



CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Stock Code: 31)



INTERIM REPORT  
**2008**

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### *Executive Directors*

Mr Zhao Liqiang (*President*)

Mr Zhou Qingquan

Mr Wu Hongju

Mr Guo Xianpeng

#### *Non-Executive Directors*

Mr Wu Zhuo (*Chairman*)

Mr Chow Chan Lum, Charles

(*Independent*)

Mr Luo Zhenbang (*Independent*)

Mr Wang Junyan (*Independent*)

Mr Chen Xuechuan

Mr Li Hongjun

Ms Chan Ching Har, Eliza

Mr Xu Jianhua

Mr Jin Xuesheng

### AUDIT COMMITTEE

Mr Chow Chan Lum, Charles (*Chairman*)

Mr Luo Zhenbang

Mr Jin Xuesheng

### REMUNERATION COMMITTEE

Ms Chan Ching Har, Eliza (*Chairman*)

Mr Chen Xuechuan

Mr Li Hongjun

Mr Chow Chan Lum, Charles

Mr Luo Zhenbang

Mr Wang Junyan

### QUALIFIED ACCOUNTANT

Mr Luk Chi Keung

### COMPANY SECRETARY

Mr Chan Ka Kin, Ken

### AUDITORS

Deloitte Touche Tohmatsu

### SHARE REGISTRAR

Tricor Standard Limited

### LEGAL COUNSELS

Richards Butler

Sit, Fung, Kwong & Shum

### PRINCIPAL BANKS

Bank of China (Hong Kong)

CITIC Ka Wah Bank

Wing Hang Bank

### REGISTERED OFFICE

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## 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 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 future 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 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 balances as at 30 June 2008 were HK\$1,050,812,000, mainly 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, after taking into considerations the Company's operating results, individual performance and comparable market statistics.

## SUBSTANTIAL SHAREHOLDERS

At 30 June 2008, the following declarations of interests by shareholders holding 5% or more of the issued capital of the Company have been recorded in the Register of Interests pursuant to Part XV of the Securities & Futures Ordinance:

Name of shareholder	Capacity	Number of shares held for long positions	Percentage of issued share capital of the Company	Number of shares held for short positions	Percentage of issued share capital of the Company
China Aerospace Science & Technology Corporation	Interested in controlled corporations ( <i>note 1</i> )	1,143,330,636	44.47%	200,000,000	7.78%
Jetcote Investments Limited	Beneficial owner	131,837,011	5.13%	–	–
	Interested in controlled corporations ( <i>note 2</i> )	1,011,493,625	39.34%	200,000,000	7.78%
		<hr/>			
		1,143,330,636	44.47%	200,000,000	7.78%
<hr/>					
Burhill Company Limited	Interested in controlled corporations ( <i>note 2</i> )	539,566,136	20.98%	200,000,000	7.78%
Sin King Enterprises Company Limited	Interested in controlled corporations ( <i>note 2</i> )	471,927,489	18.36%	–	–
Montpelier Investment Management LLP ( <i>note 3</i> )	Investment manager ( <i>note 4</i> )	222,932,706	8.67%	–	–
Montpelier Global Funds Limited – The Montpelier Fund	Interested in controlled corporations ( <i>note 4</i> )	177,442,766	6.90%	–	–

Notes:

- (1) These 1,143,330,636 shares are duplicated in the interests held by Jetcote Investments Limited, a wholly-owned subsidiary of China Aerospace Science & Technology Corporation, and its subsidiaries.
- (2) These 1,011,493,625 shares are duplicated in the interests held by Burhill Company Limited and Sin King Enterprises Company Limited, being wholly-owned subsidiaries of Jetcote Investments Limited.
- (3) Montpelier Investment Management LLP was formerly named as Montpelier Asset Management Limited.
- (4) Montpelier Investment Management LLP has been appointed by Montpelier Global Funds Limited as Investment Manager and the shareholding of Montpelier Global Funds Limited in the Company is duplicated in the interests held by Montpelier Investment Management LLP.

## **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.

## **CORPORATE GOVERNANCE**

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.

