



# 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 2008

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 2008.

#### SUMMARY OF RESULTS

The audited consolidated results of the Group for the year ended 31 December 2008 and the comparative figures of the same period in 2007 are as follows:

#### CONSOLIDATED INCOME STATEMENT

	Notes	2008 HK\$'000	2007 HK\$'000
Turnover	3	1,707,919	1,681,854
Cost of sales		<u>(1,337,634)</u>	<u>(1,326,220)</u>
Gross profit		370,285	355,634
Other income	4	118,667	278,595
Selling and distribution costs		(54,138)	(48,943)
Administrative expenses		(212,333)	(206,748)
Impairment loss recognised in respect of available-for-sale investments		(40,780)	—
Impairment loss recognised in respect of property, plant and equipment		(2,911)	(11,131)
Fair value changes of investment properties		(24,757)	11,387
Finance costs		(2,088)	(7,569)
Share of results of jointly controlled entities		<u>1,832</u>	<u>(14,845)</u>
Profit before taxation	5	153,777	356,380
Taxation	6	<u>(12,524)</u>	<u>(45,986)</u>
Profit for the year		<u><u>141,253</u></u>	<u><u>310,394</u></u>
Attributable to:			
Equity holders of the Company		144,596	310,037
Minority interests		<u>(3,343)</u>	<u>357</u>
		<u><u>141,253</u></u>	<u><u>310,394</u></u>
Earnings per share — basic	7	<u><u>HK5.62 cents</u></u>	<u><u>HK12.76 cents</u></u>

**CONSOLIDATED BALANCE SHEET***At 31 December*

	<i>Notes</i>	<b>2008</b> <b>HK\$'000</b>	2007 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>645,084</b>	692,464
Prepaid lease payments		<b>585,991</b>	65,493
Investment properties		<b>265,579</b>	159,732
Interests in jointly controlled entities		<b>60,806</b>	56,732
Available-for-sale investments		<b>39,544</b>	127,899
Pledged bank deposits		<b>110,560</b>	110,560
		<b><u>1,707,564</u></b>	<u>1,212,880</u>
<b>Current assets</b>			
Inventories		<b>139,222</b>	141,579
Trade and other receivables	9	<b>282,488</b>	348,773
Prepaid lease payments		<b>12,087</b>	2,308
Loans receivable		<b>77,077</b>	93,849
Financial assets at fair value through profit or loss		<b>3,251</b>	31,946
Taxation recoverable		<b>3,740</b>	1,412
Pledged bank deposits		<b>59,070</b>	—
Short-term investment		<b>107,710</b>	—
Bank balances and cash		<b>859,244</b>	1,144,957
		<b><u>1,543,889</u></b>	<u>1,764,824</u>
<b>Assets classified as held for sale</b>		<b><u>—</u></b>	<u>30,332</u>
		<b><u>1,543,889</u></b>	<u>1,795,156</u>

	<i>Notes</i>	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>Current liabilities</b>			
Trade and other payables	10	543,758	670,712
Amount due to an associate		1,050	1,050
Taxation payable		57,653	51,251
Obligations under finance leases		—	44
Secured bank loans		17,500	17,500
Other loan		<u>8,126</u>	<u>7,682</u>
		<u>628,087</u>	<u>748,239</u>
<b>Net current assets</b>		<u>915,802</u>	<u>1,046,917</u>
<b>Total assets less current liabilities</b>		<u>2,623,366</u>	<u>2,259,797</u>
<b>Non-current liabilities</b>			
Secured bank loans		131,401	148,901
Deferred taxation		<u>8,326</u>	<u>29,843</u>
		<u>139,727</u>	<u>178,744</u>
		<u>2,483,639</u>	<u>2,081,053</u>
<b>Capital and reserves</b>			
Share capital		257,090	257,090
Reserves		<u>1,892,864</u>	<u>1,744,516</u>
<b>Equity attributable to equity holders of the Company</b>		<u>2,149,954</u>	2,001,606
<b>Minority interests</b>		<u>333,685</u>	<u>79,447</u>
		<u>2,483,639</u>	<u>2,081,053</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2008

