China aims to protect patent rights for inventions-creations, encourage inventions-creations, facilitate the wide application of inventions-creations, promote the progress and innovation of science and technology, and meet the needs of the socialist modernization drive.

In 2020, with reference to the above measures adopted, all Major Operating Enterprises generally complied with the law requirements and did not have material violations of the law requirements related to product liabilities. Also, no incident exerting material adverse impact was noted.

The Civic Code of the People's Republic of China, implemented on 1 January 2021, mainly adjusts the personal and property relations among civic entities, protects personal rights, property rights and other legitimate interests from being infringed by laws. The Marriage Law, the Inheritance Law, the General Principles of the Civil Law, the Adoption Law, the Guarantee Law, the Contract Law, the Property Rights Law, the Tort Law and the Master Principles of the Civil Law are simultaneously repealed. All Major Operating Enterprises will comply with the relevant requirements under the Civic Code.

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

	Indicator	2019	**2020**
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	0%	**0%**
B6.2	Number of products and service related complaints received	636	**401**

Anti-corruption

Each Major Operating Enterprise has established relevant anti-corruption rules. Any employees who find 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. Individual Industrial Enterprises also organize trainings and seminars on integrity for their staff.

In 2020, the Major Operating Enterprises did not receive any complaint from any organization or individual against an employee's misconduct or other illegal activities.

All Major Operating Enterprises must comply with the laws and requirements related to anti-corruption, mainly the Anti-Money Laundering Law of the People's Republic of China, Anti-Unfair Competition Law of the People's Republic of China, Anti-Monopoly Law of the People's Republic of China, Bidding Law of the People's Republic of China 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.

The Anti-Money Laundering Law of the People's Republic of China aims to prevent money-laundering, preserve financial order, and check the crime of money-laundering as well as related crimes. The Anti-Unfair Competition Law of the People's Republic of China aims to safeguard the healthy development of socialist market economy, encourage and protect fair competition, repress unfair competition acts, and protect the lawful rights and interests of business operators and consumers. The Anti-Monopoly Law of the People's Republic of China aims to prevent and restrain monopolistic conducts, protect fair market competition, enhance economic efficiency, safeguard the interests of consumers and the interests of the society as a whole, and promote the healthy development of socialist market economy. The Bidding Law of the People's Republic of China aims to regulate bid invitation and bidding activities, protect the interests of the State and the public as well as the lawful rights and interests of the parties involved in bid invitation and bidding activities, increase economic benefits and ensure project quality. The Interim Provisions on Banning Commercial Bribery aim to curb commercial bribery and maintain fair competition and order.

In 2020, with reference to the above measures adopted, all Major Operating Enterprises generally complied with the law requirements and did not have material violations of the law requirements related to anti-corruption. Also, no incident exerting material adverse impact was noted.

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

	Indicator	2019	2020
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.

In 2020, no volunteer activity was organized by the Major Operating Enterprises due to the outbreak of novel coronavirus pandemic to reduce infection risk among staff and to prevent further spread of the pandemic. Certain Industrial Enterprises sent donations collected from staff to medical practitioners, primary schools and relatives of staff who are in serious health condition, so as to express their love and care to the community.

CONCLUSION

The Company believes that the implementation of current measures on environmental protection and social responsibility is sufficient in compliance with relevant laws 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 30 March 2021.

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		B8.1	Focus areas of contribution	35
		B8.2	Resources contributed to the focus areas	35

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr Zhou Limin, aged 57, the Chairman and Executive Director of the Company, a Researcher, graduated from National University of Defense Technology with a master degree. From 1989 to 2002, he worked in the 11th Institute of 067 Base, and served as Designer, Deputy Supervisor, Deputy Supervisor and Supervisor of the Pressure Vessel Design Office, Director of the Operation and Development Department, Assistant to Director General and Deputy Director General. From 2002 to 2008, he served successively as Deputy Director General and Director General of Beijing Aerospace Propulsion Research Institute. From 2008 to September 2020, he served as Deputy Dean of Academy of Aerospace Propulsion Technology, during which he also served as Director of Beijing Shenzhou Aerospace Software Technology Co., Ltd., Chairman of East China Chemical Engineering Inc., Director General of Beijing Aerospace Propulsion Research Institute, Chairman of Beijing Aerospace Petrochemical Technology & Equipment Engineering Corporation Limited, Beijing Aerospace Petrochemical Technology Energy Conservation & Environmental Protection Corporation Limited, Xi'an Huawei Chemical & Biological Engineering Co., Ltd and China Chang Jiang Energy Corporation; he also served as Chairman of Shaanxi Aerospace Power Hi-tech Co. Ltd, shares of which are listed on Shanghai Stock Exchange (stock code: 600434), from June 2017 to February 2020. Mr Zhou possesses ample experience in enterprise management. In September 2020, he was appointed as the Chairman and Executive Director of the Company.

Mr Jin Xuesheng, aged 58, a Senior Engineer, is the Executive Director and President of the Company. He graduated from Harbin Institute of Technology with a bachelor's degree in engineering 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 and appointed as Executive Vice President in May 2010. He resigned the position of Executive Director in December 2018 but remained the position of Executive Vice President. In December 2019, he was appointed as the Executive Director and President.

Mr Luo Zhenbang, aged 54, is an Independent Non-Executive Director of the Company and a director and managing partner of BDO China Shu Lun Pan Certified Public Accountants LLP. 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, Avic Heavy Machinery Co. Ltd., Digital China Information Service Company Ltd., shares of which are listed on Shenzhen Stock Exchange (stock code: 000555), 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), 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 BII Railway Transportation Technology Holdings Company Limited (formerly known as China City Railway Transportation Technology Holdings Company Limited), shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 1522), Guorui Properties Limited, shares of which are listed on The Stock Exchange of Hong Kong (stock code: 2329), and Cowell e Holdings Inc., shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 1415). 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 57, 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. Ms Leung is a Responsible Officer of an entity that licensed to conduct, among others, type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, and is an independent non-executive director of Poly Property Group Co., Limited (stock code: 119), shares of which is listed on The Stock Exchange of Hong Kong Limited. 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 66, 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 2005, and was a partner of Jun He Law Offices Hong Kong Branch. He is currently a principal of Wang & Co. 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 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), and currently serves as an independent non-executive director of OP Financial Investments Limited and Poly Property Services Co., Ltd., shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 1140 and 6049). 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 61, a research level 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 August 2019, 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 a Non-Executive Director of the Company in December 2018.

Mr Hua Chongzhi, aged 59, is a Non-Executive Director of the Company. He is a Research Fellow (associate dean grade) of Shanghai Academy of Spaceflight Technology, mainly responsible for international business. Graduated from Harbin Institute of Technology in 1985 with a master degree of Mechanical Engineering and from Tsinghua University with an EMBA degree in 2012, he has been working in aerospace industry field over 35 years. He had been appointed as a Deputy Director of an institute under China Aerospace Corporation in 1994, a Deputy Director of Foreign Affairs Department of China National Space Administration in 1996, Deputy Director of Administration Department of China Aerospace Science and Technology Corporation in 1999 and a Director and Vice President of China Great Wall Industry Cooperation in 2004. He was the Vice President of Shanghai Academy of Spaceflight Technology from 2013. He has been a Research Fellow (associate dean grade) of Shanghai Academy of Spaceflight Technology since November 2019. He was appointed as a Non-Executive Director of the Company in April 2020.

Mr Mao Yijin, aged 58, 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 a Non-Executive Director of the Company in August 2016.

Mr Liu Meixuan, aged 54, the former Chairman and Executive Director 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 the Chairman and Executive Director of the Company in December 2018 and resigned in September 2020.

Mr Xu Liangwei, aged 66, is a former 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; 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 a Non-Executive Director of the Company in August 2016 and retired in April 2020.

DIRECTORS' REPORT

The Directors present this annual report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2020.

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 43, 18 and 19 to the consolidated financial statements, respectively.

BUSINESS REVIEW

The business review of the Company and its subsidiaries is set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" respectively of this Annual Report. 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 2020 are set out in the consolidated statement of profit or loss on page 56.

A final dividend of HK2 cents per share in respect of the year ended 31 December 2020 (2019: HK2 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 plant and equipment and motor vehicles, furniture and other equipment of HK$139,348,000 and HK$24,680,000 respectively and project in progress of HK$117,383,000 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 2020 comprised the retained profits of approximately HK$1,073,418,000 (2019: HK$1,048,026,000).

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 9% and 2% to 9% 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 2020 and up to the date of this Report were:

Executive

Zhou Limin *(Chairman) (appointed on 29 September 2020)*
Jin Xuesheng *(President)*
Liu Meixuan *(Chairman) (resigned on 29 September 2020)*

Non-Executive

Luo Zhenbang *(Independent)*
Leung Sau Fan, Sylvia *(Independent)*
Wang Xiaojun *(Independent)*
Liu Xudong
Mao Yijin
Hua Chongzhi *(appointed on 16 April 2020)*
Xu Liangwei *(retired on 16 April 2020)*

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.

During 2020 and up to the date of this Report, the directors of subsidiary undertakings of the Company in alphabetical order were Messrs. Chen Yongjie, Cheng Zhanheng, Chu Kam Ching, Gao Yuda, Gong Benning, Guo Xiaokui, Han Jinguang, Hu Min, Jin Xuesheng, Lan Guihong, Li Gang, Li Guangneng, Lin Jianming, Lin Zhijian, Liu Weixiong*, Liu Xin, Liu Xiangyang, Liu Youzhan*, Mao Zhongyi*, Qiu Jihua, Shum King Mo, Song Dasheng, Sun Jingguo, Wang Hai, Wang Libo, Wang Muchun, Wang Mushun*, Wong Siu Fong Jenny, Yang Honghui, Yin Guang, Yu Kehu, Zhao Jinlong and Zhou Weibing.

* During 2020 or the period up to the date of this Report, the company served by this director is no longer a subsidiary of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

The Company had adopted *the Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 of the Listing Rules as the required standard for the Directors of the Company to trade the securities of the Company. Having made specific enquiry to all the Directors of the Company and in accordance with information provided, all the Directors have complied with the provisions under the Model Code in 2020.

As at 31 December 2020, save for Mr Hua Chongzhi and Mao Yijin, the Directors of the Company, are the officers of an academy and a subsidiary of the substantial shareholder China Aerospace Science & Technology Corporation, 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

As at 31 December 2020, 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 2020.

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

In July 2020, CASIL New Century Technology Development (Shenzhen) Company Limited* (航科新世紀科技發展(深圳)有限公司) ("New Century"), a wholly-owned subsidiary of the Company, entered into a capital increase agreement with Aerospace New Business Information Technology Co., Ltd.* (航天新商務信息科技有限公司) ("New Business") and its shareholders, pursuant to which New Century shall subscribe for the registered share capital of RMB10,000,000 in New Business at a consideration of RMB10,820,000, China Great Wall Industry Corporation*(中國長城工業集團有限公司), another shareholder of New Business, will subscribe for the registered capital of RMB60,000,000 in New Business at a consideration of RMB66,900,000, and other shareholders will not increase their capital investment. Upon completion of the subscription, New Century's interest in New Business will be slightly diluted from 16.13% to 15.15%. Since New Business and its shareholders are connected persons of the Company, the capital increase of New Century in New Business constituted a connected transaction of the Company. Details of which please refer to the Company's announcements dated 30 July 2020 and 31 July 2020.

The below continuing connected transactions entered into by the Company and its 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 Company and its subsidiaries' 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 its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Company and its subsidiaries in page 50 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.

The transactions as shown in note 40 to the consolidated financial statements which constituted connected transactions of the Company under Chapter 14A of the Listing Rules, the Company has 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 2020

The Company and/or its subsidiary(ies) involved	Connected person(s)	Continuing connected transactions	Annual cap	Amount outstanding as of 31 December 2020
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$595,948,000
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$940,524,000

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. 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.

MISCELLANEOUS

On 16 March 2021, Shenzhen Rayitek Hi-Tech Film Company Limited*(深圳瑞華泰薄膜科技股份有限公司) ("Shenzhen Rayitek"), a 31.17% associate of the Company, was approved the listing of Shenzhen Rayitek on Sci-Tech Innovation Board of Shanghai Stock Exchange by China Securities Regulatory Commission. The company is mainly engaged in the research and development and manufacturing of polyimide film.

