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 RESULT 2007

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 2007.

SUMMARY OF RESULTS

The audited consolidated results of the Group for the year ended 31 December 2007 and the comparative figures of the same period in 2006 are as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2007** *HK$'000*	2006 *HK$'000*
Turnover	*3*	**1,681,854**	1,528,101
Cost of sales		**(1,326,220)**	(1,170,772)
Gross profit		**355,634**	357,329
Other income		**278,595**	32,909
Selling and distribution costs		**(48,943)**	(50,073)
Administrative expenses		**(206,748)**	(199,060)
Impairment loss recognised in respect of property, plant and equipment		**(11,131)**	(937)
Fair value changes of investment properties		**11,387**	23,414
Finance costs		**(7,569)**	(15,956)
Share of results of jointly controlled entities		**(14,845)**	(5,579)
Loss on disposal of associates		**–**	(201)
Profit before taxation	*4*	**356,380**	141,846
Taxation	*5*	**(45,986)**	(26,784)
Profit for the year		**310,394**	115,062
Attributable to:			
Equity holders of the Company		**310,037**	110,966
Minority interests		**357**	4,096
		310,394	115,062
Earnings per share – basic (restated)	*6*	**HK12.76 cents**	HK4.80 cents

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER

	Notes	2007 HK$'000	2006 HK$'000
Non-current assets			
Property, plant and equipment		**692,464**	634,124
Prepaid lease payments		**65,493**	61,888
Investment properties		**159,732**	160,562
Interests in associates		**–**	–
Interests in jointly controlled entities		**56,732**	63,831
Available-for-sale investments		**127,899**	101,331
Pledged bank deposits		**110,560**	110,560
		1,212,880	1,132,296
Current assets			
Inventories		**141,579**	134,106
Trade and other receivables	*8*	**348,773**	267,198
Prepaid lease payments		**2,308**	2,153
Loans receivable		**93,849**	70,269
Financial assets at fair value through profit or loss		**31,946**	–
Taxation recoverable		**1,412**	1,400
Bank balances and cash		**1,144,957**	658,756
		1,764,824	1,133,882
Assets classified as held for sale		**30,332**	20,300
		1,795,156	1,154,182
Current liabilities			
Trade and other payables	*9*	**670,712**	591,307
Amounts due to associates		**1,050**	1,050
Amount due to a major shareholder		**–**	116,161
Taxation payable		**51,251**	40,927
Obligations under finance leases			
– amount due within one year		**44**	2,634
Secured bank loans		**17,500**	65,172
Other loan		**7,682**	7,167
		748,239	824,418
Net current assets		**1,046,917**	329,764
Total assets less current liabilities		**2,259,797**	1,462,060
Non-current liabilities			
Secured bank loans		**148,901**	166,401
Deferred taxation		**29,843**	22,616
Obligations under finance leases			
– amount due after one year		**–**	44
		178,744	189,061
		2,081,053	1,272,999
Capital and reserves			
Share capital		**257,090**	214,242
Reserves		**1,744,516**	1,006,170
Equity attributable to equity holders of the Company		**2,001,606**	1,220,412
Minority interests		**79,447**	52,587
		2,081,053	1,272,999

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

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 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 value.

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

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 January 2007.

HKAS 1 (Amendment)	Capital disclosures
HKFRS 7	Financial instruments: Disclosures
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC) – INT 8	Scope of HKFRS 2
HK(IFRIC) – INT 9	Reassessment of embedded derivatives
HK(IFRIC) – INT 10	Interim financial reporting and impairment

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment is required.

The Group has applied the disclosure requirements under HKAS 1 (Amendment) and HKFRS 7 retrospectively. Certain information presented in prior year under the requirements of HKAS 32 has been removed and the relevant comparative information based on the requirements of HKAS 1 (Amendment) and HKFRS 7 has been presented for the first time in the current year.

The Group has not early applied the following new and revised standards or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKFRS 8	Operating segments[1]
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions[2]
HK(IFRIC) – INT 12	Service concession arrangements[3]
HK(IFRIC) – INT 13	Customer loyalty programmes[4]
HK(IFRIC) – INT 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction[3]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 March 2008.
[3] Effective for annual periods beginning on or after 1 January 2008.
[4] Effective for annual periods beginning on or after 1 July 2008.

