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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 2015

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 2015.

SUMMARY OF RESULTS

The audited consolidated results of the Group for the year ended 31 December 2015 and the comparative figures of the same period in 2014 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
CONTINUING OPERATIONS			
Turnover	3	2,765,720	2,787,871
Cost of sales		(2,205,494)	(2,178,253)
Gross profit		560,226	609,618
Other income	4	75,832	82,075
Gain on disposal of investment properties		—	65,654
Other gains and losses	4	(109,238)	(51,308)
Selling and distribution expenses		(49,538)	(45,462)
Administrative expenses		(307,166)	(312,805)
Other expenses		(57,734)	(40,425)
Fair value changes of investment properties		2,622,170	446,949
Finance costs		(33,396)	(34,473)
Share of results of associates		(51,117)	32
Share of results of joint ventures		(2,626)	(8)
Profit before taxation	5	2,647,413	719,847
Taxation	6	(1,021,090)	(196,478)
Profit for the year from continuing operations		1,626,323	523,369

	<i>NOTE</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations		—	7,812
Profit for the year		<u>1,626,323</u>	<u>531,181</u>
Profit attributable to owners of the Company:			
From continuing operations		984,696	406,884
From discontinued operations		—	8,808
Profit for the year attributable to owners of the Company		<u>984,696</u>	<u>415,692</u>
Profit (loss) attributable to non-controlling interests:			
From continuing operations		641,627	116,485
From discontinued operations		—	(996)
Profit for the year attributable to non-controlling interests		<u>641,627</u>	<u>115,489</u>
Earnings per share			
From continuing and discontinued operations - basic	7	<u>HK31.92 cents</u>	<u>HK13.47 cents</u>
From continuing operations - basic		<u>HK31.92 cents</u>	<u>HK13.19 cents</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit for the year	<u>1,626,323</u>	<u>531,181</u>
Other comprehensive income includes:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translating foreign operations	(274,674)	(88,060)
Share of translation reserve of associates	(7,678)	(4,886)
Share of translation reserve of joint ventures	(40,677)	(19,642)
Reclassification adjustments for non-controlling interests upon deemed disposal of a subsidiary	—	(24,390)
Reclassification adjustments for the cumulative exchange differences upon deemed disposal of foreign operations	—	739
Other comprehensive expense for the year	<u>(323,029)</u>	<u>(136,239)</u>
Total comprehensive income for the year	<u>1,303,294</u>	<u>394,942</u>
Total comprehensive income attributable to:		
Owners of the Company	744,385	327,071
Non-controlling interests	558,909	67,871
	<u>1,303,294</u>	<u>394,942</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2015

	<i>NOTES</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		806,722	762,104
Prepaid lease payments		94,626	106,238
Investment properties		7,155,275	4,595,088
Intangible assets		—	23,415
Interests in associates		132,293	191,088
Interests in joint ventures		783,630	826,933
Available-for-sale investments		—	29,000
Deposit paid for investment properties under construction		—	16,411
Deposit paid for intangible assets and property, plant and equipment		9,373	11,243
		<u>8,981,919</u>	<u>6,561,520</u>
Current assets			
Inventories		243,604	257,703
Trade and other receivables	9	647,547	702,433
Prepaid lease payments		3,849	4,064
Amount due from a related party		14	124,579
Financial assets at fair value through profit or loss		17,169	39,624
Pledged bank deposits		36,035	33,428
Short-term bank deposits		—	123,118
Bank balances and cash		2,045,506	1,725,918
		<u>2,993,724</u>	<u>3,010,867</u>
Current liabilities			
Trade and other payables	10	1,093,748	1,014,845
Amount due to an associate		—	1,050
Taxation payable		51,909	78,532
Bank and other borrowings		1,340,260	37,406
Other loan		8,462	8,936
		<u>2,494,379</u>	<u>1,140,769</u>
Net current assets		<u>499,345</u>	<u>1,870,098</u>
Total assets less current liabilities		<u>9,481,264</u>	<u>8,431,618</u>

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current liabilities		
Loan from a major shareholder	590,319	623,441
Bank and other borrowings	—	1,088,529
Deferred taxation	<u>1,687,683</u>	<u>788,830</u>
	<u>2,278,002</u>	<u>2,500,800</u>
	<u>7,203,262</u>	<u>5,930,818</u>
Capital and reserves		
Share capital	1,154,511	1,154,511
Reserves	<u>4,551,259</u>	<u>3,837,724</u>
Equity attributable to owners of the Company	<u>5,705,770</u>	4,992,235
Non-controlling interests	<u>1,497,492</u>	<u>938,583</u>
	<u>7,203,262</u>	<u>5,930,818</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

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

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 - 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 - 2013 cycle

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

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

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers ¹
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ²
Amendments to HKAS 1	Disclosure initiative ²
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ²
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ²
Amendments to HKFRS 10 and HKAS 28	Sale and contribution of assets between an investor and its associate or joint venture ³
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ²
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 - 2014 cycle ²

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2016.

