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CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 31)

ANNOUNCEMENT OF ANNUAL RESULTS 2014

The Board of Directors (the “Board”) of China Aerospace International Holdings Limited (the “Company”) is pleased to announce the audited results and financial statements of the Company and its subsidiaries (collectively the “Group”) for the financial year ended 31 December 2014.

SUMMARY OF RESULTS

The audited consolidated results of the Group for the year ended 31 December 2014 and the comparative figures of the same period in 2013 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
CONTINUING OPERATIONS			
Turnover	3	2,787,871	2,535,004
Cost of sales		(2,178,253)	(2,004,301)
Gross profit		609,618	530,703
Other income	4	82,075	58,842
Gain on disposal of investment properties		65,654	—
Gain on disposal of available-for-sale investments		—	120,918
Other gains and losses	4	(51,308)	(11,324)
Selling and distribution expenses		(45,462)	(38,731)
Administrative expenses		(312,805)	(303,608)
Other expenses		(40,425)	(25,363)
Fair value changes of investment properties		446,949	539,812
Finance costs		(34,473)	(25,712)
Share of results of associates		32	1,465
Share of results of joint ventures		(8)	268
Profit before taxation	5	719,847	847,270
Taxation	6	(196,478)	(214,761)
Profit for the year from continuing operations		523,369	632,509

	<i>NOTE</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations		7,812	110,459
Profit for the year		531,181	742,968
Profit attributable to owners of the Company:			
From continuing operations		406,884	502,931
From discontinued operations		8,808	114,080
Profit for the year attributable to owners of the Company		415,692	617,011
Profit (loss) attributable to non-controlling interests:			
From continuing operations		116,485	129,578
From discontinued operations		(996)	(3,621)
Profit for the year attributable to non-controlling interests		115,489	125,957
Earnings per share			
From continuing and discontinued operations - basic	7	HK13.47 cents	HK20.00 cents
From continuing operations - basic		HK13.19 cents	HK16.30 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit for the year	<u>531,181</u>	<u>742,968</u>
Other comprehensive income includes:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Fair value gain on available-for-sale investments	—	82,530
Reclassification adjustment upon disposal of available-for-sale investments	—	(120,918)
Exchange differences arising on translating foreign operations	(88,060)	82,526
Share of exchange reserves of associates	(4,886)	—
Share of exchange reserves of joint ventures	(19,642)	21,130
Reclassification adjustments for non-controlling interests upon deemed disposal of a subsidiary	(24,390)	—
Reclassification adjustments for the cumulative exchange differences upon deregistration of foreign operations	—	(1,688)
Reclassification adjustments for the cumulative exchange differences upon deemed disposal of foreign operations	739	(49,663)
Other comprehensive (expense) income for the year	<u>(136,239)</u>	<u>13,917</u>
Total comprehensive income for the year	<u>394,942</u>	<u>756,885</u>
Total comprehensive income attributable to:		
Owners of the Company	327,071	608,762
Non-controlling interests	67,871	148,123
	<u>394,942</u>	<u>756,885</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2014

	<i>NOTES</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		762,104	877,984
Prepaid lease payments		106,238	144,602
Investment properties		4,595,088	3,746,162
Goodwill		—	13,232
Intangible assets		23,415	67,578
Interests in associates		191,088	14,702
Interests in joint ventures		826,933	846,583
Available-for-sale investments		29,000	29,000
Deposit paid for investment properties under construction		16,411	64,624
Deposit paid for intangible assets and property, plant and equipment		11,243	37,668
		<u>6,561,520</u>	<u>5,842,135</u>
Current assets			
Inventories		257,703	253,257
Trade and other receivables	9	702,433	598,403
Prepaid lease payments		4,064	4,898
Amount due from a related party		124,579	8,841
Financial assets at fair value through profit or loss		39,624	51,269
Taxation recoverable		—	3,168
Pledged bank deposits		33,428	20,075
Short-term bank deposits		123,118	137,126
Bank balances and cash		1,725,918	1,768,008
		<u>3,010,867</u>	<u>2,845,045</u>
Current liabilities			
Trade and other payables	10	1,014,845	1,003,131
Amount due to an associate		1,050	1,050
Taxation payable		78,532	58,309
Bank and other borrowings		37,406	131,713
Other loan		8,936	9,165
		<u>1,140,769</u>	<u>1,203,368</u>
Net current assets		<u>1,870,098</u>	<u>1,641,677</u>
Total assets less current liabilities		<u>8,431,618</u>	<u>7,483,812</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance (Cap. 622) (the "Hong Kong Companies Ordinance"). The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair values.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