The final offering size, the issue price and other details of the listing have yet to be finalised. Further announcement will be made by the Company as and when appropriate in respect of the details and any material development in relation to the listing of Shenzhen Rayitek.

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,

Jin Xuesheng
Executive Director & President

Hong Kong, 30 March 2021

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 2020, 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 2020, 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 estimates required in determining the fair value. As disclosed in notes 4 and 16 to the consolidated financial statements as at 31 December 2020, the fair value of investment properties is HK$9,594,734,000, with a fair value loss recorded in the consolidated statement of profit or loss of HK$1,288,000. All the Group's investment properties are stated at fair value based on valuations performed by independent qualified professional valuers (the "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 inputs that require significant management judgements and estimates, 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 the Valuers. • Evaluating the competence, capabilities and objectivity of the Valuers. • Evaluating the valuation techniques and assessing the reasonableness of the key inputs used in the valuations based on available market data and our knowledge of the property industry. • Assessing the integrity of information provided by the management to the Valuers by comparing the details of rentals on a sample basis to the respective underlying existing lease agreements. • 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 other individual factors which affect the valuation of properties.

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, actions taken to eliminate threats or safeguards applied.

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 Lin Sze Wai.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000 (restated)
Continuing operations			
Revenue	5	3,579,972	3,446,251
Cost of sales		(2,612,018)	(2,537,653)
Gross profit		967,954	908,598
Other income	7	51,533	63,600
Impairment loss under expected credit loss model, net of reversal			
— trade receivables		1,341	(10,742)
— other receivables		(55,994)	—
Other gains and losses	7	2,073	29,046
Selling and distribution expenses		(53,658)	(49,583)
Administrative expenses		(372,136)	(314,110)
Research and development expenses		(113,214)	(91,423)
Fair value changes of investment properties	16	(1,288)	111,878
Finance costs	9	(72,179)	(74,774)
Share of results of associates		18,512	11,144
Share of results of joint ventures		16,442	(2,733)
Profit before taxation	10	389,386	580,901
Taxation	11	(64,280)	(109,206)
Profit for the year from continuing operations		325,106	471,695
Discontinued operations			
Profit (loss) for the year from discontinued operations	33	53,459	(33,837)
Profit for the year		378,565	437,858

Consolidated Statement of Profit or Loss (continued)
For the year ended 31 December 2020

	NOTE	2020 HK$'000	2019 HK$'000 (restated)
Profit (loss) attributable to owners of the Company			
— from continuing operations		243,016	361,015
— from discontinued operations		53,665	(22,665)
Profit for the year attributable to owners of the Company		296,681	338,350
Profit (loss) attributable to non-controlling interests			
— from continuing operations		82,090	110,680
— from discontinued operations		(206)	(11,172)
Profit for the year attributable to non-controlling interests		81,884	99,508
		378,565	437,858
Earnings per share	12		
From continuing and discontinued operations			
Basic		HK9.62 cents	HK10.97 cents
From continuing operations			
Basic		HK7.88 cents	HK11.70 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 HK$'000	2019 HK$'000
Profit for the year	378,565	437,858
Other comprehensive income (expense) includes:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations		
— subsidiaries	542,017	(160,847)
— associates	16,859	(4,278)
— joint ventures	45,506	(13,967)
Reclassification adjustments for the cumulative exchange differences upon deemed disposal of subsidiaries	(6,060)	—
Reclassification adjustments for the cumulative exchange differences upon deregistration of a foreign operation	—	(13,765)
	598,322	(192,857)
Total comprehensive income for the year	976,887	245,001
Total comprehensive income for the year attributable to:		
Owners of the Company	741,883	191,384
Non-controlling interests	235,004	53,617
	976,887	245,001
Total comprehensive income (expense) attributable to owners of the Company		
— from continuing operations	687,093	213,230
— from discontinued operations	54,790	(21,846)
	741,883	191,384

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment	14	1,372,365	1,066,677
Right-of-use assets	15	252,649	190,910
Investment properties	16	9,594,734	9,110,037
Interests in associates	18	253,529	199,546
Interests in joint ventures	19	163,923	697,923
Deposit paid for property, plant and equipment		60,081	6,387
Long term bank deposits	24	119,190	—
Pledged bank deposits	24	7,867	—
Long term assets	20	556,033	384,675
		12,380,371	11,656,155
Current assets			
Inventories	21	462,124	361,391
Trade and other receivables	20	1,239,422	1,245,705
Amount due from a related party	22	—	16
Financial assets at fair value through profit or loss	23	3,895	5,787
Pledged bank deposits	24	45,090	41,272
Short-term bank deposits	24	122,721	123,389
Bank balances and cash	24	1,863,141	1,271,556
		3,736,393	3,049,116
Current liabilities			
Trade and other payables	25	1,488,229	1,248,333
Contract liabilities	26	40,968	38,569
Lease liabilities	27	31,131	29,330
Taxation payable		62,028	45,444
Other loan	28	—	7,990
		1,622,356	1,369,666
Net current assets		2,114,037	1,679,450
Total assets less current liabilities		14,494,408	13,335,605

Consolidated Statement of Financial Position (continued)

At 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
Non-current liabilities			
Lease liabilities	27	63,749	79,895
Loan from a controlling shareholder	29	595,948	557,414
Loan from a related party	30	940,524	879,710
Deferred taxation	31	2,608,449	2,437,600
		4,208,670	3,954,619
		10,285,738	9,380,986
Capital and reserves			
Share capital	32	1,154,511	1,154,511
Reserves		6,771,464	6,091,281
Equity attributable to owners of the Company		7,925,975	7,245,792
Non-controlling interests		2,359,763	2,135,194
		10,285,738	9,380,986

The consolidated financial statements on pages 56 to 146 were approved and authorised for issue by the Board of Directors on 30 March 2021 and are signed on its behalf by:

Zhou Limin	**Jin Xuesheng**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	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 2019	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
Profit for the year	–	–	–	–	–	–	338,350	338,350	99,508	437,858
Exchange differences arising on translating foreign operations										
– subsidiaries	–	–	–	(114,956)	–	–	–	(114,956)	(45,891)	(160,847)
– associates	–	–	–	(4,278)	–	–	–	(4,278)	–	(4,278)
– joint ventures	–	–	–	(13,967)	–	–	–	(13,967)	–	(13,967)
Reclassification adjustments for cumulative exchange differences upon deregistration of a foreign operation	–	–	–	(13,765)	–	–	–	(13,765)	–	(13,765)
Total comprehensive income for the year	–	–	–	(146,966)	–	–	338,350	191,384	53,617	245,001
Partial disposal of a subsidiary	–	–	–	–	–	1,001	–	1,001	5,098	6,099
Dividend recognised as distribution *(note 13)*	–	–	–	–	–	–	(30,850)	(30,850)	–	(30,850)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	(18,665)	(18,665)
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	(966)	(966)
Transfer to general reserve	–	–	19,412	–	–	–	(19,412)	–	–	–
	–	–	19,412	–	–	1,001	(50,262)	(29,849)	(14,533)	(44,382)
At 31 December 2019	1,154,511	14,044	76,647	(299,936)	30,523	44,926	6,225,077	7,245,792	2,135,194	9,380,986

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2020

	Attributable to owners of the Company								Non-controlling interests HK$'000	Total HK$'000
	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		
At 1 January 2020	1,154,511	14,044	76,647	(299,936)	30,523	44,926	6,225,077	7,245,792	2,135,194	9,380,986
Profit for the year	–	–	–	–	–	–	296,681	296,681	81,884	378,565
Exchange differences arising on translating foreign operations										
– subsidiaries	–	–	–	388,897	–	–	–	388,897	153,120	542,017
– associates	–	–	–	16,859	–	–	–	16,859	–	16,859
– joint ventures	–	–	–	45,506	–	–	–	45,506	–	45,506
Reclassification adjustments for cumulative exchange differences upon deemed disposal of subsidiaries *(note 33)*	–	–	–	(6,060)	–	–	–	(6,060)	–	(6,060)
Total comprehensive income for the year	–	–	–	445,202	–	–	296,681	741,883	235,004	976,887
Deemed disposal of subsidiaries *(note 33)*	–	–	–	–	–	–	–	–	11,738	11,738
Dividend recognised as distribution *(note 13)*	–	–	–	–	–	–	(61,700)	(61,700)	–	(61,700)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	(22,173)	(22,173)
Transfer to general reserve	–	–	12,848	–	–	–	(12,848)	–	–	–
	–	–	12,848	–	–	–	(74,548)	(61,700)	(10,435)	(72,135)
At 31 December 2020	1,154,511	14,044	89,495	145,266	30,523	44,926	6,447,210	7,925,975	2,359,763	10,285,738

Notes:

(a) The general reserve represents statutory surplus reserve that are non-distributable and the transfer to these reserves is determined by the board of directors of subsidiaries established in the People's Republic of China other than Hong Kong (the "PRC") in accordance with the Articles of Association of the subsidiaries. Appropriations to such reserves are made out of net profit after taxation of the statutory financial statements of the PRC subsidiaries of the Company and the allocation basis are decided by their board of directors annually.

(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 2020

	NOTE	2020 HK$'000	2019 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		442,845	547,064
Adjustments for:			
Interest income		(19,003)	(13,326)
Interest expense		72,188	75,038
Depreciation of property, plant and equipment		155,931	153,840
Depreciation of right-of-use assets		36,118	34,600
Impairment loss, net of reversal, under expected credit loss model		54,653	22,816
Fair value changes of investment properties		1,288	(111,878)
Net loss (gain) from change in fair value of financial assets at fair value through profit or loss		1,892	(14,178)
Allowance for obsolete inventories		1,012	1,300
Share of results of associates		(18,512)	(11,144)
Share of results of joint ventures		(16,442)	2,733
Gain on deemed disposal of subsidiaries	33	(54,075)	—
Gain on deregistration of a subsidiary		—	(13,765)
Gain on derecognition of a lease		(17,567)	—
Loss on disposal/written off of property, plant and equipment		727	6,764
Operating cash flows before movements in working capital		641,055	679,864
Increase in inventories		(72,599)	(4,793)
Increase in trade and other receivables		(123,708)	(56,132)
Increase in trade and other payables		122,041	269,312
Increase (decrease) in contract liabilities		1,667	(76,442)
Cash generated from operations		568,456	811,809
Hong Kong Profits Tax refunded		9,047	—
PRC Enterprise Income Tax paid		(55,753)	(41,023)
NET CASH FROM OPERATING ACTIVITIES		521,750	770,786

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2020

	NOTES	2020 HK$'000	2019 HK$'000
INVESTING ACTIVITIES			
Return of capital from a joint venture	19	595,948	—
Withdrawal of short-term bank deposits		122,705	7,800
Placement of short-term bank deposits		(114,150)	(124,987)
Withdrawal of pledged bank deposits		41,043	7,275
Placement of pledged bank deposits		(49,258)	(34,770)
Placement of long-term bank deposits		(110,865)	—
Net cash inflow on deemed disposal of subsidiaries	33	39,599	—
Interest received		19,523	13,037
Proceeds from lessor on derecognition of a lease		18,008	—
Proceeds from disposal of property, plant and equipment		398	513
Withdrawal of deposits with a related party		16	5,707
Purchase of property, plant and equipment		(231,378)	(112,924)
Deposit paid for property, plant and equipment		(53,774)	(2,210)
Payments for right-of-use assets		(45,028)	—
Payment for development costs incurred in respect of investment properties		(14,285)	(71,672)
Capital injection in an associate	18	(11,851)	—
Proceeds from disposal of financial assets at fair value through profit or loss		—	15,847
NET CASH FROM (USED IN) INVESTING ACTIVITIES		206,651	(296,384)
FINANCING ACTIVITIES			
Interest paid		(67,401)	(68,808)
Dividend paid		(61,652)	(30,835)
Repayments of lease liabilities		(28,831)	(26,355)
Dividend paid to non-controlling interests of a subsidiary		(22,173)	(18,665)
Repayment of other loan		(7,946)	—
Interest paid on lease liabilities		(4,787)	(6,230)
Deposits received from potential investors of subsidiaries		—	3,688
NET CASH USED IN FINANCING ACTIVITIES		(192,790)	(147,205)
NET INCREASE IN CASH AND CASH EQUIVALENTS		535,611	327,197
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,271,556	958,628
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		55,974	(14,269)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR REPRESENTING BANK BALANCES AND CASH		1,863,141	1,271,556

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

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 information of shareholders are disclosed in the directors' report 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 43, 18 and 19, respectively.