## 1. BASIS OF PREPARATION

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

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following amendments and interpretations (“new HKFRSs”) issued by the HKICPA which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
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 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 has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKAS 1 (Revised)	Presentation of financial statements <sup>2</sup>
HKAS 23 (Revised)	Borrowing costs <sup>2</sup>
HKAS 27 (Revised)	Consolidated and separate financial statements <sup>3</sup>
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation <sup>2</sup>
HKAS 39 (Amendment)	Eligible hedged items <sup>3</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate <sup>2</sup>
HKFRS 2 (Amendment)	Vesting conditions and cancellations <sup>2</sup>
HKFRS 3 (Revised)	Business combinations <sup>3</sup>
HKFRS 7 (Amendment)	Improving disclosures about financial instruments <sup>2</sup>
HKFRS 8	Operating segments <sup>2</sup>
HK(IFRIC) — INT 9 & HKAS 39 (Amendments)	Embedded derivatives <sup>4</sup>
HK(IFRIC) — INT 13	Customer loyalty programmes <sup>5</sup>
HK(IFRIC) — INT 15	Agreements for the construction of real estate <sup>2</sup>
HK(IFRIC) — INT 16	Hedges of a net investment in a foreign operation <sup>6</sup>
HK(IFRIC) — INT 17	Distribution of non-cash assets to owners <sup>3</sup>
HK(IFRIC) — INT 18	Transfer of assets from customers <sup>7</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009.

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

<sup>3</sup> Effective for annual periods beginning on or after 1 July 2009.

<sup>4</sup> Effective for annual periods ending on or after 30 June 2009.

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2008.

<sup>6</sup> Effective for annual periods beginning on or after 1 October 2008.

<sup>7</sup> Effective for transfer on or after 1 July 2009.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. Improvement to HKFRSs requires property being constructed or developed for future use as investment property to classify as investment property for annual period beginning on or after 1 January 2009. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

### 3. SEGMENT INFORMATION

#### Business segments

For the year ended 31 December 2008

	Turnover			Segment results HK\$'000
	External sales HK\$'000	Inter-segment sales HK\$'000	Total turnover HK\$'000	
<b>Manufacturing and distribution</b>				
Plastic products	679,643	62,231	741,874	59,029
Liquid crystal display	262,349	1,353	263,702	20,615
Printed circuit boards	261,098	—	261,098	39,322
Intelligent chargers	479,991	—	479,991	63,645
	1,683,081	63,584	1,746,665	182,611
Property investment	15,852	11,911	27,763	(22,591)
Trading of electronic products	8,986	—	8,986	(667)
Financial service	—	—	—	57,970
Trading of securities	—	—	—	7,509
Other investments	—	—	—	(40,780)
	1,707,919	75,495	1,783,414	184,052
Elimination	—	(75,495)	(75,495)	—
	1,707,919	—	1,707,919	184,052
Unallocated corporate income				35,719
Unallocated corporate expenses				(65,738)
				154,033
Finance costs				(2,088)
Share of results of jointly controlled entities				1,832
Profit before taxation				153,777
Taxation				(12,524)
Profit for the year				141,253

Inter-segment sales are charged at prevailing market prices.

	Turnover			Segment results HK\$'000
	External sales HK\$'000	Inter-segment sales HK\$'000	Total turnover HK\$'000	
<b>Manufacturing and distribution</b>				
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	<u>5,457</u>	<u>—</u>	<u>5,457</u>	<u>(8,900)</u>
	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 of securities	<u>—</u>	<u>—</u>	<u>—</u>	<u>46,192</u>
	1,681,854	95,217	1,777,071	287,864
Elimination	<u>—</u>	<u>(95,217)</u>	<u>(95,217)</u>	<u>—</u>
	<u>1,681,854</u>	<u>—</u>	<u>1,681,854</u>	287,864
Unallocated corporate income				148,731
Unallocated corporate expenses				<u>(57,801)</u>
				378,794
Finance costs				(7,569)
Share of results of jointly controlled entities				<u>(14,845)</u>
Profit before taxation				356,380
Taxation				<u>(45,986)</u>
Profit for the year				<u>310,394</u>

Inter-segment sales are charged at prevailing market prices.