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

* IFRIC represents the IFRS Interpretations Committee.

The application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

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

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

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

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

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

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

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

HKFRS 9 "Financial instruments"

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

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

HKFRS 15 "Revenue from Contracts with Customers"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

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

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

3. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the President, the chief operating decision maker of the Group, that are used to make strategic decisions. The management has identified 9 operating segments: Hi-Tech Manufacturing Business (including plastic products, liquid crystal display, printed circuit boards, intelligent chargers and the related industrial property investment), New Material Business (including polyimide films manufacturing), Aerospace Service (including the Shenzhen Aerospace Science & Technology Plaza of property investment project, the Hainan Launching Site Complex Zone of land development project and Internet of Things) which represents the major industries in which the Group engaged.

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

For the year ended 31 December 2014

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

For the year ended 31 December 2013

	Turnover			Segment results HK\$'000
	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	
Hi-Tech Manufacturing Business				
Plastic products	855,248	69,368	924,616	68,112
Liquid crystal display	361,723	218	361,941	16,271
Printed circuit boards	561,888	—	561,888	127,166
Intelligent chargers	732,377	—	732,377	51,132
Industrial property investment	14,532	20,683	35,215	21,654
	<u>2,525,768</u>	<u>90,269</u>	<u>2,616,037</u>	<u>284,335</u>
New Material Business				
Polyimide films manufacturing	76,134	—	76,134	4,844
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	—	—	—	504,082
Land development in Hainan Launching Site Complex Zone (Note)	—	—	—	(3,502)
Internet of Things	7,401	—	7,401	(39,274)
	<u>7,401</u>	<u>—</u>	<u>7,401</u>	<u>461,306</u>
Reportable segment total	2,609,303	90,269	2,699,572	750,485
Elimination	—	(90,269)	(90,269)	—
Other Business	1,835	—	1,835	8,074
	<u>2,611,138</u>	<u>—</u>	<u>2,611,138</u>	<u>758,559</u>
Unallocated corporate income				64,336
Unallocated corporate expenses				(72,403)
				<u>750,492</u>
Gain on disposal of available-for-sale investments				120,918
Gain on deemed disposal of subsidiaries				112,912
Gain on deregistration of a subsidiary				1,688
Share of results of associates				1,465
Share of results of joint ventures (Note)				1,431
Finance costs				(31,177)
				<u>957,729</u>
Less: Profit for the year from discontinued operations				(110,459)
Profit before taxation from continuing operations				<u>847,270</u>

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

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

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

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

The President continuously reviews these segment information for the purpose of resources allocation and performance assessment. Thus, there is no change on the segment information reported to the President.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents the profit earned by/loss from each segment without allocation of interest income, change in fair value of financial assets at fair value through profit or loss, share of results of associates, share of results of joint ventures, interest expenses and other corporate income and corporate expenses. This is the measure reported to the President for the purpose of resource allocation and performance assessment.

