CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Stock Code: 31)

ANNUAL REPORT 2021

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr Zhou Limin *(Chairman)*
Mr Jin Xuesheng *(President)*

Non-Executive Directors

Mr Luo Zhenbang *(Independent)*
Ms Leung Sau Fan, Sylvia *(Independent)*
Mr Wang Xiaojun *(Independent)*
Mr Liu Xudong
Mr Hua Chongzhi
Mr Mao Yijin

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

NOMINATION COMMITTEE

Mr Zhou Limin *(Chairman)*
Mr Luo Zhenbang
Ms Leung Sau Fan, Sylvia
Mr Wang Xiaojun
Mr Liu Xudong

ENVIRONMENT, SOCIAL & GOVERNANCE COMMITTEE

(established on 30 March 2021)
Mr Zhou Limin *(Chairman)*
Mr Luo Zhenbang
Mr Hua Chongzhi

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 LLP

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)

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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

2021 was an exceptional year, with the pandemic of the novel coronavirus spreading around the world. While the pandemic continued to have a severe impact on the global economy, however, benefited from China's success with global attention in coordinating economic development and pandemic prevention and control, the Company also took precautionary measures to deal with the outbreak of the novel coronavirus, made every effort to protect its employees' health and fully committed to developing its market and doing various jobs in production operations at the same time, and hence completed its development duties during the year.

On behalf of the Board of Directors of the Company, I am pleased to present the results of the Company and its subsidiaries for the year ended 31 December 2021.

RESULTS

For the year ended 31 December 2021, the operating revenue of the Company and its subsidiaries from continuing and discontinued operations was HK$4,745,367,000 (2020: HK$3,580,121,000), representing an increase of 32.55% as compared with last year. Impacted by the price surge of bulk commodities and the shortage of the components, production costs rose as compared to that of last year, and the gross profit margin decreased to 22.65% from 27.02% of last year. The Company and its subsidiaries recorded a net profit of HK$403,214,000 after taking into account the effect of changes in fair value of investment properties, representing an increase of 6.51% as compared to that of HK$378,565,000 in 2020. Profit from continuing and discontinued operations attributable to shareholders was HK$345,764,000, representing an increase of 16.54% as compared to that of HK$296,681,000 in 2020; earnings per share from continuing and discontinued operations attributable to shareholders was HK11.21 cents (2020: HK9.62 cents). After excluding 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$363,410,000 (2020: HK$288,187,000), representing an increase of 26.10% 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

As the major listing platform of China Aerospace Science & Technology Corporation in Hong Kong, the Company implemented the "14th Five-Year" Plan of strategic development, continuously deepening reforms and heading for high quality development, thereby smoothly promoting its business operations.

Hi-tech manufacturing

In 2021, through increased expansion of the market continuous optimisation of product structure, persistence in innovation, gradual expansion of production capacity and increase in automation level, the hi-tech manufacturing business overcame various unfavourable factors such as the fluctuation in global demand, supply chain interruption, price surge of bulk commodities, shortage of components, appreciation of RMB, dual national control of energy and consumption and power control policy, resulting in a significant growth of operating revenue as compared with last year. The hi-tech manufacturing business recorded an annual operating revenue of HK$4,288,768,000 (2020: HK$3,184,620,000), representing an increase of 34.67% as compared with last year; operating profit was HK$189,519,000 (2020: HK$218,201,000), representing a decrease of 13.14% as compared with last year.

The plastic injection moulding business has established an innovative R&D centre, which is mainly responsible for new product planning and new customer tracking. Business from key customers in Mainland China had already seen results, resulting in a relative much outstanding performance and an increase in operating revenue as compared to last year. The production base invested and constructed in Vietnam came into operation in the first half of the year. The Vietnam team overcame operational difficulties, organised the fight against the novel coronavirus pandemic and actively explored the market, and approved the review of qualifications for a number of suppliers.

The liquid crystal display (LCD) business actively followed the adjustment and changes in market policies throughout the year, strengthened the services and communication, perfected the customer orders management and ensured delivery schedules. Results of the domestic and overseas market grew significantly.

The printed circuit board business increased the investment effort into technological reformation and accelerated product structural adjustment, resulting in a higher growth of sales revenue and profit in the business of carrier boards and circuit boards of automobiles. Businesses of integrated circuit carrier board, MEMS (Micro-Electro-Mechanical System), rigid-flex board built up customer base and realised mass production.

Facing the changing international environment, the intelligent chargers business built a production plant in Vietnam in order to expand more overseas markets and reduce production costs. It came into operation and started to deliver products gradually in the fourth quarter. The establishment of the R&D centre has initiated various key R&D projects such as the medium-to-high power charger, medium-to-high power inverter and brushless motor, and increased the R&D investment in high-tech products.

Shenzhen Aerospace Science & Technology Plaza

In 2021, Shenzhen Aerospace Technology Investment Company Limited* (深圳市航天高科投資管理有限公司) ("Shenzhen Aerospace") and its wholly-owned property management company provided a stable revenue to the Company, while the leasing and related business recorded a total operating revenue of HK$440,370,000, representing an increase of 14.30% as compared to the operating revenue of HK$385,261,000 in 2020; and an operating profit of HK$301,009,000, representing a decrease of 2.88% as compared to that of HK$309,927,000 in 2020. Affected by the pandemic, the rental and price of properties in Nanshan District, Shenzhen had decreased in general, and that impacted on the fair value and operating profit of investment properties in Shenzhen Aerospace Science & Technology Plaza, while Shenzhen Aerospace encountered issues in collecting rent and management fees as a result of the uncertainty in economy and made a provision of HK$121,701,000. Excluding the effect of changes in fair value of investment properties, the operating profit of the business was HK$353,165,000 (2020: HK$315,978,000).

As at the end of 2021, Shenzhen Aerospace Science & Technology Plaza was valued at approximately RMB7,734,464,000 (2020: RMB7,770,800,000).

China Aerospace (Huizhou) Industrial Garden Limited

In cooperation with the urban renewal work of the Huizhou municipal government, the Company and China Aerospace (Huizhou) Industrial Garden Limited* (航天科技(惠州)工業園發展有限公司), a subsidiary of the Company, entered into various land surrender and compensation agreements with relevant government authorities on 14 December 2020 and 29 June 2021 respectively, a total compensation of RMB276,358,546.93 (equivalent to approximately HK$328,217,000), which contributed approximately HK$200,861,000 to a net profit before tax. For details, please refer to the announcement made by the Company on 29 June 2021.

Shenzhen Rayitek Hi-Tech Film Company Limited

Shenzhen Rayitek Hi-Tech Film Company Limited* (深圳瑞華泰薄膜科技股份有限公司), an associate of the Company engaging in the R&D, manufacturing and sales of polyimide films, was listed on Sci-Tech Innovation Board of Shanghai Stock Exchange on 28 April 2021. Upon the listing, the indirect shareholding of the Company dropped from 31.17% to 23.38%. Proceeds from the listing are to be invested in the construction of a high-performance polyimide film plant with 1,600 tonnes of annual production in Jiaxing, Shanghai. Currently, the construction of the plant and ancillary facilities is commenced in an orderly manner, and it is expected that the equity value of the shareholding of the Company will increase.

PROSPECTS

Looking forward to 2022, the pandemic continues to impact the world, and the changes seen in the past century will accelerate, where the external environment will become more complex and severe, and the market will be full of uncertainties. China's economic development is under triple pressure from shrinking demand, supply shocks and weakening expectations.

All industrial enterprises will continue to be profit-oriented, strive to enhance market expansion effort, increase the construction and investment of R&D and production capacity, so as to lay down the solid foundation for a comprehensive elevation of competence. Plastic injection moulding business consolidates the quality clientele of the conventional market, continues to widen its business category through its subsidiary in Vietnam, expands the overseas market in a solid manner and realises synergy. At the same time, we will leverage the function of the technology innovation centre and rely on design and manufacturing of mouldings digitisation to enhance our R&D and production capabilities. The intelligent chargers business will become a new business growth point by strengthening its R&D capabilities and accelerating the R&D progress of key products such as medium-to-high power inverters and brushless motors, with a view to achieving mass production. The printed circuit board business will expand its carrier board capacity in Dongguan, and will validate the construction of new production capacity, while continuing to increase investment in research and development to improve the level of carrier board technology. The LCD business will expand the optical coating capacity of the liquid crystal module (LCM) plant and the large size cleaning capacity of the LCM plant. We will set up a project company of packaging industrialisation with intelligent power module to design, validate and complete the construction of production lines.

Shenzhen Aerospace will actively conduct market research to enhance the quality of property management of Shenzhen Aerospace Science & Technology Plaza, provide good services to customers, enhance the brand effect and ensure that the occupancy rate of the office building and shopping mall remains at a relatively high level.

The Company will closely monitor the development of the pandemic and the macro economy, objectively assess the business situation of each of its subsidiaries, make every effort to perfect the risk control and information disclosure, continue to perfect operation security such as informatization, production safety, energy conservation and emission reduction and pandemic prevention and control, and actively promote the corporate development under the premise of strict risk control.

The Company will continue to enhance its image as a listed company and operate in a compliant manner and make proper information disclosure on its long-term planning and major annual operating activities to comply with regulatory requirements. At the same time, we will strengthen investor relations management and proactively enhance the breadth and depth of its communication with the market to draw attention from the capital market and promote the positive development of its principal business.

In 2022, with a global environment full of challenges and opportunities, the Company will actively respond to the challenges and seize the opportunities, making every effort to promote its businesses in accordance with the "14th Five-Year" Plan. We are going to face all challenges with a steadfast confidence, laying down the foundation for a longer-term development. I and all our staff are fully confident in the coming year and we will continue to work diligently and relentlessly with great confidence to create value and reward our shareholders.

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, 31 March 2022

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 2021 was HK$4,745,367,000, representing an increase of 32.55% as compared with that of HK$3,580,121,000 for 2020. The profit from continuing and discontinued operations of this year was HK$403,214,000, representing an increase of 6.51% as compared with that of HK$378,565,000 for 2020.

The increase in revenue was mainly due to the increase of sales orders from hi-tech manufacturing, whereas the increase of profit was mainly due to the compensation from the land resumption of Huizhou Industrial Garden.

PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Profit attributable to the owners of the Company was HK$345,764,000, representing an increase of 16.54% as compared with that of HK$296,681,000 for 2020.

The increase in profit attributable to the owners was mainly due to the compensation from the land resumption of Huizhou Industrial Garden.

Based on the issued share capital of 3,085,022,000 shares during the year, the basic earnings per share was HK11.21 cents, representing an increase of 16.53% as compared with that of HK9.62 cents for 2020.

DIVIDENDS

The Board proposed the distribution of 2021 final dividend of HK2 cents per share, subject to the approval by shareholders at the annual general meeting to be held on 24 June 2022. If approved, warrants of which will be dispatched to all shareholders on or about 22 July 2022.

The distribution of 2020 final dividend of HK2 cents per share was approved by shareholders at the annual general meeting in June 2021 and warrants of which were dispatched to all shareholders on 20 July 2021.

RESULTS OF CORE BUSINESSES

The core businesses of the Company and the subsidiaries are principally engaged in the research and development, design, professional production, sales and services of the hi-tech manufacturing business such as plastic products, electronic products, power products and semiconductor products, as well as the operation business of Shenzhen Aerospace Science & Technology Plaza.

The Company 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 business is the main source of the Company's revenue and that contributes a significant profit and cash flow, while the asset management business of Shenzhen Aerospace Science & Technology Plaza also brings in a stable rental income for the Company, minimizing its individual business risk. The Company will continue to identify and develop new business opportunities.

Hi-tech Manufacturing

In 2021, the novel coronavirus continued to ravage the world, having made a profound impact on the global economy. The pandemic caused supply chain disruptions, and the price of raw materials continued to rise. Coupled with the obstruction of freight and the rise in energy prices, normal production and economic operation were seriously affected. Global trade growth slowed down remarkably. The profits of hi-tech manufacturing industries are affected. At such a difficult time, the hi-tech manufacturing industries strived to improve production quality and automation through technological transformation and research and development, so as to maintain production scale and production capacity, thereby stabilizing the existing customer base; at the same time, it strived to reduce inventory and accounts receivable to maintain a stable and sustainable development. The operating income and profit of certain business segments were able to maintain a double-digit growth.

Among which, the printed circuit board business performed most ideally, with a profit growth of 4.72%, of which the largest increase in revenue came from the rigid board business, accounting for an increase of 51%; whereas the business expansion of plastic products was satisfactory, the operating performance of high-precision molds accounted for an increase in the proportion of growth. The Vietnam factory completed the first phase of basic construction and started production, gradually absorbing the original customers who transferred from China to Vietnam and started realizing revenue; the liquid display business, even under the pressure of lack of chips and screens and rising raw material prices, successfully expanded the Japan market by improving automation equipment and effective resource allocation, and both operating income and profit had increased significantly as compared with the same period of last year.

In order to meet the needs of road construction and urban renewal on Zhongkai Road, Huizhou, the Company and its 90% owned-subsidiary, China Aerospace (Huizhou) Industrial Garden Limited* (航天科技(惠州)工業園發展有限公司), entered into a number of land surrender and compensation agreements with Huizhou Zhongkai Land Resumption and Reserve Centre and Huihuan Residential District Office respectively on 14 December 2020 and 29 June 2021 with a total land surrender area of 128,337.81 square meters. According to those land surrender and compensation agreements signed on 29 June 2021, the Company and its subsidiaries received compensation in the total amount of RMB276,358,546.93 (approximately HK$328,217,000), and recorded a pre-tax net income of approximately HK$200,861,000. The net proceeds will be mainly used as general working capital of the Company and its subsidiaries. For details, please refer to the announcement published by the Company on 29 June 2021.

Besides, since the establishment of the Company's research and development academy in 2020, it focuses on new technology development and products exploration, leading research and development direction of hi-tech manufacturing business and assisting in product upgrades and transformation of manufacturing capabilities.

The revenue of the hi-tech manufacturing business for the year ended 31 December 2021 was HK$4,288,768,000, representing an increase of 34.67% as compared with last year; the operating profit was HK$189,519,000, representing a decrease of 13.14% as compared with last year. The results of the hi-tech manufacturing business are shown below:

	Turnover (HK$'000)			Operating Profit (HK$'000)		
	2021	2020	Changes (%)	**2021**	2020	Changes (%)
Plastic Products	**1,459,512**	1,118,922	30.44	**32,084**	52,728	(39.15)
Printed Circuit Boards	**1,334,669**	996,365	33.95	**85,650**	81,787	4.72
Intelligent Chargers	**421,123**	302,262	39.32	**7,230**	14,019	(48.43)
Liquid Crystal Display	**1,062,204**	753,589	40.95	**57,430**	59,508	(3.49)
Industrial Property Investment	**11,260**	13,482	(16.48)	**7,125**	10,159	(29.87)
Total	**4,288,768**	3,184,620	34.67	**189,519**	218,201	(13.14)

Looking forward to 2022, it is expected that the novel coronavirus pandemic will continue to be volatile, but with the availability of vaccines against variant virus and the continuous injections of vaccinations around the world, the economy is expected to get back on track. However, changes in the political and economic situation will bring uncertainty to the business environment. This together with the instability of the supply chain and expectations of inflation and interest rate hikes will put a heavy pressure on profits. Economic recovery is coupled with hidden risks. At this time of risks and opportunities, the hi-tech manufacturing business will seize the chance, actively explore the market and perform well in risk management; at the same time, improve the level of production automation, maintain production scale and production capacity, and recruit professional talents, continue to develop high-end products and develop new technologies, so as to meet the ever-changing market environment.