The directors of the Company anticipate the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

Business segments

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

For the year ended 31 December 2007

	External sales *HK$'000*	Inter-segment sales *HK$'000*	Total turnover *HK$'000*	Segment results *HK$'000*
Manufacturing and distribution				
Plastic products	**623,673**	**86,101**	**709,774**	**50,683**
Liquid crystal display	**254,664**	**–**	**254,664**	**21,764**
Printed circuit boards	**215,695**	**–**	**215,695**	**31,987**
Intelligent chargers	**556,296**	**–**	**556,296**	**65,831**
Other products	**5,457**	**–**	**5,457**	**(8,900)**
	1,655,785	**86,101**	**1,741,886**	**161,365**
Property investment	**16,666**	**9,116**	**25,782**	**25,681**
Trading of electronic products	**9,403**	**–**	**9,403**	**(1,761)**
Financial service	**–**	**–**	**–**	**56,387**
Trading securities	**–**	**–**	**–**	**46,192**
	1,681,854	**95,217**	**1,777,071**	**287,864**
Elimination	**–**	**(95,217)**	**(95,217)**	**–**
Total	**1,681,854**	**–**	**1,681,854**	**287,864**
Unallocated corporate income				**148,731**
Unallocated corporate expenses				**(57,801)**
				378,794
Finance costs				**(7,569)**
Share of results of jointly controlled entities				**(14,845)**
Profit before taxation				**356,380**
Taxation				**(45,986)**
Profit for the year				**310,394**

Inter-segment sales are charged at prevailing market prices.

For the year ended 31 December 2006

	External sales *HK$'000*	Inter-segment sales *HK$'000*	Total turnover *HK$'000*	Segment results *HK$'000*
Manufacturing and distribution				
Plastic products	558,956	74,608	633,564	53,108
Liquid crystal display	234,305	1,468	235,773	20,428
Printed circuit boards	206,816	–	206,816	46,639
Intelligent chargers	502,383	–	502,383	56,572
Other products	3,928	–	3,928	(12,944)
	1,506,388	76,076	1,582,464	163,803
Property investment	16,483	10,341	26,824	30,514
Trading of electronic products	5,230	–	5,230	(3,625)
Financial service	–	2,078	2,078	4,038
Trading securities	–	–	–	7,190
	1,528,101	88,495	1,616,596	201,920
Elimination	–	(88,495)	(88,495)	–
Total	1,528,101	–	1,528,101	201,920
Unallocated corporate income				657
Unallocated corporate expenses				(38,995)
				163,582
Finance costs				(15,956)
Share of results of jointly controlled entities				(5,579)
Loss on disposal of associates				(201)
Profit before taxation				141,846
Taxation				(26,784)
Profit for the year				115,062

Inter-segment sales are charged at prevailing market prices.

4. PROFIT BEFORE TAXATION

	2007	2006
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Auditors' remuneration		
– current year	**4,203**	3,289
– underprovision in prior year	**566**	–
Depreciation on		
– owned assets	**52,369**	43,484
– assets held under finance leases	**2,244**	2,173
Amortisation on prepaid lease payments	**2,188**	2,116
Loss on disposal of property, plant and equipment	**–**	7,165
Impairment loss recognised in respect of property, plant and equipment	**11,131**	937
Allowance (reversal of allowance) for obsolete inventories *(note)*	**4,490**	(1,408)
(Reversal of) allowance for doubtful trade debts	**(844)**	634
Allowance for amount due from an associate	**–**	3,601
Minimum lease payments under operating leases in respect of land and buildings	**5,527**	4,751
Research and development expenses	**4,431**	11,603
Total staff costs, including directors' remuneration	**202,686**	182,725
and after crediting:		
Gross rental income	**16,666**	16,483
Less: Direct operating expenses from investment properties that generated rental income during the year	**(1,463)**	(1,346)
	15,203	15,137

Note: The amounts are included in cost of sales.

5. TAXATION

	2007	2006
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**8,242**	5,998
PRC Enterprise Income Tax	**34,852**	16,240
	43,094	22,238
(Over) underprovision in prior years:		
Hong Kong Profits Tax	**(2,159)**	185
Deferred tax	**5,051**	4,361
Taxation attributable to the Company and its subsidiaries	**45,986**	26,784

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for both years. Taxation arising in other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

Pursuant to relevant laws and regulations in the PRC, certain of the Company's subsidiaries are entitled to exemption from income tax under tax holidays and concessions. Income tax was calculated at rates given under the concessions.