³ Effective for annual periods beginning on or after a date to be determined.

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"

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. The application of these two standards may have significant impact on amounts reported in the consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect until the Group performs a detailed review.

The directors of the Company 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 ("CODM") of the Group, that are used to make strategic decisions. In prior year, there are 9 reportable and operating segments, namely 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. During the year, the CODM reassessed the current business segments.

The Group engaged in a new business namely Cross-border e-commerce during the year, which will provide customs clearance, warehouse and logistics services for international parcels, luggage and mails. The CODM considered it as a separate reportable and operating segment and hence Cross-border e-commerce becomes the new reportable and operating segment under the Group's business development.

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

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

For the year ended 31 December 2015

	Turnover			Segment results HK\$'000
	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	
Hi-Tech Manufacturing Business				
Plastic products	1,013,162	63,608	1,076,770	73,304
Liquid crystal display	480,553	722	481,275	32,719
Printed circuit boards	601,994	—	601,994	109,436
Intelligent chargers	621,842	1,671	623,513	42,295
Industrial property investment	14,243	21,171	35,414	17,579
	<u>2,731,794</u>	<u>87,172</u>	<u>2,818,966</u>	<u>275,333</u>
New Material Business				
Polyimide films manufacturing (note)	—	—	—	(50,584)
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	—	—	—	2,590,285
Land development in Hainan Launching Site Complex Zone	—	—	—	(3,624)
Internet of Things	8,180	—	8,180	(46,228)
Cross-border e-commerce	22,817	—	22,817	(595)
	<u>30,997</u>	<u>—</u>	<u>30,997</u>	<u>2,539,838</u>
Reportable segment total	<u>2,762,791</u>	<u>87,172</u>	<u>2,849,963</u>	<u>2,764,587</u>
Elimination	—	(87,172)	(87,172)	—
Other Business	2,929	—	2,929	5,068
	<u>2,765,720</u>	<u>—</u>	<u>2,765,720</u>	<u>2,769,655</u>
Unallocated corporate income				65,119
Unallocated corporate expenses				(129,146)
				<u>2,705,628</u>
Gain on disposal of an associate				3,716
Share of results of associates (note)				(533)
Share of results of joint ventures				998
Finance costs				(33,396)
Impairment loss recognised in respect of available-for-sale investments				(29,000)
Profit before taxation				<u>2,647,413</u>

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	—	—	—	(1,706)
Internet of Things	25,255	—	25,255	(3,609)
Cross-border e-commerce	—	—	—	—
	<u>25,255</u>	<u>—</u>	<u>25,255</u>	<u>407,823</u>
Reportable segment total	2,787,987	85,194	2,873,181	714,672
Elimination	—	(85,194)	(85,194)	—
Other Business	3,188	—	3,188	65,115
	<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				1,698
Finance costs				(34,977)
				<u>727,659</u>
Less: Profit for the year from discontinued operations				(7,812)
Profit before taxation from continuing operations				<u>719,847</u>

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

The share of loss of Shenzhen Rayitek for the year ended 31 December 2015 amount to HK\$50,584,000 (share of profit for the year ended 31 December 2014: HK\$183,000) was included in the segment "Polyimide films manufacturing".

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Continuing operations		
The Group's other income mainly comprises:		
Interest income	<u>60,805</u>	<u>56,393</u>
The Group's other gains and losses comprise:		
Net exchange loss	(51,318)	(30,761)
Net loss from change in fair value of financial assets		
at fair value through profit or loss	(22,455)	(9,720)
Allowance for doubtful trade debts	(8,828)	(5,324)
Loss on disposal/written off of property, plant and equipment	(2,074)	(5,503)
Gain on disposal of an associate	3,716	—
Impairment loss recognised in respect of available-for-sale investments	<u>(29,000)</u>	<u>—</u>
Discontinued operations		
The Group's other gains and losses mainly comprise:		
Net exchange loss	<u>—</u>	<u>(5)</u>

5. PROFIT BEFORE TAXATION

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Continuing operations		
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	3,933	3,675
Amortisation of intangible assets (included in cost of sales)	12,633	15,433
Impairment loss recognised in respect of intangible assets	11,715	—
Auditor's remuneration		
- current year	4,458	4,205
- underprovision in prior year	106	38
Cost of inventories charged to profit or loss including allowance for obsolete inventories of HK\$985,000 (2014: reversal of allowance for obsolete inventories of HK\$7,613,000)	2,204,509	2,175,212
Depreciation on property, plant and equipment	105,005	94,648
Minimum lease payments under operating leases in respect of land and buildings	20,514	17,120
Research and development expenses (included in other expenses)	57,734	40,425
Staff costs, including directors' remuneration	546,077	527,473
Gross rental income	(17,172)	(17,892)
Less: Direct operating expenses from investment properties that generated rental income during the year	2,878	2,826
	<u>(14,294)</u>	<u>(15,066)</u>