#### 4. OTHER INCOME

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
The Group's other income mainly comprises:		
Bank interest income	13,700	18,294
Change in fair value of financial assets at fair value through profit or loss	7,655	46,320
Reversal of impairment loss recognised in respect of loans receivable	58,234	54,860
Net exchange gain	17,671	15,815
Gain on disposal of assets classified as held for sale	3,093	4,566
Gain on disposal of prepaid lease payments	—	17,726
Gain on disposal of property, plant and equipment	—	424
Service income ( <i>Note</i> )	—	104,436
	<u>          </u>	<u>          </u>

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

#### 5. PROFIT BEFORE TAXATION

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Depreciation on		
— owned assets	55,800	52,369
— assets held under finance leases	—	2,244
Amortisation on prepaid lease payments	10,156	2,188
Less: Amount capitalised and included on properties under development	<u>(8,937)</u>	<u>—</u>
	<u>1,219</u>	<u>2,188</u>
Auditors' remuneration		
— current year	4,134	4,203
— underprovision in prior year	559	566
Loss on disposal of property, plant and equipment	3,672	—
Allowance (reversal of allowance) for doubtful trade debts	1,519	(844)
Minimum lease payments under operating leases in respect of land and buildings	6,369	5,527
Research and development expenses	2,273	4,431
Total staff costs, including directors' remuneration	249,802	202,686
Gross rental income	(15,852)	(16,666)
Less: Direct operating expenses from investment properties that generated rental income during the year	<u>1,261</u>	<u>1,463</u>
	<u>(14,591)</u>	<u>(15,203)</u>

## 6. TAXATION

The tax charge for the year comprises:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Current tax:		
Hong Kong Profits Tax	16,975	8,242
PRC Enterprise Income Tax	<u>15,444</u>	<u>34,852</u>
	<u>32,419</u>	<u>43,094</u>
Overprovision in prior years:		
Hong Kong Profits Tax	<u>(78)</u>	<u>(2,159)</u>
Deferred tax		
Current year	(19,104)	5,051
Attributable to a change in tax rate	<u>(713)</u>	<u>—</u>
	<u>(19,817)</u>	<u>5,051</u>
Taxation attributable to the Company and its subsidiaries	<u><u>12,524</u></u>	<u><u>45,986</u></u>

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% (2007: 17.5%) on the estimated assessable profit for the year.

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

On 16 March 2007, the People's Republic of China ("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. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was mainly reduced from 33% to 25%. 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 year, though the tax rate will gradually increase to 25% by 2012.

## 7. EARNINGS PER SHARE

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\$144,596,000 (2007: HK\$310,037,000) and on 2,570,904,000 shares (2007: 2,429,162,000 weighted average number of shares) in issue during the year.

## 8. DIVIDENDS

No dividend was paid or proposed during 2008, nor has any dividend been proposed since the balance sheet date (2007: nil).



## 9. TRADE AND OTHER RECEIVABLES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade receivables	275,518	344,566
Less: Allowance for doubtful debts	<u>(35,382)</u>	<u>(34,018)</u>
	240,136	310,548
Other receivables, deposits and prepayments	<u>42,352</u>	<u>38,225</u>
	<u><b>282,488</b></u>	<u><b>348,773</b></u>

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within 90 days	228,952	302,267
Between 91–180 days	<u>11,184</u>	<u>8,281</u>
	<u><b>240,136</b></u>	<u><b>310,548</b></u>

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

## 10. TRADE AND OTHER PAYABLES

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade payables	205,880	304,965
Other payables and accrued charges	<u>337,878</u>	<u>365,747</u>
	<u><b>543,758</b></u>	<u><b>670,712</b></u>

