



# 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 INTERIM RESULTS 2008

The Board of Directors (the “Board”) of China Aerospace International Holdings Limited (the “Company”) announces that the unaudited results and financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2008 together with the comparative figures of the same period in 2007 are as follows:

#### CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2008

		<b>Six months ended</b>	
		<b>30.6.2008</b>	30.6.2007
		<b>(Unaudited)</b>	(Unaudited)
	<i>NOTES</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Turnover	3	<b>804,542</b>	727,523
Cost of sales		<b>(620,241)</b>	(547,961)
Gross profit		<b>184,301</b>	179,562
Other income		<b>62,067</b>	140,213
Selling and distribution expenses		<b>(26,220)</b>	(22,877)
Administrative expenses		<b>(109,428)</b>	(103,380)
Fair value changes of investment properties		<b>6,450</b>	13,812
Finance costs		<b>(1,081)</b>	(5,916)
Share of results of jointly controlled entities		<b>(3,828)</b>	(8,410)
Profit before taxation	4	<b>112,261</b>	193,004
Taxation	5	<b>(19,492)</b>	(34,055)
Profit for the period		<b>92,769</b>	158,949
Attributable to:			
Equity holders of the Company		<b>93,340</b>	157,806
Minority interests		<b>(571)</b>	1,143
		<b>92,769</b>	158,949
Earnings per share – basic	6	<b>HK3.6 cents</b>	HK6.8 cents

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**AT 30 JUNE 2008**

	<i>NOTES</i>	<b>30.6.2008</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31.12.2007 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>597,570</b>	692,464
Prepaid lease payments		<b>594,259</b>	65,493
Investment properties		<b>313,506</b>	159,732
Interests in jointly controlled entities		<b>56,554</b>	56,732
Available-for-sale investments		<b>80,941</b>	127,899
Pledged bank deposits		<b>110,560</b>	110,560
		<hr/> <b>1,753,390</b>	<hr/> 1,212,880
<b>Current assets</b>			
Inventories		<b>197,119</b>	141,579
Trade and other receivables	8	<b>371,511</b>	348,773
Prepaid lease payments		<b>13,744</b>	2,308
Loans receivable		<b>73,707</b>	93,849
Financial assets at fair value through profit or loss		<b>27,947</b>	31,946
Taxation recoverable		<b>4,371</b>	1,412
Pledged bank deposits		<b>22,944</b>	–
Bank balances and cash		<b>917,308</b>	1,144,957
		<hr/> <b>1,628,651</b>	<hr/> 1,764,824
<b>Assets classified as held for sale</b>		<b>–</b>	30,332
		<hr/> <b>1,628,651</b>	<hr/> 1,795,156

**CONDENSED CONSOLIDATED BALANCE SHEET**  
*AT 30 JUNE 2008 (Continued)*

	<i>NOTES</i>	<b>30.6.2008</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31.12.2007 (Audited) HK\$'000
<b>Current liabilities</b>			
Trade and other payables	9	<b>666,283</b>	670,712
Amounts due to associates		<b>1,050</b>	1,050
Taxation payable		<b>68,396</b>	51,251
Secured bank loans		<b>17,500</b>	17,500
Other loan		<b>8,172</b>	7,682
Obligations under finance leases		–	44
		<hr/> <b>761,401</b>	<hr/> 748,239
<b>Net current assets</b>		<hr/> <b>867,250</b>	<hr/> 1,046,917
<b>Total assets less current liabilities</b>		<hr/> <b>2,620,640</b>	<hr/> 2,259,797
<b>Non-current liabilities</b>			
Secured bank loans		<b>141,401</b>	148,901
Deferred taxation		<b>21,169</b>	29,843
		<hr/> <b>162,570</b>	<hr/> 178,744
		<hr/> <b>2,458,070</b>	<hr/> 2,081,053
<b>Capital and reserves</b>			
Share capital		<b>257,090</b>	257,090
Reserves		<b>1,862,872</b>	1,744,516
		<hr/> <b>2,119,962</b>	<hr/> 2,001,606
<b>Equity attributable to equity holders of the Company</b>		<hr/> <b>338,108</b>	<hr/> 79,447
<b>Minority interests</b>		<hr/> <b>2,458,070</b>	<hr/> 2,081,053

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2008

### 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2007.

In the current interim period, the Group has applied, for the first time, the following new interpretations (“new Interpretations”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2008.