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

4. OTHER INCOME AND OTHER GAINS AND LOSSES

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

5. PROFIT BEFORE TAXATION

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

Discontinued operations

Profit before taxation has been arrived at after charging:

Amortisation of prepaid lease payments	60	715
Amortisation of intangible assets (included in cost of sales)	574	6,755
Cost of inventories charged to profit or loss	3,041	58,920
Depreciation on property, plant and equipment	869	10,747
Minimum lease payments under operating leases in respect of land and buildings	169	116
Staff costs, including directors' remuneration	13,413	11,136

6. TAXATION

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Continuing operations		
The tax charge (credit) for the year comprises:		
Current tax		
Hong Kong Profits Tax	25,484	19,408
PRC Enterprise Income Tax	13,535	12,503
Canada Corporate Income Tax	9,204	—
	<u>48,223</u>	<u>31,911</u>
Under (over)provision in prior years		
Hong Kong Profits Tax	55	(440)
PRC Enterprise Income Tax	108	(640)
	<u>163</u>	<u>(1,080)</u>
Deferred tax	148,092	183,930
	<u>196,478</u>	<u>214,761</u>

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. A subsidiary of the Company operating in the PRC is eligible as High and New Technology Enterprise and the income tax rate of this subsidiary is 15%.

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

7. EARNINGS PER SHARE

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

From continuing operations and discontinued operations

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>415,692</u>	<u>617,011</u>
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	<u>3,085,022,000</u>	<u>3,085,022,000</u>

From continuing operations

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>406,884</u>	<u>502,931</u>
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	<u>3,085,022,000</u>	<u>3,085,022,000</u>

From discontinued operations

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>8,808</u>	<u>114,080</u>
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	<u>3,085,022,000</u>	<u>3,085,022,000</u>

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

8. DIVIDENDS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2013 final, paid - HK1 cent (2013: 2012 final dividend of HK1 cent) per share	<u>30,850</u>	<u>30,850</u>

A final dividend of HK1 cent per share in respect of the year ended 31 December 2014 (2013: HK1 cent) has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

9. TRADE AND OTHER RECEIVABLES

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

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

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 90 days	473,349	509,999
Between 91 - 180 days	26,331	34,396
Between 181 - 365 days	<u>4,983</u>	<u>6,286</u>
	<u>504,663</u>	<u>550,681</u>

The Group allows an average credit period of 90 days to its trade customers. Receivables are unsecured and interest-free. Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and defines appropriate credit limits.

Management closely monitors the credit quality of trade and other receivables and considers the trade and other receivables that are neither past due nor impaired to be of a good credit quality. Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$31,314,000 (2013: HK\$40,682,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. There are no balances included in other receivables which have been past due.

10. TRADE AND OTHER PAYABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade payables	305,298	304,016
Accrued charges	160,192	133,738
Receipt in advance	105,664	92,298
Other payables	443,691	473,079
	<u>1,014,845</u>	<u>1,003,131</u>

Other payables included an amount of HK\$54,000,000 (2013: HK\$54,000,000) received on behalf of China Aerospace Science & Technology Corporation and payables to contractors for investment properties under construction of HK\$184,022,000 (2013: HK\$171,587,000).

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 90 days	283,135	296,335
Between 91 - 180 days	16,167	2,653
Between 181 - 365 days	1,356	924
Over 1 year	4,640	4,104
	<u>305,298</u>	<u>304,016</u>

CHAIRMAN'S STATEMENT

RESULTS

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

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

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

BUSINESS REVIEW

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

Hi-tech Manufacturing

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

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

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

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

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

Shenzhen Aerospace Science & Technology Plaza

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

The Complex Zone of the Launching Site in Hainan Province

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

Internet of Things

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

PROSPECTS

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS PERFORMANCE

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

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

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

DIVIDENDS

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

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

RESULTS OF CORE BUSINESSES

Core businesses of the Company and the subsidiaries are hi-tech manufacturing and aerospace services. The turnover of the hi-tech manufacturing is the main source of the Company’s turnover and that contributes a significant profit and cash flow. This enables the Company to fulfill gradual development of the business of aerospace services and other new businesses such as science and technology, tourism and culture driven real estate business, so as to achieve the Company’s new development target and minimize single business risk.

Hi-tech manufacturing

Hi-tech Manufacturing

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

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

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

New Materials

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

Aerospace services business

The Complex Zone of the Launching Site in Hainan Province

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

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

Shenzhen Aerospace Science & Technology Plaza

In 2014, Shenzhen Aerospace Technology Investment Company Limited* (深圳市航天高科技投資管理有限公司) (“Shenzhen Aerospace”) progressed the construction work of Shenzhen Aerospace Science & Technology Plaza as planned. Main construction works had been completed, and some of which were inspected and accepted.