Pursuant to Rule 13.20 of the Listing Rules, CASIL Clearing Limited ("CASIL Clearing"), a wholly-owned subsidiary of the Company, had made an advance in the past to Chinluck Properties Limited ("Chinluck"), an independent third party. The loan was secured by a piece of land and guaranteed personally by the substantial shareholder and chairman of Chinluck. CASIL Clearing was alleged a breach of the loan agreement in failing to advance the full amount of HK\$330,000,000 to Chinluck. CASIL Clearing resisted the claim and counterclaimed against Chinluck and sued against its guarantor upon default on, including but not limited to, interest and payment of the loan amount advanced under the loan agreement and the mortgage. A Court hearing in respect of the loan was conducted in June 2004, and the judgement in respect of the action was received at the end of July 2004. The judgement was merely a fact finding and confined to issues of liability only. For the issues of damages, it was held by the Court in December 2006 that, inter alia, CASIL Clearing is required to pay a nominal damages of HK\$100 to Chinluck for its breach of agreement to advance the remaining portion of the loan and Chinluck is required to pay the outstanding principal and the accrued interest under the loan agreement and the mortgage for its breach of the repayment obligations. The nominal damage of HK\$100 payable by CASIL Clearing to Chinluck is to be set off against the amount of the judgement to be calculated and agreed between the parties. As the calculation of the judgement sum had not been agreed by both parties, further application to the Court for adjudication was made and the judgement sum was confirmed by the Court in June 2007.

In September 2007, CASIL Clearing had entered into a settlement agreement with Chinluck and Mr Cheng Zhen Shu so as to solve the litigation completely. Pursuant to the settlement agreement, both Chinluck and Mr Cheng Zhen Shu agreed to repay a sum of HK\$280,000,000 to CASIL Clearing by instalments and there shall be an interim stay of execution of the Judgement by CASIL Clearing, otherwise, the execution will be lifted. Upon full payment by Chinluck and Mr Cheng Zhen Shu of the money payable on the due dates, CASIL Clearing shall accept the said payments in full and final settlement of the liabilities of Chinluck and Mr Cheng Zhen Shu and the parties shall sign and file a consent order to provide for a permanent stay of execution of the Judgement. As of 31 December 2007, the carrying value of the advance was HK\$93,849,000.

As of the date of this Interim Report, both Chinluck or Mr Cheng Zhen Shu have repaid a sum in equivalent to approximately HK\$92,576,000 and are continuing to repay the liabilities.

## 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 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 (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* ("Model Code"), 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 ("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 approximately 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 ("Joint Venture Company") to be engaged in the above land development. Upon establishment of the Joint Venture Company, CASIL Hainan will enter into an implementation agreement ("Implementation Agreement") with the Joint Venture Company for the Joint Venture Company to implement the development activities under the Land Development Agreement. The Land Development Agreement constituted a major transaction of the Company and the Joint Venture Company and Implementation Agreement constitutes two major and connected transactions of the Company, which are subject to the shareholders' approval and independent shareholders' approval respectively at the forthcoming extraordinary general meeting of the Company.

## APPRECIATION

The Company hereby 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, 28 August 2008



## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF  
CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED  
*(incorporated in Hong Kong with limited liability)*

### INTRODUCTION

We have reviewed the interim financial information set out on pages 13 to 28, which comprises the condensed consolidated balance sheet of China Aerospace International Holdings Limited as of 30 June 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

28 August 2008

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

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

## CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2008

	Notes	30.6.2008 (Unaudited) HK\$'000	31.12.2007 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	8	597,570	692,464
Prepaid lease payments	8	594,259	65,493
Investment properties	8	313,506	159,732
Interests in jointly controlled entities		56,554	56,732
Available-for-sale investments		80,941	127,899
Pledged bank deposits		110,560	110,560
		<b>1,753,390</b>	<b>1,212,880</b>
<b>Current assets</b>			
Inventories		197,119	141,579
Trade and other receivables	9	371,511	348,773
Prepaid lease payments		13,744	2,308
Loans receivable		73,707	93,849
Financial assets at fair value through profit or loss		27,947	31,946
Taxation recoverable		4,371	1,412
Pledged bank deposits		22,944	–
Bank balances and cash		917,308	1,144,957
		<b>1,628,651</b>	<b>1,764,824</b>
<b>Assets classified as held for sale</b>		<b>–</b>	<b>30,332</b>
		<b>1,628,651</b>	<b>1,795,156</b>
<b>Current liabilities</b>			
Trade and other payables	10	666,283	670,712
Amounts due to associates		1,050	1,050
Taxation payable		68,396	51,251
Secured bank loans	11	17,500	17,500
Other loan		8,172	7,682
Obligations under finance leases		–	44
		<b>761,401</b>	<b>748,239</b>
<b>Net current assets</b>		<b>867,250</b>	<b>1,046,917</b>
<b>Total assets less current liabilities</b>		<b>2,620,640</b>	<b>2,259,797</b>

## CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

At 30 June 2008

	Notes	30.6.2008 (Unaudited) HK\$'000	31.12.2007 (Audited) HK\$'000
<b>Non-current liabilities</b>			
Secured bank loans	11	141,401	148,901
Deferred taxation		21,169	29,843
		<b>162,570</b>	178,744
		<b>2,458,070</b>	2,081,053
<b>Capital and reserves</b>			
Share capital	12	257,090	257,090
Reserves		1,862,872	1,744,516
<b>Equity attributable to equity holders of the Company</b>			
		<b>2,119,962</b>	2,001,606
<b>Minority interests</b>		<b>338,108</b>	79,447
		<b>2,458,070</b>	2,081,053

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2008

	Attributable to equity holders of the Company												Minority interests	Total equity
	Share capital	Share premium	Special capital reserve	General reserve	Translation reserve	Investment revaluation reserve	Property revaluation reserve	Capital reserve	Capital redemption reserve	Retained profit	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	214,242	-	14,044	23,916	(12,473)	21,007	3,899	21,570	1,080	933,127	1,220,412	52,587	1,272,999	
Increase in fair value of available-for-sale investments	-	-	-	-	-	26,568	-	-	-	-	26,568	-	26,568	
Exchange difference arising on translation	-	-	-	-	57,709	-	-	-	-	-	57,709	5,067	62,776	
Share of exchange reserve of jointly controlled entities	-	-	-	-	7,746	-	-	-	-	-	7,746	-	7,746	
Net income recognised directly in equity	-	-	-	-	65,455	26,568	-	-	-	-	92,023	5,067	97,090	
Profit for the year	-	-	-	-	-	-	-	-	-	310,037	310,037	357	310,394	
Total recognised income for the year	-	-	-	-	65,455	26,568	-	-	-	310,037	402,060	5,424	407,484	
Issue of shares in allotment of shares	42,848	342,787	-	-	-	-	-	-	-	-	385,635	-	385,635	
Expenses incurred in connection with issue of shares	-	(6,501)	-	-	-	-	-	-	-	-	(6,501)	-	(6,501)	
Capital contribution from a minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	21,436	21,436	
At 31 December 2007 and 1 January 2008	257,090	336,286	14,044	23,916	52,982	47,575	3,899	21,570	1,080	1,243,164	2,001,606	79,447	2,081,053	
Decrease in fair value of available-for-sale investments	-	-	-	-	-	(46,958)	-	-	-	-	(46,958)	-	(46,958)	
Exchange difference arising on translation	-	-	-	-	68,324	-	-	-	-	-	68,324	3,817	72,141	
Share of exchange reserve of jointly controlled entities	-	-	-	-	3,650	-	-	-	-	-	3,650	-	3,650	
Net income (expense) recognised directly in equity	-	-	-	-	71,974	(46,958)	-	-	-	-	25,016	3,817	28,833	
Profit for the period	-	-	-	-	-	-	-	-	-	93,340	93,340	(571)	92,769	
Total recognised income (expense) for the period	-	-	-	-	71,974	(46,958)	-	-	-	93,340	118,356	3,246	121,602	
Capital contribution from a minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	255,415	255,415	
At 30 June 2008	257,090	336,286	14,044	23,916	124,956	617	3,899	21,570	1,080	1,336,504	2,119,962	338,108	2,458,070	

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Continued)