HK(IFRIC) – INT 11	HKFRS 2 – Group and treasury share transactions
HK(IFRIC) – INT 12	Service concession arrangements
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of these new Interpretations had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the following new standards, amendments or interpretation that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting conditions and cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business combinations <sup>2</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC) – INT 13	Customer loyalty programmes <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2008.

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards, amendments and interpretation will have no material impact on the results and the financial position of the Group.

### 3. SEGMENT INFORMATION

The Group's turnover and segment results analysed by business segments, which is the primary segment, are as follows:

#### Six months ended 30 June 2008

	Turnover			Segment result HK\$'000
	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	
Manufacturing and distribution				
Plastic products	301,867	32,277	334,144	28,725
Liquid crystal display	121,633	–	121,633	11,045
Printed circuit boards	123,824	–	123,824	18,231
Intelligent chargers	244,794	–	244,794	32,479
Other products	305	–	305	76
	<u>792,423</u>	<u>32,277</u>	<u>824,700</u>	<u>90,556</u>
Property investment	8,602	5,656	14,258	6,227
Trading of electronic products	3,517	–	3,517	(447)
Financial service	–	–	–	36,106
Trading of securities	–	–	–	7,284
	<u>804,542</u>	<u>37,933</u>	<u>842,475</u>	<u>139,726</u>
Eliminations	–	(37,933)	(37,933)	–
	<u>804,542</u>	<u>–</u>	<u>804,542</u>	<u>139,726</u>
Unallocated corporate income				17,337
Unallocated corporate expense				(39,893)
				<u>117,170</u>
Finance costs				(1,081)
Share of results of jointly controlled entities				(3,828)
				<u>112,261</u>
Profit before taxation				112,261
Taxation				(19,492)
				<u>92,769</u>
Profit for the period				<u>92,769</u>

Inter-segment sales are charged at prevailing market prices.

### 3. SEGMENT INFORMATION (Continued)

Six months ended 30 June 2007

	Turnover			Segment result <i>HK\$'000</i>
	External sales <i>HK\$'000</i>	Inter-segment sales <i>HK\$'000</i>	Total <i>HK\$'000</i>	
Manufacturing and distribution				
Plastic products	282,922	35,739	318,661	28,001
Liquid crystal display	128,625	–	128,625	11,936
Printed circuit boards	95,309	–	95,309	16,731
Intelligent chargers	210,726	–	210,726	34,878
Other products	–	–	–	(1,030)
	<u>717,582</u>	<u>35,739</u>	<u>753,321</u>	<u>90,516</u>
Property investment	8,105	4,318	12,423	32,432
Trading of electronic products	1,836	–	1,836	(698)
Trading of securities	–	–	–	1,672
	<u>727,523</u>	<u>40,057</u>	<u>767,580</u>	<u>123,922</u>
Eliminations	–	(40,057)	(40,057)	–
	<u>727,523</u>	<u>–</u>	<u>727,523</u>	<u>123,922</u>
Unallocated corporate income				110,424
Unallocated corporate expense				<u>(27,016)</u>
				207,330
Finance costs				(5,916)
Share of results of jointly controlled entities				<u>(8,410)</u>
Profit before taxation				193,004
Taxation				<u>(34,055)</u>
Profit for the period				<u>158,949</u>

Inter-segment sales are charged at prevailing market prices.