Discontinued operations

Profit before taxation has been arrived at after charging:

Amortisation of prepaid lease payments	—	60
Amortisation of intangible assets (included in cost of sales)	—	574
Cost of inventories charged to profit or loss	—	3,041
Depreciation on property, plant and equipment	—	869
Minimum lease payments under operating leases in respect of land and buildings	—	169
Staff costs, including directors' remuneration	—	13,413
	<u>—</u>	<u>13,413</u>

6. TAXATION

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Continuing operations		
The tax charge (credit) for the year comprises:		
Current tax		
Hong Kong Profits Tax	23,943	25,484
PRC Enterprise Income Tax	9,774	13,535
Canada Corporate Income Tax	—	9,204
	<u>33,717</u>	<u>48,223</u>
(Over) underprovision in prior years		
Hong Kong Profits Tax	(491)	55
PRC Enterprise Income Tax	—	108
	<u>(491)</u>	<u>163</u>
Deferred tax charge	987,864	148,092
	<u>1,021,090</u>	<u>196,478</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%. 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:

For continuing operations and discontinued operations

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>984,696</u>	<u>415,692</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>

For continuing operations

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>984,696</u>	<u>406,884</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>

For discontinued operations

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	<u>—</u>	<u>8,808</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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Dividends recognised as distribution during the year:		
2014 final, paid - HK1 cent (2014: 2013 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 2015 (2014: 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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	608,347	541,019
Less: Allowance for doubtful debts	<u>(36,165)</u>	<u>(36,356)</u>
	572,182	504,663
Other receivables, deposits and prepayments	<u>75,365</u>	<u>197,770</u>
	<u>647,547</u>	<u>702,433</u>

Included in the Group's other receivables, deposits and prepayments at 31 December 2015 is consideration receivable for disposal of investment properties of HK\$11,569,000 (31 December 2014: HK\$122,784,000).

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 90 days	549,751	473,349
Between 91 - 180 days	21,460	26,331
Between 181 - 365 days	<u>971</u>	<u>4,983</u>
	<u>572,182</u>	<u>504,663</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\$22,431,000 (2014: HK\$31,314,000) 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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables	314,815	305,298
Accrued charges	154,771	160,192
Receipt in advance	130,605	105,664
Other payables	493,557	443,691
	<u>1,093,748</u>	<u>1,014,845</u>

Other payables included an amount of HK\$54,000,000 (2014: HK\$54,000,000) received on behalf of China Aerospace Science & Technology Corporation and payables to contractors for investment properties under construction of HK\$198,194,000 (2014: HK\$184,022,000).

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 90 days	240,803	283,135
Between 91 - 180 days	14,232	16,167
Between 181 - 365 days	48,450	1,356
Over 1 year	11,330	4,640
	<u>314,815</u>	<u>305,298</u>

CHAIRMAN'S STATEMENT

OVERVIEW

In 2015, the global economies continued to struggle through the impacts of the financial crisis and the recovery remained sluggish. The growth momentum of the U.S. economy was weaker than expected and the European economy had been continuously affected by the subsequent impacts of the debt crisis and therefore was yet to recover to normal level. The Japanese economy remained stagnant. The economies of emerging markets and developing countries suffered from greater downside pressure. With the weak bulk commodity trading prices, leading commodity exporters such as Russia and Brazil even fell into recession. The growth drivers of traditional economies in the PRC were weakening, however, with the constant optimization of economic structure, the overall economic performance was stable. Confronted with adverse factors such as the volatility of financial markets, declining market demand, continuous rise of various costs, the Company and its subsidiaries had basically fulfilled their full-year business targets, thanks to their persistent efforts to overcome all difficulties and challenges.

For the year ended 31 December 2015, the Company and its subsidiaries reported a turnover of HK\$2,765,720,000 (2014: HK\$2,791,175,000), which was comparable to that of last year. Overall gross profit margin was 20.26 % (2014: 21.85%). Benefitted from various factors including the continuous improvement in commercial property market in Shenzhen and the completion of construction works of Shenzhen Aerospace Science & Technology Plaza, the fair value gain of investment property of the Company recorded a significant increase. However, the overall profit level of the Company had been adversely affected by factors such as the decrease in gross operating profit, depreciation in Renminbi, and the impairment provisions made for individual investment projects with unsatisfactory progress. In 2015, the Company recorded a profit of HK\$1,626,323,000, representing an increase of 206.17% as compared with that of HK\$531,181,000 in 2014; profit attributable to shareholders was HK\$984,696,000, representing an increase of 136.88% as compared with that of HK\$415,692,000 in 2014; earnings per share attributable to shareholders was HK31.92 cents (2014: HK13.47 cents). The Board recommends the payment of a dividend for the year of HK1 cent per share.