Shenzhen Aerospace Science & Technology Plaza

In 2021, 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. However, owing to uncertainties in economic prospects, delay in the payment of rent and management fee happened. Shenzhen Aerospace had already stepped up its efforts in rental collection and made a provision of HK$121,701,000. 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$440,370,000 (2020: HK$385,261,000 and a segment profit of HK$301,009,000 (2020: HK$309,927,000). The decrease in segment profit was mainly due to the significant increase in the decline in fair value as compared to the same period of last year.

As at 31 December 2021, Shenzhen Aerospace Science & Technology Plaza was valued at approximately RMB7,734,464,000 (2020: RMB7,770,800,000).

In 2022, Shenzhen Property Management will continue to do better in property management, paying special attention to anti-epidemic measures and take effective measures so as to improve the quality of property services, thereby increasing the overall value of the property.

Other business

On 28 April 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"), an associate company in which the Company indirectly holds 31.17% shares, was officially listed on the Sci-Tech Innovation Board of Shanghai Stock Exchange (stock code: 688323). The issue price per share was RMB5.97, and a total of 45,000,000 new shares were issued, which is equivalent to approximately 25% of the enlarged issued share capital. For this reason, the Company's indirect interest in Shenzhen Rayitek was diluted from 31.17% to approximately 23.38%. A segment income from deemed disposal of an associate of HK$5,289,000 was recorded. Details of which please refer to the Company's announcements published on 17 March, 9 April, 16 April and 27 April 2021.

ASSETS

(HK$'000)	31 December 2021	31 December 2020	Changes (%)
Non-Current Assets	12,629,902	12,380,371	2.02
Current Assets	4,239,260	3,736,393	13.46
Total Assets	16,869,162	16,116,764	4.67

The increase in non-current assets was mainly due to the increase in exchange differences arising from the conversion of assets denominated in RMB, while the increase in current assets was due to an increase in trade and other receivables and inventories. The equity attributable to shareholders of the Company was HK$8,388,114,000, representing an increase of 5.83% as compared with that of HK$7,925,975,000 as at the end of 2020.

The equity attributable to shareholders increased as compared with the end of last year, which was mainly due to the land resumption compensation. 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$2.72.

As at 31 December 2021, a cash deposit of HK$63,261,000 and bills receivable of HK$83,005,000 of the Company and the subsidiaries had been pledged to banks to obtain credit facilities. 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) so as to obtain a 12-year term loan facility 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 2021	31 December 2020	Changes (%)
Non-Current Liabilities	4,254,575	4,208,670	1.09
Current Liabilities	1,771,821	1,622,356	9.21
Total Liabilities	6,026,396	5,831,026	3.35

The increase in non-current liabilities was mainly due to the increase in exchange differences arising from the conversion of liabilities denominated in RMB, whereas the increase in current liabilities were mainly due to an increase in inventories as a result of an increase in trade and other payables, as well as an increase in tax payable correspondingly.

As at 31 December 2021, the Company and its subsidiaries had other borrowings of HK$1,577,200,000.

OPERATING EXPENSES

The administrative expenses from continuing and discontinued operations of the Company and the subsidiaries in 2021 were HK$417,002,000, representing an increase of 12.06%, mainly due to the increase in labour costs and depreciation and amortization expenses as compared with last year. The finance costs amounted to HK$76,946,000, representing an increase of 6.60% as compared with last year.

CONTINGENT LIABILITIES

As at 31 December 2021, the Company and the subsidiaries did not have any other material contingent liabilities.

FINANCIAL RATIOS

	2021	2020
Gross Profit Margin from continuing and discontinued operations	22.65%	27.02%
Return from continuing and discontinued operations on Net Assets	3.72%	3.68%

	31 December 2021	31 December 2020
Assets-Liabilities Ratio	35.72%	36.18%
Current Ratio	2.39	2.30
Quick Ratio	1.98	2.02

LIQUIDITY

The source of funds of the Company and the subsidiaries mainly relies on internal resources and banking facilities. As at 31 December 2021, the cash and bank balance and short-term bank deposits amounted to HK$1,857,429,000, the majority of which were in Hong Kong Dollars and Renminbi.

CAPITAL EXPENDITURE

As at 31 December 2021, the capital commitments of the Company and the relevant subsidiaries contracted for but not provided in the consolidated financial statements was approximately HK$87,746,000, mainly the capital expenditure 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 2021, the novel coronavirus epidemic persists. Under the premise of attaching great importance to the health of employees, the Company established a leading group for the prevention and control of novel coronavirus to strengthen work of the prevention and control of the epidemic. In addition, the Company and its subsidiaries also encouraged employees to get vaccinated to protect themselves and their families, and provide leaves to those employees. In 2021, most of the Company's employees completed two doses of the vaccine. Under the threat of the recent fifth wave of the epidemic, the Company will continue to encourage employees to receive the third dose of the vaccine, while taking appropriate and rigorous pandemic prevention measures, including flexible working hours, working from home, avoiding going out for lunch, and encouraging employees to take PCR tests.

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 2021, the Company and the subsidiaries had a total of approximately 6,811 employees based in the mainland, Hong Kong and Vietnam respectively.

APPRECIATION

I would like to express my heartfelt thanks to our shareholders, banks, business partners and all other friends from the community who have rendered support to the Company's development.

In particular, all employees of the Company still stick to their posts during the novel coronavirus epidemic. I would like to express my gratitude and high praise for their loyalty to the Company and professional attitude.

By order of the Board,

Jin Xuesheng
Executive Director and President

Hong Kong, 31 March 2022

CORPORATE GOVERNANCE REPORT

The Company had complied throughout the reporting period with the provisions of the Corporate Governance Code 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 2021, the Board of Directors of the Company comprised the Executive Directors, namely, Mr Zhou Limin (Chairman) and Mr Jin Xuesheng (President); the Non-Executive Directors, namely, Mr Liu Xudong, Mr Hua Chongzhi and Mr Mao Yijin; 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, whereas the President of the Company is Mr Jin Xuesheng. Mr Zhou Limin and Mr Jin Xuesheng 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 the 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 the biography of all Directors standing for re-election so as to ensure that shareholders are able to make an informed decision on their poll. 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 on 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 2021, namely, Mr Luo Zhenbang, Ms Leung Sau Fan, Sylvia and Mr Wang Xiaojun, and 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 as well as accounting and 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 or her immediate family members' independence in compliance with Rule 3.13 of the Listing Rules. In addition, Ms Leung Sau Fan, Sylvia has been an Independent Non-Executive Director for more than nine years who continuously demonstrates the characters of being an Independent Non-Executive Directors and is able to provide independent opinion. The Board of Directors believed that Ms Leung's tenure would not affect her independency. As such, the Board of Directors confirmed the same upon the Nomination Committee had reviewed and confirmed that all Independent Non-Executive Directors are independent.

The Company entered into an engagement letter with each of the Directors, in which specified that their responsibilities to comply with the rules and regulations and the Articles of Association and to perform director's duties, their right to receive a director's remuneration and to be reimbursed 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 2021. So far as was known to the Company, all Directors had complied with Appendix 10 during the year.

The Board is mainly responsible for determining the Company's 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 2021 is set out below (Mr Zhou Limin, the Chairman, who had another business meeting and was unable to attend the annual general meeting. However, all the meeting documents had been reviewed by him before the meeting, and the process of the meeting, shareholders' questions and voting results were immediately learnt by him after the 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	1	0	4	4
Jin Xuesheng	1	1	4	2
Liu Xudong	1	1	4	4
Hua Chongzhi	1	1	4	4
Mao Yijin	1	0	4	4
Luo Zhenbang	1	1	4	4
Leung Sau Fan, Sylvia	1	1	4	4
Wang Xiaojun	1	1	4	4

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 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.

The Company has put in place a comprehensive mechanism to ensure that the Board is provided with independent views and opinions, as well as checks and balances to facilitate the steady development of the Company. The relevant mechanisms are set out in the *Rules of Board Procedure* and the *Rules for the Selection and Appointment of Independent Non-Executive Directors* of the Company, and are also embodied in the governance structure such as the number of Independent Non-Executive Directors on the Board. The Board also conducts annual reviews on the implementation and effectiveness of these mechanisms.

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 2021, the Company held four board meetings, and Mr Zhou Limin, the Chairman, 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. The notice of meeting and meeting 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 generally 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 for 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, Nomination Committee and Environment, Social & Governance ("ESG") Committee, while all of which respectively monitor the Company's governance such as financial position, directors and senior management's remuneration policy, nomination of directors, and ESG. 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 2021, 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 2021 for the purpose of assessing and reviewing the internal control system, risk management, the financial statements for half year and whole year, corporate governance practices, reviewing the *Arrangement for Staff Concerns about Impropriate Behaviours in Financial Reporting* and so on. The external auditors, the Chief Accountant, the General Manager of Finance Department, the General Manager of Internal Audit & Risk Management Department and the Company Secretary attended both meetings.

The Audit Committee had also reviewed, discussed and approved the financial statements for the year ended 31 December 2021.

The attendance record of Audit Committee members during 2021 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 2021, the Remuneration Committee comprises Ms Leung Sau Fan, Sylvia (Chairman) and Mr Wang Xiaojun, both being Independent Non-Executive Directors, and Mr Hua Chongzhi, being a Non-Executive Director. The Remuneration Committee takes the role of advisory and proposes to the Board on the emoluments of the Directors and senior management with regard to the operating results of the Company, the individual performance and the comparable market information.

The Remuneration Committee met once during 2021 for the purpose of reviewing the remuneration and the appraisal policy of the Company's Directors and senior management. The General Manager of Human Resources Department and the Company Secretary attended the meeting. In 2021, no Director was involved in deciding his/her remuneration.

The attendance record of Remuneration Committee members during 2021 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	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 2021, the Nomination Committee comprises Mr Zhou Limin (Chairman), the Chairman and Executive Director, and Mr Liu Xudong, being a Non-Executive Director, 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 businesses of the Company. The Nomination Committee reviews the implementation of *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 directors to be identified (i.e. executive directors, non-executive director or independent non-executive director), the determination of the directors 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 the seventh (or above) listed companies, the reasons why that designated 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. views and perspectives, skills and experience, promotion of board diversity), familiarity with legal requirements in Hong Kong and Mainland China, as well as the 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 nominee.

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

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

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

At present, there are 8 members in the Board of the Company, including 7 male directors and 1 female director. All directors possess university or above educational level whereas some possess professional qualifications in accountancy 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 once during 2021 while the Company Secretary attended the meeting. The Nomination Committee reviewed the structure and diversification of the Board, confirmed the rotation list of Directors at the Annual General Meeting, and reviewed the independency of each of the Independent Non-Executive Directors and confirmed all of them are independent, and the Board, based on the recommendation of the Nomination Committee, also confirmed that all of them have an independency.

The attendance record of Nomination Committee members during 2021 is set out below:

	Number of meetings eligible to attend	Number of attendance
Zhou Limin	1	1
Luo Zhenbang	1	1
Leung Sau Fan, Sylvia	1	1
Wang Xiaojun	1	1
Liu Xudong	1	1

Environment, Social & Governance Committee

The Environment, Social & Governance ("ESG") Committee of the Company was established on 30 March 2021, it has a membership comprising Mr Zhou Limin (Chairman), the Chairman and Executive Director, Mr Hua Chongzhi, a Non-Executive Director, and Mr Luo Zhenbang, an Independent Non-Executive Director. The responsibilities of the ESG Committee are to establish the policies and conduct reporting relating to the environment, society and governance.

The ESG Committee met twice during 2021 for the purpose of discussing the establishment of the policies relating to the environment, society and governance and conducting reporting, establishing the procedures for drafting the ESG report, as well as following up the work progress while the Company Secretary attended both meetings.

The attendance record of ESG Committee members during 2021 is set out below:

	Number of meetings eligible to attend	Number of attendance
Zhou Limin	2	2
Luo Zhenbang	2	2
Hua Chongzhi	2	2

DIRECTORS' TRAINING

The Directors have been reported the financial and the operational information by the Company periodically, and will be informed, both in written and by meetings, the latest amendments of the relevant laws related to listed companies and the Listing Rules, if any, in order to let them understand the latest development of the Company and 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 2021, the Company arranged the Independent Commission Against Corruption and an insurance company to conduct trainings regarding anti-corruption and directors and officer's liability insurance to the Directors and other management. All Directors also participated appropriate trainings according to their own needs and provided a training record during 2021 to the Company pursuant to the *Corporate Governance Code*. On the other hand, the Company Secretary also conducted a training to the Executive Directors and the other management regarding the "Consultation paper conclusion on review of Listing Rules relating to disciplinary powers and sanctions".

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 potential loss and liabilities arising from daily operations that may be borne by Directors and the 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 Chartered Governance Institute, who has been serving the Company for many years and he had taken not less than 15 hours' professional training in 2021 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 Internal Audit & Risk Management Department which is responsible for conducting regular or irregular audits 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 the internal environment, which are the organizational structure, development strategies, human resources, corporate culture, social responsibility and so on. Secondly, the Company reviews the internal control of such companies by examining the risk identification and analysis and solutions taken, as well as reviewing and verifying the design and operation of relevant control measures on such as financing activities, asset management, purchase, sales, research and development, engineering project, guarantees, outsourcing, overall budget and contract management.

If any potential loophole is noted and recognized, the Company will put forward proposals, requiring relevant companies to enact or revise their rules and rectify the loophole within a specified period. Appraisal of the internal control environment will be carried out each year. Continuous improvements can strengthen the Company's 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 are 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 personnel 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 participate in 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 participate in 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 2021, 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 2021, 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 2021, the Company paid a total of approximately HK$4,891,000 to the auditor, of which included an audit fee of approximately HK$3,900,000 and a non-audit fee of approximately HK$991,000. The latter comprised fees for provision of services in reviewing interim report, results announcements, continuing connected transactions and taxation.

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 Board reviewed and revised the *Shareholders' and Investors' Communication Policy* in November 2021 to improve the various means of communication with shareholders and to advise shareholders to use more electronic versions and less printed copies. The contents of the *Shareholders' and Investors' Communication Policy* are available for download from the websites of the HKEX and the Company.

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, of which the same will be uploaded on 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 2021. 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 2020, 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 remuneration fixing of 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 2021.

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*. And that shareholder or such shareholders shall hold not less than one-twentieth of the paid up share capital of the Company on the date of acquisition. 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 writing 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 2021, the issued share capital was approximately 3,085,022,000 shares, and the market capitalization was about HK$1,665,912,000.

As at 31 December 2021, the Company had a total of 1,009 registered shareholders. Since many other shareholders hold shares through Hong Kong Securities Clearing Company Nominees Limited in Hong Kong, the actual number of shareholders should be greater than that of the registered numbers.

Among which, the major shareholder, China Aerospace Science and Technology Corporation Limited, holds a total of 1,183,598,636 shares (approximately 38.37%) of the Company's shares through Burhill Company Limited, of which 1,143,330,636 shares are registered in the name of Burhill Company Limited and the remaining 40,268,000 shares are held under the name of Hong Kong Securities Clearing Company Nominees Limited.