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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 17	Insurance Contracts and the related Amendments[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs mentioned below, the management anticipates 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.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments to clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liabilities within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 of the end of each reporting period, 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 leasing transactions that are in accordance with HKFRS 16 “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.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies

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.

Changes in the Group's control in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Basis of consolidation (continued)

Changes in the Group's control in existing subsidiaries (continued)

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 "Financial Instruments" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Investments in associates and joint ventures (continued)

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 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 is not allocated to any asset, including goodwill, that 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.

Revenue from contracts with customers

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 or 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 goods or service.

A receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Revenue from contracts with customers (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.

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.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For the right-of-use assets transferred from investment properties carried at fair value, the deemed cost of right-of-use assets is measured at the fair value at the date of transfer.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications (continued)

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are amounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded 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.

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 period, unless exchange rates fluctuate significantly during the period, in which cases, the exchange rates 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Borrowing costs (continued)

Effective on 1 January 2019, any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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 related to income 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 and are presented under “other income”.

Employee benefits

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 and annual leave) after deducting any amount already paid.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit 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.

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, except for freehold land, which is always presumed to be recovered entirely through sale.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Taxation (continued)

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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.

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.

Property, plant and equipment

Property, plant and equipment are tangible assets that held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values 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 "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Property, plant and equipment (continued)

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.

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.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at the fair values, adjusted to exclude any prepaid or accrued operating lease income.

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 property (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.

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;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Intangible assets (continued)

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

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is 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 property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets 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).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 or the group of cash-generating units. 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 or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) 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 (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost 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.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Warranties

Provisions for the expected cost of assurance-type warranty obligations under the relevant contracts with customers for sales of manufacturing products are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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 market place.

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. Transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("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

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.

All other financial assets are subsequently measured at FVTPL, except that at the date of 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 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

A financial asset is 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 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 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.

Impairment of financial assets

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-months ECL ("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 arising from contracts with customers.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case 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;
- 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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 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.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events 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; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(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 or when the management considers that the past due balances are not recoverable. 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (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 and 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. Trade receivables with significant balances and credit-impaired are assessed individually. The Group has assessed the ECL on the remaining balances collectively taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

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. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

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:

- past-due status and historical credit loss experience;
- nature, size and industry of debtors; and
- internal credit ratings.

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.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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 an entity 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, loan from a controlling shareholder, loan from a related party and other loan are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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.

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.

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

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.

(a) Deferred taxation on investment properties

For the purposes of measuring deferred taxes arising from investment properties that are depreciable and measured using the fair value model, the management has reviewed the Group's investment properties portfolios and concluded that for certain portion of the Group's investment properties which is classified as retail and offices premises located in the PRC, 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 taking into account the Land Appreciation Tax ("LAT") and Enterprise Income Tax ("EIT") payable upon sales of those investment properties.

For the Group's investment properties located in Hong Kong and certain investment properties in the PRC 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.

The deferred tax impact of the Group is recognised at the end of the reporting period as shown in note 31.

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

Revenue is recognised 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 sales of manufacturing products with no alternative use is considered to be performance obligation satisfied at a point in time.

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

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) Fair value of investment properties

Investment properties are stated at fair value based on the valuations performed by independent professional valuers. The determination of the fair value involves certain assumptions of market conditions which are set out in note 16.

In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. 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 and other comprehensive income.

As at 31 December 2020, the carrying amount of the Group's investment properties is HK$9,594,734,000 (2019: HK$9,110,037,000).

(b) Provision of ECL for trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually. In addition, the Group estimates ECL on the remaining balances collectively through groupings of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, industry, ageing, repayment histories and/or past due status of respective debtors and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed 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 note 39.

5. REVENUE

(i) Disaggregation of revenue

	For the year ended 31 December 2020		
	Timing for revenue recognition		
	A point in time HK$'000	Overtime HK$'000	Total HK$'000
Continuing operations			
Manufacturing of goods *(Note)*	3,171,138	—	3,171,138
Property management fee	—	86,510	86,510
Others	6,532	—	6,532
Revenue from contracts with customer	3,177,670	86,510	3,264,180
Leases			315,792
Total revenue			3,579,972

	For the year ended 31 December 2019		
	Timing for revenue recognition		
	A point in time HK$'000 (restated)	Overtime HK$'000 (restated)	Total HK$'000 (restated)
Continuing operations			
Manufacturing of goods *(Note)*	2,999,046	—	2,999,046
Property management fee	—	90,130	90,130
Others	4,904	—	4,904
Revenue from contracts with customer	3,003,950	90,130	3,094,080
Leases			352,171
Total revenue			3,446,251

Note: Manufacturing of goods represents external sales of plastic products, liquid crystal display, printed circuit boards and intelligent chargers under Hi-Tech Manufacturing Business, as detailed in segment information.

5. REVENUE (continued)

(ii) Performance obligations for contracts with customers

a) Manufacturing of goods (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 (including those manufacturing products with no alternative use but the Group has no enforceable right to payable for performance completed to date), 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. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Advance payments maybe received based on terms of sales contract and any transactions price received by the Group is recognised as a contract liability until the goods have been delivered to the customers. The average normal credit term is 30 to 105 days upon delivery.

Sales-related warranties associated with sales of goods cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

b) Property management fee (revenue recognised over time)

The Group invests in properties in Shenzhen Aerospace Science & Technology Plaza and other properties including industrial and office premises in Hong Kong and the PRC. Property 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. The Group applied the practical expedient in HKFRS 15 by recognising revenue in the amount to which the Group has right to invoice, since the Group is entitled to bill the value of the Group's performance completed to date according to the terms of the relevant agreements. As permitted under HKFRS 15, the aggregate amount of the transaction price allocated to the unsatisfied contracts is not disclosed.

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. The operating segments regarding the Internet of Things and Cross-border e-commerce were discontinued in the current year upon the deemed disposal of Aerospace Digitnexus Information Technology (Shenzhen) Limited ("Aerospace Digitnexus"). The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in note 33. Prior year segment disclosures have been represented to conform with current year presentation. There are 6 reportable segments, namely Hi-Tech Manufacturing Business (including plastic products, liquid crystal display, printed circuit boards, intelligent chargers and industrial property investment) and Aerospace Service (including property investment in Shenzhen Aerospace Science & Technology Plaza) which represent the major industries in which the Group is engaged.

In addition to the above reportable segments, other operating segments include property investments and management in properties other than those included in the above reportable segments and provision for other services. None of these segments met the quantitative thresholds for the reportable segment in both current and prior year. Accordingly, these were grouped in "Other Business".

6. SEGMENT INFORMATION (continued)

(a) **An analysis of the Group's revenue and results from continuing operations by reportable segments is as follows:**

For the year ended 31 December 2020

Continuing operations

	Revenue			
	External sales HK$'000	Inter-segment sales HK$'000	Total HK$'000	Segment results HK$'000
Hi-Tech Manufacturing Business				
Plastic products	1,118,922	44,133	1,163,055	52,728
Liquid crystal display	753,589	1,280	754,869	59,508
Printed circuit boards	996,365	—	996,365	81,787
Intelligent chargers	302,262	2,299	304,561	14,019
Industrial property investment	13,482	15,641	29,123	27,726
	3,184,620	63,353	3,247,973	235,768
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	385,261	2,779	388,040	309,927
Reportable segments total	3,569,881	66,132	3,636,013	545,695
Elimination	—	(66,132)	(66,132)	—
Other Business	10,091	—	10,091	6,099
	3,579,972	—	3,579,972	551,794
Unallocated corporate income				34,634
Unallocated corporate expenses				(103,823)
Impairment loss under expected credit loss model				(55,994)
Share of results of associates				18,512
Share of results of joint ventures				16,442
Finance costs				(72,179)
Profit before taxation from continuing operations				389,386

6. SEGMENT INFORMATION (continued)

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

For the year ended 31 December 2019

Continuing operations

	Revenue			
	External sales HK$'000 (restated)	Inter-segment sales HK$'000 (restated)	Total HK$'000 (restated)	Segment results HK$'000 (restated)
Hi-Tech Manufacturing Business				
Plastic products	1,105,308	44,096	1,149,404	55,476
Liquid crystal display	680,064	—	680,064	60,285
Printed circuit boards	861,194	—	861,194	52,494
Intelligent chargers	352,480	1,846	354,326	10,877
Industrial property investment	13,173	20,896	34,069	26,813
	3,012,219	66,838	3,079,057	205,945
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	425,393	7,014	432,407	439,566
Reportable segments total	3,437,612	73,852	3,511,464	645,511
Elimination	—	(73,852)	(73,852)	—
Other Business	8,639	—	8,639	9,773
	3,446,251	—	3,446,251	655,284
Unallocated corporate income				47,291
Unallocated corporate expenses				(69,076)
Share of results of associates				11,144
Share of results of joint ventures				(2,733)
Gain on deregistration of a subsidiary				13,765
Finance costs				(74,774)
Profit before taxation from continuing operations				580,901

6. SEGMENT INFORMATION (continued)

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represents the profit earned by/loss from each segment without allocation of interest income, change in fair value of financial assets at FVTPL, share of results of associates, share of results of joint ventures, interest expenses, gain on deregistration of a subsidiary and other corporate income and corporate expenses. This is the measure reported to the CODM 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:

	2020 HK$'000	2019 HK$'000 (restated)
Segment assets		
Hi-Tech Manufacturing Business		
Plastic products	1,172,937	926,490
Liquid crystal display	552,905	439,071
Printed circuit boards	1,127,266	999,648
Intelligent chargers	232,000	208,414
Industrial property investment	397,399	349,320
	3,482,507	2,922,943
Aerospace Service		
Property investment in Shenzhen Aerospace Science & Technology Plaza	9,952,878	9,250,024
Total assets for reportable segments	13,435,385	12,172,967
Other Business	105,918	98,328
Interests in associates	253,529	199,546
Interests in joint ventures	163,923	697,923
Assets relating to discontinued operations	—	606
Unallocated assets	2,158,009	1,535,901
Consolidated assets	16,116,764	14,705,271

6. SEGMENT INFORMATION (continued)

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

	2020 HK$'000	2019 HK$'000 (restated)
Segment liabilities		
Hi-Tech Manufacturing Business		
Plastic products	421,407	343,544
Liquid crystal display	170,996	113,094
Printed circuit boards	409,987	294,083
Intelligent chargers	108,199	90,753
Industrial property investment	5,694	6,001
	1,116,283	847,475
Aerospace Service		
Property investment in Shenzhen Aerospace Science & Technology Plaza	91,257	105,271
Total liabilities for reportable segments	1,207,540	952,746
Liabilities relating to discontinued operations	–	24,455
Unallocated liabilities	4,623,486	4,347,084
Consolidated liabilities	5,831,026	5,324,285

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, long-term 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, 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 from continuing operations:

2020

Continuing operations

	Capital additions HK$'000	Depreciation and amortisation HK$'000	Fair value gain (loss) on investment properties HK$'000	(Gain) loss on disposal/written off of property, plant and equipment and (gain) on derecognition of a lease HK$'000	Impairment loss under expected credit loss model, net of reversal HK$'000	Allowance for (reversal of allowance for) obsolete inventories HK$'000
Hi-Tech Manufacturing Business						
Plastic products	188,538	58,643	–	(28)	617	–
Liquid crystal display	37,553	15,275	–	967	365	–
Printed circuit boards	78,064	90,527	–	(223)	870	(1,194)
Intelligent chargers	4,390	7,465	–	(15)	95	2,206
Industrial property investment	20,274	13,622	8,421	(17,567)	–	–
	328,819	185,532	8,421	(16,866)	1,947	1,012
Aerospace Service						
Property investment in Shenzhen Aerospace Science & Technology Plaza	7,381	1,356	(6,051)	6	(3,288)	–
Reportable segments total	336,200	186,888	2,370	(16,860)	(1,341)	1,012
Other Business	4,397	5,065	(3,658)	20	–	–
Unallocated	–	–	–	–	55,994	–
Total	340,597	191,953	(1,288)	(16,840)	54,653	1,012