BUSINESS REVIEW

In 2015, the Company's high-tech manufacturing business remained stable despite the fact that it was exposed to greater operational pressure. Shenzhen Aerospace Science & Technology Plaza was completed successfully, and the construction of the resettlement zone of Complex Zone of the Launching Site in Hainan Province has entered the final stage. The business of internet of things tapped into the new area of cross-border e-commerce logistics business.

Hi-tech Manufacturing

In 2015, the hi-tech manufacturing business progressed steadily in general. Facing the unfavourable economic conditions, including weakening demand from overseas markets, rapid slowdown of domestic economic growth, decrease in import and export trade volumes, rising labour costs, depreciation of various currencies such as Japanese Yen and Euro, the hi-tech manufacturing business effectively ensured the steady development of the business by continuously strengthening its efforts in technological upgrade and equipment updates, which is complemented with measures such as joint research and development of new products with customers and active market development. The turnover of the hi-tech manufacturing business for the year was HK\$2,731,794,000 (2014: HK\$2,759,428,000), which was comparable to that of last year; the operating profit was HK\$275,333,000 (2014: HK\$307,933,000), representing a decrease of approximately 10.59% as compared with last year.

Among the hi-tech manufacturing businesses, the plastic product business has consolidated and broadened its existing market share by actively cooperating with customers for their new products and new project developments, thereby strengthening the cooperation relationship with major customers. Driven by the lithium battery power pack business, the sales of the intelligent charger business remained stable. However, the overall business was still affected by various factors such as the change of market strategies of major customers and intense market competition. In 2015, the electroplating line set up by the hi-tech manufacturing business in the Electroplating Industrial Park in Boluo, Huizhou had commenced production, which can cater for the needs of large auto parts, gradually bringing the business in line with the auto parts electroplating market. 2015 was a difficult year for the operation of printed circuit board ("PCB") business. With the change in the landscape of

the electronic information industry, there was a relatively large-scale of shift in the supply chain of the consumer electronics market and the competition became more intense. The handset and automobile markets, representing more than half of the sales from the PCB business, showed a relatively large volatility and decline and thus exerted much pressure on the operation of such business. For the liquid crystal display (“LCD”) business, under the influence of weakening demands from the domestic and overseas markets, the decrease in number of orders placed by major customers, the excessive capacity of the domestic LCD manufacturers and intense price competition, the income and profits of the LCD business were affected.

Shenzhen Aerospace Science & Technology Plaza

The construction and inspection of Shenzhen Aerospace Science & Technology Plaza had been fully completed in 2015. Shenzhen Aerospace Technology Investment Company Limited* (深圳市航天高科投資管理有限公司) (“Shenzhen Aerospace”) determined the proposal of the overall business and leasing promotion, and completed the preparation of tender documents. Shenzhen Aerospace established a property management company, Shenzhen Aerospace Technology Property Management Company Limited* (深圳市航天高科物業管理有限公司) based on the operational needs of the project. With the support of China Aerospace Science and Technology Corporation (“China Aerospace”), the substantial shareholder, the Company overcame various difficulties during the construction of Shenzhen Aerospace Science & Technology Plaza. The construction of the whole project was completed after years of efforts. Shenzhen Aerospace Science & Technology Plaza sprouted at the central business district of Shenzhen Bay and became a new landmark of China Aerospace in the Southern China, representing a cornerstone for the start of the Company’s development under the 13th Five-Year Plan. With continuous and promising prospect of the commercial property market in Shenzhen over the past few years, Shenzhen Aerospace Science & Technology Plaza has contributed to the satisfactory asset appreciation of the Company. As at the end of 2015, construction in progress of Shenzhen Aerospace Science & Technology Plaza, together with the land use rights, were valued at approximately RMB5,777,000,000 (2014: RMB3,418,000,000).

The Complex Zone of the Launching Site in Hainan Aerospace

The land expropriation work for the Complex Zone of the Launching Site in Hainan Aerospace (the “Complex Zone”) was basically completed. The construction of the resettlement zone of Complex Zone includes resettlement houses, municipal projects, landscaping and ancillary facilities such as housing for the elderly, schools, post offices and hospitals, with a total gross floor area of approximately 186,000 square metres. The construction project also includes 134 resettlement houses with 960 households, and 23 municipal roads. As at the end of 2015, all of the resettlement houses were topped out and renovation works were underway. Constructions of roads in the zone had fully commenced, and the ancillary construction works of other commercial and public facilities, such as primary schools, kindergartens, banks, village committees and healthcare centres, had also commenced.