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

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

Internet of Things

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

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

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

ASSETS

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

As at 31 December 2014, the total assets of the Company and the subsidiaries were HK\$9,572,387,000, of which the non-current assets were HK\$6,561,520,000, representing an increase of 12.31% as compared with that of HK\$5,842,135,000 as at 31 December 2013. The current assets were HK\$3,010,867,000, representing an increase of 5.83% as compared with that of HK\$2,845,045,000 as at 31 December 2013. The equity attributable to shareholders of the Company was HK\$4,992,235,000, representing an increase of 6.31% as compared with that of HK\$4,696,014,000 as at 31 December 2013. The increase in non-current assets was mainly due to the increase in input in construction cost and fair value of the investment property under construction. Based on the issued share capital of 3,085,022,000 shares during the year, the net assets per share attributable to shareholders of the Company was HK\$1.62.

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

LIABILITIES

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

Shenzhen Aerospace entered into a syndicated loan agreement of RMB1,500,000,000 with a syndicate of financial institutions in 2011 for the payment of construction costs of Shenzhen Aerospace Science & Technology Plaza. With the comprehensive commencement of the construction works, the construction costs will increase significantly. Shenzhen Aerospace will gradually drawdown the loan to pay the construction costs. Therefore, the relevant bank debt will gradually increase. As at 31 December 2014, Shenzhen Aerospace had drawn down the loan in the amount of RMB873,000,000.

OPERATING EXPENSES

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

CONTINGENT LIABILITIES

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

FINANCIAL RATIOS

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

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

LIQUIDITY

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

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

CAPITAL EXPENDITURE AND INVESTMENT COMMITMENT

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

expenditure of the construction of Shenzhen Aerospace Science & Technology Plaza. With the comprehensive commencement of the construction of Shenzhen Aerospace Science & Technology Plaza, Shenzhen Aerospace will draw down the syndicated loan by stages to settle related construction costs.

FINANCIAL RISKS

The Company and the subsidiaries review the cash flow and financial position periodically and do not presently engage into any financial instruments or derivatives to hedge the exchange and the interest rate risks.

HUMAN RESOURCES AND REMUNERATION POLICIES

The remuneration policy of the Company and the subsidiaries is based on the employee's qualifications, experience and performance on the job, with reference to the current market situation. The Company and the subsidiaries will continue to upgrade the level of human resources management and strictly implement the performance-based appraisal system, in order to motivate employees to make continuous improvement in their individual performance and contributions to the Company.

As at 31 December 2014, the Company and the subsidiaries had a total of approximately 6,150 employees based in the Mainland China and Hong Kong respectively.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There had been no purchase, sale or redemption of the Company's listed securities by the Company and its subsidiaries during the year.

CORPORATE GOVERNANCE

During 2014, the Company had complied with the provisions of the *Corporate Governance Code and Corporate Governance Report* as set out in Appendix 14 of the Listing Rules.

DIRECTORS' AND EXECUTIVE'S INTERESTS IN SHARES

The Company had adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 of the Listing Rules as the required standard for the Directors of the Company to trade the securities of the Company. Having made specific enquiry to all the Directors of the Company and in accordance with information provided, all the Directors have complied with the provisions under the Model Code in 2014.

As at 31 December 2014, save for Mr Zhang Jianheng, Mr Chen Xuechuan and Mr Shi Weiguo, the Directors of the Company, are the officers of China Aerospace Science & Technology Corporation, the substantial shareholder of the Company, and save as disclosed below, none of the directors, chief executives or their associates have any beneficial or non-beneficial interests or short positions in the share capital, warrants and options of the Company or its subsidiaries or any of its associated corporations which is required to be recorded in the Register of Directors' Interests pursuant to Part XV of the Securities & Futures Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers*.