On 16 March 2007, the People's Republic of China ("PRC") promulgated the Law of the PRC on Enterprise Income Tax (the "New Tax Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The enactment of the New Tax Law is not expected to have any significant financial effect on the amounts accrued in the consolidated balance sheet in respect of taxation payable and deferred taxation.

6. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share attributable to the ordinary equity holders of the Company for the year is based on the profit for the year attributable to the equity holders of the Company of HK$310,037,000 (2006: HK$110,966,000) and on 2,429,162,000 weighted average number of shares (2006: 2,310,925,000 shares (restated)) in issue during the year and have been adjusted for the effect of open offer of 428,483,980 offer shares at a price of HK$0.90 per offer share issued on 19 July 2007.

7. DIVIDENDS

No dividend was paid or proposed by the Company during 2007, nor has any dividend been proposed since the balance sheet date (2006: nil).

8. TRADE AND OTHER RECEIVABLES

	2007	2006
	HK$'000	*HK$'000*
Trade receivables	**344,566**	264,689
Less: Allowance for doubtful debts	**(34,018)**	(34,862)
	310,548	229,827
Other receivables, deposits and prepayments	**38,225**	37,371
	348,773	267,198

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 balance sheet date:

	2007	2006
	HK$'000	*HK$'000*
Within 90 days	**302,267**	221,637
Between 91 – 180 days	**8,281**	8,190
	310,548	229,827

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

9. TRADE AND OTHER PAYABLES

	2007	2006
	HK$'000	*HK$'000*
Trade payables	**304,965**	268,350
Other payables and accrued charges	**365,747**	322,957
	670,712	591,307

The following is an aged analysis of trade payables at balance sheet date:

	2007	2006
	HK$'000	*HK$'000*
Within 90 days	**283,661**	236,508
Between 91 – 180 days	**166**	5,872
Between 181 – 365 days	**95**	348
Between 1 to 2 years	**602**	5,256
Over 2 years	**20,441**	20,366
	304,965	268,350

The fair value of trade and other payables at 31 December 2007 approximates to the corresponding carrying amount.

BUSINESS REVIEW

Results

The turnover of the Group for the year ended 31 December 2007 was HK$1,681,854,000 (2006: HK$1,528,101,000), representing an increase of approximately 10.06%. The increase in turnover was mainly due to the steady growth of hi-tech manufacturing business. After taking into account of the non-recurring income, profit attributable to the shareholders was HK$310,037,000, representing a substantial increase of approximately 179.40% as compared with that of HK$110,966,000 in last year.

Review

Hi-tech manufacturing business

In 2007, the turnover of hi-tech manufacturing business was HK$1,655,785,000, representing an increase of 9.92% as compared with last year. Its profit decreased by 1.49% to HK$161,365,000 as compared with last year. The Group's hi-tech manufacturing business, with main products comprising plastic injection, intelligent chargers, liquid crystal display and printed circuit boards, had maintained a steady growth through improved client portfolio, continuous technology improvement and enhanced internal control. Among which, plastic products, intelligent chargers and liquid crystal display achieved relatively satisfactory results, with turnover increased by 11.58%, 10.73% and 8.69% respectively as compared with last year.

Affected by the fierce market competition and the impacts of soaring costs of labor, raw materials and energy, the profit margin of the hi-tech manufacturing business had slightly decreased but still could maintain a rather good return on capital employed of 21.23%.

The Group's new factory extension in Huizhou Industrial Park Phase III was completed in the first half of 2007 and is already in use, providing a new factory area of approximately 45,000 m^2. The new factory area is expected to provide the hi-tech manufacturing business with further capacity for future growth.

Science and Technology Park Complex Development

With the support of China Aerospace Science & Technology Corporation ("CASC"), the Group is dedicated to the business of the science and technology park complex development in recent years. After entering into the agreement with Shanghai Minhang District Municipal Government in 2006 to establish the Shanghai Aerospace Technology Investment Company Limited ("Shanghai Aerospace") for the development, construction, management and operation of the Shanghai Aerospace Technology Park, the Group also set up a joint venture company with the subsidiaries of CASC in Shenzhen during the year to jointly develop the "Shenzhen Aerospace Technology Building".