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 2021.

STAFF DIVERSITY

As at 31 December 2021, the Company and its subsidiaries had a total of approximately 6,811 senior management and employees (31 December 2020: approximately 6,784) located in the Mainland, Hong Kong and Vietnam.

The total number of senior management and employees and their gender ratio are approximately as follows:

	31 December 2020		**31 December 2021**	
	Total Number of Persons	Percentage	**Total Number of Persons**	**Percentage**
Male	3,451	50.87%	**3,331**	**48.91%**
Female	3,333	49.13%	**3,480**	**51.09%**
	6,784	100.00%	**6,811**	**100.00%**

The gender ratio of male and female employees of the Company and its subsidiaries has remained generally balanced from approximately 50.87%: 49.13% as at 31 December 2020 to 48.91%: 51.09% as at 31 December 2021. The Company and its subsidiaries expects to maintain a balanced gender ratio of male and female employees in the coming year, and will not emphasis employing personnel of a particular gender.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

BOARD OF DIRECTORS' GOVERNANCE STATEMENT ON ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Board of Directors of the Company attaches great importance to the environmental, social and governance performance of the Company and its subsidiaries, and is committed to establishing a good corporate environmental, social and governance culture. The Board is responsible for assessing and determining the Company's environmental, social and governance risks and ensuring that the Company has an appropriate and effective environmental, social and governance risk management and internal control system in place and assumes full responsibility for environmental, social and governance strategy and reporting.

Recognizing the increasing demand for environmental, social and governance information from various stakeholders, the Board of Directors has formulated a comprehensive environmental, social and governance policy and established a corresponding framework to ensure the effective implementation of the Company's policies and commitments, whereas the management confirmed the above risk management and internal control system is effective. The Company established the Environmental, Social and Governance Committee on 30 March 2021, comprising Mr Zhou Limin (Chairman), the Chairman and Executive Director, Mr Hua Chongzhi, a Non-executive Director, and Mr Luo Zhenbang, an Independent Non-executive Director, with a working group comprising management staff of the relevant companies in the reporting area to assist in the above tasks and responsibilities and to continuously enhance the Company's sustainability performance.

In order to better understand the views of different stakeholders on the Company, questionnaire surveys were conducted among directors, employees, suppliers and customers to identify the importance of different environmental, social and governance dimensions, which are crucial to the formulation and implementation of the Company's overall environmental, social and governance management policies and strategies. Apart from the importance assessment, the questionnaire survey also provides a channel for internal and external stakeholders to give feedback on their various views on the sustainability of the Company.

On the other hand, the directors also reflected on the prioritization of different environmental, social and governance risks, taking into account factors such as past operating experience, industry trends and cost analysis. The results of the materiality assessment reflected that product safety, product liability and occupational health and safety are the three most important environmental, social and governance dimensions for the Company and its subsidiaries. To address these three identified dimensions and related risks, the Board of Directors will take corresponding measures to continuously improve the environmental, social and governance performance of the Company and make disclosures in the annual report.

The Board of Directors also understands that setting performance targets will help to guide management to improve the environmental, social and governance performance of the Company. We actively consider setting quantitative targets for the Company for key performance areas such as total emissions, waste generation and energy and water efficiency. Pending the successful establishment of quantitative targets, the Environmental, Social and Governance Committee will prepare forward-looking statements and establish appropriate management systems for each of the highly important dimensions.

The Board of Directors believes that the coming years will be challenging for environmental, social and governance, but we are confident that the Company's environmental, social and governance strategy and objectives can be successfully achieved with the cooperation of the Environmental, Social and Governance Committee and its working groups, as well as the functional units.

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, with its principal place of business in Mainland China and Hong Kong.

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 of the Company. Asset management of Shenzhen Aerospace Science & Technology Plaza also 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 the risks of homogeneous business.

ABOUT THIS REPORT

This Report discloses the actions and achievements of the Company in respect of environmental, social and governance issues in 2021. This Report complies with all the "comply or explain" provisions set out in the *Environmental, Social and Governance Reporting Guide* in Appendix 27 of the Listing Rules and is reported in accordance with all the proposed disclosures in the Guide.

SCOPE OF REPORTING

Unless otherwise stated, the Environmental, Social and Governance Report (hereinafter referred to as 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 and society. 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 the "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 the "Property Management Company"), which accounted for all revenue and profit of the operations of Shenzhen Aerospace Science & Technology Plaza. All these companies are collectively referred to as the "Major Operating Enterprises".

PRINCIPLE OF REPORTING

This Report follows "*Environmental, Social and Governance Reporting Guide*", Appendix 27 of the Listing Rules and applies the following principles:

Materiality: In order to identify and assess material issues that have an impact on business stakeholders, the Company conducted a substantive assessment through a number of communication activities with business stakeholders to determine the environmental, social and governance issues that have a significant impact on investors and other stakeholders.

Quantitative: Quantitative principles are applied to all information in this Report, with performance indicators clearly defined and with units of measurement clearly indicated.

Balance: This Report does not contain any false statements or misleading representations and we are responsible for the truthfulness, accuracy and completeness of the contents.

Consistency: The Company reports in accordance with "*Environmental, Social and Governance Reporting Guide*", Appendix 27 of the Listing Rules in reporting. If there are any changes in the future that may affect the comparison with previous reports, a note will be added to the corresponding content of the Report.

Unless otherwise stated, the data for 2020 and 2021 in the report adopts the same calculation method and is thus sustainable and comparable.

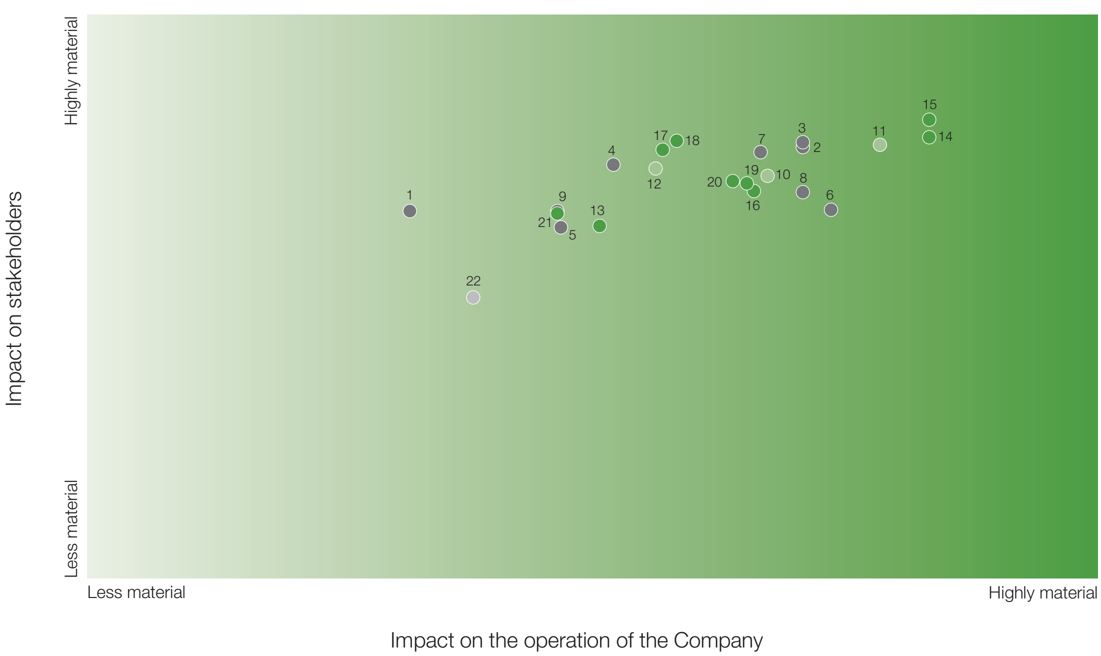
DETERMINE THE MAJOR ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES

During the year, in order to more clearly identify the environmental, social and governance issues of importance to the Company and the Major Operating Enterprises and stakeholders, we conducted a stakeholder communication exercise and a substantive assessment in which management, internal and external stakeholders participated in a questionnaire survey. The assessment process was conducted with reference to the *Environmental, Social and Governance Reporting Guide* and in accordance with the following steps:

Step One Identify the major issues	With reference to the "*Environmental, Social and Governance Reporting Guide"* and by integrating factors such as the Company's development strategies, industry development trends, regulatory and capital market requirements, and 22 major sustainability issues were identified, covering four major areas: environment, employment and labour practice, operational practices and community investment.
Step Two Collect the opinions from stakeholders	Feedback from internal and external stakeholders were collected through the questionnaire survey and to assess the importance of each relevant issue.
Step Three Determine the major issues	The materiality of each issue is determined by two factors: its degree of materiality to stakeholders and our impact on the issues. Materiality matrix is drawn based on the outcome of the assessment.

The questionnaire survey invited internal and external stakeholders to give their ratings on various issues in the areas of environmental protection, employment and labour practice, operational practices and community investment, to understand the degree of concern of stakeholders on each issue.

Materiality Matrix



By analysing the results of the questionnaire survey, the Company and the Major Operating Enterprises were ranked in different areas among the 22 relevant issues as follows:

Environmental Protection	Employment and Labour Practice	Operational Practices	Community Investment
1. Greenhouse gases emissions and climate changes	10. Employee welfare and benefits	13. Procurement and supply chain management	22. Community caring
2. Exhaust gas management	11. Occupational health and safety	14. Product quality	
3. Waste water management	12. Talent management and development	15. Product safety	
4. Waste and recycled materials management		16. Product innovation	
5. Packaging materials management		17. Service quality	
6. Energy efficiency		18. Data safety and personal data protection	
7. Water usage management		19. Corporate governance and risk management	
8. Environmental protection education		20. Protection of intellectual property rights	
9. Green procurement		21. Anti-competition practice	

The Company and the Major Operating Enterprises have taken corresponding steps to address the substantive issues identified in the assessment, which are described in detail in the subsequent sections. As always, the Company will continue to strive to establish diverse, transparent, honest and accurate communication channels that provide the key basis for the Group's environmental, social and governance strategies.

The Company strives to incorporate the views and protect the interests of its stakeholders, including shareholders, employees, suppliers, customers and the public, through constructive communication in order to determine the long-term development direction of the Company and maintain a close relationship with them.

A. Environment

1. 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 pollutants, wastes and noise during their daily production. The Property Management Company engages in provision of property management services to Shenzhen Aerospace Science & Technology Plaza. The major emissions are the generation of exhaust gas, domestic garbage and wastes. Inappropriate treatment of emission of such pollutants and wastes would cause pollution and impose an adverse impact on local ecological environment and thus the rights of stakeholders will be compromised. 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 overall business results of the Company. Accordingly, each of the Company's Major Operating Enterprises attaches great importance to the proper handling of emissions and strictly complies with the legal requirements for environmental protection.

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 wastes 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 wastes 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. Wastes 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.

All Major Operating Enterprises must comply with and formulate corresponding measures regarding laws and requirements related to emissions of exhaust gases and greenhouse gases, discharge to water and land, and generation of hazardous and non-hazardous wastes, mainly the Atmospheric Pollution Prevention and Control Law, Energy Conservation Law, Cleaner Production Promotion Law, Environmental Protection Tax Law, Law on Prevention and Control of Environmental Pollution by Solid Waste, 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. Law on Prevention and Control of Environmental Pollution by Solid Waste 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 2021, 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.

In 2021, the KPIs for the Major Operating Enterprises of the Company relating to the emissions are in general as follows:

Emissions	Emission in 2020[1]	Emission in 2021	Unit
Sulphur oxides[2]	145.24	8.13	kilogram
Intensity (by the number of employees)	*0.0233*	*0.0013*	*kilogram/employee*
Nitrogen oxides	840.53	960.31	kilogram
Intensity (by the number of employees)	*0.15*	*0.15*	*kilogram/employee*
Hydrogen chloride	4,205	2,602	kilogram
Intensity (by the number of employees)	*0.67*	*0.42*	*kilogram/employee*
Particulate matter[3]	2,220.3	1,178.1	kilogram
Intensity (by the number of employees)	*0.355*	*0.189*	*kilogram/employee*

1 The performance indicator figures of 2020 have been rectified.

2 The measurement methods for the volume of emissions for individual enterprises in 2020 and 2021 were different, therefore, this performance indicator is not appropriate for direct comparison.

3 Individual enterprises only declared the monitored volume of emission of particulate matter in 2020, and the environmental authority of the government revised its monitored volume of emissions of particulate matter in 2021. Therefore, this performance indicator is not appropriate for direct comparison.

Greenhouse gases	Emission in 2020	Emission in 2021	Unit
Direct (Scope 1)	64,389	63,273	tonnes of carbon dioxide equivalent
Energy indirect (Scope 2)	97,452	103,703	tonnes of carbon dioxide equivalent
Intensity (by the number of employees)	*28.0*	*26.7*	*tonnes of carbon dioxide equivalent/ employee*

Hazardous waste	Total in 2020	Total in 2021	Unit
Hazardous waste produced	1,690	2,693	tonne
Intensity (by the number of employees)	*0.29*	*0.43*	*tonne/employee*

Non-hazardous waste	Total in 2020	Total in 2021	Unit
Non-hazardous waste produced	4,157	4,560	tonne
Intensity (by the number of employees)	*0.72*	*0.73*	*tonne/employee*

For the Major Industrial Enterprises, major exhaust gases generated during the course of production are nitrogen oxides, hydrogen chloride and particulate matter. Emissions of nitrogen oxides in 2021 slightly increased as compared with that of 2020, mainly due to the increase in production volume in 2021, which in turn correspondingly increased the amount of exhaust gas generated. Apart from the decrease in usage of green fuel from that of last year, the overall power consumption, gasoline and diesel of the Major Industrial Enterprises increased, while the generation of hazardous and non-hazardous waste and the emission of greenhouse gases also increased as compared with those of 2020, mainly as a result of the increase in production volume in 2021 than that of 2020. Moreover, as a result of the pandemic, the employees preferred to stay at office spot which resulted in an increase of domestic waste.

In order to ensure that the treatment of exhaust gases, waste materials and waste water meets the requirements of the local government's environmental protection department, the waste water is treated with reuse water from the waste water treatment system to increase the reuse rate of water in order to reduce waste water discharge; all exhaust gases will be discharged and adsorbed only after the water filtration meets the standard and will only be discharged after the standard is met; the wastes generated will be separated into different marked bins and disposed of collectively; domestic waste will be handled by the environment and hygiene administration. On the other hand, all Major Operating Enterprises have engaged qualified professional companies to inspect the levels of noise, exhaust gases and waste water if the limits are exceeded, as well as to handle and recycle various types of industrial hazardous waste, in order to control and minimise pollution to the community.

The Company will strive to progressively reduce various types of emissions in the future and disclose key performance indicators such as exhaust gases emissions, greenhouse gases emissions and waste generation in its annual reports to reflect the effectiveness of our approach and commitment to this policy.

2. Use of resources

The Company has always been prudent in the management of our resources. The natural resources used in the operations of our Major Operating Enterprises include various types of energy, water resources and materials, and the reserves of such resources are limited and non-renewable on the earth. Reducing the usage of various natural resources not only reduce our reliance on natural resources, moderate consumption of some natural resources (e.g., fossil fuels) and the use of renewable energy sources can also reduce emissions from our operations.