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Within 90 days	180,686	283,661
Between 91–180 days	2,897	166
Between 181–365 days	1,010	95
Over 1 year	<u>21,287</u>	<u>21,043</u>
	<u><b>205,880</b></u>	<u><b>304,965</b></u>

## **BUSINESS REVIEW**

### **RESULTS**

The turnover of the Company and the subsidiaries for the year ended 31 December 2008 was HK\$1,707,919,000 (2007: HK\$1,681,854,000), representing an increase of approximately 1.55%. Profit attributable to the shareholders was HK\$144,596,000, representing a decrease of approximately 53.36% as compared with HK\$310,037,000 in last year. Owing to the inclusion of an one-off non-recurring income from consultancy services with respect to securities investments in last year's profit, in addition to the adjustments made in the fair value of assets this year, the profit performance was thereby affected.

Taking into account the uncertainties in the current global economy and market, the Company must adopt prudent strategy in retaining sufficient financial strengths and resources for its development needs, therefore upon discussion, the Board of Directors recommends no dividend to be distributed for the year.

## **BUSINESS REVIEW**

In 2008, the "once-in-a-century" financial tsunami posed unprecedented challenges to the world's economies. The Company, benefited from its management philosophy to stress solid and steady development, completed a series of integration of assets and businesses in recent years. The Company has improved its financial position and management quality, which enables it to guard itself against any potential risks and to cope with the global financial crisis.

### **Hi-tech Manufacturing**

In 2008, the turnover of hi-tech manufacturing business of the Company recorded a historic high of HK\$1,683,081,000 (2007: HK\$1,655,785,000), representing an increase of approximately 1.65% as compared with last year. The hi-tech manufacturing business also recorded a historic high of profit to HK\$182,611,000, representing an increase of approximately 13.17% as compared with HK\$161,365,000 in last year. Despite the rapid deterioration of market condition in the fourth quarter, and being affected by the fierce market competition and the impacts of continuous soaring costs of labour, raw materials and energy, the hi-tech manufacturing business recorded a growth in profit for the year mainly due to the adoption of measures on strictly strengthening cost control.

In recent years, the hi-tech manufacturing business, through continuous reinforcing management capability, technology improvement and research and development as its major operating strategies, has been improved in every aspect, and, hence, products and services were able to better satisfy the needs of clients, thereby maintaining the competitive strengths in fierce market competition. During the year, hi-tech manufacturing business, with main products comprising plastic injection, intelligent chargers, liquid crystal display and printed circuit boards, maintained steady growth in total sales. Among them, plastic products and printed circuit boards achieved relatively satisfactory results, with turnover increasing by 8.97% and 21.05% respectively as compared with last year and operating profit increasing by 16.47% and 22.93% respectively.

## Science and Technology Park Complex Development

### *Shanghai Aerospace Technology Industrial Park*

Since its recognition by the National Development and Reform Commission as a “State Civilian Aerospace Industry Base of Shanghai” last year, the Shanghai Aerospace Technology Industrial Park (the “Park”), located at Pujiang Town, Minhang District, Shanghai, has been under construction with good progress. Following the commencement of the Park’s first project, namely the production of composite material of Shanghai Composite High-Tech Development Company Limited (the “Composite Project”) (康巴賽特項目), in December 2008, four new projects namely Shanghai Shenzhou New Energy Development Company Limited (上海神舟新能源發展有限公司), Shanghai Aerospace Wanyuan Rare Earth Machinery Research & Development Centre (上海航天萬源稀土電機研發中心), Shanghai Aerospace Wanyuan Rare Earth Machinery Limited Company (上海航天萬源稀土電機有限公司) and Space Propellers Academy of Shanghai (上海空間推進研究所) were introduced to the Park and groundbreaking ceremonies were held accordingly. This signified that the planning and construction of the one square kilometre of the Park had basically been completed.