6. SEGMENT INFORMATION (continued)

(c) Other segment information (continued)

2019

Continuing operations

	Capital additions HK$'000 (restated)	Depreciation and amortisation HK$'000 (restated)	Fair value gain on investment properties HK$'000 (restated)	Loss (gain) on disposal/ written off of property, plant and equipment HK$'000 (restated)	Impairment loss under expected credit loss model, net of reversal HK$'000 (restated)	Allowance for (reversal of allowance for) obsolete inventories HK$'000 (restated)
Hi-Tech Manufacturing Business						
Plastic products	38,831	57,459	–	180	5,326	–
Liquid crystal display	36,577	13,669	–	159	(474)	–
Printed circuit boards	34,650	88,201	–	1,790	–	(958)
Intelligent chargers	4,751	7,752	–	3	–	2,258
Industrial property investment	16,385	12,740	19,948	8	–	–
	131,194	179,821	19,948	2,140	4,852	1,300
Aerospace Service						
Property investment in Shenzhen Aerospace Science & Technology Plaza	775	1,162	90,796	6	5,890	–
Reportable segments total	131,969	180,983	110,744	2,146	10,742	1,300
Other Business	608	5,360	1,134	(101)	–	–
Total	132,577	186,343	111,878	2,045	10,742	1,300

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 from continuing operations based on the location of operation and information about its non-current assets, excluded those relating to financial instruments, by geographical location are detailed below:

	Revenue from external customers (continuing operations)		Non-current assets	
	2020 HK$'000	2019 HK$'000 (restated)	2020 HK$'000	2019 HK$'000
Hong Kong	1,764,467	1,770,534	278,670	272,556
The PRC	1,815,505	1,675,717	11,821,992	11,383,599
Overseas	—	—	152,652	—
	3,579,972	3,446,251	12,253,314	11,656,155

Information about major customers

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

7. OTHER INCOME AND OTHER GAINS AND LOSSES

	2020 HK$'000	2019 HK$'000 (restated)
(i) Other income		
Continuing operations		
The Group's other income comprises:		
Interest income	19,003	13,319
Sales of scrap materials	17,086	9,601
Government subsidies *(Note a)*	3,764	8,841
Government grants in respect of COVID-19-related subsidies *(Note b)*	6,481	—
(ii)Other gains and losses		
Continuing operations		
The Group's other gains and losses mainly comprise:		
Net exchange (loss) gain	(12,875)	3,100
Gain on deregistration of a subsidiary	—	13,765
Net (loss) gain from change in fair value of financial assets at fair value through profit or loss	(1,892)	14,178
Gain on derecognition of a lease	17,567	—
Loss on disposal/written off of property, plant and equipment	(727)	(2,045)

Notes:

(a) The government subsidies mainly represent the incentive provided by the PRC local authorities to the Group for encouragement of business development. There were no specific conditions attached to the grants and the Group recognised the grants upon receipts.

(b) During the current year, the Group recognised government grants in respect of COVID-19-related subsidies, including subsidies from the Employment Support Schedule provided by the Hong Kong Government of HK$5,616,000.

8. DIRECTORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 10 (2019: 9) directors are as follows:

	Executive directors			Non-executive directors				Independent non-executive directors			
	Zhou Limin# HK$'000	Jin Xuesheng* HK$'000	Liu Meixuan## HK$'000	Hua Chongzhi^ HK$'000	Liu Xudong HK$'000	Mao Yijin HK$'000	Xu Liangwei^^ HK$'000	Luo Zhenbang HK$'000	Leung Sau Fan, Sylvia HK$'000	Wang Xiaojun HK$'000	2020 Total HK$'000
Directors' fees											
Executives	–	–	–	–	–	–	–	–	–	–	–
Non-executives (excluding independent non-executives)	–	–	–	–	89	–	26	–	–	–	115
Independent non-executives	–	–	–	–	–	–	–	150	150	150	450
	–	–	–	–	89	–	26	150	150	150	565
Other emoluments											
Salaries and other benefits	400	1,602	1,285	–	10	–	4	80	110	60	3,551
Bonuses	–	623	623	–	–	–	–	–	–	–	1,246
Contributions to retirement benefits scheme	44	145	124	–	–	–	–	–	–	–	313
	444	2,370	2,032	–	10	–	4	80	110	60	5,110
Total emoluments	444	2,370	2,032	–	99	–	30	230	260	210	5,675

	Executive directors			Non-executive directors			Independent non-executive directors			
	Li Hongjun** HK$'000	Liu Meixuan## HK$'000	Jin Xuesheng* HK$'000	Liu Xudong HK$'000	Mao Yijin HK$'000	Xu Liangwei^^ HK$'000	Luo Zhenbang HK$'000	Leung Sau Fan, Sylvia HK$'000	Wang Xiaojun HK$'000	2019 Total HK$'000
Directors' fees										
Executives	–	–	–	–	–	–	–	–	–	–
Non-executives (excluding independent non-executives)	–	–	–	33	–	91	–	–	–	124
Independent non-executives	–	–	–	–	–	–	150	150	150	450
	–	–	–	33	–	91	150	150	150	574
Other emoluments										
Salaries and other benefits	1,813	1,602	39	4	–	11	80	110	60	3,719
Bonuses	977	–	14	–	–	–	–	–	–	991
Contributions to retirement benefits scheme	183	170	3	–	–	–	–	–	–	356
	2,973	1,772	56	4	–	11	80	110	60	5,066
Total emoluments	2,973	1,772	56	37	–	102	230	260	210	5,640

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 was the former 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. Upon the resignation of Mr. Li Hongjun, Mr. Jin Xuesheng was appointed as the Chief Executive of the Company.

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

Appointed on 29 September 2020

Resigned on 29 September 2020

^ Appointed on 16 April 2020

^^ Resigned on 16 April 2020

* Appointed on 23 December 2019

** Resigned on 23 December 2019

(b) Highest paid individuals' emoluments

During the year, the five highest paid individuals included two directors (2019: two directors), details of whose emoluments are set out above. The emoluments of the remaining three (2019: three) highest paid individuals are as follows:

	2020 HK$'000	2019 HK$'000
Salaries and other benefits	2,062	2,321
Bonuses *(Note)*	6,277	5,955
Contributions to retirement benefits scheme	196	172
	8,535	8,448

Note: The bonuses are determined with reference to the operating results, individual performance and comparable market statistics for 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	**2020**	2019
HK$3,500,001 to HK$4,000,000	2	1
HK$3,000,001 to HK$3,500,000	—	—
HK$2,500,001 to HK$3,000,000	—	1
HK$2,000,001 to HK$2,500,000	2	2
HK$1,500,001 to HK$2,000,000	1	2
Nil to HK$1,000,000	8	6

During the year, no emoluments were paid by the Group to the directors and 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

	2020 HK$'000	2019 HK$'000 (restated)
Continuing operations		
Interest expenses on		
— loan from a controlling shareholder	28,178	28,766
— loan from a related party	39,223	40,042
— lease liabilities	4,778	5,966
	72,179	74,774

10. PROFIT BEFORE TAXATION

	2020 HK$'000	2019 HK$'000 (restated)
Continuing operations		
Profit before taxation has been arrived at after charging (crediting):		
Auditors' remuneration	3,901	5,177
Cost of inventories charged to profit or loss including allowance for obsolete inventories of HK$1,012,000 (2019: HK$1,300,000)	2,571,263	2,496,090
Depreciation of property, plant and equipment	155,931	152,036
Depreciation of right-of-use assets	36,022	34,307
Staff costs, including directors' remuneration	731,401	691,197
Gross rental income from investment properties	(315,792)	(352,171)
Less: Direct operating expenses for investment properties that generated rental income during the year	10,383	9,374
	(305,409)	(342,797)

11. TAXATION

Continuing operations

The tax charge (credit) for the year comprises:

	2020 HK$'000	2019 HK$'000
Current tax:		
Hong Kong Profits Tax	3,100	4,369
PRC EIT	59,857	37,373
	62,957	41,742
Overprovision in prior years:		
Hong Kong Profits Tax	(2,391)	(40)
PRC EIT	—	(63)
	(2,391)	(103)
Deferred tax charge *(note 31)*	3,714	67,567
	64,280	109,206

11. TAXATION (continued)

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

	2020 HK$'000	2019 HK$'000 (restated)
Profit before taxation (from continuing operation)	389,386	580,901
Tax at applicable income tax*	97,347	145,225
Tax effect of share of results of associates	(4,628)	(2,786)
Tax effect of share of results of joint ventures	(4,111)	683
Tax effect of expenses not deductible for tax purpose	9,028	16,386
Tax effect of income not taxable for tax purpose	(9,421)	(36,438)
Tax effect of deductible temporary differences not recognised	13,999	—
Land appreciation tax	(1,949)	13,504
Tax effect of land appreciation tax deductible for PRC EIT	487	(3,376)
Super deduction for research and development expenses	(18,184)	(11,389)
Tax effect of tax losses not recognised	962	4,855
Utilisation of tax losses previously not recognised	(4,050)	(4,098)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(7,453)	(7,628)
Effect of income tax on concessionary rates for certain subsidiaries	(3,986)	(4,641)
Overprovision in prior years	(2,391)	(103)
Others	(1,370)	(988)
Income tax expenses for the year	64,280	109,206

* The tax rate of 25% represents the domestic tax rate (which is PRC EIT) in the jurisdiction where the major current tax is charged.

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, 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.

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%. Three subsidiaries (2019: three subsidiaries) of the Company operating in the PRC are eligible as High and New Technology Enterprise till the dates ranging from 2 December 2022 to 10 November 2023 (2019: from 9 November 2020 to 2 December 2022) and the income tax rate of these subsidiaries is 15%.

11. TAXATION (continued)

According to relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprise engaging in research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction").

Details of deferred taxation are set out in note 31.

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:

	2020 HK$'000	2019 HK$'000 (restated)
From continuing operations		
Profit for the year attributable to owners of the Company	296,681	338,350
Less: (profit) loss from discontinued operations	(53,665)	22,665
Earnings for the purpose of earnings per share from continuing operations	243,016	361,015

	2020 Number of shares	2019 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

	2020 HK$'000	2019 HK$'000
From continuing and discontinued operations		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	296,681	338,350

The denominators used are the same as those detailed above for basic earnings per share from continuing operations.

12. EARNINGS PER SHARE (continued)

From discontinued operations

Basic earnings per share for the discontinued operations is HK1.74 cents per share (2019: Basic loss of HK0.73 cents per share), based on the profit for the year from the discontinued operations of approximately HK$53,665,000 (2019: Loss of HK$22,665,000) and the denominators detailed above for basic earnings per share from continuing operations.