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. In order to make more efficient use of resources, including energy, water and other raw materials, the Company is committed to requiring its Major Operating Enterprises to minimise the consumption of natural resources in the course of their business operations and to use renewable energy and reuse materials as far as circumstances permit. 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, files 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 recyclable 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.

In 2021, the KPIs for the Company relating to the use of resources are in general as follows:

Types of resources	Consumption in 2020	Consumption in 2021	Unit
Non-renewable fuel (Direct)			
— Liquefied petroleum gas	150.9	171.0	kilowatt hours in '000s
— *Intensity (by the number of employees)*	*0.03*	*0.03*	*kilowatt hours in '000s/employee*
— Natural gas	1,368.3	1,766.9	kilowatt hours in '000s
— *Intensity (by the number of employees)*	*0.24*	*0.28*	*kilowatt hours in '000s/employee*
— Environmental-friendly fuel	275.1	144.5	kilowatt hours in '000s
— *Intensity (by the number of employees)*	*0.05*	*0.02*	*kilowatt hours in '000s/employee*
— Gasoline	476.4	619.3	kilowatt hours in '000s
— *Intensity (by the number of employees)*	*0.08*	*0.10*	*kilowatt hours in '000s/employee*
— Diesel	200.0	346.1	kilowatt hours in '000s
— *Intensity (by the number of employees)*	*0.03*	*0.06*	*kilowatt hours in '000s/employee*
Purchases of energy (Indirect)			
— Electricity	127,318.5	167,225.9	kilowatt hours in '000s
— *Intensity (by the number of employees)*	*22.01*	*26.77*	*kilowatt hours in '000s/employee*
Intensity of energy consumption (by the number of employees)	22.4	27.3	kilowatt hours in '000s/employee

Water consumption	Consumption in 2020	Consumption in 2021	Unit
Total water consumption	1,666,127	2,003,926	tonne
Intensity of water consumption (by the number of employees)	*288.0*	*320.8*	*tonne/employee*

Packaging materials	Consumption in 2020	Consumption in 2021	Unit
Total packaging materials used	2,071	2,715	tonne
Intensity (by the number of employees)	*0.36*	*0.43*	*tonne/employee*

In 2021, both electricity and water consumption were higher than in 2020, mainly due to the recovery of operations in the current year which resulted in the resources consumption back to the normal level after the impact of the pandemic in 2020, which reduced various business activities. In addition, the use of packaging materials also increased due to the increased production of Major Industrial Enterprises.

3. Environment and natural resources

The daily operation of the Major Operating Enterprises of the Company will impact on the environment in different extent. The Major Industrial Enterprises, generates 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. Every operation will also consume and utilise various types of raw materials and packaging materials, which will indirectly generate the emission of carbon dioxide and the pollution to the environment. 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. In order to reduce the significant impact of the Company to the environment and natural resources, each of the Major Operating Enterprises had obtained the certification of Environmental Management System Standard (ISO14001) in hope of continuously monitoring and improving through systematic management.

The Major Operating Enterprises have also identified the environmental impacts of their business areas and prioritised these impacts through a scientific approach, taking appropriate measures to manage them appropriately, including improvements in manufacturing technology, meeting regulatory requirements, reducing emissions, recycling and setting goals for consumption reduction.

4. Climate changes

As the negative impacts of climate change are slowly emerging, the Company also concerns about climate change issue and is committed to taking the best possible measures to reduce greenhouse gases emissions from its operations. Initial climate risk assessments have been conducted by each of our Major Operating Enterprises to identify the potential impacts of climate change on their operations and seek to develop corresponding actions. In 2021, Major Industrial Enterprises have established Contingency Plans for Natural Disasters and Contingency Plans for Environmental Emergencies so as to prepare for severe weather incidents, while the Property Management Company have established contingency plans for typhoons and rainstorms to improve flood prevention and drainage to mitigate the occurrence of flooding.

For the Company's business activities, the main climate risks that are more likely to arise are acute and chronic physical risks, including typhoons, floods, extreme temperature differences and sea level rise. The Major Operating Enterprises have implemented various types of countermeasures, such as fortifying the structure of buildings, assessing the safety of staff working outdoors and investing in appropriate training. For other transitional climate risks, such as legal, technological and market-related changes in line with a low carbon economy, the Company will also closely monitor potential newly incurred costs and opportunities and deploy resources appropriately to address them.

B. Social

Employment and Labour Practice

1. 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 appoint them according to their ability and always regard staff as the most important assets. 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 stable working environment for employees. All employees enjoy equal opportunity and the salary 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 benefits, 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

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.

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 labourers, and establish and develop a harmonious and stable labour 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 minors.

In 2021, 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.

In 2021, the number of employees of the Company by different categories are in general as follows:

Category	2020	2021
By gender		
Male	3,442	3,726
Female	2,343	2,520
By employment category		
Full-time	5,785	6,246
Part-time	0	0
By age group		
18 to 30	2,681	2,699
Above 30	3,103	3,547
By geographical region		
Mainland China	5,785	6,245
Other than China	0	1

The turnover rate of employees of the Company by different categories are in general as follows:

Category	2020	2021
By gender		
Male	46.21%	**46.19%**
Female	43.31%	**38.02%**
By age group		
18 to 30	54.62%	**69.40%**
Above 30	36.90%	**22.72%**
By geographical region		
Mainland China	45.00%	**44.10%**
Other than China	0.00%	**0.00%**

In 2021, the Major Industrial Enterprises were affected by a relatively high turnover rate. The turnover rate of employees aged below 30, was higher than that of 2020, 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 trend of aging 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.

2. Health and safety

The Company places the utmost importance on monitoring if there is condition which will jeopardize the health and safety of its employees in the course of its operations. The Major Operating Enterprises have established a complete set of occupational safety and health management system, 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 2021, in order to prevent the outbreak of novel coronavirus, the Company and its subsidiaries have adopted a series of pandemic prevention policies and measures, such as the establishment of the Emergency Plan for Prevention and Control of Highly Infectious Viruses and the Management Procedures for Prevention and Control of Infectious Diseases, and request 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 do not only prevent staff and their families from infection, but also avoid spreading 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 2022, with the vaccination of various places, the novel coronavirus pandemic is yet to be alleviated. 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 2021, 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.

In the past three years, the number of work-related fatalities was zero; in 2021, the number of working days lost due to work-related injuries was 323 and in 2020, the number was 173.

3. Development and trainings

The Company regards the enhancement of human capital as the driving force of corporate development and has been continuously improving its human resources management standards and implementing a strict performance-based appraisal system to motivate employees to continuously improve their personal performance and contribution to the Company. 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 pursue further education 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. Each Major Operating Enterprise also arranges employees to attend ball games and other recreational activities organized internally by the enterprises.

In 2021, percentage of trained employees and average hours of training completed per employee of the Company by different categories are in general as follows:

Category	Percentage of trained employees in 2020 (%)	**Percentage of trained employees in 2021 (%)**	Average hours of training completed per employee in 2020 (Hour)	**Average hours of training completed per employee in 2021 (Hour)**
By gender				
Male	100	**100**	17–108	**4.5–52**
Female	100	**100**	17–108	**4.5–52**
By employee category				
Senior management	100	**100**	23–50	**5–45**
Middle management	100	**100**	29–53	**5–52**
Other employees	100	**100**	17–108	**4.5–26**

4. Labour standards

The Company and its subsidiaries attach great importance to the compliance of labour standards and 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 the 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 neither mandatorily require employees to work overtime persistently nor conduct the practice of forced labour, and employees can work overtime only on a voluntary basis.

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.

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 labourers, and establish and develop a harmonious and stable labour 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 minors.

In 2021, 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 2021, all Major Operating Enterprises had a total of approximately 6,246 employees (31 December 2020: approximately 5,785 employees).

Operational practices

5. Supply chain management

The supply chain is an important part of the Company's business and each of the Major Operating Enterprises has close links with suppliers in its operations and is very concerned about the environmental and social performance of its partners. The Company and its subsidiaries have always emphasized on arm's length transaction with partners, lending banks, etc. in each business on fair, equal and reasonable terms, and comply with relevant regulations to minimise risk. Before engaging suppliers, all Major Operating Enterprises will identify suitable suppliers based on actual requirements and collect information on various aspects such as quality, service, delivery time, price and reputation within the industry, and request suppliers to provide basic information and product samples as basis for selection at the same time. 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.

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 2021, 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.

In 2021, the total number of suppliers of the supply chain of the Company is 1,113, and the number of suppliers by different geographical region are in general as follows:

Region	2020	Percentage	2021	Percentage
Overseas	188	17%	221	20%
Mainland China	916	83%	892	80%
Total numbers	1,104	100%	1,113	100%

Of which, 367 suppliers engaged have implemented environmental, social and governance-related practices, including the requirement to sign environmental and social regulations and conduct on-site inspections, accounting for approximately 30% of the total number of suppliers. The Company will continue to communicate with its supply chain partners to identify relevant environmental and social risks, and will adhere to the principle of giving priority to environmentally friendly materials in the materials selection process, with a view to enhancing its sustainability performance in all aspects.

6. Product responsibility

The Company places great importance on the quality and safety of our products, the protection of our intellectual property rights and the privacy of our customers' data. 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 that the finished products do not affect the health and safety of customers. The Property Management Company mainly provides property management services to the tenants. It frequently improves service quality in correspondence to tenants' reasonable opinion.

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 Enterprises 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, such 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, those enterprises will analyse 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.

All Major Operating Enterprises must comply with the laws and requirements related to product liabilities, mainly the Civil Code of the People's Republic of China, Company Law of the People's Republic of China, Product Quality 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 Civil Code of the People's Republic of China protects the lawful rights and interests of civil subjects, regulates civil relations and safeguards the social and economic order. 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 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 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, enhance the ability of creation, promote the progress of science and technology, and the development of the economy and society.

In 2021, 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.

In 2021, the KPIs of the Major Operating Enterprises of the Company relating to the product quality are in general as follows:

Indicator	Percentage/ number in 2020	**Percentage/ number in 2021**
Percentage of total products sold or shipped subject to recalls for safety and health reasons	0%	**0%**
Number of products and service-related complaints received	401	**529**

Certain industrial enterprises 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.

7. Anti-corruption

To create a positive corporate atmosphere, the Company has a mechanism to prevent bribery, extortion, fraud and money laundering, each Major Operating Enterprise has established relevant anti-corruption rules. Any employees who discover improper trade or operation can place a complaint in the mailbox of the general manager or a complaint box, which will be handled by personnel designated by the general manager. If necessary, law enforcement agency may be required to intervene. In 2021, 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.

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 2021, 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.

In 2021, None of the Major Operating Enterprises have received any complaints from organisations or individuals about staff misconduct or other breaches of the law, the KPI relating to the number of concluded legal cases regarding corrupt practices is in general as follows:

Indicator	2020	2021
Number of concluded legal cases regarding corrupt practices brought against the Company and the Major Operating Enterprises or their respective employees	0	0

The Company is committed to demanding the operating enterprises in enhancing the awareness and personal integrity of its employees so as to eliminate the possibility of bribery, accepting bribe, extortion, fraud and money laundering in the course of daily operations. In particular, individual enterprises have established clear guidelines on the acceptance of gifts and gratuities by their staff, established a Staff Conflict of Interest Declaration Form, taken disciplinary action against employees who violate corruption laws, and will report any violations of the law. In order to foster a healthier corporate culture, the Company and the Major Operating Enterprises have arranged corruption prevention training for directors, senior management and staff respectively in 2021.

Community

8. Community investment

The Company's Major Operating Enterprises interact closely with the communities in which they operate and are caring to the needs of the different operating areas, taking into account the interests of the communities when conducting any business operation. Depending on the surrounding community or the circumstances of those in need, the Major Operating Enterprises will deploy appropriate resources to implement necessary assistance to support community activities, such as arranging volunteer activities and setting up caring funds.

In 2021, individual Major Operating Enterprises made donations to local primary schools to purchase stationery supplies; and also organised volunteer activities, including voluntary participation in pandemic prevention services and support services for corporate sports and cultural activities. The KPI in relation to community investment is in general as follows.

Indicator	Number
Resources used in focus areas in the charity sector	RMB6,000
	300 hours

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 reviewed, discussed and approved the contents of the Environmental, Social and Governance Report and its publication on 31 March 2022.

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BIOGRAPHICAL DETAILS OF DIRECTORS

Mr Zhou Limin, aged 58, is 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 59, 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 55, 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., Xinjiang Goldwind Science & Technology Co., Ltd. and Cowell e Holdings Inc., 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), and Guorui Properties Limited, shares of which are listed on The Stock Exchange of Hong Kong (stock code: 2329). Mr Luo possesses several professional qualifications, such as Chinese certified public accountant, certified accountant in securities and futures industry, Chinese certified assets valuer and Chinese certified tax accountant and has in-depth experience in accounting, auditing and financial management. He is familiar with the audit of listed companies from various sectors and extensively participates in corporate restructuring for listing, listed company restructure and other business consultation services. He was appointed as an Independent Non-Executive Director of the Company in December 2004.

Ms Leung Sau Fan, Sylvia, aged 58, 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 is a currently 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 also 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 67, 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 62, 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 60, is a Non-Executive Director of the Company. He 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 for 36 years. He had been appointed as a Deputy Director of an institute under China Aerospace Corporation in November 1994, the Deputy Director of Foreign Affairs Department of China National Space Administration in June 1996, Deputy Director of Administration Department of China Aerospace Science and Technology Corporation in July 1999 and a Director and Vice President of China Great Wall Industry Cooperation in December 2004. He was the Vice President and a Research Fellow (associate dean grade) of Shanghai Academy of Spaceflight Technology from October 2013 to August 2021. He is now a director of China Great Wall Industry Cooperation. He was appointed as a Non-Executive Director of the Company in April 2020.

Mr Mao Yijin, aged 59, 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, Deputy Dean and Senior Engineer 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. He was appointed as a Non-Executive Director of the Company in August 2016.

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 2021.

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 41, 17 and 18 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 2021 are set out in the consolidated statement of profit or loss on page 63.

A final dividend of HK2 cents per share in respect of the year ended 31 December 2021 (2020: 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 land and buildings, plant and equipment and motor vehicles, furniture and other equipment of HK$230,000, HK$269,985,000 and HK$39,275,000 respectively and project in progress of HK$117,010,000 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 2021 comprised the retained profits of approximately HK$996,614,000 (2020: HK$1,073,418,000).

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 8% and 24% 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 2021 and up to the date of this Report were:

Executive

Zhou Limin *(Chairman)*
Jin Xuesheng *(President)*

Non-Executive

Luo Zhenbang *(Independent)*
Leung Sau Fan, Sylvia *(Independent)*
Wang Xiaojun *(Independent)*
Liu Xudong
Hua Chongzhi
Mao Yijin

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 2021 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 Bo, Li Guangneng, Li Wenjie, Lin Jianming, Lin Zhijian, Liu Xin, Qiu Jihua, Shum King Mo, Song Dasheng, Sun Jingguo, Wang Hai, Wang Libo, Wang Muchun, Wong Siu Fong Jenny, Yang Honghui, Yin Guang, Yu Kehu, Zhao Jinlong[#] and Zhou Weibin.