### *Shenzhen Aerospace International Centre.*

With a view to the commencement of construction, operation and management of the “Aerospace International Centre”, CASIL New Century Technology Development (Shenzhen) Company Limited, a wholly-owned subsidiary of the Company, together with Aerospace Technology Investment Holdings Limited and Shenzhen Science & Technology Institute jointly established the Shenzhen Aerospace Hi-Tech Investment Management Company Limited (“Shenzhen Aerospace”). Shenzhen Aerospace was incorporated in January 2008 and subsequently won a public bid to acquire the land use right of a parcel of commercial office usage land of 10,458.44 square metres situated at Nanshan Houhai Centre District at a consideration of RMB495,000,000 in March 2008. This parcel of land will become the construction site of the “Aerospace International Centre”.

According to the Shenzhen’s Municipal planning, Nanshan Houhai Centre District is planned as an urban city centre hub circumvented by harbour sea view in a modernized style, comprising financial and business offices, commercial services, and public facilities. It is believed that under the promotion of the Shenzhen Municipal Government in accordance with the planning of the district and the inauguration of Hong Kong-Shenzhen Western Corridor, Nanshan Houhai Centre District will become a popular area for Shenzhen’s commercial property market.

With full support of China Aerospace Science & Technology Corporation (“CASC”), the substantial shareholder of the Company, and the Shenzhen Municipal Government, the foundation stone laying ceremony for the “Aerospace International Centre” was held in October 2008, representing the upcoming emergence of a landmark architecture featuring state-of-the-art aerospace technology with a gross floor area of approximately 150,000 square metres in Shenzhen Bay, Shenzhen. The “Aerospace International Centre” will serve as CASC’s head management centre, research and development centre and centre of international economic and technology cooperation in the Pearl River Delta.

Research and analysis with respect to market positioning of the “Aerospace International Centre” had been conducted, and the “Aerospace International Centre” was preliminarily determined its market positioning and operation development direction to be a complex development featuring high-end office buildings, apartment-office buildings and commercial

spaces. During the year, Shenzhen Aerospace organized various expert assessment meetings and invited domestic and international experts to form consultant teams to provide professional opinions for the construction and design planning of the “Aerospace International Centre”. By the end of last year, the construction and design planning of the “Aerospace International Centre” was established, which could facilitate the progress to the next stage of construction work.

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

The new generation of China’s aerospace launching site is planned to be built in Wenchang City, Hainan Province. Locating adjacent to the new aerospace launching site, the Complex Zone of the Launching Site has a planned area of approximately 4 million square metres (6,100 mu), and possesses a coastline of about 4 kilometres along the east coast of Hainan. Planned construction includes an aerospace technology services district, an aerospace theme park, a commercial resort district, as well as a residential complex zone etc.

CASIL Hainan Holdings Limited, an indirect wholly-owned subsidiary of the Company, was granted the capacity of principal developer through a public bid and entered into the Agreement of the Land Development Project of the Complex Zone of the Launching Site, Hainan Province with the Wenchang Government, Hainan Province in August 2008 with a total investment of RMB1.2 billion, representing a leap forward for the construction of the Complex Zone of the Launching Site in Hainan Province.

At the same time, Hainan Aerospace Development Investment Company Limited (海南航天投資管理有限公司) (“Hainan Aerospace”) was jointly established, on the shareholding of 65% and 35% respectively, by the Company and Aerospace Times Properties Development Limited, a subsidiary of CASC, to organise and implement project construction and land development of the Complex Zone. In October 2008, at the extraordinary general meeting of the Company, each of the Land Development Agreement, the Promoters’ Agreement and the Implementation Agreement was voted upon and approved by the shareholders and the independent shareholders respectively. The master plan of the Complex Zone was then approved by the Hainan Government and Hainan Aerospace was established and incorporated in November 2008.

Hainan Province possesses rich tourism resources and has gained fair international reputation for being a destination for touring and vacation. Hainan Province is undergoing transformation to become an upgraded resort destination as opposed to a mere sightseeing place in the past. In 2007, the number of tourist night stays in Hainan Province exceeded 18.45 million, of which over 750,000 were overseas tourists, and was among the highest ranks in China in terms of growth rate.