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

13. DIVIDENDS

	2020 HK$'000	2019 HK$'000
Dividends recognised as distribution during the year:		
2019 final dividend of HK2 cents (2019: 2018 final dividend of HK1 cents) per ordinary share	61,700	30,850

A final dividend of HK2 cents per share in respect of the year ended 31 December 2020 (2019: HK2 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

	Leasehold land and buildings in Hong Kong HK$'000	Leasehold land and buildings in the PRC HK$'000	Plant and equipment HK$'000	Motor vehicles, furniture and office equipment HK$'000	Construction in progress HK$'000	Total HK$'000
COST						
At 1 January 2019	76,875	582,445	979,774	303,119	46,468	1,988,681
Exchange realignment	–	(14,020)	(21,541)	(6,652)	(1,357)	(43,570)
Additions	–	–	60,127	32,364	26,432	118,923
Disposals/written off	–	–	(9,788)	(20,014)	–	(29,802)
Transfer	–	4,001	21,259	18,336	(43,596)	–
At 31 December 2019	76,875	572,426	1,029,831	327,153	27,947	2,034,232
Exchange realignment	–	46,979	76,146	25,722	(316)	148,531
Additions	–	–	139,348	24,680	117,383	281,411
Disposals/written off	–	(301)	(20,587)	(2,700)	–	(23,588)
Transfer from investment properties	–	107,713	–	–	–	107,713
Transfer	–	–	10,493	34,355	(44,848)	–
At 31 December 2020	76,875	726,817	1,235,231	409,210	100,166	2,548,299
DEPRECIATION AND IMPAIRMENT						
At 1 January 2019	44,790	181,640	451,790	177,831	–	856,051
Exchange realignment	–	(5,332)	(10,717)	(3,762)	–	(19,811)
Provided for the year	1,985	17,357	99,236	35,262	–	153,840
Eliminated on disposals/ written off	–	–	(7,523)	(15,002)	–	(22,525)
At 31 December 2019	46,775	193,665	532,786	194,329	–	967,555
Exchange realignment	–	18,762	41,450	14,699	–	74,911
Provided for the year	1,985	17,641	100,075	36,230	–	155,931
Eliminated on disposals/ written off	–	(301)	(19,647)	(2,515)	–	(22,463)
At 31 December 2020	48,760	229,767	654,664	242,743	–	1,175,934
CARRYING VALUES						
At 31 December 2020	28,115	497,050	580,567	166,467	100,166	1,372,365
At 31 December 2019	30,100	378,761	497,045	132,824	27,947	1,066,677

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 office equipment	6%–25%

15. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	Leased properties HK$'000	Total HK$'000
As at 31 December 2020			
Carrying amount	164,726	87,923	252,649
As at 31 December 2019			
Carrying amount	84,771	106,139	190,910
For the year ended 31 December 2020			
Depreciation charge	3,858	32,260	36,118
For the year ended 31 December 2019			
Depreciation charge	3,125	31,475	34,600

	2020 HK$'000	2019 HK$'000
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	77	19
Expense relating to short-term leases	6,889	4,625
Total cash outflow for leases	85,612	37,229
Total cash inflow for leases	18,008	—
Additions to right-of-use assets	54,002	2,377
Transfer from investment properties	29,800	—

For both years, the Group leases various offices and warehouses for its operations in the PRC and Vietnam. Other than short-term leases, lease contracts are entered into for fixed term of 2 to 5 years (2019: 2 to 5 years). In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold land. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

During the year, the Group entered into new lease agreements for the use of leased properties from 2 to 5 years (2019: 2 years). On the lease commencement, the Group recognised right-of-use assets and lease liabilities of HK$8,974,000 (2019: right-of-use assets and lease liabilities of HK$2,337,000) which constitute non-cash transactions.

During the year, the Group makes upfront payment of HK$45,028,000 for leasehold land in the Vietnam for 30 years and leasehold lands of HK$29,800,000 is transferred from investment properties. In addition, the Group returned the leasehold land of carrying amount of HK$441,000 to the government at a consideration of HK$18,008,000 and a gain on lease derecognition of HK$17,567,000 has been recognised in profit and loss.

The Group regularly entered into short-term leases for staff quarters and machineries and during the year ended 31 December 2020, the Group entered into relatively more short-term leases for leasing of machineries as compared to the year ended 31 December 2019.

16. INVESTMENT PROPERTIES

The Group leases out various industrial and offices premises, and retail shops under operating leases with rentals payable monthly. Rental deposits ranging from one to three months are received upon the inception of the lease. The leases typically run for an initial period of 1 to 15 years and rent-free periods has been granted to certain tenants. None of the leases included variable lease payment.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	2020 HK$'000	2019 HK$'000
FAIR VALUE		
At 1 January	9,110,037	9,179,973
Exchange realignment	618,314	(193,091)
Addition	5,184	11,277
Net change in fair value recognised in profit or loss	(1,288)	111,878
Transfer to property, plant and equipment	(107,713)	—
Transfer to right-of-use assets	(29,800)	—
At 31 December	9,594,734	9,110,037
Unrealised (loss) gain on property revaluation included in profit or loss of current year	(1,288)	111,878

The fair values of the Group's investment properties at date of transfer, 31 December 2020 and 31 December 2019 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 to the model. The management reports the findings to the board of directors of the company every half-year to explain the cause of fluctuation in fair value of property.

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. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair value of certain investment properties have been adjusted to exclude prepaid or accrued operating lease income to avoid double count.

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 31.12.2020 HK$'000	Fair value as at 31.12.2019 HK$'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	67,510	178,481	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; (2) Monthly market rent	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 7.5%–8% per annum (2019: 7.5%–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 RMB8–RMB10.5/sq.m. (2019: RMB8–RMB10/sq.m.) on average for the base level.	The higher the monthly market rent, the higher the fair value.
Office premises	101,788	98,885	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; (2) Monthly market 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 (2019: 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 RMB91–RMB213/sq.m. (2019: RMB97–RMB220/sq.m.) on average.	The higher the monthly market rent, the higher the fair value.
Retail and office premises*	9,261,996	8,664,441	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; (2) Monthly market 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 (2019: 7.5% per annum) (retail) and 3.5% per annum (2019: 3.5% per annum) (office).	The higher the capitalisation rate, the lower the fair value.
					Monthly market 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. (2019: RMB100–RMB110/sq.m.) for retail and RMB152–RMB165/sq.m. (2019: RMB152–RMB165/sq.m.) for office.	The higher the monthly market rent, the higher the fair value.
Hong Kong						
Industrial premises	134,040	138,830	Level 3	Direct comparison method based on market observable transactions of similar properties adjusted timing of reference transactions and property-specific adjustments including nature, location and condition of the property	Adjusted market unit rate, mainly taking into account the conditions and location, between the comparables, at HK$5,300–HK$7,700 (2019: HK$5,400–HK$8,000) per square feet.	The higher the adjusted market unit rate, the higher the fair value.
Carparks	29,400	29,400	Level 3	Direct comparison method based on market observable transactions of similar properties adjusted timing of reference transactions and property-specific adjustments including nature, location and condition of the property	Adjusted market unit rate, mainly taking into account the conditions and location, between the comparables, at HK$1,600,000–HK$2,300,000 (2019: HK$1,600,000–HK$2,300,000).	The higher the adjusted market unit rate, the higher the fair value.

* The fair value of these investment properties have been adjusted to exclude prepaid or accrued operating lease income to avoid double count.

16. INVESTMENT PROPERTIES (continued)

Fair value measurements and valuation processes (continued)

The valuations are dependent on certain key inputs that require significant management judgements and estimates, 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 information about the valuation techniques and inputs used in determining the fair value of the Group's investment properties, including comparable market transactions with adjustments to reflect different locations or conditions, and comparable market rents and capitalisation rate, 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 2019	50,346
Exchange realignment	(1,066)
Written off	(49,280)
At 31 December 2019 and 2020	–
AMORTISATION AND IMPAIRMENT	
At 1 January 2019	50,346
Exchange realignment	(1,066)
Written off	(49,280)
At 31 December 2019 and 2020	–
CARRYING VALUES	
At 31 December 2019 and 2020	–

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

The fully written off intangible assets in 2019 are held by the subsidiaries disposed during the year and details are disclosed in note 33.

Development costs	4 years

18. INTERESTS IN ASSOCIATES

	2020 HK$'000	2019 HK$'000
Cost of unlisted investments in associates	212,198	193,586
Share of post-acquisition profits net of dividends received	42,277	23,765
Exchange realignment	(946)	(17,805)
Share of net assets	253,529	199,546

Details of the Group's associates at 31 December 2020 and 2019 are as follows:

Name of associates	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group % 2020	2019	Principal activities
Registered and operating in the PRC:				
航天新商務信息科技有限公司*	RMB132,000,000	15.15	15.70	Provision of information service
航天數聯信息技術(深圳)有限公司 ("Aerospace Digitnexus") And its subsidiary	HK$128,460,000	32.13	–	Development and sale of software and related products, and warehouse and logistic services
深圳瑞華泰薄膜科技股份有限公司 ("Shenzhen Rayitek") And its subsidiary	RMB135,000,000	31.17	31.17	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.

During the year, the Group entered into a capital increment agreement with several existing shareholders and strategic investors in which the registered capital of Aerospace Digitnexus would be increased from approximately HK$57,216,000 to approximately HK$128,460,000. The transaction was completed on 20 April 2020. The Group did not subscribe for additional shares and accordingly, the equity interest held by the Group in Aerospace Digitnexus decreased from 72.13% to 32.13% after completion of the transaction. Aerospace Digitnexus became an associate of the Company upon the deemed disposal as the Group is regarded as having significant influence over Aerospace Digitnexus through its right to appoint one out of three directors to board of Aerospace Digitnexus, and is accounted for in the consolidated financial statements using equity-accounting method since the date of completion. Details of the transaction are disclosed in note 33.

18. INTERESTS IN ASSOCIATES (continued)

During the year, the Group entered into a capital increment agreement with several existing shareholders and strategic investor in which the registered capital of 航天新商務信息科技有限公司 ("Aerospace New Business") would be increased from approximately RMB62,000,000 to RMB132,000,000. The transaction was completed on 30 July 2020. The Group subscribed RMB10,820,000 (approximately HK$11,851,000) and accordingly the equity interest in Aerospace New Business held by the Group is changed to 15.15% and is still accounted for an associate of the Company.

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

Shenzhen Rayitek

	2020 HK$'000	2019 HK$'000
Current assets	231,584	316,632
Non-current assets	929,206	762,418
Current liabilities	(297,710)	(358,578)
Non-current liabilities	(146,888)	(109,593)
Revenue	388,206	263,695
Profit and total comprehensive income for the year	58,681	32,887

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

	2020 HK$'000	2019 HK$'000
Net assets of Shenzhen Rayitek	716,192	610,879
Proportion of the Group's ownership interest in Shenzhen Rayitek	31.17%	31.17%
Carrying amount of the Group's interest in Shenzhen Rayitek	223,237	190,411

18. INTERESTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material

	2020 HK$'000	2019 HK$'000
The Group's share of profit and total comprehensive income for the year	221	893
Aggregate carrying amount of the Group's interests in these associates	30,292	9,135

19. INTERESTS IN JOINT VENTURES

	2020 HK$'000	2019 HK$'000
Cost of unlisted investments in joint ventures	253,877	849,825
Share of post-acquisition losses	(70,191)	(86,633)
Exchange realignment	(19,763)	(65,269)
	163,923	697,923

Details of the Group's joint ventures at 31 December 2020 and 2019 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 ("Aerospace New World")	HK$30,000,000	50	Investment holding
Registered and operating in the PRC:			
Hainan Aerospace Investment Management Company Limited 海南航天投資管理有限公司 ("Hainan Aerospace")	RMB200,000,000* (2019: RMB1,200,000,000)	50	Land development

* During the year ended 31 December 2020, the shareholders of Hainan Aerospace passed the special resolution to reduce the registered capital from RMB1,200,000,000 to RMB200,000,000 and the capital amounted to RMB1,000,000,000 is returned to the shareholders in proportion to the respective shareholdings. Capital amounted to RMB500,000,000 (equivalent to HK$595,948,000) has been returned to the Group.

19. INTERESTS IN JOINT VENTURES (continued)

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.