#### 4. PROFIT BEFORE TAXATION

	<b>Six months ended</b>	
	<b>30.6.2008</b>	30.6.2007
	<b>HK\$'000</b>	<b>HK\$'000</b>
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	<b>613</b>	1,079
Depreciation of property, plant and equipment	<b>21,980</b>	23,277
Revaluation deficit recognised in respect of property, plant and equipment	<b>2,911</b>	–
Reversal of impairment loss recognised in respect of loans receivable	<b>(36,106)</b>	–
Gain on disposal of assets classified as held for sale	<b>(3,032)</b>	(3,005)
Change in fair value of financial assets at fair value through profit or loss	<b>(7,284)</b>	(1,672)
Interest income	<b>(7,036)</b>	(7,035)
Gain on disposal of prepaid lease payments at nil cost	–	(16,214)
Service income ( <i>Note</i> )	–	(105,187)
	<b>–</b>	<b>–</b>

*Note:* The amount represented commission income earned by a subsidiary of the Company on arrangement and consultancy services rendered to a third party with respect of certain securities investments held by that party and was included under other income.

#### 5. TAXATION

	<b>Six months ended</b>	
	<b>30.6.2008</b>	30.6.2007
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax		
Hong Kong Profits Tax	<b>2,840</b>	3,784
PRC Enterprise Income Tax	<b>25,485</b>	27,937
	<b>28,325</b>	31,721
Deferred tax		
Current period	<b>(8,184)</b>	2,334
Attributable to change in tax rate	<b>(649)</b>	–
	<b>(8,833)</b>	2,334
Income tax expense	<b>19,492</b>	34,055

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30 June 2008. The estimated average annual tax rate used is 16.5% (2007: 17.5%) for the six months ended 30 June 2008.

On 16 March 2007, the People's Republic of China (the "PRC") promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. The New Law and the Implementation Regulation introduced the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25% from 1 January 2008 with certain transitional arrangement. For certain of the Company's subsidiaries situated in Shenzhen Special Economic Zone of the PRC, they were subject to a corporate income tax at a rate of 18% (2007: 15%) on its assessable profits arising in the PRC for the current interim period.

## 6. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share attributable to the ordinary equity holders of the Company for the period is based on the profit for the period attributable to the equity holders of the Company of HK\$93,340,000 (2007: HK\$157,806,000) and on 2,570,904,000 shares (2007: 2,310,925,000 shares\*) in issue during the period.

\* Adjusted for the open offer of shares of the Company in July 2007 on the basis of one ordinary share of HK\$0.10 at a price of HK\$0.90 per share for every five shares held by the qualifying shareholders of the Company.

## 7. DIVIDEND

No dividend was paid by the Company during the period. The directors do not recommend payment of an interim dividend.

## 8. TRADE AND OTHER RECEIVABLES

At 30 June 2008, included in trade and other receivables are trade receivables of HK\$276,653,000 (31.12.2007: HK\$310,548,000). The Group allows an average credit period of 90 days to its trade customers.

The following is an aged analysis of trade receivables at the reporting date:

	<b>30.6.2008</b> <i>HK\$'000</i>	31.12.2007 <i>HK\$'000</i>
Within 90 days	<b>276,653</b>	302,267
Between 91–180 days	–	8,281
	<b>276,653</b>	310,548

## 9. TRADE AND OTHER PAYABLES

At 30 June 2008, included in trade and other payables are trade payables of HK\$308,372,000 (31.12.2007: HK\$304,965,000).

The following is an aged analysis of trade payables at the reporting date:

	<b>30.6.2008</b> <i>HK\$'000</i>	31.12.2007 <i>HK\$'000</i>
Within 90 days	<b>275,345</b>	283,661
Between 91–180 days	<b>12,986</b>	166
Between 181–365 days	<b>146</b>	95
Between 1 to 2 years	<b>91</b>	602
Over 2 years	<b>19,804</b>	20,441
	<b>308,372</b>	304,965



## **BUSINESS REVIEW**

### **Results**

The turnover for the six-month period ended 30 June 2008 of the Group was HK\$804,542,000, representing an increase of 10.59% comparing with the same period of 2007 of HK\$727,523,000. Profits for the first half were HK\$92,769,000, representing a decrease of 41.64% in comparing with HK\$158,949,000 in the same period of 2007. Profit attributable to shareholders was HK\$93,340,000, reduced by 40.85% comparing with that of HK\$157,806,000 in the same period last year. Earnings per share was HK\$0.036, dropped by 47.06% as compared with that of HK\$0.068 in the same period of 2007.