[#] Resigned during 2021 or the period up to the date of this Report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

The Company had adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 of the Listing Rules as the required standard for the Directors of the Company to trade the securities of the Company. Having made specific enquiry to all the Directors of the Company and in accordance with information provided, all the Directors have complied with the provisions under the Model Code in 2021.

As at 31 December 2021, save for Mr Liu Xudong, Mr Hua Chongzhi and Mr Mao Yijin, the Directors of the Company, are the officers of the subsidiaries 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 2021, 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 2021.

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.

CONTINUING CONNECTED TRANSACTIONS

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 55 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 38 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 2021

The Company and/or its subsidiary(ies) involved	Connected person(s)	Continuing connected transactions	Annual cap	Amount outstanding as of 31 December 2021
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$611,247,000
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	RMB779,100,000 or equivalent to HK$952,445,000

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.

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, 31 March 2022

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 63 to 162, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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 — retail and office premises in the People's Republic of China other than Hong Kong (the "PRC")	
The Group's investment properties portfolio comprises industrial premises, office premises, retail and office premises, and carparks in the PRC and Hong Kong. As disclosed in notes 4 and 16 to the consolidated financial statements as at 31 December 2021, the fair value of investment properties is HK$9,796,960,000, with a fair value loss recorded in the consolidated statement of profit or loss of HK$47,724,000. 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. We have identified the valuation of investment properties — retail and office premises in the PRC as disclosed in note 16, with the fair value of HK$9,455,365,000 as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole combined with the significant judgements and estimates required in determining the fair value. 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 age, locations or other individual factors, and comparable market rents and capitalisation rate.	Our procedures in relation to the valuation of investment properties — retail and office premises in the PRC included: • Obtaining the valuation report 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. • 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
31 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Continuing operations			
Revenue	5	4,745,367	3,579,972
Cost of sales		(3,670,707)	(2,612,018)
Gross profit		1,074,660	967,954
Other income	7	76,899	51,533
Other gains and losses	7	204,662	2,073
Impairment loss under expected credit loss model, net of reversal			
— trade receivables		(121,701)	1,341
— other receivables		—	(55,994)
Selling and distribution expenses		(69,360)	(53,658)
Administrative expenses		(417,002)	(372,136)
Research and development expenses		(140,236)	(113,214)
Fair value changes of investment properties	16	(47,724)	(1,288)
Finance costs	9	(76,946)	(72,179)
Share of results of associates		20,375	18,512
Share of results of joint ventures		(17,525)	16,442
Profit before taxation	10	486,102	389,386
Taxation	11	(82,888)	(64,280)
Profit for the year from continuing operations		403,214	325,106
Discontinued operations			
Profit for the year from discontinued operations	31	—	53,459
Profit for the year		403,214	378,565

Consolidated Statement of Profit or Loss (continued)

For the year ended 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Profit attributable to owners of the Company			
— from continuing operations		345,764	243,016
— from discontinued operations		—	53,665
Profit for the year attributable to owners of the Company		345,764	296,681
Profit (loss) attributable to non-controlling interests			
— from continuing operations		57,450	82,090
— from discontinued operations		—	(206)
Profit for the year attributable to non-controlling interests		57,450	81,884
		403,214	378,565
Earnings per share	12		
From continuing and discontinued operations			
Basic		HK11.21cents	HK9.62 cents
From continuing operations			
Basic		HK11.21cents	HK7.88 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021 HK$'000	2020 HK$'000
Profit for the year	403,214	378,565
Other comprehensive income (expense) includes:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations		
— subsidiaries	227,877	542,017
— associates	9,154	16,859
— joint ventures	2,378	45,506
Reclassification adjustments for the cumulative exchange differences upon deemed disposal of subsidiaries	—	(6,060)
	239,409	598,322
Total comprehensive income for the year	642,623	976,887
Total comprehensive income for the year attributable to:		
Owners of the Company	523,839	741,883
Non-controlling interests	118,784	235,004
	642,623	976,887
Total comprehensive income attributable to owners of the Company:		
— from continuing operations	523,839	687,093
— from discontinued operations	—	54,790
	523,839	741,883

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	14	1,561,752	1,372,365
Right-of-use assets	15	188,188	252,649
Investment properties	16	9,796,960	9,594,734
Interests in associates	17	288,347	253,529
Interests in joint ventures	18	148,776	163,923
Deposit paid for property, plant and equipment		17,820	60,081
Long-term bank deposits	23	161,369	119,190
Pledged bank deposits	23	8,068	7,867
Long term assets	19	458,622	556,033
		12,629,902	12,380,371
Current assets			
Inventories	20	729,599	462,124
Trade and other receivables	19	1,558,942	1,239,422
Amount due from a related party	21	208	—
Financial assets at fair value through profit or loss	22	5,564	3,895
Pledged bank deposits	23	55,193	45,090
Restricted bank deposits	23	32,325	—
Short-term bank deposits	23	462,291	122,721
Bank balances and cash	23	1,395,138	1,863,141
		4,239,260	3,736,393
Current liabilities			
Trade and other payables	24	1,495,937	1,488,229
Contract liabilities	25	73,759	40,968
Lease liabilities	26	31,499	31,131
Amount due to a joint venture	18	37,375	—
Loan from a related party	28	13,508	—
Taxation payable		119,743	62,028
		1,771,821	1,622,356
Net current assets		2,467,439	2,114,037
Total assets less current liabilities		15,097,341	14,494,408

Consolidated Statement of Financial Position (continued)
At 31 December 2021

	NOTES	**2021 HK$'000**	2020 HK$'000
Non-current liabilities			
Lease liabilities	26	**65,803**	63,749
Loan from a controlling shareholder	27	**611,247**	595,948
Loan from a related party	28	**952,445**	940,524
Deferred taxation	29	**2,625,080**	2,608,449
		4,254,575	4,208,670
		10,842,766	10,285,738
Capital and reserves			
Share capital	30	**1,154,511**	1,154,511
Reserves		**7,233,603**	6,771,464
Equity attributable to owners of the Company		**8,388,114**	7,925,975
Non-controlling interests		**2,454,652**	2,359,763
		10,842,766	10,285,738

The consolidated financial statements on pages 63 to 162 were approved and authorised for issue by the Board of Directors on 31 March 2022 and are signed on its behalf by:

Zhou Limin
Director

Jin Xuesheng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	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 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 31)*	–	–	–	(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 31)*	–	–	–	–	–	–	–	–	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

Consolidated Statement of Changes In Equity (continued)

For the year ended 31 December 2021

	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 2021	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
Profit for the year	–	–	–	–	–	–	345,764	345,764	57,450	403,214
Exchange differences arising on translating foreign operations										
– subsidiaries	–	–	–	166,543	–	–	–	166,543	61,334	227,877
– associates	–	–	–	9,154	–	–	–	9,154	–	9,154
– joint ventures	–	–	–	2,378	–	–	–	2,378	–	2,378
Total comprehensive income for the year	–	–	–	178,075	–	–	345,764	523,839	118,784	642,623
Dividend recognised as distribution *(note 13)*	–	–	–	–	–	–	(61,700)	(61,700)	–	(61,700)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	(23,895)	(23,895)
Transfer to general reserve	–	–	20,421	–	–	–	(20,421)	–	–	–
	–	–	20,421	–	–	–	(82,121)	(61,700)	(23,895)	(85,595)
At 31 December 2021	1,154,511	14,044	109,916	323,341	30,523	44,926	6,710,853	8,388,114	2,454,652	10,842,766

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 2021

	NOTE	2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		486,102	442,845
Adjustments for:			
Interest income		(37,109)	(19,003)
Interest expense		76,946	72,188
Depreciation of property, plant and equipment		201,817	155,931
Depreciation of right-of-use assets		41,446	36,118
Impairment loss, net of reversal, under expected credit loss model		121,701	54,653
Fair value changes of investment properties		47,724	1,288
Net (gain) loss from change in fair value of financial assets at fair value through profit or loss		(1,669)	1,892
Allowance for obsolete inventories		369	1,012
Share of results of associates		(20,375)	(18,512)
Share of results of joint ventures		17,525	(16,442)
Gain on deemed partial disposal of an associate		(5,289)	—
Gain on deemed disposal of subsidiaries	31	—	(54,075)
Net gain on land resumption		(200,861)	(17,567)
(Gain)/loss on disposal/written off of property, plant and equipment		(17)	727
Operating cash flows before movements in working capital		728,310	641,055
Increase in inventories		(251,093)	(72,599)
Increase in trade and other receivables		(309,272)	(123,708)
Increase in trade and other payables		59,597	122,041
(Decrease) increase in contract liabilities		31,019	1,667
Cash generated from operations		258,561	568,456
Hong Kong Profits Tax refunded		4,126	9,047
PRC Enterprise Income Tax paid		(75,212)	(55,753)
NET CASH FROM OPERATING ACTIVITIES		187,475	521,750

Consolidated Statement of Cash Flows (continued)
For the year ended 31 December 2021

	NOTE	2021 HK$'000	2020 HK$'000
INVESTING ACTIVITIES			
Placement of short-term bank deposits		(451,797)	(114,150)
Withdrawal of short-term bank deposits		123,014	122,705
Placement of pledged bank deposits		(17,704)	(49,258)
Withdrawal of pledged bank deposits		8,961	41,043
Placement of long-term bank deposits		(38,232)	(110,865)
Placement of restricted bank deposits		(31,096)	—
Interest received		37,109	19,523
Purchase of property, plant and equipment		(431,635)	(231,378)
Deposit paid for property, plant and equipment		(32,441)	(53,774)
Proceeds from lessor on land resumption		330,178	18,008
Proceeds from disposal of property, plant and equipment		896	398
Advance receipt from a joint venture		36,527	—
Payment for development costs incurred in respect of investment properties		(13,276)	(14,285)
(Placements) withdrawal of deposits with a related party		(208)	16
Payments for right-of-use assets		—	(45,028)
Capital injection in an associate	17	—	(11,851)
Return of capital from a joint venture	18	—	595,948
Net cash inflow on deemed disposal of subsidiaries	31	—	39,599
NET CASH (USED IN) FROM INVESTING ACTIVITIES		(479,704)	206,651
FINANCING ACTIVITIES			
Interest paid		(72,409)	(67,401)
Interest paid on lease liabilities		(4,537)	(4,787)
Repayments of lease liabilities		(32,260)	(28,831)
Dividend paid		(61,645)	(61,652)
Dividend paid to non-controlling interests of a subsidiary		(23,895)	(22,173)
Repayment of loan from a related party		(11,947)	—
Proceeds from discounted bills with recourse from a related party		13,201	—
Repayment of other loan		—	(7,946)
NET CASH USED IN FINANCING ACTIVITIES		(193,492)	(192,790)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(485,721)	535,611
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		1,863,141	1,271,556
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		17,718	55,974
CASH AND CASH EQUIVALENTS AT END OF THE YEAR REPRESENTING BANK BALANCES AND CASH		1,395,138	1,863,141

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 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 41, 17 and 18, respectively.

2. APPLICATION OF 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 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 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of the amendments to HKFRSs in the current year has 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 AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

Impacts on application of the agenda decision of the Committee — Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

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[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
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]

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

New and amendments to HKFRSs in issue but not yet effective (continued)

[1] Effective for annual periods beginning on or after 1 April 2021
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective for annual periods beginning on or after 1 January 2023
[4] Effective for annual periods beginning on or after a date to be determined

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

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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

New and amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2021)

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 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

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

New and amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies (continued)

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

Amendments to HKAS 16 Property, Plant and Equipment — Proceeds before Intended Use

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 Inventories.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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

New and amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKFRSs Annual Improvements to HKFRSs 2018–2020

The annual improvements make amendments to the following standards.

HKFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

HKFRS 16 Leases

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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.

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

Basis of preparation of consolidated financial statements (continued)

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.

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.

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

Significant accounting policies (continued)

Basis of consolidation (continued)

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.

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

Significant accounting policies (continued)

Investments in associates and joint ventures (continued)

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

The Group assesses 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.

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

Significant accounting policies (continued)

Revenue from contracts with customers (continued)

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 good 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.

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.

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

Significant accounting policies (continued)

Revenue from contracts with customers (continued)

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.

Contract cost

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.

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.

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

Significant accounting policies (continued)

Leases (continued)

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 of staff quarters and machineries 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.

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".

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)

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.

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.

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)

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" 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.

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

Significant accounting policies (continued)

Leases (continued)

The Group as a lessor (continued)

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.

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).

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

Significant accounting policies (continued)

Foreign currencies (continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

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

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".

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

Significant accounting policies (continued)

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.

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.

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

Significant accounting policies (continued)

Taxation (continued)

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.

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.

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

Significant accounting policies (continued)

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.

Property, 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.

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.

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

Significant accounting policies (continued)

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 disposal. 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.

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.

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

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 (or a cash-generating unit) 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.

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.

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

Significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur 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.

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.

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

Significant accounting policies (continued)

Financial instruments (continued)

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.

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.

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)

(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 subject to impairment assessment under HKFRS 9

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, restricted 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.

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.

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 subject to impairment assessment under HKFRS 9 (continued)

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.

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.

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 subject to impairment assessment under HKFRS 9 (continued)

(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 subject to impairment assessment under HKFRS 9 (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.

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

Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

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.

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 and loan from a related party 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.

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 29.

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

Critical judgements in applying accounting policies (continued)

(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.

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 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 2021, the carrying amount of the Group's investment properties is HK$9,796,960,000 (2020: HK$9,594,734,000).

(b) Provision of ECL for trade receivables from contracts with customers and lease receivables

Trade receivables with significant balances and credit-impaired, and lease receivables 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. Due to greater financial uncertainty triggered by the Covid-19 pandemic and the increase in uncertainties in the PRC real estate sector, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could lead to increased credit default rates. The information about the ECL and the Group's trade receivables and lease receivables are disclosed in note 37.

5. REVENUE

(i) Disaggregation of revenue

	For the year ended 31 December 2021 Timing for revenue recognition		
	A point in time HK$'000	Overtime HK$'000	Total HK$'000
Continuing operations			
Manufacturing of goods *(Note)*	**4,277,508**	**—**	**4,277,508**
Property management fee	**—**	**85,104**	**85,104**
Others	**12,273**	**—**	**12,273**
Revenue from contracts with customer	**4,289,781**	**85,104**	**4,374,885**
Leases			**370,482**
Total revenue			**4,745,367**

	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

Note: Manufacturing of goods represents external sales of plastics 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 a 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 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 prior 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 31. 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.

6. SEGMENT INFORMATION (continued)

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".