Summarised financial information of material joint ventures

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

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

Hainan Aerospace

	2020 HK$'000	2019 HK$'000
Current assets	145,340	1,223,737
Non-current assets	47,068	45,158
Current liabilities	(188)	(9,879)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	145,251	1,223,343

	2020 HK$'000	2019 HK$'000
Other income	42,574	2,139
Profit (loss) and total comprehensive income (expenses) for the year	35,402	(7,226)

The above profit (loss) for the year included the following:

	2020 HK$'000	2019 HK$'000
Depreciation and amortisation	(586)	(600)
Interest income	40,192	1,429

19. INTERESTS IN JOINT VENTURES (continued)

Summarised financial information of material joint ventures (continued)

Hainan Aerospace (continued)

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

	2020 HK$'000	2019 HK$'000
Net assets of Hainan Aerospace	192,220	1,259,016
Proportion of the Group's ownership interest in Hainan Aerospace	50%	50%
Carrying amount of the Group's interest in Hainan Aerospace	96,110	629,508

Aerospace New World

	2020 HK$'000	2019 HK$'000
Current assets	118,009	116,590
Non-current assets	19,849	23,538
Current liabilities	(1,135)	(1,262)
Non-current liabilities	(1,097)	(2,036)
The above amounts of assets mainly include the following:		
Cash and cash equivalents	117,142	114,233

	2020 HK$'000	2019 HK$'000
Other income	2,826	4,079
(Loss) profit and total comprehensive (expenses) income for the year	(2,517)	1,760

19. INTERESTS IN JOINT VENTURES (continued)

Aerospace New World (continued)

The above profit for the year included the following:

	2020 HK$'000	2019 HK$'000
Interest income	1,916	2,892
Income tax expenses	(596)	(819)

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

	2020 HK$'000	2019 HK$'000
Net assets of Aerospace New World	135,626	136,830
Proportion of the Group's ownership interest in Aerospace New World	50%	50%
Carrying amount of the Group's interest in Aerospace New World	67,813	68,415

20. TRADE AND OTHER RECEIVABLES AND LONG-TERM ASSETS

As at 31 December 2020, the Group's total trade and other receivables comprised of trade receivables arising from contracts with customers, leases receivables and other receivables, deposits and prepayments of HK$1,055,015,000, net of allowance for credit losses of HK$16,000,000 (2019: HK$891,977,000 (net of allowance for credit losses of HK$63,376,000), HK$638,244,000, net of allowance for credit losses of HK$6,450,000 (2019: HK$547,660,000) and HK$102,196,000, net of allowance of HK$55,994,000 (2019: HK$190,743,000 (net of allowance for credit losses of HK$9,633,000), respectively.

The Group allows an average credit period of 30 to 120 days to its trade customers. No credit period was granted to tenants of rental of premises. Receivables are unsecured and interest-free.

As at 1 January 2019, trade receivables arising from contracts with customers amounted to HK$875,532,000.

The followings are an aged analysis of trade receivables arising from contracts with customers net of allowance for credit losses presented based on invoice date at the end of the reporting period:

	2020 HK$'000	2019 HK$'000
Within 90 days	966,468	774,477
Between 91–180 days	85,459	113,296
Between 181–365 days	3,088	4,204
	1,055,015	891,977

Included in the Group's trade receivables arising from contracts with customer is bills received amounting to HK$163,326,000 (2019: HK$166,131,000) which 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.

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$28,581,000 (2019: HK$117,364,000) which are past due as at the reporting date. Out of the past due balances, HK$4,922,000 (2019: HK$19,411,000) has been past due 90 days or more and is not considered as in default. 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.

20. TRADE AND OTHER RECEIVABLES AND LONG-TERM ASSETS (continued)

Other than bills received amounting to HK$163,326,000 (2019: HK$166,131,000), the Group does not hold any collateral over these balances.

The Group's rental income are based on effective accrued rentals after taking into account of rent free period and progressive rentals which are recorded as unbilled rental receivables. Rental receivables are invoiced to tenants on a monthly basis after the rent free period and are due for settlement upon the issuance of invoices.

The Group's rental receivables of HK$638,244,000, net of allowance for credit losses of HK$6,450,000 (2019: HK$547,660,000) included billed rental receivables of HK$53,994,000 (2019: HK$27,555,000) and unbilled rental receivables of HK$584,250,000, net of allowance for credit losses of HK$6,450,000 (2019: HK$520,105,000).

The followings are the aged analysis of billed rental receivables presented based on invoice date which are also past due balances at the end of the reporting period:

	2020 HK$'000	2019 HK$'000
Within 90 days	53,994	12,348
Between 91–180 days	—	15,207
	53,994	27,555

Included in the Group's rental receivables as at 31 December 2020 are accrued rental income of HK$556,033,000 (2019: HK$384,675,000) that are expected to be realised after twelve months after the reporting period and are presented as non-current assets under long term assets.

Included in the Group's other receivables, deposits and prepayments at 31 December 2020 is value-added tax recoverable of HK$29,665,000 (2019: HK$45,881,000).

Details of impairment assessment of trade and other receivables are set out in note 39.

21. INVENTORIES

	2020 HK$'000	2019 HK$'000
Raw materials	165,792	106,420
Work-in-progress	125,507	79,974
Finished goods	170,825	174,997
	462,124	361,391

22. AMOUNT DUE FROM A RELATED PARTY

The amount represented 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 CASC. The amount was non-trade related, unsecured, receivable on demand and carried interests at prevailing market rate (note (40)(a)(i)).

Details of impairment assessment of amount due from a related party are set out in note 39.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Financial assets mandatorily measured at FVTPL:		
Equity securities — listed in Hong Kong	3,895	5,787

24. PLEDGED BANK DEPOSITS, SHORT-TERM BANK DEPOSITS, LONG-TERM BANK DEPOSITS AND BANK BALANCES AND CASH

The Group's bank deposits amounting to HK$52,957,000 (2019: HK$41,272,000) have been pledged to secure general banking facilities of the Group and except for the amount of HK$7,867,000 (2019: Nil) are classified as non-current assets as the period pledged is longer than one year, the remaining balances are classified as current assets.

At 31 December 2020, short-term bank deposits with maturity more than three months carry fixed interest rates which range from 0.25% to 3.29% per annum (2019: 2.05% to 3.37%) and long-term bank deposits with maturity more than one year carry fixed interest rate of 3.79% per annum (2019: Nil).

At 31 December 2020, bank balances and pledged bank deposits carry interest at prevailing market rates which range from 0.3% to 2.1% (2019: 0.01% to 4.4%) per annum.

The Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

Details of impairment assessment of pledged bank deposits, short-term bank deposits, long-term bank deposits and bank balances are set out in note 39.

25. TRADE AND OTHER PAYABLES

	2020 HK$'000	2019 HK$'000
Trade payables	600,973	474,406
Accrued charges and provisions	269,151	190,949
Refundable deposits received	20,083	29,475
Other payables	598,022	553,503
	1,488,229	1,248,333

Other payables included an amount of HK$54,000,000 (2019: HK$54,000,000) received on behalf of CASC and payables with respect to development costs for investment properties of HK$23,127,000 (2019: HK$30,783,000).

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

	2020 HK$'000	2019 HK$'000
Within 90 days	507,652	427,820
Between 91–180 days	43,574	1,521
Between 181–365 days	44,070	35,658
Over 1 year	5,677	9,407
	600,973	474,406

26. CONTRACT LIABILITIES

The amounts represent advances from customers in relation to their purchase orders of goods placed with the Group in which the Group does not expect to refund any of the advance payments.

Contract liabilities, that are not expected to be settled within the Group's normal operating cycle, are classified as current based on the Group's earliest obligation to transfer goods or services to the customers.

As at 1 January 2019, contract liabilities amounted to HK$115,011,000.

During the year ended 31 December 2020, revenue recognised in current year of HK$38,569,000 (2019: HK$115,011,000) was included in the contract liability balance at the beginning of the year.

The significant decrease in contract liabilities in the current year was mainly due to the less advances received from the customers.

27. LEASE LIABILITIES

	2020 HK$'000	2019 HK$'000
Lease liabilities payable:		
Within one year	31,131	29,330
Within a period of more than one year but not more than two years	20,956	25,966
Within a period of more than two years but not more than five years	23,668	28,683
Within a period of more than five years	19,125	25,246
	94,880	109,225
Less: Amount due for settlement within 12 months shown under current liabilities	(31,131)	(29,330)
Amount due for settlement after 12 months shown under non-current liabilities	63,749	79,895

The incremental borrowing rates applied to lease liabilities range from 2.91% to 5.8% (2019: from 2.91% to 5.8%).

28. OTHER LOAN

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

29. LOAN FROM A CONTROLLING SHAREHOLDER

The loan is unsecured, repayable in 2023, and bears a fixed interest rate at 5% per annum (note 40(a)(ii)).

30. LOAN FROM A RELATED PARTY

The amount represents loan from Aerospace Finance. The amount is secured, bears a variable interest rate at 4.41% (2019: 4.41%) per annum, which is determined by the People's Bank of China Benchmark Rate, and is repayable in 2028 (note 40(a)(iii)).

31. DEFERRED TAXATION

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

	Accelerated tax depreciation HK$'000	Revaluation of investment properties HK$'000	Accrued rent HK$'000	Others HK$'000 *(Note)*	Total HK$'000
At 1 January 2019	5,522	2,331,863	110,394	(25,763)	2,422,016
Exchange realignment	(1)	(49,557)	(2,610)	185	(51,983)
Charge to profit or loss for the year *(note 11)*	(2,235)	37,393	15,307	17,102	67,567
At 31 December 2019	3,286	2,319,699	123,091	(8,476)	2,437,600
Exchange realignment	(8)	158,381	9,082	(320)	167,135
Charge to profit or loss for the year *(note 11)*	80	(4,796)	7,625	805	3,714
At 31 December 2020	3,358	2,473,284	139,798	(7,991)	2,608,449

Note: The amount mainly represents temporary differences arising from allowances for doubtful debts and inventories, and tax losses.

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 2020, the Group has unused tax losses of HK$1,008 million (2019: HK$1,123 million) available to offset against future profits. No deferred tax asset has been recognised in respect of the tax losses of approximately HK$1,003 million (2019: HK$1,117 million) due to the unpredictability of future profit streams. Included in the unrecognised tax losses, HK$933 million (2019: HK$927 million) may be carried forward indefinitely and the remaining balance will expire at various dates up to the end of 2031 (2019: expire at various dates up to the end of 2024).

At the end of the reporting period, the Group has deductible temporary difference of HK$55,994,000 (2019: Nil). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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$4,302 million (2019: HK$3,722 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.

32. SHARE CAPITAL

	HK$'000
Issued and fully paid:	
At 1 January 2019, 31 December 2019 and 31 December 2020	
— 3,085,022,000 ordinary shares with no par value	1,154,511

33. DISCONTINUED OPERATIONS AND DEEMED DISPOSAL OF SUBSIDIARIES

During the current year, the Group entered into a capital increment agreement with several existing shareholders and strategic investors in which the registered capital of Aerospace Digitnexus would be increased from approximately HK$57,216,000 to approximately HK$128,460,000. The strategic investors agreed to subscribe for registered capital of HK$71,244,000 while the existing shareholders of Aerospace Digitnexus have not made additional contribution.

The transaction was completed on 20 April 2020, on which the Group lost control of Aerospace Digitnexus. The equity interest held by the Group in Aerospace Digitnexus decreased from 72.13% to 32.13%. Aerospace Digitnexus ceased to be a subsidiary of the Company. Aerospace Digitnexus became an associate of the Company upon the deemed disposal as the Group was regarded as having significant influence over Aerospace Digitnexus, and is accounted for in the consolidated financial statements using equity-accounting method since the date of completion.

The profit for the year from the discontinued Internet of Things and Cross-border e-commerce operations are set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income has been restated to represent Internet of Things and Cross-border e-commerce operations as a discontinued operation.

	Period ended 20.4.2020 HK$'000	Year ended 31.12.2019 HK$'000
Loss for the period/year for the discontinued Internet of Things and Cross-border e-commerce operations	(616)	(33,837)
Gain on deemed disposal of Internet of Things and Cross-border e-commerce operations	54,075	—
	53,459	(33,837)

33. DISCONTINUED OPERATIONS AND DEEMED DISPOSAL OF SUBSIDIARIES (continued)

The result of Internet of Things and Cross-border e-commerce operations for the period from 1 January 2020 to 20 April 2020 and preceding year is as follows:

	Period ended 20.4.2020 HK$'000	Year ended 31.12.2019 HK$'000
Turnover	149	4,573
Cost of sales	(760)	(5,245)
Gross loss	(611)	(672)
Other income	338	136
Impairment losses under expected credit loss model, net of reversal, in respect of		
— trade receivables	—	(2,441)
— other receivables	—	(9,633)
Other gains and losses	—	(4,719)
Selling and distribution expenses	—	(2,902)
Administrative expenses	(334)	(11,473)
Research and development expenses	—	(1,869)
Finance costs	(9)	(264)
Loss for the period/year	(616)	(33,837)
Loss for the period/year from discontinued operation include the following:		
Interest income	—	7
Loss on disposal/written off of property, plant and equipment	—	(4,719)
Depreciation of property, plant and equipment	—	(1,804)
Depreciation of right-of-use assets	(96)	(293)
Staff costs *(Note)*	(480)	(7,616)

Note: The amounts include retirement benefits scheme contributions of HK$65,000 (2019: HK$693,000).