## **BUSINESS PROSPECTS**

### **Hi-tech Manufacturing**

The global impact of the financial tsunami will inevitably affect our export-oriented hi-tech manufacturing business. Economic downturn has caused customers’ requests for price cut or even cancellation of orders, which has in turn generated tremendous pressure to the hi-tech manufacturing business. It is anticipated that deeper impact may be encountered in 2009, causing the growth momentum of the hi-tech manufacturing business not being able to sustain.

To cope with the global economic downturn and the shrinkage of the market, specific contingent measures have been implemented for the hi-tech manufacturing business. Those include stepping up our marketing efforts in Mainland China, Europe, Japan etc. with a view to maintaining the turnover of the business at a stable level. Meanwhile, internal control and management capabilities will be enhanced for the business, especially in terms of quality control and cost control, in order to maintain our competitiveness and profit margin. In the aspect of financial monitoring, appropriate measures will be taken for the hi-tech manufacturing business to adjust the scale of operations, cut down inventory and stringently follow up the receivables from customers, with a view to maintaining normal inflow of cash to the greatest possible extent.

Building upon the solid foundation established for our hi-tech manufacturing business over the years and supported by a sound management system plus an excellent management team, we believe that the hi-tech manufacturing business will be in a position to prudently cope with the change and, by launching effective strategies, it will be able to counteract the difficulties, and continue to provide stable cash flow and revenue in supporting the overall business development of the Company.

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

The establishment of the business of science and technology park complex development is one of the important development strategies of the Company. To cope with the entering into the stages of planning and implementation of the projects of Aerospace International Centre and the land development for the Complex Zone of the Launching Site in Hainan Province, the Company will further improve its management systems, facilitate the allocation of internal resources and devote additional efforts in implementing and supervising the projects. Being encountered by the global financial crisis, the Company will conduct thorough analysis of the market positioning, development plan, financing plan and implementation plan for each of the projects under this segment, taking into account the changes of the external economic environment and the policies in various regions, so as to plan meticulously and to implement in full force, and adjust and refine the development plans for individual projects in a timely manner.

Following the completion of business promotions in respect of the one square kilometre project in Shanghai Aerospace Technology Industrial Park, Shanghai Aerospace Technology Investment Management Company Limited (“Shanghai Aerospace”) will expedite the construction of ancillary facilities and landscape planning at the Park. The preliminary research and analysis in respect of the future development direction of part of the owner occupied land in the Park will also be conducted. In addition, Shanghai Aerospace will discuss with the local government concerning the subsequent development plans of the Park, taking into account the latest development of the economy and relevant policies.

Upon finalization of the design plan of the Aerospace International Centre, Shenzhen Aerospace will speed up the process to seek proper approvals, engage in the expansion and commencement plan design, and formulate the overall construction plans and plans for different stages and for specific items. It is expected that site levelling of the project, pre-commencement preparation and tendering processes will commence in mid-2009.

The pre-commencement work in respect of land development for the Complex Zone of the Launching Site is planned to commence within the year. The Company will invite internationally renowned construction designers, theme park designers, and real estate

consultants to form consultant teams, who will conduct further research and analysis in determining the feasibility of various development plans, and formulate long-term development planning and business models for the project.

Though encountered with the downturn in global economy, the Company is cautiously optimistic about its future development prospects. The Chinese Government, in order to achieve its target to maintain economic growth with full effort, has put forward series of measures in stimulating the economy. These include the proposal of huge investments in stimulating the economy, the implementation of enterprising fiscal policy and appropriate loosened monetary policy etc with an aim of increasing domestic demands and booming the economy. The Company believes that these new policies will help to create an advantageous investment environment. Besides, the fall in market value of quality assets caused by the global economic downturn and credit tightening will bring along investment opportunities to those strong enterprises.

The Company possesses a healthy and stable cash flow with relatively low gearing. Through the utilization of loosened monetary policy in China while maintaining stable operation and strict risk control policy, the Company will take the opportunity to adopt appropriate financial leverage and seek investment opportunities of acquiring quality assets so as to push forward a new breakthrough in the business of science and technology park complex development.