For the six months ended 30 June 2008

	Attributable to equity holders of the Company												
	Share capital HK\$'000	Share premium HK\$'000	Special capital reserve HK\$'000	General reserve HK\$'000	Translation reserve HK\$'000	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Retained profit HK\$'000	Total HK\$'000	Minority interests HK\$'000	Total equity HK\$'000
At 1 January 2007	214,242	-	14,044	23,916	(12,473)	21,007	3,899	21,570	1,080	933,127	1,220,412	52,587	1,272,999
Increase in fair value of available-for-sale investments	-	-	-	-	-	16,064	-	-	-	-	16,064	-	16,064
Exchange difference arising on translation	-	-	-	-	21,700	-	-	-	-	-	21,700	2,651	24,351
Share of exchange reserve of jointly controlled entities	-	-	-	-	2,512	-	-	-	-	-	2,512	-	2,512
Net income recognised directly in equity	-	-	-	-	24,212	16,064	-	-	-	-	40,276	2,651	42,927
Profit for the period	-	-	-	-	-	-	-	-	-	157,806	157,806	1,143	158,949
Total recognised income for the period	-	-	-	-	24,212	16,064	-	-	-	157,806	198,082	3,794	201,876
At 30 June 2007	214,242	-	14,044	23,916	11,739	37,071	3,899	21,570	1,080	1,090,933	1,418,494	56,381	1,474,875

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	Six months ended	
	30.6.2008 (Unaudited) HK\$'000	30.6.2007 (Unaudited) HK\$'000
Net cash (used in) from operating activities	<b>(21,205)</b>	62,471
Net cash used in investing activities		
Prepaid lease payments made	<b>(538,043)</b>	–
Repayment of loans receivable	<b>56,248</b>	–
Proceeds from disposal of investment properties	<b>6,596</b>	24,793
Increase in pledged bank deposits	<b>(22,944)</b>	(45,252)
Purchase of property, plant and equipment	<b>(14,907)</b>	(30,859)
Other investing cash flows	<b>7,185</b>	6,513
	<b>(505,865)</b>	(44,805)
Net cash from (used in) financing activities		
Capital contribution from a minority shareholder of a subsidiary	<b>255,415</b>	–
Repayments of bank loans	<b>(7,500)</b>	(30,437)
Repayment of finance lease obligations	<b>(44)</b>	(1,453)
Decrease in amounts due to a major shareholder	–	(15,106)
Other financing cash flows	<b>(1,081)</b>	(2,434)
	<b>246,790</b>	(49,430)
Net decrease in cash and cash equivalents	<b>(280,280)</b>	(31,764)
Cash and cash equivalents at beginning of the period	<b>1,144,957</b>	658,756
Effect of foreign exchange rate changes	<b>52,631</b>	11,818
Cash and cash equivalents at end of the period, represented by bank balances and cash	<b>917,308</b>	638,810

## 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.

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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
	792,423	32,277	824,700	90,556
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
	804,542	37,933	842,475	139,726
Eliminations	-	(37,933)	(37,933)	-
	804,542	-	804,542	139,726
Unallocated corporate income				17,337
Unallocated corporate expense				(39,893)
				117,170
Finance costs				(1,081)
Share of results of jointly controlled entities				(3,828)
Profit before taxation				112,261
Taxation				(19,492)
Profit for the period				92,769

Inter-segment sales are charged at prevailing market prices.

### 3. SEGMENT INFORMATION (Continued)

Six months ended 30 June 2007

	Turnover			Segment result HK\$'000
	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	
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)
	717,582	35,739	753,321	90,516
Property investment	8,105	4,318	12,423	32,432
Trading of electronic products	1,836	–	1,836	(698)
Trading of securities	–	–	–	1,672
	727,523	40,057	767,580	123,922
Eliminations	–	(40,057)	(40,057)	–
	727,523	–	727,523	123,922
Unallocated corporate income				110,424
Unallocated corporate expense				(27,016)
				207,330
Finance costs				(5,916)
Share of results of jointly controlled entities				(8,410)
Profit before taxation				193,004
Taxation				(34,055)
Profit for the period				158,949

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>	HK\$'000
<hr/>		
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 (Note)	–	(105,187)
	<hr/>	

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>	HK\$'000
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. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, PREPAID LEASE PAYMENTS AND INVESTMENT PROPERTIES

During the period, the Group spent approximately HK\$14,907,000 (2007: HK\$30,859,000) on acquisition of property, plant and equipment and paid approximately HK\$538,043,000 (2007: nil) of prepaid lease payments for the development of commercial office in Shenzhen, the PRC, for rental purpose.