The deemed disposal of Aerospace Digitnexus did not contribute significantly to the Group's cash flows or operating results.

33. DISCONTINUED OPERATIONS AND DEEMED DISPOSAL OF SUBSIDIARIES (continued)

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

	HK$'000
Bank balances and cash	31,645
Trade and other payables	(85,278)
Others	641
Net liabilities disposed of	(52,992)
Gain on deemed disposal	
Fair value of the equity interest retained in Aerospace Digitnexus	6,761
Net liabilities disposed of	52,992
Non-controlling interests	(11,738)
Reclassification of cumulative translation reserve upon deemed disposal of Aerospace Digitnexus to profit or loss	6,060
	54,075
Net cash inflow arising on deemed disposal	
Capital injection to Aerospace Digitnexus from strategic investors	71,244
Less: bank balances and cash disposed of	(31,645)
	39,599

34. PLEDGE OF OR RESTRICTION ON ASSETS

Pledged of assets

At 31 December 2020, bank deposits of HK$52,957,000 (2019: HK$41,272,000), bills held for future settlement of trade receivables HK$145,566,000 (2019: HK$136,106,000) and investment properties of approximately HK$2,294,938,000 (2019: HK$2,120,963,000) were pledged to banks and Aerospace Finance to secure general banking facilities granted to the Group.

Restriction on assets

In addition, lease liabilities of HK$94,880,000 (2019: HK$109,225,000) are recognised with related right-of-use assets of HK$87,923,000 (2019: HK$106,139,000) as at 31 December 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

35. CAPITAL COMMITMENTS

	2020 HK$'000	2019 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
— acquisition of property, plant and equipment	142,457	16,284

36. OPERATING LEASES ARRANGEMENTS

The Group as lessor

The properties held by the Group for rental purposes have committed lessees for the next one to twelve years (2019: one to thirteen years) and rent-free periods has been granted to certain tenants with accrued lease receivables disclosed in note 20.

At 31 December 2020, minimum lease payment receivable as follows:

	2020 HK$'000	2019 HK$'000
Within one year	385,980	323,792
In the second year	418,520	354,082
In the third year	451,997	388,119
In the fourth year	476,872	421,723
In the fifth year	505,112	446,381
Over five years	787,771	1,209,442
	3,026,252	3,143,539

37. 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$15,761,000 (2019: HK$32,555,000) represents contribution to the schemes by the Group at the rates specified in the rules of the schemes. During the year ended 31 December 2020, there had been a reduction in contributions to the state-managed retirement benefit plan operated by the government of the PRC due to the outbreak of Covid-19.

38. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which mainly includes the borrowings disclosed in notes 28, 29 and 30 and lease liabilities disclosed in note 27, 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.

39. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020 HK$'000	2019 HK$'000
Financial assets		
Financial assets at FVTPL	3,895	5,787
Financial assets at amortised cost	3,272,346	2,445,276
Financial liabilities		
Financial liabilities at amortised cost	2,382,897	2,439,850

39. FINANCIAL INSTRUMENTS (continued)

(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, long-term bank deposits, bank balances, financial assets at FVTPL, trade and other payables, loan from a controlling shareholder, loan from a related party, other loan and lease liabilities. 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, loan from a controlling shareholder (see notes 24 and 29 for details of these deposits and borrowings) and lease liabilities (see note 27). 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 loan from a related party (see note 30 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 considers 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.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rate risk for 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 (2019: 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 2020 would have decreased/increased by HK$3,527,000 (2019: HK$3,299,000).

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% (2019: 10%) higher/lower, the Group's profit after taxation for the year ended 31 December 2020 would have increased/decreased by HK$389,000 (2019: HK$578,000) as a result of the changes in fair value of the financial assets at fair value through profit or loss.

39. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

Foreign currency risk

The Group is not exposed to significant foreign currency risk as majority of its transactions are denominated in HK$ (or US$, in which HK$ is pegged to US$) and Renminbi ("RMB") (the functional currencies of the Group's major subsidiaries) except for the foreign currency risk on certain inter-company balances that form part of net investments of the relevant foreign operations in which the exchange differences are recognised in other comprehensive income. In the management opinion, the Group's foreign currency risk exposure is insignificant and hence, no sensitivity analysis is prepared at the end of the reporting period.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group.

The Group's credit risk exposure are primarily attributable to 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 settled by bills issued by reputable financial institutions.

The Group performed impairment assessment for financial assets and lease receivables under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

The Group's internal credit risk grading assessment comprises the following categories:

		Trade receivables and billed lease receivables	Other financial assets/ other items
"Strong":	The counterparty has low probability of default.	Lifetime ECL — not credit-impaired	12m ECL
"Satisfactory":	The counterparty has moderate default risk.	Lifetime ECL — not credit-impaired	12m ECL
"Doubtful":	There is evidence indicating that significant increase in credit risk since initial recognition through information developed internally.	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
"Loss":	There is evidence indicating the asset is credit-impaired.	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
"Write-off":	There is evidence indicating that the debtors is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off	Amount is written off

39. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets and lease receivables, which are subject to ECL assessment:

	External credit rating	Internal credit rating	12m or lifetime ECL	2020 Gross carrying amount HK$'000	2020 Gross carrying amount HK$'000	2019 Gross carrying amount HK$'000	2019 Gross carrying amount HK$'000
Financial assets at amortised cost							
Pledged bank deposits	BB+ to BBB-	N/A	12m ECL		52,957		41,272
Short-term bank deposits	BBB- to BBB	N/A	12m ECL		122,721		123,389
Long-term bank deposits	BBB	N/A	12m ECL		119,190		–
Bank balances	BBB- to A+	N/A	12m ECL		1,862,853		1,271,297
Other receivables *(Note 1)*	N/A	N/A	12m ECL	5,616		89,770	
	N/A	N/A	Credit-impaired	55,994	61,610	9,633	99,403
Trade receivables							
– contract with customers *(Note 2)*							
Individual assessment							
(i) Trade receivables backed by bills	BB+ to A+ *(Note 3)*	Strong	Lifetime ECL (not credit-impaired)		163,326		166,131
(ii) Trade receivables	N/A	Strong	Lifetime ECL (not credit-impaired)	481,362		407,881	
		Satisfactory	Lifetime ECL (not credit-impaired)	8,142		4,449	
		Loss	Credit-impaired	13,633	503,137	63,376	475,706
Collective assessment							
(i) Trade receivables	N/A	Strong	Lifetime ECL (not credit-impaired)	331,489		276,616	
		Satisfactory	Lifetime ECL (not credit-impaired)	73,063	404,552	36,900	313,516
Other item							
Lease receivables	N/A	Strong	12m ECL		644,694		547,660

39. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes:

(1) For the purposes of internal credit risk management, the Group uses historical repayment information to assess whether credit risk has increased significantly since initial recognition. At 31 December 2020, for the other receivables amounting HK$55,994,000 (2019: HK$9,633,000), the amount is considered as credit-impaired due to the overdue of the balance and non-repayment from the counter parties.

(2) For the trade receivables arising from contracts with customers, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. For trade receivables from Hi-Tech Manufacturing Business, except for debtors with significant outstanding balances, which may be backed by bills issued by reputable banks, or credit-impaired that are assessed for impairment individually, the remaining trade receivables balances are assessed collectively through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, industry ageing, repayment histories and/or past due status of respective debtors.

(3) These represent credit rating grades of the relevant banks.

Trade receivables arising from contracts with customers

Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and defines appropriate credit limits. 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. The Group only accepts bills issued by reputable PRC banks if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the relevant debtors is insignificant.

Except for certain large customers, the remaining 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.

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.

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 the details of relevant assessment is updated. Due to greater financial uncertainty triggered by the Covid-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could led to increased credit default rates.

Details of the quantitative disclosures are set out below in this note.

39. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Individual assessment

As part of the Group's credit risk assessment, the Group assessed credit risk of its customers with significant balance, which may be backed by bills, by reference to external credit rating and internal information, and to assess the credit risk for those credit-impaired debtor individually. In determining the ECL for trade receivables backed by 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. The following tables provide information about the exposure to credit risk for trade receivables not backed by bank bills which are assessed individually as at 31 December 2020 and 2019 within lifetime ECL.

Gross carrying amount

Credit rating	Trade receivables (not credit-impaired)			
	2020		2019	
	Range of loss rate	HK$'000	Range of loss rate	HK$'000
Strong	0.02%–0.18%	481,362	–	407,881
Satisfactory	1.03%	8,142	–	4,449
		489,504		412,330

Credit rating	Trade receivables (credit-impaired)			
	2020		2019	
	Loss rate	HK$'000	Loss rate	HK$'000
Loss	100%	13,633	100%	63,376

Collective assessment

Gross carrying amount

Credit rating	Trade receivables (not credit-impaired)			
	2020		2019	
	Average loss rate	HK$'000	Average loss rate	HK$'000
Strong	0.18%	331,489	–	276,616
Satisfactory	1.91%	73,063	–	36,900
		404,552		313,516

39. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Collective assessment (continued)

Gross carrying amount (continued)

During the year ended 31 December 2020, the Group provided impairment allowances of HK$1,924,000 (2019: Nil) for non-credit-impaired trade receivables based on collective assessment and HK$373,000 (2019: Nil) for non-credit-impaired trade receivables based on individual assessment. Net reversal of impairment allowance of HK$10,088,000 (2019: Impairment allowance of HK$13,183,000) were made on credit-impaired debtors.

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

	Notes	**Lifetime ECL (not credit-impaired)** HK$'000	**Lifetime ECL (credit-impaired)** HK$'000	**Total** HK$'000
At 1 January 2019	a	–	74,281	74,281
Impairment losses recognised		–	13,658	13,658
Impairment losses reversed		–	(475)	(475)
Write-off	b	–	(22,704)	(22,704)
Exchange realignment		–	(1,384)	(1,384)
At 31 December 2019		–	63,376	63,376
Impairment losses recognised		2,297	2,112	4,409
Impairment losses reversed	c	–	(12,200)	(12,200)
Deemed disposal of subsidiaries		–	(34,330)	(34,330)
Write-off	b	–	(6,250)	(6,250)
Exchange realignment		70	925	995
At 31 December 2020		2,367	13,633	16,000

Notes:

(a) During the year ended 31 December 2019, the impairment losses recognised mainly related to long aged receivable balances from cross-border e-commerce business (2020: Nil).

(b) The Group writes off a trade receivable 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 into liquidation or when the management considers that the past due balances are not recoverable.

(c) During the year ended 31 December 2020, impairment losses of HK$12,200,000 is reversed upon the recovery of the long-aged receivables from the customers after the agreement on the settlement plan.

39. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Leases receivables

For leases receivables, the Group makes periodic individual assessment on the recoverability based on the historical credit loss experience and forward-looking information. The directors of the Company believe that there are no significant increase in credit risk of these amounts since initial recognition and the Group measures the loss allowance on 12m ECL basis. For the year ended 31 December 2020, impairment allowance of HK$6,450,000 was made on leases receivables based on loss rate of 1% (2019: the Group assessed the ECL for lease receivables were insignificant and thus no allowance was recognised.)

The Group has concentration of credit risk as the lease receivables was due from the Group's two tenants.

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. There are individual balances of HK$55,994,000 (2019: HK$9,633,000) which were fully impaired during the year ended 31 December 2020. The impairment loss of HK$55,994,000 is for a particular counterparty which has financial difficulties during the year ended 31 December 2020. The management of the Group has considered the consistently low historical default rate in connection with payments, and concluded that credit risk inherent in the Group's remaining balance of other receivables is insignificant.

Amount due from a related party

For amount due from a related party, the balance is assessed individually and the management of the Group consider the loss allowance is insignificant.

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

The management of the Group considers the pledged bank deposits, short-term bank deposits, long-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 is considered as insignificant.