In 2007, Shanghai Aerospace Technology Park was recognised by the National Development and Reform Commission as a "State Civilian Aerospace Industry Base of Shanghai", the construction of the Park was thus taken a great leap forward. The Park will comprise different research, production and operation facilities. Meanwhile, in order to cope with the State's mid and long term aerospace development strategy, the Park will focus on the two major areas of developing civilian aerospace industry and aerospace technology applications so as to form a group of emerging civilian aerospace high-tech applications industry sectors. At the moment, the Park is speeding up its process of the construction and the move in of a number of admitted enterprises.

In 2007, CASC and Shenzhen People's Municipal Government have commenced strategic cooperation. One of the cooperation projects is for CASC to develop the "Shenzhen Aerospace Technology Building" in Shenzhen to serve as an autonomous and innovative aerospace technology transformation platform and the operating headquarter of CASC in southern China for being the research and development centres of aerospace technology applications, centres of international economic and technology cooperations, and operational and management centres.

The Company sought the opportunity of this strategic alliance plan, after due consideration, decided that CASIL New Century Technology Development (Shenzhen) Company Limited ("New Century"), a wholly-owned subsidiary of the Company, entered into a cooperation agreement in November 2007 with Aerospace Technology Investment Holdings Limited ("ATI") and Shenzhen Science & Technology Institute ("STI"), both are subsidiaries of CASC. Under which, Shenzhen Aerospace Hi-Tech Investment Management Company Limited ("Shenzhen Aerospace") was established for the construction, operation and management of the "Shenzhen Aerospace Technology Building". This joint venture project received the support and approval of independent shareholders at the extraordinary general meeting held in January 2008. The registered capital of Shenzhen Aerospace is RMB700,000,000, in which New Century, ATI and STI holds 60%, 20% and 20% respectively.

Given that the prosperous development of property market in Shenzhen in recent years and the keen demand in high quality offices, it is anticipated that the Company would benefit from the investment of the "Shenzhen Aerospace Technology Building". The establishment of Shenzhen Aerospace will further strengthen the development of science and technology park complex of the Company, as well as the Group's property investment portfolio. In the long run, the planning and coordination of different projects in relation to research and development of aerospace technologies, as well as the development of related industries in entering the "Shenzhen Aerospace Technology Building" will provide the Group with investment opportunities in hi-tech projects.

The business registration of Shenzhen Aerospace had been completed at the end of January 2008 and Shenzhen Aerospace forthwith started to study and identify the site for its future location and prepare for the preliminary work of land tendering. On 14 March 2008, Shenzhen Aerospace won the bid for the land use right of a parcel of commercial office usage land of 10,458.44 m^2 located at the northern reclamation district of the east of Nanshan Houhai Centre District, Shenzhen through public tender for a consideration of RMB495 million (approximately HK$538 million).

Nanshan District is a newly developed high-tech industrial hub and financial district of Shenzhen. According to Shenzhen Municipal Government's plan, Nanshan will become a central commercial and cultural district, a modern city center comprising financial, business, commercial service and public facilities. The "Shenzhen Aerospace Technology Building" will be situated at the prime commercial area of Nanshan Houhai Central District. With the inauguration of the Shenzhen Bay Bridge in July 2007, it is expected that the development of Nanshan District will be accelerated and becomes an important link between Guangdong Province and Hong Kong, the largest border checkpoint of the world as well as an international commercial and cultural hub and tourist spot for both Shenzhen and Hong Kong.

Other Major Events

According to the arrangement under the Assets Swap Agreement entered into between the Group and CASC in 2006, the Group acquired all the equity interests of Dongguan Huadun Enterprises Limited ("Dongguan Huadun"). Upon completion of the acquisition, Dongguan Huadun successively disposed its lands and properties to independent parties. Majority of the relevant transaction was completed in 2007 and resulted in a profit of HK$28,849,000.

To cope with the future development, in June 2007, the Company raised approximately HK$386,000,000 by way of Open Offer of 428,483,980 Offers Shares at a price of HK$0.90 per Offer Share on the basis of one Offer Share for every five Shares held. The Open Offer was well received and supported by shareholders, it succeeded in strengthening the Company's financial position and allowed all shareholders to share an equal opportunity to increase their investment in the Company and participate in the Company's future development.

