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China Aerospace International Holdings Limited

中國航天國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 31)

ANNOUNCEMENT OF INTERIM RESULTS 2009

The Board of Directors (the “Board”) of China Aerospace International Holdings Limited (the “Company”) announces that the unaudited results and financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2009 together with the comparative figures of the same period in 2008 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

		Six months ended	
		30.6.2009	30.6.2008
		(Unaudited)	(Unaudited)
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	552,525	804,542
Cost of sales		<u>(431,147)</u>	<u>(620,241)</u>
Gross profit		121,378	184,301
Other income		23,214	62,067
Selling and distribution expenses		(18,172)	(26,220)
Administrative expenses		(91,907)	(109,428)
Fair value changes of investment properties		249,886	6,450
Finance costs		(960)	(1,081)
Share of results of jointly controlled entities		<u>89</u>	<u>(3,828)</u>
Profit before taxation	4	283,528	112,261
Taxation	5	<u>(68,298)</u>	<u>(19,492)</u>
Profit for the period		<u>215,230</u>	<u>92,769</u>
Attributable to:			
Owners of the Company		139,305	93,340
Minority interests		<u>75,925</u>	<u>(571)</u>
		<u>215,230</u>	<u>92,769</u>
Earnings per share — basic	6	<u>HK5.4 cents</u>	<u>HK3.6 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	Six months ended	
	30.6.2009 (Unaudited) HK\$'000	30.6.2008 (Unaudited) HK\$'000
Profit for the period	<u>215,230</u>	<u>92,769</u>
Other comprehensive income		
Exchange differences arising on translation of foreign operations	606	72,141
Share of exchange reserve of jointly controlled entities	—	3,650
Available-for-sale investments	<u>38,926</u>	<u>(46,958)</u>
Other comprehensive income for the period	<u>39,532</u>	<u>28,833</u>
Total comprehensive income for the period	<u><u>254,762</u></u>	<u><u>121,602</u></u>
Total comprehensive income attributable to:		
Owners of the Company	178,503	118,356
Minority interests	<u>76,259</u>	<u>3,246</u>
	<u><u>254,762</u></u>	<u><u>121,602</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

		30.6.2009	31.12.2008
		(Unaudited)	(Audited)
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		619,552	645,084
Prepaid lease payments		43,850	585,991
Investment properties		1,089,366	265,579
Interests in jointly controlled entities		60,895	60,806
Available-for-sale investments		78,470	39,544
Payment for acquisition of office premises		18,141	—
Pledged bank deposits		110,560	110,560
		<u>2,020,834</u>	<u>1,707,564</u>
Current assets			
Inventories		123,654	139,222
Trade and other receivables	8	275,479	282,488
Prepaid lease payments		1,260	12,087
Loans receivable		75,942	77,077
Financial assets at fair value through profit or loss		3,026	3,251
Taxation recoverable		3,483	3,740
Pledged bank deposits		19,129	59,070
Short-term investment		—	107,710
Bank balances and cash		1,146,373	859,244
		<u>1,648,346</u>	<u>1,543,889</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009 (Continued)

	<i>NOTES</i>	30.6.2009 (Unaudited) <i>HK\$'000</i>	31.12.2008 (Audited) <i>HK\$'000</i>
Current liabilities			
Trade and other payables	9	537,255	543,758
Amount due to an associate		1,050	1,050
Taxation payable		58,071	57,653
Secured bank loans		20,000	17,500
Other loan		8,126	8,126
Obligations under a finance lease — amount due within one year		<u>712</u>	<u>—</u>
		<u>625,214</u>	<u>628,087</u>
Net current assets		<u>1,023,132</u>	<u>915,802</u>
Total assets less current liabilities		<u>3,043,966</u>	<u>2,623,366</u>
Non-current liabilities			
Secured bank loans		121,401	131,401
Deferred taxation		71,851	8,326
Obligations under a finance lease — amount due after one year		<u>1,202</u>	<u>—</u>
		<u>194,454</u>	<u>139,727</u>
		<u>2,849,512</u>	<u>2,483,639</u>
Capital and reserves			
Share capital		257,090	257,090
Reserves		<u>2,071,367</u>	<u>1,892,864</u>
Equity attributable to owners of the Company		<u>2,328,457</u>	<u>2,149,954</u>
Minority interests		<u>521,055</u>	<u>333,685</u>
		<u>2,849,512</u>	<u>2,483,639</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2009

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 under the historical cost convention except for certain properties and financial instruments that are measured at revalued amounts or fair values, as appropriate.

