



INTERIM REPORT  
2009



CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED  
中國航天國際控股有限公司

(Stock Code: 31)

## 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  
Dr 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

Dr Chan Ching Har, Eliza (*Chairman*)  
Mr Chen Xuechuan  
Mr Li Hongjun  
Mr Chow Chan Lum, Charles  
Mr Luo Zhenbang  
Mr Wang Junyan

### COMPANY SECRETARY

Mr Chan Ka Kin, Ken

### AUDITOR

Deloitte Touche Tohmatsu

### SHARE REGISTRAR

Tricor Standard Limited

### LEGAL COUNSEL

Richards Butler

### PRINCIPAL BANK

Bank of China (Hong Kong)

### REGISTERED OFFICE

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18 Tak Fung Street Hung Hom  
Kowloon Hong Kong

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## BUSINESS REVIEW & PROSPECT

### 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 products and the printed circuit boards 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 hence achieved the planned stage targets. Shanghai Aerospace Technology Investment Management Company Limited ("Shanghai Aerospace"), the operator of the Park, has been in negotiation 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 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 Investment Management 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.

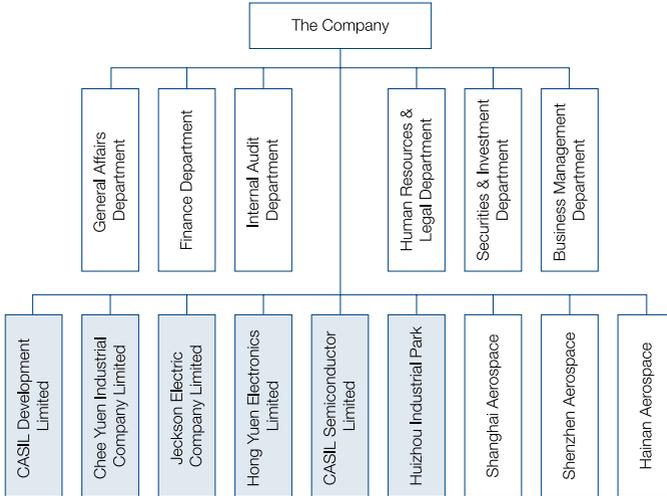
Currently, the detailed land-use planning is underway, as well as the design and market analysis for the theme park. Internationally renowned architects, theme park designers and property consultants have been engaged to form a syndicate of specialists and are working together for the planning and design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

## **PROSPECT**

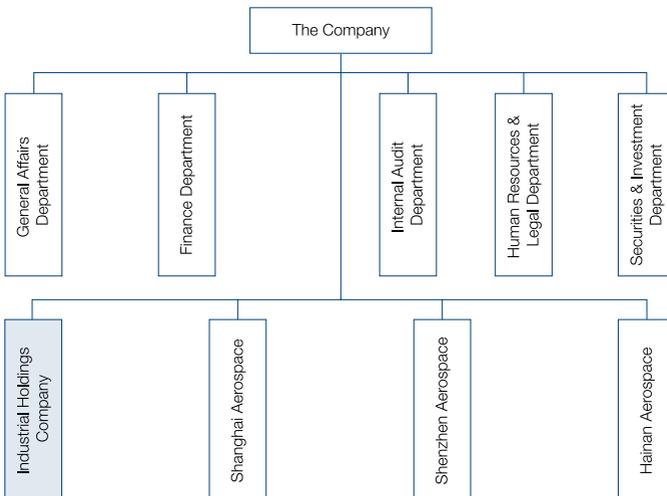
After a substantial drop in the performance of the hi-tech manufacturing business in the first quarter of the year, the second quarter saw a drastic improvement. In the second half of the year, it is expected that the performance of the hi-tech manufacturing business will gradually be stabilised, barring 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 bringing the operating performance back to the level prevailing before the outbreak of the financial tsunami.

After years of development, the 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 exemplified 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.

### CURRENT ORGANIZATIONAL STRUCTURE



### ORGANIZATIONAL STRUCTURE AFTER REALIGNMENT



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 measures to prevent from 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 the local government in respect of the future 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 fair value of the land resources of Aerospace International Centre in Shenzhen has been 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 at 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 crises 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 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 products business was HK\$235,036,000, representing a decrease of 22.14% as compared with the same period last year, and 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 circuit boards was HK\$103,809,000, decreased by 16.16% as compared with the same period last year, and 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, and 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 display was HK\$103,181,000, representing a decrease of 15.17% as compared with the same period last year, and 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 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% for 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 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's 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 INVESTMENT COMMITMENT**

As at 30 June 2009, the Company's and the subsidiaries' capital commitments were HK\$20,627,000 (31 December 2008: HK\$17,230,000), which represent 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 contribute to Hainan Aerospace in accordance with the respective shareholding based on the agreement 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's 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.