MANAGEMENT DISCUSSION AND ANALYSIS

Results Performance

The audited turnover of the Group for the year ended 31 December 2007 was approximately HK$1,681,854,000, representing an increase of approximately 10.06% as compared with that of HK$1,528,101,000 in 2006. Profit for the year was HK$310,394,000, representing a remarkable increase of 169.76% as compared with that of HK$115,062,000 in 2006.

Profits attributable to shareholders and operating profits

In 2007, the profits attributable to shareholders were HK$310,037,000, representing a substantial increase of 179.40% as compared with that of HK$110,966,000 in 2006. The surge on profits as compared with that of 2006 was due to the stable growth in the hi-tech manufacturing business and several non-recurring income being recorded.

Based on the issued share capital of 2,429,162,000 shares after being adjusted for the effect of Open Offer of 428,483,980 Offer Shares, the earnings per share was HK$0.1276, representing an increase of approximately 165.83% as compared with that of HK$0.048 in 2006.

In considering the possible liquidity for the future development of the Company, the Directors resolved not to declare any annual dividend in respect of the year ended 31 December 2007.

Segment information and profits contribution

Till 31 December 2007, the turnover of the hi-tech manufacturing business was approximately HK$1,655,785,000, representing an increase of approximately 9.92% as compared with last year; the profit margin was 9.75%, representing a slight decrease as compared with that of 10.87% last year. Despite of the fact that the hi-tech manufacturing business was facing unfavorable factors as fierce market competition, soaring overall costs such as wages, energy, raw materials and environmental protection, as well as Renminbi appreciation, it relied on high proficient management and good market exploring ability and managed to deliver an operating profit of HK$161,365,000, representing a decrease of 1.49% as compared with last year.

The turnover of the plastic injection business was HK$623,673,000, representing an increase of 11.58% as compared with last year; the operating profit was HK$50,683,000, representing a decrease of 4.57% when compared with last year. Relatively outstanding business segments include electroplating, plastic injection and sealed battery.

With the increase of orders from major customers, the business of intelligent chargers grew as expected. The turnover was HK$556,296,000, representing an increase of 10.73% as compared with last year. Operating profit was HK$65,831,000, increased by 16.37% as compared with last year.

The orders from major customers of the liquid crystal displays business also grew as expected. The investment in the development of STN-LCD products during the last few years has gradually matured. Newly developed LCD Module (LCM) business has entered the growth cycle. The turnover of liquid crystal displays business was HK$254,664,000, representing an increase of 8.69% as compared with last year. An operating profit of HK$21,764,000 was recorded, grew by 6.54% as compared with last year.

The products of printed circuit boards were mainly high quality multi-layers boards, flexible boards, and mix of rigid and flexible boards etc.. Being affected by the reduction in orders from customers and the fluctuations of the exchange rate of Renminbi, the result was less encouraged. Despite the turnover of HK$215,695,000, increased by 4.29% as compared with last year, operating profit was HK$31,987,000, being a reduction of 31.42% as compared with last year. The situation had already aroused the attention of the Group. After adopting a series of effective measures, the situation began to improve gradually from the fourth quarter last year.

In view of the blooming capital markets both in China and Hong Kong during the year, the Group underwent some financial investments and a provision of securities consulting service under strict control of investment risks. These, together with the successful collection of part of a loan receivable, contributed a relatively significant non-recurring income to the Group.

Operating expenses

The administrative expenses of the Group in 2007 were HK$206,748,000, representing an increase of 3.86% as compared with last year. The increase was due to the rise in human resources costs and management fees dedicated to the development of new business. The Company, as originally planned, settled large parts of liabilities after completion of the Open Offer. This resulted in decrease of the finance costs to HK$7,569,000, representing a substantial decrease of 52.56% as compared with that of HK$15,956,000 in last year. With the amount of liabilities continues to shrink, the finance costs of the Group in 2008 are expected to decrease further.

Assets

As of 31 December 2007, the audited total assets of the Group were HK$3,008,036,000, of which the non-current assets were HK$1,212,880,000, representing an increase of 7.12% as compared with that of HK$1,132,296,000 in last year; the current assets were HK$1,795,156,000, representing an increase of 55.53% as compared with HK$1,154,182,000 in last year. The equity attributable to shareholders of the Company, after minority interests, was HK$2,001,606,000, increased significantly by about 64.01% as compared with that of HK$1,220,412,000 in last year and the net assets per share was HK$0.78, based on the issued share capital of 2,570,904,000 shares.