(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 2021
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	1,459,512	69,572	1,529,084	32,084
Liquid crystal display	1,062,204	—	1,062,204	57,430
Printed circuit boards	1,334,669	—	1,334,669	85,650
Intelligent chargers	421,123	27,937	449,060	7,230
Industrial property investment	11,260	25,280	36,540	7,125
	4,288,768	122,789	4,411,557	189,519
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	440,370	877	441,247	301,009
Reportable segments total	4,729,138	123,666	4,852,804	490,528
Elimination	—	(123,666)	(123,666)	—
Other Business	16,229	—	16,229	5,890
	4,745,367	—	4,745,367	496,418
Unallocated corporate income				54,679
Unallocated corporate expenses				(75,348)
Net gain on land resumptions				200,861
Gain on deemed partial disposal of an associate				5,289
Impairment loss under expected credit loss model				(121,701)
Share of results of associates				20,375
Share of results of joint ventures				(17,525)
Finance costs				(76,946)
Profit before taxation from continuing operations				486,102

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2021

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 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	10,159
	3,184,620	63,353	3,247,973	218,201
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	528,128
Elimination	—	(66,132)	(66,132)	—
Other Business	10,091	—	10,091	6,099
	3,579,972	—	3,579,972	534,227
Unallocated corporate income				34,634
Unallocated corporate expenses				(103,823)
Gain on land resumptions				17,567
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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by/loss from each segment without allocation of interest income, change in fair value of financial assets at FVTPL, gain on land resumptions, gain on deemed partial disposal of an associate, share of results of associates, share of results of joint ventures, interest expenses, and other corporate income and corporate expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

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

6. SEGMENT INFORMATION (continued)

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

	2021 HK$'000	2020 HK$'000
Segment assets		
Hi-Tech Manufacturing Business		
Plastic products	1,390,789	1,172,937
Liquid crystal display	787,713	552,905
Printed circuit boards	1,257,736	1,127,266
Intelligent chargers	271,298	232,000
Industrial property investment	250,903	397,399
	3,958,439	3,482,507
Aerospace Service		
Property investment in Shenzhen Aerospace Science & Technology Plaza	10,170,930	9,952,878
Total assets for reportable segments	14,129,369	13,435,385
Other Business	121,152	105,918
Interests in associates	288,347	253,529
Interests in joint ventures	148,776	163,923
Unallocated assets	2,181,518	2,158,009
Consolidated assets	16,869,162	16,116,764
Segment liabilities		
Hi-Tech Manufacturing Business		
Plastic products	431,241	421,407
Liquid crystal display	245,423	170,996
Printed circuit boards	453,188	409,987
Intelligent chargers	103,730	108,199
Industrial property investment	6,146	5,694
	1,239,728	1,116,283
Aerospace Service		
Property investment in Shenzhen Aerospace Science & Technology Plaza	62,600	91,257
Total liabilities for reportable segments	1,302,328	1,207,540
Unallocated liabilities	4,724,068	4,623,486
Consolidated liabilities	6,026,396	5,831,026

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2021

6. SEGMENT INFORMATION (continued)

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

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, loan from a controlling shareholder, loan from a related party and the other unallocated liabilities.

(c) Other segment information

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

2021

Continuing operations

	Capital additions HK$'000	Depreciation and amortisation HK$'000	Fair value gain (loss) on investment properties HK$'000	(Gain) loss on disposal/ written off of property, plant and equipment and (gain) on land resumptions HK$'000	Impairment loss under expected credit loss model, net of reversal HK$'000	Allowance for obsolete inventories HK$'000
Hi-Tech Manufacturing Business						
Plastic products	118,786	80,297	–	157	–	–
Liquid crystal display	113,281	30,017	–	–	–	–
Printed circuit boards	193,682	106,630	–	(60)	–	369
Intelligent chargers	7,761	7,447	–	235	–	–
Industrial property investment	11,789	11,148	5,986	(349)	–	–
	445,299	235,539	5,986	(17)	–	369
Aerospace Service						
Property investment in Shenzhen Aerospace Science & Technology Plaza	10,983	2,740	(52,156)	–	121,701	–
Reportable segments total	456,282	238,279	(46,170)	(17)	121,701	369
Other Business	10,798	4,984	(1,554)	–	–	–
Unallocated	625	–	–	(200,861)	–	–
Total	467,705	243,263	(47,724)	(200,878)	121,701	369

6. SEGMENT INFORMATION (continued)

(c) Other segment information (continued)

2020

Continuing operations

	Capital additions HK$'000	Depreciation and amortisation HK$'000	Fair value gain (loss) on investment properties HK$'000	(Gain) loss on disposal/ written off of property, plant and equipment and (gain) on land resumptions HK$'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	–	–	–
	328,819	185,532	8,421	701	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	707	(1,341)	1,012
Other Business	4,397	5,065	(3,658)	20	–	–
Unallocated	–	–	–	(17,567)	55,994	–
Total	340,597	191,953	(1,288)	(16,840)	54,653	1,012

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	
	2021	2020	**2021**	2020
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**2,531,110**	1,764,467	**270,643**	278,670
The PRC	**2,202,182**	1,815,505	**11,976,990**	11,821,992
Overseas	**12,075**	—	**212,832**	152,652
	4,745,367	3,579,972	**12,460,465**	12,253,314

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

(a) Other income

	2021 HK$'000	2020 HK$'000
Continuing operations		
The Group's other income comprises:		
Interest income	37,109	19,003
Sales of scrap materials	24,733	17,086
Government subsidies *(Note a)*	9,928	3,764
Government grants in respect of Covid-19-related subsidies *(Note b)*	—	6,481

(b) Other gains and losses

	2021 HK$'000	2020 HK$'000
Continuing operations		
The Group's other gains and losses mainly comprise:		
Net exchange loss	(3,400)	(12,875)
Net gain (loss) from change in fair value of financial assets at fair value through profit or loss	1,669	(1,892)
Net gain on land resumptions *(note 15)*	200,861	17,567
Net gain (loss) on disposal/written off of property, plant and equipment	17	(727)
Gain on deemed partial disposal of an associate	5,289	—

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 year ended 31 December 2020, 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.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

8. DIRECTORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 8 (2020: 10) directors are as follows:

	Executive directors		Non-executive directors			Independent non-executive directors			
	Zhou Limin# HK$'000	Jin Xuesheng HK$'000	Hua Chongzhi^ HK$'000	Liu Xudong HK$'000	Mao Yijin HK$'000	Luo Zhenbang HK$'000	Leung Sau Fan, Sylvia HK$'000	Wang Xiaojun HK$'000	2021 Total HK$'000
Directors' fees									
Executives	–	–	–	–	–	–	–	–	–
Non-executives (excluding independent non-executives)	–	–	32	95	–	–	–	–	127
Independent non-executives	–	–	–	–	–	150	150	150	450
	–	–	32	95	–	150	150	150	577
Other emoluments									
Salaries and other benefits	1,602	1,602	13	11	–	87	110	60	3,485
Bonuses	232	930	–	–	–	–	–	–	1,162
Contributions to retirement benefits scheme	188	231	–	–	–	–	–	–	419
	2,022	2,763	13	11	–	87	110	60	5,066
Total emoluments	2,022	2,763	45	106	–	237	260	210	5,643

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

(a) Directors' emoluments (continued)

	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

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

Mr. Jin Xuesheng was also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

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

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

(b) Highest paid individuals' emoluments

During the year, the five highest paid individuals included one director (2020: two directors), details of whose emoluments are set out above. The emoluments of the remaining four (2020: three) highest paid individuals are as follows:

	2021 HK$'000	2020 HK$'000
Salaries and other benefits	3,571	2,062
Bonuses *(Note)*	10,041	6,277
Contributions to retirement benefits scheme	440	196
	14,052	8,535

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

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

Emoluments band	Number of individuals 2021	2020
HK$5,000,001 to HK$5,500,000	1	—
HK$4,500,001 to HK$5,000,000	—	—
HK$4,000,001 to HK$4,500,000	1	—
HK$3,500,001 to HK$4,000,000	—	2
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	3	2
HK$1,500,001 to HK$2,000,000	—	1
Nil to HK$1,000,000	6	8

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

	2021 HK$'000	2020 HK$'000
Continuing operations		
Interest expenses on		
— loan from a controlling shareholder	30,283	28,178
— loan from a related party	42,126	39,223
— lease liabilities	4,537	4,778
	76,946	72,179

10. PROFIT BEFORE TAXATION

	2021 HK$'000	2020 HK$'000
Continuing operations		
Profit before taxation has been arrived at after charging (crediting):		
Auditors' remuneration	3,669	3,901
Cost of inventories charged to profit or loss including net allowance for obsolete inventories of HK$369,000 (2020: HK$1,012,000)	3,624,196	2,571,263
Depreciation of property, plant and equipment	201,817	155,931
Depreciation of right-of-use assets	41,446	36,022
Staff costs, including directors' remuneration	941,199	731,401
Gross rental income from investment properties	(370,482)	(315,792)
Less: Direct operating expenses for investment properties that generated rental income during the year	10,934	10,383
	(359,548)	(305,409)

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2021

11. TAXATION

Continuing operations

The tax charge (credit) for the year comprises:

	2021 HK$'000	2020 HK$'000
Current tax:		
Hong Kong Profits Tax	13,639	3,100
PRC EIT	118,065	59,857
	131,704	62,957
Overprovision in prior years:		
Hong Kong Profits Tax	(225)	(2,391)
PRC EIT	—	—
	(225)	(2,391)
Deferred tax (credit) charge *(note 29)*	(48,591)	3,714
	82,888	64,280

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:

	2021 HK$'000	2020 HK$'000
Profit before taxation (from continuing operations)	486,102	389,386
Tax at applicable income tax*	121,526	97,347
Tax effect of share of results of associates	(5,094)	(4,628)
Tax effect of share of results of joint ventures	4,381	(4,111)
Tax effect of expenses not deductible for tax purpose	6,497	9,028
Tax effect of income not taxable for tax purpose	(15,614)	(9,421)
Tax effect of deductible temporary difference not recognised	7,081	13,999
Land appreciation tax	(11,451)	(1,949)
Tax effect of land appreciation tax deductible for PRC EIT	2,863	487
Super deduction for research and development expenses	(26,678)	(18,184)
Tax effect of tax losses not recognised	15,232	962
Utilisation of tax losses previously not recognised	(4,776)	(4,050)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(10,160)	(7,453)
Effect of income tax on concessionary rates for certain subsidiaries	(1,184)	(3,986)
Overprovision in prior years	(225)	(2,391)
Others	490	(1,370)
Income tax expenses for the year	82,888	64,280

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

Hong Kong Profits Tax for both periods is calculated at 16.5% of the estimated assessable profits for the period, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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 (2020: three subsidiaries) of the Company operating in the PRC are eligible as High and New Technology Enterprise till the dates ranging from 1 December 2022 to 30 November 2023 (2020: from 1 December 2022 to 30 November 2023) and the income tax rate of these subsidiaries is 15%.

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 200% (2020: 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 29.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

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:

	2021 HK$'000	2020 HK$'000
From continuing operations		
Profit for the year attributable to owners of the Company	345,764	296,681
Less: profit from discontinued operation	–	(53,665)
Earnings for the purpose of earnings per share from continuing operations	345,764	243,016

	2021 Number of shares	2020 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

	2021 HK$'000	2020 HK$'000
From continuing and discontinued operations		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	345,764	296,681

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

From discontinued operations

Basic earnings per share for the discontinued operations was HK1.74 cents per share for the year ended 31 December 2020, based on the profit for the year from the discontinued operations of approximately HK$53,665,000 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

	2021 HK$'000	2020 HK$'000
Dividends recognised as distribution during the year: 2020 final dividend of HK2 cents (2020: 2019 final dividend of HK2 cents) per ordinary share	61,700	61,700

A final dividend of HK2 cents per share in respect of the year ended 31 December 2021 (2020: 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$'000	Leasehold land and buildings outside Hong Kong HK$'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 2020	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
Exchange realignment	–	18,319	35,989	11,650	(289)	65,669
Additions	–	230	269,985	39,275	117,010	426,500
Disposals/written off	–	(90,322)	(12,728)	(4,219)	–	(107,269)
Transfer	–	118,189	30,800	35,537	(184,526)	–
At 31 December 2021	76,875	773,233	1,559,277	491,453	32,361	2,933,199
DEPRECIATION AND IMPAIRMENT						
At 1 January 2020	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
Exchange realignment	–	8,037	17,001	6,774	–	31,812
Provided for the year	1,985	22,502	128,435	48,895	–	201,817
Eliminated on disposals/written off	–	(23,949)	(9,981)	(4,186)	–	(38,116)
At 31 December 2021	50,745	236,357	790,119	294,226	–	1,371,447
CARRYING VALUES						
At 31 December 2021	26,130	536,876	769,158	197,227	32,361	1,561,752
At 31 December 2020	28,115	497,050	580,567	166,467	100,166	1,372,365

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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 2021			
Carrying amount	**98,777**	**89,411**	**188,188**
As at 31 December 2020			
Carrying amount	164,726	87,923	252,649
For the year ended 31 December 2021			
Depreciation charge	**8,449**	**32,997**	**41,446**
For the year ended 31 December 2020			
Depreciation charge	3,858	32,260	36,118

	2021 HK$'000	2020 HK$'000
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**12**	77
Expense relating to short-term leases	**1,348**	6,889
Total cash outflow for leases	**38,157**	85,612
Total cash inflow for leases	**330,178**	18,008
Additions to right-of-use assets	**32,461**	54,002
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 14 months to 30 years (2020: 2 to 30 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.

15. RIGHT-OF-USE ASSETS (continued)

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 14 months to 10 years (2020: 2 to 5 years). On the lease commencement, the Group recognised right-of-use assets and lease liabilities of HK$32,461,000 (2020: right-of-use assets and lease liabilities of HK$8,974,000) which constitute non-cash transactions.

During the year ended 31 December 2021, the Group entered into several land resumption agreements with a government authority in Huizhou, the PRC, for returning the leasehold land of carrying amount of HK$61,042,000 to the government at a consideration of HK$330,178,000, details of which are disclosed in the Company's announcement dated 29 June 2021. Certain property, plant and equipment with carrying amount of HK$68,275,000 are written off due to the land resumption and a net gain on land resumptions of HK$200,861,000 has been recognised in profit and loss.

During the year ended 31 December 2020, the Group made 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 modification 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. As at 31 December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses.

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.

	2021 HK$'000	2020 HK$'000
FAIR VALUE		
At 1 January	9,594,734	9,110,037
Exchange realignment	241,206	618,314
Addition	8,744	5,184
Net change in fair value recognised in profit or loss	(47,724)	(1,288)
Transfer to property, plant and equipment	–	(107,713)
Transfer to right-of-use assets	–	(29,800)
At 31 December	9,796,960	9,594,734
Unrealised loss on property revaluation included in profit or loss of current year	(47,724)	(1,288)

The fair values of the Group's investment properties at date of transfer, 31 December 2021 and 31 December 2020 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.

16. INVESTMENT PROPERTIES (continued)

Fair value measurements and valuation processes

In estimating the fair value of the Group's investment properties, the Group uses market observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation of the Group's investment properties. At the end of each reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs 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.

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 31.12.2021 HK$'000	Fair value as at 31.12.2020 HK$'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	75,343	67,510	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 (2020: 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, of RMB10.5/sq.m. (2020: RMB8 – RMB10.5/sq.m.) on average for the base level.	The higher the monthly market rent, the higher the fair value.

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16. INVESTMENT PROPERTIES (continued)

Fair value measurements and valuation processes (continued)

	Fair value as at 31.12.2021 HK$'000	Fair value as at 31.12.2020 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Office premises	102,812	101,788	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 (2020: 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 RMB92 — RMB205/sq.m. (2020: RMB91 — RMB213/sq.m.) on average.	The higher the monthly market rent, the higher the fair value.
The PRC						
Retail and office premises*	9,455,365	9,261,996	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 7.0% per annum (2020: 7.5% per annum) (retail) and 4.0% per annum (2020: 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, of RMB130 — RMB144/sq.m. (2020: RMB100 — RMB110/sq.m.) for retail and RMB194/sq.m. (2020: RMB165/sq.m.) for office.	The higher the monthly market rent, the higher the fair value.