## SUBSTANTIAL SHAREHOLDERS

At 30 June 2009, 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 (note 1)                     | 1,143,330,636                            | 44.47%  | 605,854,000                               | 23.57%  |
| Jetcote Investments Limited                      | Beneficial owner<br>Interested in controlled corporations (note 2) | 131,837,011<br>1,011,493,625             | 5.13%<br>39.34%                                   | —<br>605,854,000                          | —<br>23.57%                                       |
|  |  | 1,143,330,636                            | 44.47%  | 605,854,000                               | 23.57%  |
| Burhill Company Limited                          | Beneficial owner (note 2)  | 539,566,136                              | 20.98%  | 355,000,000                               | 13.81%  |
| Sin King Enterprises Company Limited             | Beneficial owner (notes 2 & 3)                                     | 471,927,489                              | 18.36%  | 250,854,000                               | 9.76%   |

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) Both Burhill Company Limited and Sin King Enterprises Company Limited are wholly-owned subsidiaries of Jetcote Investments Limited. The shares held by them form part of the total number of shares held by Jetcote Investments Limited.
- (3) These 250,854,000 shares held for short positions had been discharged on 28 July 2009.

## **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 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.

Save as disclosed below, as at the date of this Interim Report, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and, so far as the Directors were aware, no litigation or arbitration or claim of material importance was pending or threatened by or against any member of the Company and its subsidiaries.

Pursuant to the disclosure requirement of 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 Mr Cheng Zhen Shu, 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 Mr Cheng Zhen Shu 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 damage 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 judgement sum had not been agreed by both parties, the amount of the judgement sum was hence confirmed by the Court in June 2007 (collectively the "Judgement").

In September 2007, CASIL Clearing 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.

Both Chinluck and Mr Cheng Zhen Shu did not repay on schedule the sum of HK\$280,000,000 to CASIL Clearing pursuant to the settlement deed. As at the date of this Interim Report, both Chinluck and Mr Cheng Zhen Shu have only repaid to CASIL Clearing a sum equivalent to approximately HK\$127,883,000. CASIL Clearing has reserved all the rights conferred by the Judgement upon the default by both Chinluck and Mr Cheng Zhen Shu under the settlement deed, and repeatedly declared the rights, including but not limited to legal action to chase the outstanding amount, during previous negotiations with both Chinluck and Mr Cheng Zhen Shu. CASIL Clearing will continue to adopt effective measures and channels actively to solve the problem, so as to respond to the concerns of shareholders.

As at 30 June 2009, the carrying value of the advance of Chinluck was HK\$75,942,000.

## **DIRECTORS' AND CHIEF 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 auditor, 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 to determine the remuneration of the Directors and senior management 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 for their long-time support.

By order of the Board  
**Wu Zhuo**  
*Chairman*

Hong Kong, 28 August 2009

## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

# Deloitte.

# 德勤

**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 18 to 36, which comprises the condensed consolidated statement of financial position of China Aerospace International Holdings Limited (the “Company”) and its subsidiaries as of 30 June 2009 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows 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 of the Company 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 2009

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2009

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

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

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

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2009

|  | Notes | 30.6.2009<br>(Unaudited)<br>HK\$'000 | 31.12.2008<br>(Audited)<br>HK\$'000 |
|--|-------|--------------------------------------|-------------------------------------|
| <b>Non-current assets</b>                                      |       |                                      |                                     |
| Property, plant and equipment                                  | 8     | 619,552                              | 645,084                             |
| Prepaid lease payments   | 8     | 43,850                               | 585,991                             |
| Investment properties  | 8     | 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                             |
|  |       | <b>2,020,834</b>                     | <b>1,707,564</b>                    |
| <b>Current assets</b>  |       |                                      |                                     |
| Inventories  |       | 123,654                              | 139,222                             |
| Trade and other receivables                                    | 9     | 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                             |
|  |       | <b>1,648,346</b>                     | <b>1,543,889</b>                    |
| <b>Current liabilities</b>                                     |       |                                      |                                     |
| Trade and other payables                                       | 10    | 537,255                              | 543,758                             |
| Amount due to an associate                                     |       | 1,050                                | 1,050                               |
| Taxation payable   |       | 58,071                               | 57,653                              |
| Secured bank loans   | 11    | 20,000                               | 17,500                              |
| Other loan   |       | 8,126                                | 8,126                               |
| Obligations under a finance lease — amount due within one year |       | 712                                  | —                                   |
|  |       | <b>625,214</b>                       | <b>628,087</b>                      |
| <b>Net current assets</b>                                      |       | <b>1,023,132</b>                     | <b>915,802</b>                      |
| <b>Total assets less current liabilities</b>                   |       | <b>3,043,966</b>                     | <b>2,623,366</b>                    |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)*