As the Group rented out certain of its buildings of HK\$119,265,000 included in properties, plant and equipment and prepaid lease payment of HK\$23,940,000 to outsiders for rental income during the period, these properties and prepaid lease payments were transferred to investment properties, at their revalued amount. A revaluation deficit of HK\$2,911,000 was recognised in the condensed consolidated income statement under administrative expenses by reference to professional valuations.

The fair values of the Group's investment properties at 30 June 2008 have been arrived at on the basis of valuations carried out on that date by Dudley Surveyors Limited ("Dudley") for properties situated in Hong Kong, Knight Frank Hong Kong Limited ("Knight Frank") for properties situated in the PRC and Atkinson Appraisal Consultants Limited ("Atkinson") for properties situated overseas. Dudley, Knight Frank and Atkinson are independent qualified professional valuers not connected with the Group and members of the Institute of Valuers, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. The resulting increase in fair value of investment properties of HK\$6,450,000 (2007: HK\$13,812,000) has been recognised directly in the condensed consolidated income statement.

## 9. 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>	31.12.2007
	<b>HK\$'000</b>	HK\$'000
Within 90 days	<b>276,653</b>	302,267
Between 91 – 180 days	–	8,281
	<b>276,653</b>	310,548

## 10. 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>	31.12.2007
	<b>HK\$'000</b>	HK\$'000
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

## 11. SECURED BANK LOANS

At 30 June 2008, the Group's certain investment properties, property, plant and equipment and bank deposits with aggregate carrying value of HK\$50,315,000 (31.12.2007: HK\$44,100,000), HK\$17,796,000 (31.12.2007: HK\$18,032,000) and HK\$133,504,000 (31.12.2007: HK\$110,560,000) respectively, were pledged for the Group's bank loans and banking facilities. At 31 December 2007, certain of the Group's available-for-sale investments with carrying value of HK\$64,584,000 (30.6.2008: nil) were pledged for the Group's banking facilities.

## 12. SHARE CAPITAL

There was no movement in the authorised, issued and fully paid share capital of the Company during the interim reporting period.

## 13. CAPITAL COMMITMENTS

	<b>30.6.2008</b>	31.12.2007
	<b>HK\$'000</b>	HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
– purchase of property, plant and equipment	<b>18,898</b>	8,047

## 14. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the period:

Name of related company	Relationship	Nature of transactions	Six months ended	
			30.6.2008	30.6.2007
			HK\$'000	HK\$'000
CASC	Major shareholder	Interest expenses paid	-	3,482

#### 14. RELATED PARTY TRANSACTIONS *(Continued)*

##### **(b) Transactions/balances with other state-controlled entities in the PRC**

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government (“state-controlled entities”). In addition, the Group itself is part of a larger group of companies under CASC which is controlled by the PRC government. Apart from the transactions with CASC disclosed in section (a) above, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group’s business transactions with them are concerned.

In view of the nature of the Group’s nature of business, the directors are of the opinion that, except as disclosed above, it is impracticable to ascertain the identity of the counterparties and accordingly whether the transactions are with other state-controlled entities.

The Group has certain deposits placements, borrowings and other general banking facilities, with certain banks which are state-controlled entities in its ordinary course of business. In view of the nature of those transactions, the directors are of the opinion that separate disclosure on these transactions and balances would not be meaningful.

- (c)** During the period, the emoluments of key management personnel were HK\$6,177,000 (six months ended 30 June 2007: HK\$4,845,000).

#### 15. POST BALANCE SHEET 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 (“Land Development Agreement”) with the Wenchang Government in relation to the development of the land of the Complex Zone in Wenchang City, Hainan Province with the total investment of approximately 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 compensation payment for demolition, resettlement and other expenses. On the same day, CASIL Hainan entered into an 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 (“Joint Venture Company”) to be engaged in the above land development. Upon establishment of the Joint Venture Company, CASIL Hainan will enter into an implementation agreement (“Implementation Agreement”) with the Joint Venture Company for the Joint Venture Company to implement the development activities under the Land Development Agreement. The Land Development Agreement constituted a major transaction of the Company and the Joint Venture Company and Implementation Agreement constitutes two major and connected transactions of the Company, which are subject to the shareholders’ approval and independent shareholders’ approval respectively at the forthcoming extraordinary general meeting of the Company.