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 2008, except for investment properties under construction explained in this note.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2009.

HKAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. HKFRS 8 “Operating segments” is a disclosure Standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor Standard, HKAS 14 “Segment reporting”, required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group’s primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group’s reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14 (see note 3). The adoption of the new HKFRSs had no material effect on the reported results and financial position for the Group for the current or prior accounting periods except as described below.

Improvements to HKFRSs issued in 2008

The application of Improvements to HKFRSs, issued by the HKICPA in 2008, has the following impact on the reported results and financial position of the Group:

HKAS 40 “Investment property” has been amended to include within its scope properties under construction or development for future use as investment properties and to require such properties to be measured at fair value (where the fair value is reliably determinable). In the past, the leasehold land and building elements of properties under construction were accounted for separately. The leasehold land element was accounted for as an operating lease and the building element was carried at cost less accumulated impairment losses. The Group has applied the amendment to HKAS 40 prospectively from 1 January 2009 in accordance with the relevant transitional provision. As a result of the application of the amendment, the Group’s properties under construction for future use as investment properties that include the leasehold land and buildings elements have been reclassified as investment properties and measured at fair value as at 30 June 2009, with the fair value gain being recognised in profit or loss for the six months ended 30 June 2009.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

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

HKFRSs (Amendments)	Amendment of HKFRS 5 as part of improvements to HKFRSs issued in 2008 ¹
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 ²
HKAS 27 (Revised)	Consolidated and separate financial statements ¹
HKAS 39 (Amendment)	Eligible hedged items ¹
HKFRS 1 (Amendment)	First-time adoption of Hong Kong Financial Reporting Standards ¹
HKFRS 2 (Amendment)	Group cash-settled share based payments transactions ³
HKFRS 3 (Revised)	Business combinations ¹
HK(IFRIC) — INT 17	Distributions of non-cash assets to owners ¹
HK(IFRIC) — INT 18	Transfers of assets from customers ⁴

¹ Effective for annual periods beginning on or after 1 July 2009.

² Amendments that are effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, as appropriate.

³ Effective for annual periods beginning on or after 1 January 2010.

⁴ Effective for transfers 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. 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 financial position of the Group.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating segments" with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14 "Segment reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14. Nor has the adoption of HKFRS 8 changed the basis of the measurement of segment profit or loss.

Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, share of results of jointly controlled entities and finance costs. This is the measure reported to the president of the Group for the purpose of resource allocation and performance assessment.

3. SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

Six months ended 30 June 2009

	Turnover			Segment result <i>HK\$'000</i>
	External sales <i>HK\$'000</i>	Inter-segment sales <i>HK\$'000</i>	Total <i>HK\$'000</i>	
Manufacturing and distribution				
Plastic products	235,036	16,459	251,495	21,702
Liquid crystal display	103,181	—	103,181	2,546
Printed circuit boards	103,809	—	103,809	10,121
Intelligent chargers	<u>100,677</u>	<u>—</u>	<u>100,677</u>	<u>5,620</u>
	542,703	16,459	559,162	39,989
Property investment	6,102	6,340	12,442	248,114
Trading of electronic products	3,720	—	3,720	(15)
Financial service	—	—	—	12,555
Trading of securities	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,287</u>
	552,525	22,799	575,324	301,930
Eliminations	<u>—</u>	<u>(22,799)</u>	<u>(22,799)</u>	<u>—</u>
	<u>552,525</u>	<u>—</u>	<u>552,525</u>	301,930
Unallocated corporate income				7,295
Unallocated corporate expenses				<u>(24,826)</u>
				284,399
Finance costs				(960)
Share of results of jointly controlled entities				<u>89</u>
Profit before taxation				283,528
Taxation				<u>(68,298)</u>
Profit for the period				<u>215,230</u>

Inter-segment sales are charged at prevailing market prices.

3. SEGMENT INFORMATION (Continued)

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)	—
	<u>804,542</u>	<u>—</u>	<u>804,542</u>	139,726
Unallocated corporate income				17,337
Unallocated corporate expenses				<u>(39,893)</u>
				117,170
Finance costs				(1,081)
Share of results of jointly controlled entities				<u>(3,828)</u>
Profit before taxation				112,261
Taxation				<u>(19,492)</u>
Profit for the period				<u>92,769</u>

Inter-segment sales are charged at prevailing market prices.

4. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2009	30.6.2008
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	630	613
Depreciation of property, plant and equipment	25,831	21,980
Revaluation deficit recognised in respect of property, plant and equipment	—	2,911
Reversal of impairment loss recognised in respect of loans receivable	(12,621)	(36,106)
Interest income	(7,295)	(7,036)
Change in fair value of financial assets at fair value through profit or loss	(1,287)	(7,284)
Gain on disposal of assets classified as held for sale	—	(3,032)
	<u> </u>	<u> </u>

5. TAXATION

	Six months ended	
	30.6.2009	30.6.2008
	HK\$'000	HK\$'000
Current tax		
Hong Kong Profits Tax	1,475	2,840
PRC Enterprise Income Tax	<u>3,546</u>	<u>25,485</u>
	<u>5,021</u>	<u>28,325</u>
Deferred tax		
Current period	63,277	(8,184)
Attributable to change in tax rate	<u>—</u>	<u>(649)</u>
	<u>63,277</u>	<u>(8,833)</u>
Income tax charge	<u>68,298</u>	<u>19,492</u>

Hong Kong Profits Tax has been calculated at 16.5% of the estimated assessable profit for the periods under review.

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

6. EARNINGS PER SHARE — BASIC

The calculation of basic earnings per share attributable to the owners of the Company for the period is based on the profit for the period attributable to the owners of the Company of HK\$139,305,000 (2008: HK\$93,340,000) and on 2,570,904,000 shares (2008: 2,570,904,000 shares) in issue during the period.

7. DIVIDEND

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

8. TRADE AND OTHER RECEIVABLES

At 30 June 2009, included in trade and other receivables are trade receivables of HK\$210,327,000 (31.12.2008: HK\$240,136,000). 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:

	30.6.2009 <i>HK\$'000</i>	31.12.2008 <i>HK\$'000</i>
Within 90 days	200,271	228,952
Between 91–180 days	<u>10,056</u>	<u>11,184</u>
	<u>210,327</u>	<u>240,136</u>

9. TRADE AND OTHER PAYABLES

At 30 June 2009, included in trade and other payables are trade payables of HK\$203,744,000 (31.12.2008: HK\$205,880,000).

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

	30.6.2009 <i>HK\$'000</i>	31.12.2008 <i>HK\$'000</i>
Within 90 days	171,243	180,686
Between 91–180 days	12,217	2,897
Between 181–365 days	1,804	1,010
Over 1 year	<u>18,480</u>	<u>21,287</u>
	<u>203,744</u>	<u>205,880</u>

BUSINESS REVIEW

Results

The unaudited turnover for the six months ended 30 June 2009 of the Company and its subsidiaries was HK\$552,525,000, representing a decrease of approximately 31.32% compared with HK\$804,542,000 for the same period of 2008. Profit for the period was HK\$215,230,000, representing a substantial increase of approximately 132.01% compared with HK\$92,769,000 for the same period of 2008. Profit attributable to owners of the Company was HK\$139,305,000, representing an increase of approximately 49.24% compared with HK\$93,340,000 for the same period of 2008. Profit attributable to owners of the Company per share was approximately HK\$0.054, representing an increase of approximately 50.00% compared with HK\$0.036 for the same period of 2008.

With the impact of the financial tsunami, our export-oriented hi-tech manufacturing business decreased substantially. However, under the amendment to the Hong Kong Accounting Standards, our investment properties under construction in Shenzhen, namely Aerospace International Centre, is required to be measured at fair value, therefore greatly raises the fair value of our investment properties and contributes to a relatively huge increase in our results recorded in the first half of the year.

In view of our capital requirement for future development, the Board of Directors does not propose an interim dividend.

Hi-tech Manufacturing

For the six months ended 30 June 2009, the turnover of hi-tech manufacturing business was approximately HK\$542,703,000, representing a decrease of 31.51% compared with the same period of last year. The operating profit was HK\$39,989,000, representing a decrease of 55.84% compared with the same period of last year.

The plastic injection and the printed circuit board businesses have their key markets in the United States and Europe where major customers are located. Under the global economic downturn, the reducing client orders resulted in a decrease in the operating results of the business as compared with the same period of last year. The intelligent chargers and the liquid crystal display businesses were badly affected by the financial tsunami and their operating conditions are yet to be recovered.