The reduction in profit and profit attributable to shareholders in the first half was mainly due to a non-recurring income of HK\$105,187,000 was recorded during the first half of 2007. The profit for the period and profit attributable to shareholders in the first half of 2008 increased by 72.55% and 77.39% respectively as compared with the same period of last year should the effect of such non-recurring income being excluded.

Considering the possible capital requirement for the future development of the Company, the Board of Directors recommends that no interim dividend be declared for the six-month period ended 30 June 2008.

### **Hi-tech Manufacturing**

For the six-month ended 30 June 2008, the turnover of hi-tech manufacturing business was HK\$792,423,000, representing an increase of 10.43% as compared with the same period last year. In encountering the unfavourable factors such as the fierce market competition, overall soaring costs and continuous appreciation of Renminbi etc., the hi-tech manufacturing business had strengthened market development, enhanced management capabilities, and tightened control in costs and expenses and generated an operating profit of HK\$90,556,000, being approximately the same as that of the same period last year.

### **Science and Technology Park Complex Development**

#### *Shanghai Aerospace Technology Industrial Park*

The business of Shanghai Aerospace Technology Industrial Park has been progressing well. The first project entering the Park has already been completed. Other type of projects in progress include new energy, rare earth, and the project of the Space Propellers Academy of Shanghai etc. Shanghai Aerospace Technology Investment Management Company Limited (“Shanghai Aerospace”) will continue to facilitate these confirmed projects in entering the Shanghai Aerospace Technology Industrial Park, to speed up the construction of the complex zone of the Park, to impel the landscape planning, and to strengthen merchant promotions. Shanghai Aerospace has also started the preliminary study of the development of an aerospace science popularization park in Shanghai and is discussing with relevant departments of the Shanghai Municipal Government in relation to the project’s development feasibility and preliminary construction planning etc.

### *Aerospace International Centre*

Through the joint venture company, Shenzhen Aerospace Hi-Tech Investment Management Company Limited (“Shenzhen Aerospace”), the Company won a public bid to acquire the land use right of a parcel of land of 10,458.44 square metres situated at Nanshan Houhai Centre District at the consideration of RMB495,000,000 in March 2008. Shenzhen Aerospace is formulating a development and construction plan of Aerospace International Centre (formerly named as Shenzhen Aerospace Technology Building) and is anticipated that the development will commence by early next year.

Nanshan Houhai Centre District is planned as an urban city centre hub circumvented by harbour sea view in a modernized style, comprising financial, business office, commercial service and public facilities. It is believed that Nanshan Houhai Centre District will become a popular area for the market of Shenzhen office building under the facilitation of the government towards the planning of the Nanshan Houhai Centre District and the inauguration of Hong Kong-Shenzhen Western Corridor.

### *The Complex Zone of the Launching Site in Hainan Province*

CASIL Hainan Holdings Limited, an indirect wholly owned subsidiary of the Company, entered into an Agreement of the Land Development Project of the Complex Zone of the Launching Site, Hainan Province with the Wenchang Government, Hainan Province on 20 August 2008 with a total investment of approximately RMB1,200,000,000, signalling a formal commencement of the Hainan project of the Company.

The joint venture company, planning to be established by the Company and Aerospace Times Properties Development Limited, a subsidiary of China Aerospace Science & Technology Corporation (“CASC”), the substantial shareholder of the Company, is responsible for the organization and implementation of the construction and land development of the Complex Zone. The Government of Hainan Province has already approved the master plan of the Complex Zone. Construction of the infrastructure of the Complex Zone is planned to be completed by 2013.

The Complex Zone of the Launching Site is situated in Wenchang City, Hainan Province. The area of the Complex Zone is approximately 4 million square metres (6,100 mu), possessing a coastline of about 4 km. The development includes construction of aerospace technology services district, aerospace theme park, commercial & resort district, as well as residential complex zone etc.