The Board believes that while major effort has been spent to ensure the business of hi-tech manufacturing will maintain steady growth, the business of science and technology park complex development will create momentum for the Company's new development and will become a mainstream of economic growth in future.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Results Performance**

The audited turnover of the Company and the subsidiaries for the year ended 31 December 2008 was HK\$1,707,919,000, representing an increase of 1.55% as compared with that of HK\$1,681,854,000 for the same period of 2007. The profit for the year was HK\$141,253,000, representing a decrease of 54.49% as compared with that of HK\$310,394,000 for the same period of 2007.

### **Profit attributable to shareholders and operating profit**

In 2008, the profit attributable to shareholders was HK\$144,596,000, representing a decrease of 53.36% as compared with that of HK\$310,037,000 for the same period of 2007. The drop in profit as compared with the same period of 2007 was mainly due to the record of a non-recurring service income in 2007 while there was not any in 2008. Besides, there was impairment loss on available-for-sale investments and investment properties made in 2008. However, the drop was compensated by the continuous steady growth of the hi-tech manufacturing business that was able to generate a stable profit.

In 2008, based on the issued share capital of 2,570,904,000 shares, the earnings per share was HK\$0.0562, representing a decrease of 55.96% as compared with that of HK\$0.1276 for the same period of 2007, which was 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 in 2007.

## **Hi-tech manufacturing revenue and profits contribution**

Till 31 December 2008, the turnover of the hi-tech manufacturing business was approximately HK\$1,683,081,000, representing a slight increase of approximately 1.65% as compared with the same period last year; the gross profit margin was 20.57%, representing a slight increase as compared with that of 20.31% for the same period last year. Despite the fact that the hi-tech manufacturing business was facing fierce market competition, relying on high proficient management and good market exploring ability of the hi-tech manufacturing business, the Company and the subsidiaries managed to deliver an operating profit of HK\$182,611,000, representing an increase of 13.17% as compared with the same period last year.

The turnover of the plastic injection business was HK\$679,643,000, representing an increase of 8.97% as compared with the same period last year, the operating profit was HK\$59,029,000, representing an increase of 16.47% when compared with the same period last year. The turnover of printed circuits boards business was HK\$261,098,000, increased by 21.05% substantially as compared with the same period last year, the operating profit was HK\$39,322,000, increased by 22.93% substantially as compared with the same period last year. The turnover of intelligent chargers business was HK\$479,991,000, representing a decrease of 13.72% as compared with the same period last year, the operating profit was HK\$63,645,000, slightly decreased by 3.32% as compared with the same period last year. The turnover of liquid crystal displays business was HK\$262,349,000, representing an increase of 3.02% as compared with the same period last year, the operating profit was HK\$20,615,000, decreased by 5.28% as compared with the same period last year.

Although having faced with the financial tsunami in the second half of 2008 when, the annual results of hi-tech manufacturing business were not much affected. However, the hangovers of financial tsunami starts to afloat, the business of hi-tech manufacturing in 2009 may be affected by the slowdown in foreign demand and may have a negative impact on its results. The Company will keep on strengthening its management, especially paying strict attention on monitoring the situation of accounts receivables and inventory of the hi-tech manufacturing business, with the hope of levelling off the negative impacts of the financial tsunami on the business.

## **Operating expenses**

The administrative expenses of the Company and the subsidiaries in 2008 were HK\$212,333,000, representing an increase of 2.70% as compared with the same period last year. The increase was due to the rise in human resources costs and management fees as the result of the development of new business. The finance costs were HK\$2,088,000, representing a substantial decrease of 72.41% as compared with HK\$7,569,000 the same period last year.

## **Assets**

As of 31 December 2008, the audited total assets of the Company and the subsidiaries were HK\$3,251,453,000, of which the non-current assets were HK\$1,707,564,000, representing an increase of 40.79% as compared with that of HK\$1,212,880,000 for the same period last year, the current assets were HK\$1,543,889,000, representing a decrease of 14.00% as compared with HK\$1,795,156,000 the same period last year. The equity attributable to shareholders of the Company, after minority interests, was HK\$2,149,954,000, increased by about 7.41%, compared with that of HK\$2,001,606,000 for the same period last year and the net assets per share was HK\$0.84, based on the issued share capital of 2,570,904,000 shares.