Science and Technology Park Complex Development

Shanghai Aerospace Technology Industrial Park

Since its inception in late 2006, Shanghai Aerospace Technology Industrial Park has completed the works such as the approval of the master control plan, and infrastructure planning in respect of an area of one square kilometre, as well as the introduction of six projects into the Park, and has achieved the planned stage targets. Shanghai Aerospace Technology Investment Management Company Limited (“Shanghai Aerospace”), the operator of the Park, has been in negotiations with the local government concerning the subsequent development of the Park after the completion of the infrastructure of the area of one square kilometre in the Park.

Shenzhen Aerospace International Centre

Aerospace International Centre has been progressing smoothly in Shenzhen since its inception. Shenzhen Aerospace Hi-Tech Investment Management Company Limited (“Shenzhen Aerospace”) has completed the design proposal for construction and obtained the governmental approval. The design for the expansion and commencement plan has also been commenced and its relevant work plans will be ready shortly. Regarding the commencement of construction, procedures such as geological inspection, on-site geological safety assessment and earthquake faults investigation have been completed. Meanwhile, a series of internal management system has also been established so as to support the large scale of construction tenderings and project management in the future.

The Complex Zone of the Launching Site in Hainan Province

After the entering into the Agreement of the Land Development Project of the Complex Zone of the Launching Site, Hainan Province between the Company and the Wenchang Government, Hainan Province in Hong Kong in August 2008, its preliminary works had been commenced subsequently. At present, Hainan Aerospace Development Investment Company Limited (“Hainan Aerospace”) has been incorporated with a sum of RMB120 million as an upfront capital funding, and an operation team has taken shape. In addition, the Master Plan of the Complex Zone of the Launching Site in Hainan Province has been approved by the provincial government and the entire comprehensive development project has been considered as a key project in the province.

Currently, the detailed land-use planning is underway, as well as the design and market analysis for the theme park are being conducted. Internationally renowned architects, theme park designers and property consultants have been engaged to form a syndicate of specialists and are working together for the planning and design of the aerospace theme park and the entire complex zone. Recently, a number of seminars on specific topics have been held, on which the positioning and directions of the project are basically identified.

LOOKING FORWARD

After a substantial drop in the performance of the hi-tech manufacturing business in the first quarter of the year, the second quarter saw a drastic improvement in its performance. In the second half of the year, it is expected that the hi-tech manufacturing business will gradually be stabilised in its performance, barring the deterioration of the external economic environment. Measures will be carried on firmly to control investments, reduce receivables, cut down inventories, stringently control costs, strengthen quality control, maintain close connection with existing clients and actively explore new markets, with a view to bring the operating performance back to the level prevailing before the outbreak of the financial tsunami.

After years of development, our hi-tech manufacturing business has accomplished a certain degree of operating scale and competitive strengths. Facing the once-in-a-century financial tsunami, the hi-tech manufacturing companies reacted in a timely and proper manner and managed to sustain profits which exemplifying their ability to resist risks. For an ongoing refinement of the Company’s organizational structure, enhancing the existing hi-tech manufacturing system and in the hope of consolidating the established model of operations already in place, the Company intends to reorganise its existing hi-tech manufacturing companies into a single industrial holding company, with a view to concentrating resources, enhancing management, increasing synergy and flexibility, thereby enabling a further enhancement of the overall competitiveness of the hi-tech manufacturing business.

New businesses of the Company are gradually entering into their development stages. Under the leadership of the Board of Directors, the Company will closely monitor the market movement and will adopt effective preventive measures against various potential risks, so as to continue to proceed with its science and technology park complex development business prudently in accordance with its strategic plans. Shanghai Aerospace will actively engage in discussions with local government in respect of the subsequent development of the Park and will work together to seek satisfactory solutions, including the possibility of various proposals but not limited to a transfer of interests, subject to a reasonable return to the Company.

As a result of the amendment to the Hong Kong Accounting Standards, the value of the land resources of Aerospace International Centre in Shenzhen has been preliminarily reflected in the financial statements of the Company, contributing to the further enhancement of the quality of the Company's assets. The prime location of Aerospace International Centre in Shenzhen and thereby, its established revenue model will generate a stable cash flow upon completion of the project. It is expected that the construction of Aerospace International Centre in Shenzhen will commence around the end of the year and the Company will adopt appropriate measures to ensure timely completion of the project, so that it will become a new driver of the Company's results.