Internet of Things and Cross-border E-commerce Logistics

In 2015, Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術(深圳)有限公司) (“Aerospace Digitnexus”) made adjustments on its major businesses and determined that cross-border e-commerce logistics as well as warehouse and logistics would be the two major business directions. Relying on the huge market potential of cross-border e-commerce logistics as well as warehouse and logistics, Aerospace Digitnexus proposed a new development concept, which is to push forward product research and development by providing customs clearance as well as warehouse and logistics services for international parcels, and incoming mails business. Leveraging the traditional customs clearance and transit business, Aerospace Digitnexus cooperated with export parcel mail branch of China Post in Shenzhen and Mail Express of China Post in Jiangmen, Guangdong to gradually launch the import and export businesses related to cross-border e-commerce logistics. During the year, Aerospace Digitnexus cooperated with Kaiping Post and jointly established a public service platform for cross-border e-commerce in Kaiping. Through this cooperation, a sorting and customs clearance center for express mail of cross-border e-commerce logistics will be built in Kaiping. Moreover, by fully leveraging their respective advantages, the parties actively strived for more support from the Kaiping Government and the Customs in terms of policies and resources, so as to facilitate the development of external economic cooperation and foreign trade business. In 2015, the turnover of Aerospace Digitnexus amounted to HK\$30,997,000, of which HK\$22,817,000 (approximately 73.61%) was attributable to cross-border e-commerce logistics business. The overall turnover of Aerospace Digitnexus increased by 22.74% as compared with that of

HK\$25,255,000 for last year. Due to business adjustment, Aerospace Digitnexus had made impairment provisions for the existing internet of things business, resulting in a loss of the Company of HK\$46,823,000 during the year (2014: a loss of HK\$3,609,000).

PROSPECTS

Looking forward, against the backdrop of increasing uncertainties in the macro-economic environment may deepen the adjustments of the global economy. Many Asian and emerging market economies are expected to encounter huge economic and financial pressure due to weak economic recovery, softening international trade growth, volatility in financial markets, sluggish performance of international bulk commodities trading and outflow of capitals. Meanwhile, China will still be exposed to risks like excessive capacities, de-stocking and de-leveraging, therefore, the overall demand will remain weak with increasing economic downside pressure. The Hong Kong economy is currently affected by a number of uncertainties. In particular, there are increased efforts in price corrections in the property market, which is expected to bring negative influence to both consumption and domestic demand. In anticipation of an unfavourable operating environment, the Company will adhere to the principles of prudent operation and stringent risk control, at the same time proactively pushing forward the progress of various tasks.

In terms of hi-tech manufacturing, the plastic products business plans to establish a mold development centre, so as to strengthen its mold development ability to satisfy the demands of plastic products business and electronic products business, which include electroplating products. The electroplating products business will gradually change its original focus on electronic consumer products to the development of auto part products. It will also set up an enclosed and fully-automatic electroplating line in due course, progressively shifting its development towards products with higher margins. The intelligent chargers business will foster existing customer relationships and actively develop new customer base with a view to minimize the influence of individual customer's issues on overall business growth. The PCB business plans to complete the construction of high-density PCB factory and the equipment installation thereof in pursuit of fulfilling the conditions for trial-production by the end of 2016. The LCD business will make a dedicated effort to optimize the customer structure, so as to reduce the reliance on any single customer. It is also devoted to providing better solutions to the customers. On the basis of the newly-established STN production line in 2015, it will step up its efforts in technical innovation to explore new technologies for high performance in-car products and nurture new major customers.

With the completion of Shenzhen Aerospace Science & Technology Plaza, Shenzhen Aerospace will accelerate the development of its property management team and commence the market planning and leasing work in full scale. Since the syndicated loan in respect of the construction project will commence to fall due for repayment in 2016, Shenzhen Aerospace will negotiate with various financial institutions to seek appropriate alternatives in advance, including replacing the syndicated loan with a mortgage loan, so as to satisfy the conditions for operations.

Hainan Aerospace plans to complete the construction of resettlement houses, public facilities and commercial ancillary facilities as well as regional landscaping in 2016. Hainan Aerospace will complete the construction, inspection and transfer of the resettlement zone properly and assist the government to complete the resettlement of local residents, the construction of other public facilities as well as the initial preparation for infrastructure construction in the Complex Zone. As the construction of the resettlement zone has entered the final stage, Hainan Aerospace expected that it will be confronted with increasing financial pressure and various problems in relation to project implementation and management. The Company believes that, with the support of the shareholders of Hainan Aerospace, Hainan Aerospace will be able to make appropriate financing arrangements for the construction of the resettlement zone. Meanwhile, the Company will re-examine the business model of the project with Hainan Aerospace, and closely coordinate with the shareholders of Hainan Aerospace to continue to obtain respective support from China Aerospace and Hainan Provincial Government to push forward the construction of the resettlement zone. The Company will closely monitor the progress of the Hainan project, strictly control investment risks and adjust the project investment strategies when appropriate in order to conform with the overall development strategies of the Company.