Certain of the Group's assets have been mortgaged to a bank to secure financings with interest calculated at 1.25% per annum and the remaining mortgage term is about 4 years.

Liabilities

As of 31 December 2007, the audited total liabilities of the Group were HK$926,983,000, of which the non-current liabilities were HK$178,744,000, representing a decrease of 5.46% as compared with that of HK$189,061,000 in last year; the current liabilities were HK$748,239,000, representing a decrease of 9.24% as compared with that of HK$824,418,000 in last year.

Contingent Liabilities

As of 31 December 2007, the Group did not have any material contingent liabilities.

Financial ratios

In 2007, the Group's gross profit margin was 21.15%, slightly decreased as compared with that of 23.38% in 2006. The return on equity ratio was 15.49%, representing a substantial advancement as compared with that of 9.09% in 2006. The liabilities/assets ratio was 30.82%, recording a plummet of 44.32% as compared with that of the end of 2006. The current ratio and quick ratio were 2.40 and 2.21 respectively, representing a significant improvement as compared with 1.40 and 1.24 respectively of the end of 2006. The improvements of various financial ratios were resulted from the Group's policies of continuous assets modifications, strengthened management and business development.

Liquidity

The source of funding of the Group mainly relies on internal resources and banking facilities. The Group's cash and bank balance as at 31 December 2007 was HK$1,144,957,000, most of which was 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$141,860,000 to repay its debts, a sum of HK$82,820,000 as the registered capital of Shanghai Aerospace and partly as working capital. The remaining balance is still placed with banks.

Capital Expenditure

As of 31 December 2007, the Group's capital undertaking was HK$8,047,000 (2006: HK$1,954,000). With the successful acquisition of a parcel of commercial office usage land located in Shenzhen by Shenzhen Aerospace under a public bid and the intended construction of the "Shenzhen Aerospace Technology Building" thereon, it is expected that the Group will make related adjustments on the future capital expenditures after obtaining approvals of relevant authorities for the development plan.

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 and Remuneration Policies

The Group's remuneration policy is based on the employee's qualifications, experience and performance as well as by reference to market trends. The Group will continue to strengthen the level of human resources management, strictly implement the performance-based appraisal system to encourage employees to have continuous improvement in their performance and contributions to the Group.

As at 31 December 2007, the Group has a total of about 6,000 staff mainly based in the Mainland and Hong Kong.

PROSPECT

In 2008, the Company will enter into a new phase of development milestone. In order to line up the new development strategy and development directions of the Group, the Chinese name of the Company was changed from "航天科技國際集團有限公司" to "中國航天國際控股有限公司" (the Chinese stock short name was changed to "航天控股"). The new name reflects that the future development of the Group will no longer restrict to the technology domain, and fully demonstrates the Group's development strategies in three main business focuses namely hi-tech manufacturing, science and technology park complex development and related property investment, and hi-tech industries investment. More importantly, the new Chinese name also encompasses the close relationship between the Company and CASC, the substantial shareholder of the Company, and their future business interaction.

Looking forward, the Group is full of confidence in its future development. The hi-tech manufacturing business of the Group will unavoidably be affected by the austerity measures in the Mainland China, the appreciation of Renminbi and the slowdown in peripheral economies. However, following the completion of the third phase extension work of Huizhou Industrial Park, the Group's overall production capacity is expected to be enhanced. This together with further efforts put in the improvement of management and quality and widening of new products development, the Group has confidence in coping with various challenges. It is anticipated that the hi-tech manufacturing business will maintain a steady growth and continue to be a core and stable profit generator for the Group.

The Group will allocate further resources in developing the science and technology park complex development business and related property investment, and grasp the various business opportunities arising from the prosperous economic development of China. With the support of CASC and the Shanghai Municipal Government, an innovated development and management model will be adopted in the Shanghai Aerospace Technology Park to establish a platform which is beneficial to aerospace industry and bring reasonable return to the Group in the long run.

Shenzhen Aerospace is to set out an overall construction and development plan for the "Shenzhen Aerospace Technology Building" project based on comprehensive market research. The project is preliminarily planned to commence construction between the end of 2008 and the beginning of 2009. The "Shenzhen Aerospace Technology Building" project is expected to further optimize the asset structure of the Group and generate long term steady return for the Company.