The comprehensive development project of the Complex Zone of the Launching Site, Hainan Province involves various developments including theme park, hotels and property development. Closely linked to the new generation of the aerospace launching site in China, the Hainan project is unique and distinctive, either from the perspective of the nation's overall planning or from the specific geographical location. The Board of Directors believes that the Hainan project will represent an internationally rare large-scale comprehensive development project, offering sight-seeing, leisure tour, vacation, education, exhibition and living, and will possess sound conditions suitable for long-term investment.

To a certain extent, the Company was inevitably under the impact of the financial tsunami. Benefiting from the support of the shareholders and the Board of Directors, the management's philosophy of stable and healthy development in the Company's operations, and the solid foundations established in recent years, the overall strengths of the Company were not severely influenced. Meanwhile, the Company will further strengthen its development strategy and planning, and conduct thorough market research and analysis. With the support of China Aerospace Science & Technology Corporation, our substantial shareholder, we will grasp the opportunity of project development and actively push ahead with our work, with a view to turning crisis into opportunities and achieving new development for the Company.

MANAGEMENT DISCUSSION & ANALYSIS

Revenue and profits contribution of Hi-tech manufacturing

For the six months ended 30 June 2009, the turnover of the hi-tech manufacturing business was approximately HK\$542,703,000, representing a decrease of approximately 31.51% as compared with the same period last year; the gross profit margin was 20.62%, representing a slight decrease as compared with that of 21.78% for the same period last year. Despite of the fact that the hi-tech manufacturing business was affected by the financial tsunami, relying on high proficient management, strict cost control and good market exploring ability, the hi-tech manufacturing business managed to deliver an operating profit of HK\$39,989,000 though representing a decrease of 55.84% as compared with the same period last year, of which, the turnover of the plastic injection business was HK\$235,036,000, representing a decrease of 22.14% as compared with the same period last year; the operating profit was HK\$21,702,000,

representing a decrease of 24.45% when compared with the same period last year. The turnover of printed circuits boards was HK\$103,809,000, decreased by 16.16% as compared with the same period last year, the operating profit was HK\$10,121,000, decreased by 44.48% as compared with the same period last year. The turnover of intelligent chargers was HK\$100,677,000, representing a decrease of 58.87% as compared with the same period last year, the operating profit was HK\$5,620,000, decreased by 82.70% as compared with the same period last year. The turnover of liquid crystal displays was HK\$103,181,000, representing a decrease of 15.17% as compared with the same period last year, the operating profit was HK\$2,546,000, decreased by 76.95% as compared with the same period last year.

Although having been impacted by the drop in foreign demand in the first half of 2009, the business has already been recovered steadily since mid-2009. With gradual recovery of the global economy, the Company expects to restore a growth in the hi-tech manufacturing business. The Company will keep on strengthening its management, especially paying strict attention on monitoring the situation of account receivables and inventories of the hi-tech manufacturing business, with an aim to leveling off the negative impacts of the financial tsunami on the business as much as possible.

Operating expenses

The administrative expenses of the Company and the subsidiaries in the first half of 2009 were HK\$91,907,000, representing a decrease of 16.01% as compared with the same period last year. The decrease was mainly due to the drop in business of the Company in the first half of the year and the decrease in management fee. The finance costs were HK\$960,000, representing a decrease of 11.19% as compared with HK\$1,081,000 the same period last year. This was resulted from the gradual repayment of bank loan and relative decrease in interest expense.

Assets

As at 30 June 2009, the total assets of the Company and the subsidiaries were HK\$3,669,180,000, of which the non-current assets were HK\$2,020,834,000, representing an increase of 18.35% as compared with that of HK\$1,707,564,000 for the end of 2008, the current assets were HK\$1,648,346,000, representing an increase of 6.77% as compared with HK\$1,543,889,000 for the end of 2008. The huge increase in non-current assets was mainly due to the reclassification and the measurement by fair value of the investment property, Aerospace International Centre in Shenzhen, being a property under development. This resulted in an increase of HK\$263,561,000 as compared with that of by historical cost. The equity attributable to owners of the Company, after minority interests, was HK\$2,328,457,000, increased by about 8.30%, compared with that of HK\$2,149,954,000 for the end of 2008. The Company and the subsidiaries had adopted aggressive and effective measures in controlling the growth of both account receivables and inventories strictly since the end of last year. As at 30 June 2009, the account receivables and the inventories of the Company and the subsidiaries were decreased by 12.41% and 11.18% respectively as compared with that of for the end of 2008.