Aerospace Digitnexus will continue to focus on its cross-border e-commerce logistics business, including export parcel mail, import postal article, customs clearance operation and bonded warehouse, and improve its cross-border e-commerce logistics platform and intelligent warehouse system based on its software platform for Internet of Things, thereby forming a new cross-border e-commerce logistics business with unique market competitiveness. In 2016, Aerospace Digitnexus plans to complete the establishment of a sorting and customs clearance centre for express mail of cross-border e-commerce in Kaiping as well as the establishment of cross-border e-commerce logistics platform, aiming to push forward the development of relevant businesses in full force.

The Company has formulated the 13th Five-Year Plan as a blueprint for its mid-to-long term development. The existing electronic information product manufacturing business (hi-tech manufacturing) of the Company will achieve transformation, upgrade and stable development through enhanced efforts in research and development, technological upgrade and merger and acquisition. Under the policy guidance of the overall planning of “Made in China 2025” issued by the State Council in 2015 and the strategic plan of China Aerospace in the relevant areas, the Company will explore the possibilities of developing businesses related to high-end intelligent equipment manufacturing business. Meanwhile, the Company will proactively enhance itself as the internationalization platform for China Aerospace to expand international businesses and initiate international cooperation while seeking new business opportunities. The Company will continue to identify and develop investment projects with promising prospects, such as new materials, Internet of Things and cross-border e-commerce logistics, real-estate investment, etc., which are in line with the national strategic policy of emerging industries and have captured China Aerospace’s resources advantages. With the full support from China Aerospace, the Company believes that it would comprehensively push forward the progress of its projects in accordance with 13th Five-Year Plan and strives to realize progressive development during the 13th Five-Year Plan period, thereby maximizing the investment values of and returns to the shareholders of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS PERFORMANCE

The audited turnover of the Company and the subsidiaries for the year ended 31 December 2015 was HK\$2,765,720,000, representing more or less the same as compared with that of HK\$2,791,175,000 for 2014. The profit for the year was HK\$1,626,323,000, representing a substantial increase of 206.17% as compared with that of HK\$531,181,000 for 2014.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Profit attributable to shareholders of the Company was HK\$984,696,000 for the year ended 31 December 2015, representing an increase of 136.88% as compared with that of HK\$415,692,000 for 2014. Both the turnover and the profits of the major businesses decreased slightly and an exchange loss was recorded as a result of changes in the exchange rate of Renminbi, whereas the fair value of investment properties increased substantially. Hence, the profit attributable to equity holders of the Company substantially increased as compared to 2014.

Based on the issued share capital of 3,085,022,000 shares during the year, the basic earnings per share was HK31.92 cents, representing an increase of 136.97% as compared with that of HK13.47 cents for 2014.

DIVIDENDS

The Board proposed the distribution of 2015 final dividend of HK1 cent per share in March 2016, subject to the approval by shareholders at the Annual General Meeting to be held on 25 May 2016. If approved, warrants of which will be dispatched to all shareholders on or about 22 June 2016.

The 2014 final dividend of HK1 cent per share had been approved by shareholders at the Annual General Meeting in May 2015 and warrants of which were dispatched to all shareholders on 18 June 2015.

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 individual business risk.

Hi-tech manufacturing

Hi-tech Manufacturing

In 2015, global macroeconomic downturn and sluggish demands both at home and abroad had resulted in continuous depreciation of various major foreign currencies to promote export. Meanwhile, the manufacturing industry in the PRC witnessed an obvious accelerated slowdown and continuous rise in labour costs. Manufacturers therefore experienced excess capacities and extremely intense price competition. Under such circumstances, hi-tech manufacturing was also affected significantly with a decrease in orders or the need to offer discounts to retain customers. Some customers even decided to shift the manufacturing of OEM products back to their homelands or other regions, making market development extremely difficult.