Certain of the Company and the subsidiaries' assets have been mortgaged to banks to secure financings at an annual interest rate of 1.25%. The remaining mortgage term is about 2 years.

### **Liabilities**

As of 31 December 2008, the total liabilities of the Company and the subsidiaries were HK\$767,814,000, of which the non-current liabilities were HK\$139,727,000, representing a decrease of 21.83% as compared with that of HK\$178,744,000 for the same period last year, the current liabilities were HK\$628,087,000, representing a decrease of 16.06% as compared with that of HK\$748,239,000 for the same period last year.

### **Contingent Liabilities**

As of 31 December 2008, save for the guarantees provided by the Company to a wholly-owned subsidiary in obtaining bank loans and credit facilities, the Company and the subsidiaries did not have any other material contingent liabilities.

### **Financial Ratios**

In 2008, the Company and the subsidiaries' gross profit margin was 21.68%, more or less the same as compared with that of 21.15% of 2007. This was mainly due to the business of the hi-tech manufacturing remained steady. The return on equity ratio was 5.69%, representing a decrease compared with that of 14.92% in 2007, owing to the record of a non-recurring service income in 2007 while there was not any in 2008, together with the adjustments made in the fair value of assets this year. The liabilities/assets ratio was 23.61%, recording a drop as compared with that of 30.82% in 2007, mainly because the liabilities of the Company and the subsidiaries in 2008 continued to decrease. The current ratio and the quick ratio were 2.46 and 2.24 respectively, being slightly increased as compared with that of 2.40 and 2.21 respectively in 2007. This was caused by the less percentage decrease in current assets of the Company and the subsidiaries than that of in current liabilities. The performance of various ratios was resulted from the Company and the subsidiaries' policies of continuous assets modifications, strengthened management and business development.

### **Liquidity**

The source of fund of the Company and the subsidiaries mainly relies on internal resources and banking facilities. The Company and the subsidiaries' current cash and bank balance as at 31 December 2008 was HK\$859,244,000, most of which was in Hong Kong Dollars and the rest in Renminbi and US Dollars.

In respect of the shareholders' funds generated from the Open Offer during 2007, the Company has utilised it as planned in the repayment of its debts, the registered capital of Shanghai Aerospace and the rest as the Company's working capital.

### **Capital Expenditure**

As of 31 December 2008, the Company and the subsidiaries' capital commitments were HK\$1,377,774,000 (2007: HK\$8,047,000), most of which is going to be the capital commitments of RMB1.2 billion for the Company's involvement in the land development project of the Complex Zone of the Launching Site in Hainan Province. The Company and the joint venture partner will base on the agreement to contribute to Hainan Aerospace in accordance with the respective shareholding by instalments in the next few years and Hainan Aerospace will be responsible for the execution of the project.



## **Financial Risks**

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

## **Human Resources and Remuneration Policies**

The Company and the subsidiaries' remuneration policy is based on the employee's qualifications, experience and performance as well as by reference to market trends. The Company and the subsidiaries 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 Company.

As at 31 December 2008, the Company and the subsidiaries have a total of about 5,700 staff mainly based in the Mainland and Hong Kong.

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

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

## **CORPORATE GOVERNANCE**

During 2008, save for Mr Wu Zhuo (Chairman), Mr Chow Chan Lum, Charles (Chairman of Audit Committee) and Dr Chan Ching Har, Eliza (Chairman of Remuneration Committee) were unable to attend certain general meetings due to their respective business reasons, 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 2008, and all the Directors replied that they had complied with the requirements of Appendix 10 during the year.

## **AUDIT COMMITTEE**

The Audit Committee of the Company 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 financial statements that had been audited by the auditor, Deloitte Touche Tohmatsu.

## 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, 26 March 2009

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

Dr 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