## **LOOKING FORWARD**

With the strong support of the substantial shareholder, CASC, the Company was able to activate different pivotal projects during the past two years. This gradually shapes the business structure of science and technology park complex development, so that such business will become one of the major businesses of the Company. Looking forward to the second half of 2008, the Company, under the leadership of the Board of Directors, will pay special attention to the changing macroeconomic environment so as to put forward appropriate action with an aim to reduce potential risks as much as possible, and will continue to maintain a stable operation of the hi-tech manufacturing business. With respect to the business of science and technology park complex development, Shanghai Aerospace Technology Industrial Park, Shenzhen Aerospace International Centre and the land development of the Complex Zone in Hainan Province will proceed to the formal stages of planning and implementation. The Group needs to optimize its management system and to allocate internal resources reasonably, as well as to further enhance the

execution and supervision of projects. The Board believes that the business of science and technology park complex development will support the future growth of the Company, thereby creating greater value for our shareholders.

## **MANAGEMENT DISCUSSION & ANALYSIS**

### **Operating expenses**

The administrative expenses of the Group for the first half of 2008 were HK\$109,428,000, representing a slight increase of 5.85% as compared with the same period last year. The increase was due to the rise in human resources costs and management expenses as the result of the development of new business. The Company, as originally planned, settled large parts of liabilities since the completion of the Open Offer last year. This resulted in a decrease of the finance costs to HK\$1,081,000, representing a remarkable decrease of 81.73% as compared with that of HK\$5,916,000 for the same period last year.

### **Assets**

As of 30 June 2008, the total assets of the Group were HK\$3,382,041,000, of which the non-current assets were HK\$1,753,390,000, representing an increase of 44.56% as compared with that of HK\$1,212,880,000 for the end of 2007, the increase was due to the acquisition of a parcel of land in Shenzhen at the consideration of RMB495,000,000 by way of public bid by Shenzhen Aerospace, a subsidiary of the Company, in March 2008. The current assets were HK\$1,628,651,000, dropped by 9.28% as compared with HK\$1,795,156,000 for the end of 2007. The equity attributable to shareholders of the Company, after minority interests, was HK\$2,119,962,000, increased by about 5.91%, compared with that of HK\$2,001,606,000 for the end of 2007 and the equity attributable to shareholders of the Company was HK\$0.82 per share, based on the issued share capital of 2,570,903,882 shares.

Certain of the Group's assets have been mortgaged to a bank to secure financings with fixed interest rate at 1.25% per annum and the remaining mortgage term is about 3 years.

### **Liabilities and Contingent Liabilities**

As of 30 June 2008, the total liabilities of the Group were HK\$923,971,000, which is more or less the same to that of the end of 2007. As of 30 June 2008, the Group did not have any material contingent liabilities.

### **Financial ratios**

In the first half of 2008, the Group's gross profit margin was 22.91%, slightly decreased as compared with that of 24.68% for the same period of 2007. The return on equity ratio was 4.40%, significantly decreased as compared with that of 11.12% for the same period of 2007 as the result of a non-recurring income was recorded during the same period of 2007. The liabilities/assets ratio was 27.32%, recording a further improvement from 30.82% as compared with the end of 2007. The current ratio and the quick ratio were 2.14 and 1.88 respectively, recording a slight decrease as compared with the end of 2007 of 2.40 and 2.21 respectively but maintained at a reasonable level.

## **Liquidity**

The source of funding of the Group mainly relies on internal resources and banking facilities. The cash and bank balance as at 30 June 2008 was HK\$1,050,812,000, most of which were in Hong Kong Dollars and Renminbi.

In respect of the shareholders' funds generated from the Open Offer during 2007, the Company has utilized a sum of HK\$146,900,000 to repay its debts, a sum of HK\$82,820,000 as the registered capital of Shanghai Aerospace Technology Investment Management Company Limited and partly as working capital. The remaining balance is still placed with banks.