The Group will continue to strengthen the communications with CASC and fully utilise the leading resources of CASC and the potential of the Group. The Group, having inherited the steady management motto, actively explores other potential projects and investment opportunities so as to enhance greater value for the shareholders, thereby consistently driving itself to a new development momentum.

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

As at the year ended 31 December 2007, the Company had complied with the provisions of the Code on Corporate Governance Practices of Appendix 14 of the Listing Rules.

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. Hence, the Company enquired all the Directors individually whether they had complied with Appendix 10 while trading the securities of the Company during 2007, and all Directors had complied with the requirements of Appendix 10 during the year.

AUDIT COMMITTEE

The Audit Committee of the Company currently has a membership comprising two Independent Non-Executive Directors, Mr Chow Chan Lum, Charles (Chairman) and Mr Luo Zhenbang, and a Non-Executive Director, Mr Wang Yujun. The Audit Committee of the Company reviewed, discussed and approved this 2007 financial statements that had been audited by the auditors, Deloitte Touche Tohmatsu.

SUBSEQUENT EVENT

On 14 March 2008, Shenzhen Aerospace Hi-Tech Investment Management Company Limited, a 60% indirect subsidiary of the Company, entered into a Confirmation and an Agreement to Transfer the Land Use Right in Shenzhen with the Shenzhen Municipal Bureau of Land Resources and Housing Management to acquire a parcel of commercial office usage land at Nanshan Houhai Centre District with a site area of 10,458.44 m^2 for a term of 50 years from 14 March 2008. The consideration payable is RMB495,000,000. Shenzhen Aerospace Hi-Tech Investment Management Company Limited intends to develop the "Shenzhen Aerospace Technology Building" on the land. Details of which please refer to the Company's announcement dated 14 March 2008.

DIRECTORS

The ex-Chairman of the Company, Mr Ma Xingrui resigned as Non-Executive Director and Chairman of the Company in September 2007, due to limited time available to the office of the directorship and Chairman of the Company as the result of his promotion to the General Manager of CASC. Mr Ma Xingrui had contributed significantly to the Group's development during his period of tenure. The Board would like to extend the most highly praised gratitude to Mr Ma Xingrui for his invaluable contributions to the Group's development during his tenure of services. Besides, Mr Lee Hung Sang, due to limited time available to the office of the directorship of Independent Non-Executive Director, and Mr Chen Dingyi, because of his retirement, resigned from directorship in 2007. The Board would also like to extend its heartfelt appreciation to the senior directors, Mr Lee Hung Sang and Mr Chen Dingyi, for their valuable contributions to the Company during their tenure of services and extends a warm welcome to Mr Wang Junyan in joining the Board.

Upon the Board's approval to the audited financial statements of the Group for the year ended 31 December 2007, Mr Gong Bo, Non-Executive Director of the Company, due to limited time available to the directorship of the Company as a result of work arrangement, resigned as Non-Executive Director and member of Remuneration Committee of the Company, Mr Wang Yujun, Non-Executive Director of the Company, due to limited time available to the directorship of the Company as a result of work arrangement, resigned as Non-Executive Director and member of Audit Committee of the Company, Mr Li Hongjun was appointed as Non-Executive Director and member of Remuneration Committee of the Company, and Mr Jin Xuesheng was appointed as Non-Executive Director and member of Audit Committee of the Company, with effect from 18 March 2008. The Board expresses its sincere appreciation to Mr Gong Bo and Mr Wang Yujun for the valuable contributions to the Company during their tenure of services and extends a warm welcome to Mr Li Hongjun and Mr Jin Xuesheng in joining the Board of the Company.

APPRECIATION

The Company expresses its sincere gratitude to its 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, 18 March 2008

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

Executive Directors	***Non-Executive Directors***	***Independent Non-Executive Directors***
Mr Zhao Liqiang *(President)*	Mr Wu Zhuo *(Chairman)*	Mr Chow Chan Lum, Charles
Mr Zhou Qingquan	Mr Li Hongjun	Mr Luo Zhenbang
Mr Zhao Yuanchang	Ms Chan Ching Har, Eliza	Mr Wang Junyan
Mr Wu Hongju	Mr Xu Jianhua	
Mr Guo Xianpeng	Mr Jin Xuesheng	
	Mr Gong Bo	
	Mr Wang Yujun	