16. INVESTMENT PROPERTIES (continued)

Fair value measurements and valuation processes (continued)

	Fair value as at 31.12.2021 HK$'000	Fair value as at 31.12.2020 HK$'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Hong Kong						
Industrial premises	134,040	134,040	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 (2020: HK$5,300 — HK$7,700) 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 (2020: 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.

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.

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17. INTERESTS IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
Cost of unlisted investments in associates	217,487	212,198
Share of post-acquisition profits, net of dividends received	62,652	42,277
Exchange realignment	8,208	(946)
Share of net assets	288,347	253,529

Details of the Group's associates at 31 December 2021 and 2020 are as follows:

Name of associates	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group % 2021	2020	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	15.15	Provision of information service
航天數聯信息技術(深圳)有限公司	HK$128,460,000	32.13	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	23.38	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.

On 28 April 2021, Shenzhen Rayitek was officially listed on the Sci-Tech Innovation Board of Shanghai Stock Exchange. The issue price per share was RMB5.97, and a total of 45,000,000 new shares were issued, which was equivalent to approximately 25% of the enlarged issued share capital. As such, the Company's indirect interest in Shenzhen Rayitek was diluted from 31.17% to approximately 23.38%, a gain on deemed partial disposal of an associate of HK$5,289,000 was recorded.

During the year ended 31 December 2020, 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 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. Details of the transaction are disclosed in note 31.

17. INTERESTS IN ASSOCIATES (continued)

During the year ended 31 December 2020, 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 was changed from 15.70% to 15.15% and is still accounted for as 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

	2021 HK$'000	2020 HK$'000
Current assets	399,221	231,584
Non-current assets	1,203,172	929,206
Current liabilities	(252,165)	(297,710)
Non-current liabilities	(263,651)	(146,888)
Revenue	378,701	388,206
Profit and total comprehensive income for the year	70,870	58,681

17. INTERESTS IN ASSOCIATES (continued)

Summarised financial information of material associates (continued)

Shenzhen Rayitek (continued)

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

	2021 HK$'000	2020 HK$'000
Net assets of Shenzhen Rayitek	1,086,577	716,192
Proportion of the Group's ownership interest in Shenzhen Rayitek	23.38%	31.17%
Carrying amount of the Group's interest in Shenzhen Rayitek*	254,042	223,237

* The market value of the Group's interest in Shenzhen Rayitek is determined based on the quoted market bid price multiplied by the quantity of shares held by the Group, amounting to HK$1,621,460,000 as at 31 December 2021.

Aggregate information of associates that are not individually material

	2021 HK$'000	2020 HK$'000
The Group's share of profit and total comprehensive income for the year	3,168	221
Aggregate carrying amount of the Group's interests in these associates	34,305	30,292

18. INTERESTS IN JOINT VENTURES AND AMOUNT DUE TO A JOINT VENTURE

Interests in joint ventures

	2021 HK$'000	2020 HK$'000
Cost of unlisted investments in joint ventures	253,877	253,877
Share of post-acquisition losses	(87,716)	(70,191)
Exchange realignment	(17,385)	(19,763)
	148,776	163,923

Amount due to a joint venture

	2021 HK$'000	2020 HK$'000
Amount due to a joint venture	37,375	—

The amount due to a joint venture is non-trade in nature, unsecured, interest free and repayable on demand.

Details of the Group's joint ventures at 31 December 2021 and 2020 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	50	Land development

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

18. INTERESTS IN JOINT VENTURES AND AMOUNT DUE TO A JOINT VENTURE (continued)

Summarised financial information of material joint ventures

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

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

Hainan Aerospace

	2021 HK$'000	2020 HK$'000
Current assets	147,592	145,340
Non-current assets	17,247	47,068
Current liabilities	(315)	(188)

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	147,328	145,251

	2021 HK$'000	2020 HK$'000
Other income	4,211	42,574
(Loss) profit and total comprehensive (expenses) income for the year	(31,121)	35,402

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

	2021 HK$'000	2020 HK$'000
Depreciation and amortisation	(434)	(586)
Interest income	3,959	40,192

18. INTERESTS IN JOINT VENTURES AND AMOUNT DUE TO A JOINT VENTURE (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:

	2021 HK$'000	2020 HK$'000
Net assets of Hainan Aerospace	164,524	192,220
Proportion of the Group's ownership interest in Hainan Aerospace	50%	50%
Carrying amount of the Group's interest in Hainan Aerospace	82,262	96,110

Aerospace New World

	2021 HK$'000	2020 HK$'000
Current assets	117,912	118,009
Non-current assets	16,561	19,849
Current liabilities	(1,028)	(1,135)
Non-current liabilities	(417)	(1,097)

The above amounts of assets mainly include the following:

Cash and cash equivalents	52,748	117,142

	2021 HK$'000	2020 HK$'000
Other income	768	2,826
Loss and total comprehensive expenses for the year	(3,929)	(2,517)

18. INTERESTS IN JOINT VENTURES AND AMOUNT DUE TO A JOINT VENTURE (continued)

Summarised financial information of material joint ventures (continued)

Aerospace New World (continued)

The above profit for the year included the following:

	2021 HK$'000	2020 HK$'000
Interest income	282	1,916
Income tax expenses	(167)	(596)

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

	2021 HK$'000	2020 HK$'000
Net assets of Aerospace New World	133,028	135,626
Proportion of the Group's ownership interest	50%	50%
Carrying amount of the Group's interest	66,514	67,813

19. TRADE AND OTHER RECEIVABLES AND LONG-TERM ASSETS

	2021 HK$'000	2020 HK$'000
Trade receivables from contracts with customer	**1,276,269**	1,071,015
Less: Allowance for credit losses	**(30,034)**	(16,000)
	1,246,235	1,055,015
Leases receivables		
— billed	**167,968**	53,994
— unbilled	**603,345**	590,700
	771,313	644,694
Less: Allowance for credit losses	**(114,070)**	(6,450)
	657,243	638,244
Other receivables, deposits and prepayment	**176,714**	161,773
Less: Allowance for credit losses	**(62,628)**	(59,577)
	114,086	102,196
Total trade and other receivables	**2,017,564**	1,795,455
Current	**1,558,942**	1,239,422
Non-current as long term assets	**458,622**	556,033
	2,017,564	1,795,455

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 2020, trade receivables arising from contracts with customers amounted to HK$891,977,000.

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

The following is 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:

	2021 HK$'000	2020 HK$'000
Within 90 days	**1,074,453**	966,468
Between 91–180 days	**156,979**	85,459
Between 181–365 days	**14,803**	3,088
	1,246,235	1,055,015

As at 31 December 2021, included in the Group's trade receivables arising from contracts with customer is bills received amounting to HK$113,244,000 (2020: HK$163,326,000) 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 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$215,588,000 (2020: HK$128,658,000) which are past due as at the reporting date. Out of the past due balances, HK$27,390,000 (2020: HK$17,573,000) 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.

Other than bills received amounting to HK$83,005,000 (2020: HK$143,831,000), 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 lease receivables which are accrued rental income that are expected to be realised after twelve months after the reporting period. Lease receivables are invoiced to tenants on a monthly basis after the rent free period and are due for settlement upon the issuance of invoices.

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

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

	2021 HK$'000	2020 HK$'000
Within 90 days	100,781	53,994
Between 91–180 days	47,011	—
	147,792	53,994

Included in the Group's other receivables, deposits and prepayments at 31 December 2021 is value-added tax recoverable of HK$46,533,000 (2020: HK$29,665,000).

Details of impairment assessment of trade and other receivables are set out in note 37.

20. INVENTORIES

	2021 HK$'000	2020 HK$'000
Raw materials	308,173	165,792
Work-in-progress	159,744	125,507
Finished goods	261,682	170,825
	729,599	462,124

21. AMOUNT DUE FROM A RELATED PARTY

The amount due from a related party 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 China Aerospace Science & Technology Corporation ("CASC"). The amount was non-trade related, unsecured, receivable on demand and carried interests at prevailing market rate (note (38)(a)(i)).

Details of impairment assessment of amount due from a related party are set out in note 37.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 HK$'000	2020 HK$'000
Financial assets mandatorily measured at FVTPL:		
Equity securities		
— listed in Hong Kong	5,564	3,895

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

The Group's bank deposits amounting to HK$63,261,000 (2020: HK$52,957,000) have been pledged to secure general banking facilities of the Group and except for the amount of HK$8,068,000 (2020: HK$7,867,000) are classified as non-current assets as the period pledged is longer than one year, the remaining balances are classified as current assets. The Group's bank deposits amounting to HK$32,325,000 (2020: Nil) is restricted due to the involvement in a litigation and the directors of the Company believe, based on legal advice, that the action can be successfully defended and therefore no losses will be incurred.

At 31 December 2021, short-term bank deposits with maturity more than three months carry fixed interest rates which range from 0.19% to 2.75% per annum (2020: 0.25% to 3.29%) and long-term bank deposits with maturity more than one year carry fixed interest rate from 2.03% to 3.79% (2020: 3.79%) per annum.

At 31 December 2021, bank balances and pledged bank deposits carry interest at prevailing market rates which range from 0.001% to 2.1% (2020: 0.3% to 2.1%) 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, restricted bank deposits and bank balances are set out in note 37.

24. TRADE AND OTHER PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables	702,640	600,973
Accrued charges and provisions	221,558	269,151
Refundable deposits received	26,207	20,083
Other payables	545,532	598,022
	1,495,937	1,488,229

Other payables included an amount of HK$54,000,000 (2020: HK$54,000,000) received on behalf of CASC and payables with respect to development costs for investment properties of HK$19,083,000 (2020: HK$23,127,000).

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

	2021 HK$'000	2020 HK$'000
Within 90 days	694,483	507,652
Between 91–180 days	3,697	43,574
Between 181–365 days	—	44,070
Over 1 year	4,460	5,677
	702,640	600,973

25. 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 2020, contract liabilities amounted to HK$38,569,000.

During the year ended 31 December 2021, revenue recognised in current year of HK$40,968,000 (2020: HK$38,569,000) was included in the contract liability balance at the beginning of the year.

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

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26. LEASE LIABILITIES

	2021 HK$'000	2020 HK$'000
Lease liabilities payable:		
Within one year	**31,499**	31,131
Within a period of more than one year but not more than two years	**18,765**	20,956
Within a period of more than two years but not more than five years	**28,593**	23,668
Within a period of more than five years	**18,445**	19,125
	97,302	94,880
Less: Amount due for settlement within 12 months shown under current liabilities	**(31,499)**	(31,131)
Amount due for settlement after 12 months shown under non-current liabilities	**65,803**	63,749

The incremental borrowing rates applied to lease liabilities range from 2.91% to 5.8% (2020: from 2.91% to 5.8%).

27. LOAN FROM A CONTROLLING SHAREHOLDER

The loan is unsecured, repayable in 2023, and bears a fixed interest rate at 5% per annum (note 38(a)(ii)).

28. LOAN FROM A RELATED PARTY

The amount represents loan from Aerospace Finance. The amount is secured, bears a variable interest rate at 4.41% (2020: 4.41%) per annum, which is determined by the People's Bank of China Benchmark Rate, and is repayable in 2028 (note 38(a)(iii)).

During the year ended 31 December 2021, the Group discounted bills receivable with recourse in aggregate of HK$13,398,000 to Aerospace Finance for short-term financing. As at 31 December 2021, the associated borrowings amounted to HK$13,508,000.

29. 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$'000 *(Note 1)*	Others HK$'000 *(Note 2)*	Total HK$'000
At 1 January 2020	3,286	2,319,699	123,091	(8,476)	2,437,600
Exchange realignment	(8)	158,381	9,082	(320)	167,135
Charge (credit) 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
Exchange realignment	65	62,394	3,575	(812)	65,222
Charge (credit) to profit or loss for the year *(note 11)*	2,455	(22,017)	(583)	(28,446)	(48,591)
At 31 December 2021	**5,878**	**2,513,661**	**142,790**	**(37,249)**	**2,625,080**

Notes:

(1) The amount represents the temporary differences arising from accrued rent.

(2) The amount mainly represents temporary differences arising from allowances for credit losses 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 2021, the Group has unused tax losses of HK$986 million (2020: HK$1,008 million) available to offset against future profits. No deferred tax asset has been recognised in respect of the tax losses of approximately HK$967 million (2020: HK$989 million) due to the unpredictability of future profit streams. Included in the unrecognised tax losses, HK$904 million (2020: HK$933 million) may be carried forward indefinitely and the remaining balance will expire at various dates up to the end of 2031 (2020: expire at various dates up to the end of 2030).

At the end of the reporting period, the Group has deductible temporary difference of HK$62,628,000 (2020: HK$59,577,000). 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 undistributed retained profits earned by the subsidiaries in the PRC amounting to approximately HK$4,718 million (2020: HK$4,302 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.

30. SHARE CAPITAL

	HK$'000
Issued and fully paid:	
At 1 January 2020, 31 December 2020 and 31 December 2021	
— 3,085,022,000 ordinary shares with no par value	1,154,511

31. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2020, 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 had 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 as the Group was regarded as having significant influence over Aerospace Digitnexus, and was 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.

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

31. DISCONTINUED OPERATIONS AND 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 was as follows:

	Period ended 20.4.2020 HK$'000
Turnover	149
Cost of sales	(760)
Gross loss	(611)
Other income	338
Administrative expenses	(334)
Finance costs	(9)
Loss for the period	(616)
Loss for the period from discontinued operation include the following:	
Depreciation of right-of-use assets	(96)
Staff costs *(Note)*	(480)

Note: The amounts included retirement benefits scheme contributions of HK$65,000.

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

31. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES (continued)

The major classes of assets and liabilities of Aerospace Digitnexus as at the date of disposal were 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

32. PLEDGE OF OR RESTRICTION ON ASSETS

Pledged of assets

At 31 December 2021, bank deposits of HK$63,261,000 (2020: HK$52,957,000), bills held for future settlement of trade receivables of HK$83,005,000 (2020: HK$143,831,000) and investment properties of approximately HK$2,325,799,000 (2020: HK$2,294,938,000) 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$97,302,000 (2020: HK$94,880,000) are recognised with related right-of-use assets of HK$89,411,000 (2020: HK$87,923,000) as at 31 December 2021. 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.

33. CAPITAL COMMITMENTS

	2021 HK$'000	2020 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of: — acquisition of property, plant and equipment	87,746	142,457

34. OPERATING LEASES ARRANGEMENTS

The Group as lessor

The properties held by the Group for rental purposes have committed lessees for the next one to eleven years (2020: one to twelve years) and rent-free periods has been granted to certain tenants with accrued lease receivables disclosed in note 19.

At 31 December 2021, minimum lease payment receivable is as follows:

	2021 HK$'000	2020 HK$'000
Within one year	431,291	385,980
In the second year	465,218	418,520
In the third year	490,891	451,997
In the fourth year	518,080	476,872
In the fifth year	350,136	505,112
Over five years	457,859	787,771
	2,713,475	3,026,252

35. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of trustee. The Group basically contributes 5% of relevant payroll costs to the scheme, limit to HK$18,000 per annum per staff.

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

The total cost charged to the consolidated statement of profit or loss of HK$30,779,000 (2020: HK$15,761,000) 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 the state-managed retirement benefit plan operated by the government of the PRC due to the outbreak of Covid-19.