The turnover of the hi-tech manufacturing business for the year ended 31 December 2015 was HK\$2,731,794,000, representing more or less the same as compared with last year; the operating profit was HK\$275,333,000, representing a decrease of 10.59% 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)		
	2015	2014	Changes (%)	2015	2014	Changes (%)
Plastic Products	1,013,162	876,732	15.56	73,304	69,631	5.27
Printed Circuit Boards	601,994	610,571	(1.40)	109,436	133,147	(17.81)
Intelligent Chargers	621,842	649,604	(4.27)	42,295	44,380	(4.70)
Liquid Crystal Display	480,553	607,817	(20.94)	32,719	35,337	(7.41)
Industrial Property Investment	14,243	14,704	(3.14)	17,579	25,438	(30.89)
Total	2,731,794	2,759,428	(1.00)	275,333	307,933	(10.59)

Looking forward to 2016, the competition in the electronic information industry will remain intense. The hi-tech manufacturing strives to explore markets of high end products and expand products varieties, continue to put effort in the research and development of new products and market development, raise automation in production, expand in scale and capacity of production, and in the meantime, strives to reduce inventory and receivables, explore business by ways of merger and acquisition or cooperation etc., in order to ensure a continuous and stable growth of the hi-tech manufacturing.

Aerospace services business

The Complex Zone of the Launching Site in Hainan Province

In 2015, the loss of Hainan Aerospace Investment Management Company Limited* (海南航天投资管理有限公司) ("Hainan Aerospace") attributable to the Company amounted to HK\$3,624,000. Looking into 2016, Hainan Aerospace will strive to complete all construction and decoration works of the resettlement zone, finish the completion check and handover, align with the government in resettling local residents, aggressively discuss with the government in solving problems arised during development, prepare well in overall project strategy, as well as putting efforts in exploring financing options so as to satisfy its funding needs for the construction works.

Shenzhen Aerospace Science & Technology Plaza

In 2015, Shenzhen Aerospace Technology Investment Company Limited* (深圳市航天高科投資管理有限公司) (“Shenzhen Aerospace”) achieved the overall completion of Shenzhen Aerospace Science & Technology Plaza, and entered the stages of inspections and improvement, as well as the development of proposals of business promotion and leasing. Shenzhen Aerospace Technology Property Management Company Limited* (深圳市航天高科投資管理有限公司) (“Shenzhen Aerospace Property Management”), its wholly-owned subsidiary, commenced the preliminary preparation of planning and property management, as well as construction patrolling and checking, and inspections and improvement. Starting from 1 January 2016, Shenzhen Aerospace Property Management has taken over and starts the property management of Shenzhen Aerospace Science & Technology Plaza. In 2016, 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 will aggressively commence business promotion and leasing etc., so as to strive for the rental income of Shenzhen Aerospace Science & Technology Plaza contributing to the Company’s results as early as possible.

Shenzhen Aerospace recorded a fair value gain of investment property of HK\$2,608,207,000 in 2015. As at 31 December 2015, the property under construction and land use right of Shenzhen Aerospace Science & Technology Plaza was valued at approximately HK\$6,820,543,000.

Internet of Things and Cross-border E-commerce Logistics

In 2015, the performance of Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術(深圳)有限公司) (“Aerospace Digitnexus”) was not ideal, which realized a turnover of HK\$30,997,000 and an operating loss of HK\$46,823,000. In 2016, Aerospace Digitnexus will continue to put effort in optimizing its product techniques, and doing well on the development in cold-chain logistics warehouse management while it will develop cross-border e-commerce logistics and related business and strive to realize profit as soon as possible.

On 22 July 2014, the Company, Digilink Systems Limited, 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. Both strategic investors, owing to self reasons, did not fulfil the terms as stated in the Subscription Agreement. Thereby, the Subscription was expired and became void on 31 March 2015. Details of which please refer to the announcements of the Company made on 22 July 2014 and 1 April 2015 respectively.

ASSETS

(HK\$'000)	31 December 2015	31 December 2014	Changes(%)
Non-Current Assets	8,981,919	6,561,520	36.89
Current Assets	2,993,724	3,010,867	(0.57)
Total Assets	11,975,643	9,572,387	25.11

The increase in non-current assets was mainly due to an increase in the input of construction cost and the fair value of investment properties.

The equity attributable to shareholders of the Company was HK\$5,705,770,000, representing an increase of 14.29% as compared with that of HK\$4,992,235,000 as at 31 December 2014. Based on the issued share capital of 3,085,022,000 shares during the period, the net assets per share attributable to shareholders of the Company was HK\$1.85.

As at 31 December 2015, a cash deposit of the Company and the subsidiaries of HK\$36,035,000 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 RMB5,777,000,000 to a syndicate comprising banks and a financial institution.

LIABILITIES

(HK\$'000)	31 December 2015	31 December 2014	Changes(%)
Non-Current Liabilities	2,278,002	2,500,800	(8.91)
Current Liabilities	2,494,379	1,140,769	118.66
Total Liabilities	4,772,381	3,641,569	31.05

The change in non-current liabilities was mainly due to the increase of deferred tax and the syndicated loan was reclassified as current liabilities this year, whereas the increase in current liabilities was mainly due to the syndicated loan was reclassified as current liabilities this year. As at 31 December 2015, the Company and the subsidiaries had bank and other borrowings of HK\$1,930,579,000.