<u>Name</u>	<u>Capacity</u>	<u>Number of shares Interested (long position)</u>	<u>Percentage of issued share capital</u>
Leung Sau Fan, Sylvia	Director	130,000	0.004%

AUDIT COMMITTEE

In 2014, the Audit Committee of the Company comprises Mr Luo Zhenbang (Chairman) and Ms Leung Sau Fan, Sylvia, both being Independent Non-Executive Directors, and Mr Shi Weiguo, being a Non-Executive Director. The major functions of the Audit Committee include serving as a focal point for communication between the Directors and external auditor, reviewing the Company's financial information as well as overseeing the Company's financial reporting system and internal control procedures. The Audit Committee also reviewed, discussed and approved the financial statements for the year ended 31 December 2014.

REMUNERATION COMMITTEE

In 2014, the Remuneration Committee comprises Ms Leung Sau Fan, Sylvia (Chairman) and Mr Wang Xiaojun, all being Independent Non-Executive Directors, and Mr Chen Xuechuan, being a Non-Executive Director. The Remuneration Committee takes the role of advisory and proposes to the Board on the emoluments of the Directors and senior management with regard to the operating results of the Company, the individual performance and the comparable market information.

NOMINATION COMMITTEE

In 2014, the Nomination Committee comprises Mr Zhang Jianheng (Chairman), being a Non-Executive Director and the Chairman of the Board, Mr Luo Zhenbang, Ms Leung Sau Fan, Sylvia and Mr Wang Xiaojun, all being Independent Non-Executive Directors, and Mr Chen Xuechuan, being a Non-Executive Director. Main functions of the Nomination Committee are to review the structure, size and composition of the Board in order to implement the Company's strategy.

CONNECTED TRANSACTION

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

Independent Non-Executive Directors of the Company had reviewed and confirmed that the connected transaction had been entered into on normal commercial terms and is fair and reasonable and in the interests of the shareholders of the Company as a whole.

DIVIDEND

The Board has recommended a final dividend of HK1 cent per share for the year ended 31 December 2014 (2013: HK1 cent) payable to the shareholders of the Company whose names appear on the Register of Members of the Company on Monday, 1 June 2015.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday, 22 May 2015. Notice of which will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company and dispatched to the shareholders of the Company in such manner as required under the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

To ensure shareholders the right to attend and vote at the Annual General Meeting and to qualify for the distribution of final dividend, the Register of Members of the Company will be closed and details of which are as follows:

(1) To ensure shareholders the right to attend and vote at the Annual General Meeting:

Latest time for lodging transfers of shares and related documents for registration	: 4:30 p.m. on Tuesday, 19 May 2015
Closure of Register of Members	: from Wednesday, 20 May 2015 to Friday, 22 May 2015 (both days inclusive)
Record Date	: Friday, 22 May 2015

(2) To ensure shareholders the right to qualify for the distribution of final dividend:

Latest time for lodging transfers of shares and related documents for registration	: 4:30 p.m. on Thursday, 28 May 2015
Closure of Register of Members	: from Friday, 29 May 2015 to Monday, 1 June 2015 (both days inclusive)
Record Date	: Monday, 1 June 2015

The Register of Members of the Company will be closed at the abovementioned periods. To ensure Shareholders the right to attend and vote at the Annual General Meeting and to qualify for the distribution of final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration on or before Tuesday, 19 May 2015 and Thursday, 28 May 2015 respectively. Subject to approval by the Shareholders at the Annual General Meeting, dividend warrants are expected to be despatched to the Shareholders by post on or around Thursday, 18 June 2015.

APPRECIATION

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

Hong Kong, 24 March 2015

By order of the Board,
Zhang Jianheng
Chairman

At the date of this Announcement, the Board of Directors of the Company comprises:

Executive Directors

Mr Li Hongjun (*President*)
Mr Jin Xuesheng

Non-Executive Directors

Mr Zhang Jianheng (*Chairman*)
Mr Chen Xuechuan
Mr Shi Weiguo

Independent Non-Executive Directors

Mr Luo Zhenbang
Ms Leung Sau Fan, Sylvia
Mr Wang Xiaojun

* *These PRC entities do not have English names, the English names set out herein are for identification purpose only.*