36. 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 27 and 28 and lease liabilities disclosed in note 26, 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.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 HK$'000	2020 HK$'000
Financial assets		
Financial assets at FVTPL	**5,564**	3,895
Financial assets at amortised cost	**3,515,788**	3,272,346
Financial liabilities		
Financial liabilities at amortised cost	**2,576,014**	2,382,897

37. 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, long-term bank deposits, short-term bank deposits, restricted bank deposits, bank balances and cash, financial assets at FVTPL, trade and other payables, loan from a controlling shareholder, loan from a related party 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 23 and 27 for details of these deposits and borrowings) and lease liabilities (see note 26). 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 28 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 (2020: 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 2021 would have decreased/increased by HK$3,976,000 (2020: HK$3,527,000).

37. FINANCIAL INSTRUMENTS (continued)

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

Market risk (continued)

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% (2020: 10%) higher/lower, the Group's profit after taxation for the year ended 31 December 2021 would have increased/decreased by HK$556,000 (2020: HK$389,000) as a result of the changes in fair value of the financial assets at fair value through profit or loss.

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 exposures 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.

37. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment *(continued)*

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 item
"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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2021

37. 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	2021 Gross carrying amount		2020 Gross carrying amount	
				HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at amortised cost							
Pledged bank deposits	BB+ to BBB−	N/A	12m ECL		63,261		52,957
Restricted bank deposits	BBB−	N/A	12m ECL		32,325		52,957
Short-term bank deposits	BBB- to BBB	N/A	12m ECL		462,291		122,721
Long-term bank deposits	BBB	N/A	12m ECL		161,369		119,190
Bank balances	BBB- to A+	N/A	12m ECL		1,395,138		1,862,853
Other receivables	N/A	Satisfactory	12m ECL	7,377		5,616	
		Loss *(Note 1)*	Lifetime ECL − (credit-impaired)	62,278	69,655	59,577	65,193
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)		113,244		163,326
(ii) Trade receivables	N/A	Strong	Lifetime ECL (not credit-impaired)	541,887		481,362	
		Satisfactory	Lifetime ECL (not credit-impaired)	27,824		8,142	
		Loss	Lifetime ECL (credit-impaired)	24,222	593,933	13,633	503,137
Collective assessment							
(i) Trade receivables	N/A	Strong	Lifetime ECL (not credit-impaired)	496,427		331,489	
		Satisfactory	Lifetime ECL (not credit-impaired)	72,665	569,092	73,063	404,552
Other item							
Lease receivables	N/A	Doubtful (2020: Strong)	Lifetime ECL (not credit-impaired) (2020: 12m ECL)		771,313		644,694

Notes:

(1) For the purposes of internal credit risk management, the Group use historical repayment information to assess whether credit risk has increased significant since initial recognition. At 31 December 2021, for the other receivables amounting HK$62,278,000 (2020: HK$59,577,000), 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 related banks.

37. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

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.

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. The following table provides information about the exposure to credit risk for trade receivables not backed by bank bills which are assessed individually as at 31 December 2021 and 2020 within lifetime ECL.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2021

37. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

Trade receivables arising from contracts with customers (continued)

Individual assessment (continued)

Gross carrying amount

Credit rating	Trade receivables (not credit-impaired)			
	2021		2020	
	Range of loss rate	HK$'000	Range of loss rate	HK$'000
Strong	0.06%–0.19%	541,887	0.02%–0.18%	481,362
Satisfactory	1.03%	27,824	1.03%	8,142
		569,711		489,504

Credit rating	Trade receivables (credit-impaired)			
	2021		2020	
	Loss rate	HK$'000	Loss rate	HK$'000
Loss	100%	24,222	100%	13,633

Collective assessment

Gross carrying amount

Credit rating	Trade receivables			
	2021		2020	
	Average loss rate	HK$'000	Average loss rate	HK$'000
Strong	0.46%	496,427	0.18%	331,489
Satisfactory	3.99%	72,665	1.91%	73,063
		569,092		404,552

During the year ended 31 December 2021, the Group provided impairment allowances of HK$3,182,000 (2020: HK$1,924,000) for non-credit-impaired trade receivables based on collective assessment and HK$125,000 (2020: HK$373,000) for non-credit-impaired trade receivables based on individual assessment. Net impairment allowance of HK$13,363,000 (2020: Net reversal of impairment allowance of HK$10,088,000) were made on credit-impaired debtors.

37. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

Trade receivables arising from contracts with customers (continued)

Collective assessment (continued)

Gross carrying amount (continued)

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 statements.

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 2020		—	63,376	63,376
Impairment losses recognised		2,297	2,112	4,409
Impairment losses reversed	a	—	(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
Impairment losses recognised		3,307	13,363	16,670
Write-off	b	—	(3,327)	(3,327)
Exchange realignment		138	553	691
At 31 December 2021		**5,812**	**24,222**	**30,034**

Notes:

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

(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.

37. FINANCIAL INSTRUMENTS (continued)

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

Credit risk and impairment assessment (continued)

Leases receivables

The Group has concentration of credit risk as the lease receivables were due from the two tenants of the Group. For leases receivables, the Group makes periodic individual assessment on the recoverability based on the historical credit loss experience and forward-looking information. During the year ended 31 December 2021, due to greater financial uncertainty triggered by the Covid-19 pandemic and the persistent of uncertainties in the PRC's property market, the directors of the Company believe that there is an increase in credit risk of these amounts since initial recognition and consider that there is an increase in the loss rate. The Group internal credit risk assessment on these two tenants are changed from strong to doubtful and measures the loss allowance on lifetime ECL basis (2020: 12m ECL basis). For the year ended 31 December 2021, impairment allowance of HK$105,031,000 was made on leases receivables based on loss rate of 14.8% (2020: impairment allowance of HK$6,450,000 was made on lease receivables based on loss rate of 1.0%.). As at 31 December 2021, the accumulated impairment allowance is HK$114,070,000 (2020: HK$6,450,000).

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. The impairment loss of HK$55,994,000 was for a particular counterparty which has financial difficulties during the year ended 31 December 2020 (2021: Nil). 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. As at 31 December 2021, the accumulated impairment allowance is HK$62,278,000 (2020: HK$59,577,000).

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

The management of the Group considers the pledged bank deposits, restricted 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.

37. 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	1 month to 1 year	1–5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31 December 2021							
Financial liabilities							
Trade and other payable	–	694,483	299,871	4,460	–	998,814	998,814
Loan from a controlling shareholder	5.00 p.a.	–	–	679,519	–	679,519	611,247
Loan from a related party	1.46–4.41 p.a.	–	13,508	–	1,274,467	1,287,975	965,953
Lease liabilities	4.68 p.a.	2,816	29,316	52,359	27,364	111,855	97,302
		697,299	342,695	736,338	1,301,831	3,078,163	2,673,316
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

37. 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 2021 and 2020 using the fair value hierarchy is Level 1 (see note 22). 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.

38. 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 2021, deposits placed with Aerospace Finance by the Group amounted to RMB170,000 (equivalent to approximately HK$208,000) 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 2019. As at 31 December 2021, the Group has drawn down RMB500,000,000 (equivalent to approximately HK$611,247,000) (2020: RMB500,000,000 (equivalent to approximately HK$595,948,000)). Such loan carries a fixed interest rate of 5% per annum and the interest incurred to CASC for the year ended 31 December 2021 is RMB25,347,000 (equivalent to approximately HK$30,283,000) (2020: RMB25,417,000 (equivalent to approximately HK$28,178,000)).

38. 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 2021, the Group has drawn down RMB779,100,000 (equivalent to approximately HK$952,445,000) (2020: RMB789,100,000 (equivalent to approximately HK$940,524,000)). 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 RMB35,259,000 (equivalent to approximately HK$42,126,000) (2020: RMB35,379,000 (equivalent to approximately HK$39,223,000)).

(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 capital increase of registered capital in which the Group has subscribed RMB10,820,000 (equivalent to approximately HK$11,851,000). Details are set out in Note 17.

(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.

39. 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$'000	Loan from a controlling shareholder HK$'000 *(Note 27)*	Loan from a related party HK$'000 *(Note 28)*	Interest payable HK$'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 2020	7,990	557,414	879,710	1,227	270	–	109,225	1,555,836
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	318	–	94,880	1,632,937
Financing cash flows	–	–	1,254	(72,409)	(61,645)	(23,895)	(36,797)	(193,492)
New leases entered	–	–	–	–	–	–	32,461	32,461
Interest expenses	–	–	–	72,409	–	–	4,537	76,946
Dividend declared	–	–	–	–	61,700	–	–	61,700
Dividend declared to non-controlling interests of a subsidiary	–	–	–	–	–	23,895	–	23,895
Exchange realignment	–	15,299	24,175	16	–	–	2,221	41,711
At 31 December 2021	–	611,247	965,953	1,283	373	–	97,302	1,676,158

40. FINANCIAL INFORMATION OF THE COMPANY

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

	2021 HK$'000	2020 HK$'000
Non-current assets		
Property, plant and equipment	695	1,124
Right-of-use assets	8,987	1,793
Interests in subsidiaries	2,165,347	2,114,115
Amounts due from subsidiaries	1,435,417	1,539,421
Interests in joint ventures	15,000	15,000
	3,625,446	3,671,453
Current assets		
Other receivables	2,666	2,628
Amounts due from subsidiaries	34,245	40,784
Bank balances and cash	27,200	5,086
	64,111	48,498
Current liabilities		
Other payables	104,491	69,785
Lease liabilities	3,699	1,846
Amounts due to subsidiaries	793,833	789,334
Taxation payable	80	80
	902,103	861,045
Net current liabilities	(837,992)	(812,547)
Non-current liabilities		
Lease liabilities	5,352	—
Net assets	2,782,102	2,858,906
Capital and reserves		
Share capital	1,154,511	1,154,511
Reserves *(Note 40(b))*	1,627,591	1,704,395
	2,782,102	2,858,906

The Company's statement of financial position are approved and authorised for issue by the Board of Directors on 31 March 2022 and are signed on its behalf by:

Zhou Limin
Director

Jin Xuesheng
Director

40. 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 2020	–	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
Loss and total comprehensive expenses for the year	–	–	–	(15,104)	(15,104)
Dividend recognised as distribution	–	–	–	(61,700)	(61,700)
At 31 December 2021	**–**	**630,977**	**–**	**996,614**	**1,627,591**

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.

40. 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 2021 comprised the retained profits of HK$996,614,000 (2020: HK$1,073,418,000).

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2021

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2021 and 2020 are as follows:

Name of subsidiary	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity held by the Company % 2021	2020	held by subsidiaries % 2021	2020	attributable to the Company % 2021	2020	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$465,020,000	–	–	100	100	100	100	Manufacturing and distribution of printed circuit boards
Huizhou Jeckson Electric Company Limited##	US$1,000,000	–	–	90	90	90	90	Manufacturing of intelligent battery chargers and electronic products
志源表面處理(惠州)有限公司#	RMB60,000,000	–	–	100	100	100	100	Electroplating of metals

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity held by the Company % 2021	2020	held by subsidiaries % 2021	2020	attributable to the Company % 2021	2020	Principal activities
Registered and operating in the PRC: (continued)								
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
Incorporated and operating in Vietnam:								
CONG TY TNHN CONG NGHE DIEN TU CHEE YUEN (VIETNAM)	US$14,000,000	–	–	100	100	100	100	Manufacturing of plastic products

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

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

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

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

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 2021	2020	Profit (loss) allocated to non-controlling interests 2021 HK$'000	2020 HK$'000	Accumulated non-controlling interests 2021 HK$'000	2020 HK$'000
Shenzhen Aerospace (深圳市航天高科投資管理有限公司) and its subsidiary	PRC	40%	40%	42,983	81,052	2,424,898	2,345,163
Individually immaterial subsidiaries with non-controlling interests				14,467	832	29,754	14,600
				57,450	81,884	2,454,652	2,359,763

41. 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.

	2021 HK$'000	2020 HK$'000
Current assets	265,625	294,224
Non-current assets	9,929,900	9,724,756
Current liabilities	(565,458)	(93,573)
Non-current liabilities	(3,567,822)	(4,062,500)
Equity attributable to owners of the Company	3,637,347	3,517,744
Non-controlling interests	2,424,898	2,345,163
Income	442,016	403,823
Expenses	(334,558)	(201,192)
Profit for the year	107,458	202,631
Profit attributable to owners of the Company	64,475	121,579
Profit attributable to the non-controlling interests	42,983	81,052
Profit for the year	107,458	202,631
Other comprehensive income attributable to owners of the Company	90,970	227,864
Other comprehensive income attributable to the non-controlling interests	60,647	151,910
Other comprehensive income for the year	151,617	379,774
Total comprehensive income attributable to owners of the Company	155,445	349,443
Total comprehensive income attributable to the non-controlling interests	103,630	232,962
Total comprehensive income for the year	259,075	582,405
Net cash inflow from operating activities	171,210	184,879
Net cash inflow (outflow) from (used in) investing activities	10,286	(10,493)
Net cash outflow used in financing activities	(199,494)	(177,370)
Effect of foreign exchange rate changes	305	1,804
Net cash outflow	(17,693)	(1,180)
Total dividends paid	59,737	55,432
Dividends paid to non-controlling interests of Shenzhen Aerospace	23,895	22,173

APPENDIX I FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2021 HK$'000	2020 HK$'000	2019 HK$'000 *(Note 1)*	2018 HK$'000 *(Note 2)*	2017 HK$'000
Revenue	**4,745,367**	3,580,121	3,450,824	3,690,804	3,661,325
Profit before taxation	**486,102**	442,845	547,064	665,364	931,725
Taxation	**(82,888)**	(64,280)	(109,206)	(145,184)	(264,908)
Profit for the year	**403,214**	378,565	437,858	520,180	666,817
Attributable to:					
Owners of the Company	**345,764**	296,681	338,350	404,115	486,183
Non-controlling interests	**57,450**	81,884	99,508	116,065	180,634
	403,214	378,565	437,858	520,180	666,817

ASSETS AND LIABILITIES

	At 31 December				
	2021 HK$'000	2020 HK$'000	2019 HK$'000	2018 HK$'000	2017 HK$'000
Non-current assets	**12,629,902**	12,380,371	11,656,155	11,518,775	11,847,675
Current assets	**4,239,260**	3,736,393	3,049,116	2,800,505	2,727,433
Current liabilities	**(1,771,821)**	(1,622,356)	(1,369,666)	(1,248,674)	(2,258,769)
Non-current liabilities	**(4,254,575)**	(4,208,670)	(3,954,619)	(3,890,239)	(3,110,127)
Total equity	**10,842,766**	10,285,738	9,380,986	9,180,367	9,206,212
Attributable to:					
Owners of the Company	**8,388,114**	7,925,975	7,245,792	7,084,257	7,090,625
Non-controlling interests	**2,454,652**	2,359,763	2,135,194	2,096,110	2,115,587
	10,842,766	10,285,738	9,380,986	9,180,367	9,206,212

Notes:

(1) In 2019, the Group had applied HKFRS 16. Accordingly, certain information for the years ended 31 December 2017 and 2018 may not be comparable to the year ended 31 December 2019, 2020 and 2021 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 year ended 31 December 2017 may not be comparable to the years ended 31 December 2018, 2019, 2020 and 2021 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	22,124	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