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 construction works nearly complete, the payable 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 2015, Shenzhen Aerospace had drawn down the loan in the amount of RMB1,107,200,000.

OPERATING EXPENSES

The administrative expenses of the continuing operations of the Company and the subsidiaries in 2015 were HK\$307,166,000, representing a decrease of 1.80% as compared with last year. The finance costs amounted to HK\$107,734,000, of which HK\$74,338,000 had been capitalized and recorded as the construction cost of Shenzhen Aerospace Science & Technology Plaza.

CONTINGENT LIABILITIES

As at 31 December 2015, the Company and the subsidiaries did not have any other material contingent liabilities.

FINANCIAL RATIOS

	2015	2014
Gross Profit Margin	20.26%	21.85%
Return on Net Assets	22.58%	8.96%

	31 December 2015	31 December 2014
Assets- Liabilities Ratio	39.85%	38.04%
Current Ratio	1.20	2.64
Quick Ratio	1.10	2.41

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 2015, the free cash, bank balance and short-term bank deposits amounted to HK\$2,045,506,000, the majority of which were in Hong Kong Dollars and Renminbi.

CAPITAL EXPENDITURE AND INVESTMENT COMMITMENT

As at 31 December 2015, the capital commitments of the Company and the relevant subsidiaries contracted for but not provided in the consolidated financial statements was HK\$194,521,000, mainly for the capital expenditure of the construction of Shenzhen Aerospace Science & Technology Plaza. With the construction of Shenzhen Aerospace Science & Technology Plaza nearly complete, 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 2015, the Company and the subsidiaries had a total of approximately 6,250 employees based in the mainland and Hong Kong respectively.

THE 13TH FIVE-YEAR PLAN

In 2015, the Company and its subsidiaries drafted a development plan for the next five years, making clear the development aims and setting up major measures in achieving those targets, so as to bring forth a sustained healthy development of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company and its subsidiaries had reviewed the effectiveness of its entire risk management and internal control system during the year, as well as all internal rules and regulations, so as to encounter the risks in operation, market, finance and so on in daily operation. The review covered all important control level such as financial control, operation control, compliance control, and risk management control, especially in regulating the decision procedures in major affairs, major personnel appointment and removal, major project arrangement and large sum of capital movement. The Company considers that the present internal control procedures adopted are sufficient to comply with the requirements under the Listing Rules, but the Company will continue to review, revise and strengthen its internal control from time to time, so as to meet with further requirements of internal management, the Listing Rules, and rules and regulations.

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 2015, 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 2015.

As at 31 December 2015, 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, 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*.

AUDIT COMMITTEE

In 2015, 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 2015.

REMUNERATION COMMITTEE

In 2015, 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 2015, the Nomination Committee comprises Mr Zhang Jianheng (Chairman) and Mr Chen Xuechuan, all being Non-Executive Directors, and Mr Luo Zhenbang, Ms Leung Sau Fan, Sylvia and Mr Wang Xiaojun, all being Independent Non-Executive Directors. Main functions of the Nomination Committee are to review the structure and size of the Board in order to implement the Company's strategy.

DIVIDEND

The Board has recommended a final dividend of HK1 cent per share for the year ended 31 December 2015 (2014: HK1 cent) payable to the shareholders of the Company whose names appear on the Register of Members of the Company on Friday, 3 June 2016.

STATEMENT OF COMPLIANCE

The financial information relating to the years ended 31 December 2014 and 2015 included in the Announcement does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Hong Kong Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2015 to the Hong Kong Registrar of Companies in due course.

The Company's auditor has reported on the financial statements of the Company and its subsidiary for both years ended 31 December 2014 and 2015. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Wednesday, 25 May 2016. 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 Thursday, 19 May 2016
Closure of Register of Members	from Friday, 20 May 2016 to Wednesday, 25 May 2016 (both days inclusive)
Record Date	Wednesday, 25 May 2016

(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 Tuesday, 31 May 2016
Closure of Register of Members	from Wednesday, 1 June 2016 to Friday, 3 June 2016 (both days inclusive)
Record Date	Friday, 3 June 2016

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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration on or before Thursday, 19 May 2016 and Tuesday, 31 May 2016 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 Wednesday, 22 June 2016.

APPRECIATION

I express my profound gratitude to my fellow Directors and all staff of the Company for their dedication, loyal services and invaluable contributions. Grateful thanks are also due to shareholders, bankers, business partners and members of the public who have supported the Company's development all along.

Hong Kong, 24 March 2016

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.*