39. 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 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 2020							
Financial liabilities							
Trade and other payable	–	507,652	338,773	–	–	846,425	846,425
Loan from a controlling shareholder	5.00 p.a.	–	–	662,512	–	662,512	595,948
Loan from a related party	4.41 p.a.	–	–	–	1,258,515	1,258,515	940,524
Lease liabilities	4.68 p.a.	2,917	28,865	50,282	27,442	109,506	94,880
		510,569	367,638	712,794	1,285,957	2,876,958	2,477,777
At 31 December 2019							
Financial liabilities							
Trade and other payable	–	427,821	566,915	–	–	994,736	994,736
Other loan	–	7,990	–	–	–	7,990	7,990
Loan from a controlling shareholder	5.00 p.a.	–	–	647,544	–	647,544	557,414
Loan from a related party	4.41 p.a.	–	–	–	1,215,935	1,215,935	879,710
Lease liabilities	4.68 p.a.	2,792	30,311	60,636	31,546	125,285	109,225
		438,603	597,226	708,180	1,247,481	2,991,490	2,549,075

39. 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.

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.

The classification of the Group's financial assets at 31 December 2020 and 2019 using the fair value hierarchy is Level 1 (see note 23). The directors of the Company consider that the fair values of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximates their carrying amounts.

40. 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) Transactions with the CASC and its subsidiaries

(i) As at 31 December 2019, deposits placed with Aerospace Finance by the Group amounted to RMB14,000 (equivalent to approximately HK$16,000) and were included in amount due from a related party (2020: Nil).

(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 had been renewed for another five years during the year ended 31 December 2018. As at 31 December 2020, the Group has drawn down RMB500,000,000 (equivalent to approximately HK$595,948,000) (2019: RMB500,000,000 (equivalent to approximately HK$557,414,000)). Such loan carries a fixed interest rate of 5% per annum and the interest incurred to CASC for the year ended 31 December 2020 is RMB25,417,000 (equivalent to approximately HK$28,178,000) (2019: RMB25,347,000 (equivalent to approximately HK$28,766,000)).

40. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with the CASC and its subsidiaries (continued)

(iii) 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 certificates of a portion of Shenzhen Aerospace Science & Technology Plaza with a valuation amount of approximately RMB1,902,504,000 has been mortgaged in favour of Aerospace Finance by Shenzhen Aerospace Technology Investment Company Limited ("Shenzhen Aerospace"). As at 31 December 2020, the Group has drawn down RMB789,100,000 (equivalent to approximately HK$940,524,000) (2019: RMB789,100,000 (equivalent to approximately HK$879,710,000)). Such loan carries a variable rate of 4.41% per annum and the interest paid to loans drawn from the facility in the current year amounted to RMB35,379,000 (equivalent to approximately HK$39,223,000) (2019: RMB35,283,000 (equivalent to approximately HK$40,042,000)).

(iv) During the year ended 31 December 2020, the Group entered into capital increment agreement with several existing shareholders and strategic investor of Aerospace New Business, which are subsidiaries of CASC, in relation to the increase of registered capital from approximately RMB62,000,000 to RMB132,000,000 in which the Group has subscribed RMB10,820,000 (equivalent to approximately HK$11,851,000). Details are set out in note 18.

(b) Transactions with other government-related entities

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

The Group has deposits placements, borrowings and other general banking facilities, with certain banks which are government-related entities in its ordinary course of business. Other than the substantial amount of bank balances, the facility with these banks and sales transactions, remaining transactions with other government-related entities are individually insignificant.

(c) Compensation of key management personnel

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

41. 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.

	Other loan HK$'000 *(Note 28)*	Loan from a controlling shareholder HK$'000 *(Note 29)*	Loan from a related party HK$'000 *(Note 30)*	Interest payable HK$'000	Deposits received from potential investors of subsidiaries HK$'000	Dividend payable HK$'000	Dividend payable to non-controlling interests of a subsidiary HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2019	8,163	569,476	898,747	1,256	6,106	255	–	135,511	1,619,514
Financing cash flows	–	–	–	(68,808)	3,688	(30,835)	(18,665)	(32,585)	(147,205)
New leases entered	–	–	–	–	–	–	–	2,377	2,377
Interest expenses	–	–	–	68,808	–	–	–	6,230	75,038
Dividend declared	–	–	–	–	–	30,850	–	–	30,850
Dividend declared to non-controlling interests of a subsidiary	–	–	–	–	–	–	18,665	–	18,665
Partial disposal of an existing subsidiary	–	–	–	–	(6,099)	–	–	–	(6,099)
Exchange realignment	(173)	(12,062)	(19,037)	(29)	(72)	–	–	(2,308)	(33,681)
At 31 December 2019	7,990	557,414	879,710	1,227	3,623	270	–	109,225	1,559,459
Financing cash flows	(7,946)	–	–	(67,401)	–	(61,652)	(22,173)	(33,618)	(192,790)
New leases entered	–	–	–	–	–	–	–	8,974	8,974
Interest expenses	–	–	–	67,401	–	–	–	4,787	72,188
Disposal of lease liabilities upon deemed disposal of subsidiaries	–	–	–	–	–	–	–	(400)	(400)
Dividend declared	–	–	–	–	–	61,700	–	–	61,700
Dividend declared to non-controlling interests of a subsidiary	–	–	–	–	–	–	22,173	–	22,173
Exchange realignment	(44)	38,534	60,814	40	–	–	–	5,912	105,256
At 31 December 2020	–	595,948	940,524	1,267	3,623	318	–	94,880	1,636,560

42. FINANCIAL INFORMATION OF THE COMPANY

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

	2020 HK$'000	2019 HK$'000
Non-current assets		
Property, plant and equipment	1,124	1,139
Right-of-use assets	1,793	13,413
Interests in subsidiaries	2,114,115	2,119,079
Amounts due from subsidiaries	1,539,421	1,411,289
Interests in joint ventures	15,000	15,000
	3,671,453	3,559,920
Current assets		
Other receivables	2,628	3,005
Amounts due from subsidiaries	40,784	36,529
Bank balances and cash	5,086	63,928
	48,498	103,462
Current liabilities		
Other payables	69,785	66,294
Lease liabilities	1,846	4,865
Amounts due to subsidiaries	789,334	749,688
Taxation payable	80	80
	861,045	820,927
Net current liabilities	(812,547)	(717,465)
Non-current liabilities		
Lease liabilities	–	8,941
Net assets	2,858,906	2,833,514
Capital and reserves		
Share capital	1,154,511	1,154,511
Reserves *(Note 42(b))*	1,704,395	1,679,003
	2,858,906	2,833,514

The Company's statement of financial position are approved and authorised for issue by the Board of Directors on 30 March 2021 and are signed on its behalf by:

Zhou Limin
Director

Jin Xuesheng
Director

42. 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 2019	–	630,977	–	963,415	1,594,392
Profit and total comprehensive income for the year	–	–	–	115,461	115,461
Dividend recognised as distribution	–	–	–	(30,850)	(30,850)
At 31 December 2019	–	630,977	–	1,048,026	1,679,003
Profit and total comprehensive income for the year	–	–	–	87,092	87,092
Dividend recognised as distribution	–	–	–	(61,700)	(61,700)
At 31 December 2020	–	630,977	–	1,073,418	1,704,395

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.

42. 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 2020 comprised the retained profits of HK$1,073,418,000 (2019: HK$1,048,026,000).

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2020

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2020 and 2019 are as follows:

Name of subsidiary	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity held by the Company % 2020	2019	held by subsidiaries % 2020	2019	attributable to the Company % 2020	2019	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 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
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

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity held by the Company % 2020	2019	held by subsidiaries % 2020	2019	attributable to the Company % 2020	2019	Principal activities
Registered and operating in the PRC: (continued)								
Huizhou Jeckson Electric Company Limited##	US$1,000,000	–	–	90	90	90	90	Manufacturing of intelligent battery chargers and electronic products
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
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
Aerospace Digitnexus##*	HK$128,460,000	–	–	N/A	72.13	N/A	72.13	Development and sale of software and related products, and warehouse and logistic services
Incorporated and operating in Vietnam:								
CONG TY TNHN CONG NGHE DIEN TU CHEE YUEN (VIETNAM)	US$14,000,000	–	–	100	–	100	–	Manufacturing of plastic products

\# Wholly foreign-owned enterprises registered in the PRC

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

* Aerospace Digitnexus ceased to be a subsidiary of the Company in 2020 and became an associate of the Company. Details set out in note 33.

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.

43. 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 (loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	2020 HK$'000	2019 HK$'000	2020 HK$'000	2019 HK$'000
Shenzhen Aerospace (深圳市航天高科投資管理有限公司) and its wholly-owned subsidiary	PRC	40%	40%	81,052	110,482	2,345,163	2,134,374
Individually immaterial subsidiaries with non-controlling interests				832	(10,974)	14,600	820
				81,884	99,508	2,359,763	2,135,194

43. 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.

	2020 HK$'000	2019 HK$'000
Current assets	294,224	424,339
Non-current assets	9,724,756	8,875,665
Current liabilities	(93,573)	(124,597)
Non-current liabilities	(4,062,500)	(3,839,473)
Equity attributable to owners of the Company	3,517,744	3,201,560
Non-controlling interests	2,345,163	2,134,374
Revenue and other income	403,823	511,711
Expenses	(201,192)	(235,507)
Profit for the year	202,631	276,204
Profit attributable to owners of the Company	121,579	165,722
Profit attributable to the non-controlling interests	81,052	110,482
Profit for the year	202,631	276,204
Other comprehensive income (expense) attributable to owners of the Company	227,864	(68,798)
Other comprehensive income (expense) attributable to the non-controlling interests	151,910	(45,866)
Other comprehensive income (expense) for the year	379,774	(114,664)
Total comprehensive income attributable to owners of the Company	349,443	96,924
Total comprehensive income attributable to the non-controlling interests	232,962	64,616
Total comprehensive income for the year	582,405	161,540

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

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

	2020 HK$'000	2019 HK$'000
Net cash inflow from operating activities	184,879	392,583
Net cash outflow used in investing activities	(10,493)	(88,802)
Net cash outflow from financing activities	(177,370)	(309,213)
Effect of foreign exchange rate changes	1,804	1,947
Net cash outflow	(1,180)	(3,485)
Total dividends paid	55,432	45,398
Dividends paid to non-controlling interests of Shenzhen Aerospace	22,173	18,159

APPENDIX I FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2020 HK$'000	2019 HK$'000 *(Note 1)*	2018 HK$'000 *(Note 2)*	2017 HK$'000	2016 HK$'000
Revenue	3,580,121	3,450,824	3,690,804	3,661,325	3,087,848
Profit before taxation	442,845	547,064	665,364	931,725	1,722,665
Taxation	(64,280)	(109,206)	(145,184)	(264,908)	(519,413)
Profit for the year	378,565	437,858	520,180	666,817	1,203,252
Attributable to:					
Owners of the Company	296,681	338,350	404,115	486,183	796,108
Non-controlling interests	81,884	99,508	116,065	180,634	407,144
	378,565	437,858	520,180	666,817	1,203,252

ASSETS AND LIABILITIES

	At 31 December				
	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Non-current assets	12,380,371	11,656,155	11,518,775	11,847,675	10,463,151
Current assets	3,736,393	3,049,116	2,800,505	2,727,433	2,321,425
Current liabilities	(1,622,356)	(1,369,666)	(1,248,674)	(2,258,769)	(1,643,386)
Non-current liabilities	(4,208,670)	(3,954,619)	(3,890,239)	(3,110,127)	(3,166,056)
Total equity	10,285,738	9,380,986	9,180,367	9,206,212	7,975,134
Attributable to:					
Owners of the Company	7,925,975	7,245,792	7,084,257	7,090,625	6,190,158
Non-controlling interests	2,359,763	2,135,194	2,096,110	2,115,587	1,784,976
	10,285,738	9,380,986	9,180,367	9,206,212	7,975,134

Notes:

(1) In 2019, the Group had applied HKFRS 16. Accordingly, certain information for the years ended 31 December 2016, 2017 and 2018 may not be comparable to the year ended 31 December 2019 and 2020 as such information was prepared under HKAS 17.

(2) In 2018, the Group had applied HKFRS 9 and HKFRS 15. Accordingly, certain information for the years ended 31 December 2016 and 2017 may not be comparable to the years ended 31 December 2018, 2019 and 2020 as such information was prepared under HKAS 39 and HKAS 18.

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	25,099	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