Based on the issued share capital of 2,570,904,000 shares, the net asset per share attributable to shareholders was HK\$0.91.

Certain of the Company's 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 at 30 June 2009, the total liabilities of the Company and the subsidiaries were HK\$819,668,000, of which the non-current liabilities were HK\$194,454,000, including a secured long-term bank loan of HK\$121,401,000, and representing an increase of 39.17% as compared with that of HK\$139,727,000 for the end of 2008. The current liabilities were HK\$625,214,000, being approximately the same as compared with that of HK\$628,087,000 for the end of 2008.

Contingent Liabilities

As at 30 June 2009, save for the guarantees provided by the Company to a subsidiary in obtaining bank loans and credit facilities, the Company and the subsidiaries did not have any other material contingent liabilities.

Financial ratios

As at 30 June 2009, the gross profit margin was 21.97%, representing a slight decrease as compared with 22.91% the same period of 2008. The return on equity ratio was 7.55%, representing an increase as compared with 3.77% the same period of 2008, mainly because both the profit and the net assets of the Company and the subsidiaries increased simultaneously. The liabilities/assets ratio was 22.34%, recording a further drop as compared with that of 23.61% for the end of 2008, mainly because the Company and the subsidiaries have a greater increment in assets. The current ratio and the quick ratio were 2.64 and 2.44 respectively, being slightly increased as compared with 2.46 and 2.24 respectively for the end of 2008.

Despite of having been impacted by the financial tsunami, the financial ratios of the Company and the subsidiaries were still maintained in a satisfactory level. This was resulted from the Company and the subsidiaries' policies of continuous assets optimization, 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' free cash and bank balance as at 30 June 2009 was HK\$1,146,373,000, most of which was in Hong Kong Dollars, Renminbi and US Dollars.

Capital Expenditure and Commitment

As at 30 June 2009, the Company and the subsidiaries' capital commitments were HK\$20,627,000 (31 December 2008: HK\$17,230,000), of which are the acquisition of property, plant and equipment and property under development.

As at 30 June 2009, the Company and the subsidiaries have committed investments of HK\$1,360,544,000 (31 December 2008: HK\$1,360,544,000), which represents the 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.

With the commencement of construction of the Aerospace International Centre in Shenzhen by the end of 2009 or the beginning of 2010, the capital expenditure may increase accordingly. The Company will then rely on internal resources and loans to settle by instalments.

Financial Risks

The Company and the subsidiaries review its cash flow and financial position periodically and do not presently engage in 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 30 June 2009, 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 period.

CODE ON CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2009, the Company had complied throughout the period with the provisions of the *Code on Corporate Governance Practice* as set out in Appendix 14 of the Listing Rules.

DIRECTORS' AND EXECUTIVE'S INTERESTS IN SHARES

The Company had adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 of the Listing Rules as the required standard for the Directors of the Company to trade the securities of the Company. Having made specific enquiry 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 2009, 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*.

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 major responsibilities of the Audit Committee include serving as a focal point for communication between the Directors and external auditors in reviewing the Company's financial information as well as overseeing the Company's financial reporting system and internal control procedures.

The Audit Committee of the Company reviewed, discussed and approved this 2009 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, Dr Chan Ching Har, Eliza (Chairman), Mr Chen Xuechuan and Mr Li Hongjun. The responsibilities of the Remuneration Committee are to study and suggest the remuneration policy and the remuneration of the Directors and senior management of the Company.

APPRECIATION

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

By order of the Board
Wu Zhuo
Chairman

Hong Kong, 28 August 2009

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 (<i>President</i>)	Mr Wu Zhuo (<i>Chairman</i>)	Mr Chow Chan Lum, Charles
Mr Zhou Qingquan	Mr Chen Xuechuan	Mr Luo Zhenbang
Mr Wu Hongju	Mr Li Hongjun	Mr Wang Junyan
Mr Guo Xianpeng	Dr Chan Ching Har, Eliza	
	Mr Xu Jianhua	
	Mr Jin Xuesheng	