## **Capital Expenditure**

As of 30 June 2008, the Group's capital undertaking was HK\$18,898,000 (31 December 2007: HK\$8,047,000). With the intended construction of the Shenzhen Aerospace International Centre and the intended project of the land development in the Complex Zone of the Launching Site in Hainan Province, it is expected that the future capital expenditure of the Group is going to increase.

## **Financial Risks**

The Group reviews its cash flow and financial position periodically and does not presently engage into any financial instruments or derivatives to hedge the exchange and the interest rate risks.

## **Human Resources & Emolument Policy**

As at 30 June 2008, the Group has a total of about 6,000 staff based in the Mainland and Hong Kong. The emolument policy of the employees of the Group is set up by the management on the basis of their merit, qualification and competence and the emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

## **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 period.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

For the six months ended 30 June 2008, the Company had complied throughout the period with the provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules.

## **AUDIT COMMITTEE**

The Audit Committee of the Company currently has a membership comprising two Independent Non-Executive Directors, Mr Chow Chan Lum, Charles (the Chairman) and Mr Luo Zhenbang, and a Non-Executive Director, Mr Jin Xuesheng. The Audit Committee of the Company reviewed, discussed and approved this 2008 unaudited interim report that had been reviewed by the auditors, Deloitte Touche Tohmatsu.

## **REMUNERATION COMMITTEE**

The Remuneration Committee of the Company currently has a membership comprising three Independent Non-Executive Directors, Mr Chow Chan Lum, Charles, Mr Luo Zhenbang and Mr Wang Junyan, and three Non-Executive Directors, Ms Chan Ching Har, Eliza (the Chairman), Mr Chen Xuechuan and Mr Li Hongjun. The major roles and functions of the Remuneration Committee are to formulate remuneration policy and to determine the remuneration of the Directors.

## **DIRECTORS' AND EXECUTIVE'S INTERESTS IN SHARES**

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

As at 30 June 2008, none of the directors, chief executives or their associates have any beneficial or non-beneficial interests 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.

## **SUBSEQUENT EVENT**

The Company announced on 20 August 2008 that CASIL Hainan Holdings Limited ("CASIL Hainan"), an indirect wholly-owned subsidiary of the Company, entered into a land development agreement with the Wenchang Government in relation to the land development of the Complex Zone of the Launching Site in Wenchang City, Hainan Province with the total investment of RMB1,200,000,000 (approximately HK\$1,357,466,063), comprising RMB670,000,000 (approximately HK\$757,918,552) for the purpose of construction of basic infrastructure; and RMB530,000,000 (approximately HK\$599,547,511) for the compensation payment for demolition, resettlement and other expenses. On the same day, CASIL Hainan entered into the Promoters' Agreement with Aerospace Times Properties Development Limited, an indirect subsidiary of a substantial shareholder of the Company, China Aerospace Science & Technology Corporation, in respect of the establishment of a joint venture company to be engaged in the above land development. The above transactions constituted a major transaction and a major and connected transaction of the Company and are subject to the shareholders' approval at the forthcoming extraordinary general meeting of the Company. Details of the above please refer to the Company's announcement dated 20 August 2008.

## APPRECIATION

The Company would like to express its sincere gratitude to the shareholders, banks, business partners, people from various social communities, as well as all staff of the Group for their long-time support.

By order of the Board

**Wu Zhuo**

*Chairman*

Hong Kong, 28 August 2008

As of the date of this announcement, the Board of Directors of the Company comprises:

### **Executive Directors**

Mr Zhao Liqiang (*President*)

Mr Zhou Qingquan

Mr Wu Hongju

Mr Guo Xianpeng

### **Non-Executive Directors**

Mr Wu Zhuo (*Chairman*)

Mr Chen Xuechuan

Mr Li Hongjun

Ms Chan Ching Har, Eliza

Mr Xu Jianhua

Mr Jin Xuesheng

### **Independent Non-Executive Directors**

Mr Chow Chan Lum, Charles

Mr Luo Zhenbang

Mr Wang Junyan