At 30 June 2009

|  | Notes | 30.6.2009<br>(Unaudited)<br>HK\$'000 | 31.12.2008<br>(Audited)<br>HK\$'000 |
|--|-------|--------------------------------------|-------------------------------------|
| <b>Non-current liabilities</b>                                   |       |                                      |                                     |
| Secured bank loans   | 11    | 121,401                              | 131,401                             |
| Deferred taxation  |       | 71,851                               | 8,326                               |
| Obligations under a finance lease<br>— amount due after one year |       | 1,202                                | —                                   |
|  |       | <b>194,454</b>                       | 139,727                             |
|  |       | <b>2,849,512</b>                     | 2,483,639                           |
| <b>Capital and reserves</b>                                      |       |                                      |                                     |
| Share capital  | 12    | 257,090                              | 257,090                             |
| Reserves   |       | 2,071,367                            | 1,892,864                           |
| <b>Equity attributable to owners of<br/>the Company</b>          |       |                                      |                                     |
| <b>Minority interests</b>  |       | <b>2,328,457</b>                     | 2,149,954                           |
|  |       | <b>521,055</b>                       | 333,685                             |
|  |       | <b>2,849,512</b>                     | 2,483,639                           |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

|   | Share capital | Share premium | Special capital reserve | General reserve | Translation reserve | Investment revaluation reserve | Property revaluation reserve | Capital reserve | Capital redemption reserve | Retained profits | Attributable to owners of the Company | Minority interests | Total equity |
|---|---------------|---------------|-------------------------|-----------------|---------------------|--------------------------------|------------------------------|-----------------|----------------------------|------------------|---------------------------------------|--------------------|--------------|
|   | 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     |
| Balance at 1 January 2006 (audited)                               | 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    |
| Profit (loss) for the period                                      | –             | –             | –                       | –               | –                   | –                              | –                            | –               | –                          | 93,340           | 93,340                                | (571)              | 92,769       |
| Available-for-sale investments                                    | –             | –             | –                       | –               | –                   | (46,958)                       | –                            | –               | –                          | –                | (46,958)                              | –                  | (46,958)     |
| Exchange differences arising on translation of foreign operations | –             | –             | –                       | –               | 68,324              | –                              | –                            | –               | –                          | –                | 68,324                                | 3,817              | 72,141       |
| Share of exchange reserve of jointly controlled entities          | –             | –             | –                       | –               | 3,650               | –                              | –                            | –               | –                          | –                | 3,650                                 | –                  | 3,650        |
| Total comprehensive income 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      |
| Balance at 30 June 2006 (unaudited)                               | 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    |
| Balance at 1 January 2009 (audited)                               | 257,090       | 336,286       | 14,044                  | 23,916          | 104,309             | –                              | 3,899                        | 21,570          | 1,080                      | 1,387,760        | 2,149,954                             | 333,685            | 2,483,639    |
| Profit for the period   | –             | –             | –                       | –               | –                   | –                              | –                            | –               | –                          | 139,305          | 139,305                               | 75,925             | 215,230      |
| Available-for-sale investments                                    | –             | –             | –                       | –               | –                   | 38,926                         | –                            | –               | –                          | –                | 38,926                                | –                  | 38,926       |
| Exchange differences arising on translation of foreign operations | –             | –             | –                       | –               | 272                 | –                              | –                            | –               | –                          | –                | 272                                   | 334                | 606          |
| Total comprehensive income for the period                         | –             | –             | –                       | –               | 272                 | 38,926                         | –                            | –               | –                          | 139,305          | 178,503                               | 76,259             | 254,762      |
| Capital contribution from minority shareholders of subsidiaries   | –             | –             | –                       | –               | –                   | –                              | –                            | –               | –                          | –                | –                                     | 111,111            | 111,111      |
| Balance at 30 June 2009 (unaudited)                               | 257,090       | 336,286       | 14,044                  | 23,916          | 104,581             | 38,926                         | 3,899                        | 21,570          | 1,080                      | 1,527,065        | 2,328,457                             | 521,055            | 2,849,512    |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

|   | Six months ended                     |                                      |
|---|--------------------------------------|--------------------------------------|
|   | 30.6.2009<br>(Unaudited)<br>HK\$'000 | 30.6.2008<br>(Unaudited)<br>HK\$'000 |
| Net cash from (used in) operating activities                    | <b>50,909</b>                        | (21,205)                             |
| Net cash from (used in) investing activities                    |                                      |                                      |
| Decrease in short-term investment                               | <b>107,710</b>                       | —                                    |
| Decrease (increase) in pledged bank deposits                    | <b>39,941</b>                        | (22,944)                             |
| Repayment of loans receivable                                   | <b>13,756</b>                        | 56,248                               |
| Payment for acquisition of office premises                      | <b>(18,141)</b>                      | —                                    |
| Purchase of property, plant and equipment                       | <b>(13,221)</b>                      | (14,907)                             |
| Additions of investment properties                              | <b>(4,459)</b>                       | —                                    |
| Prepaid lease payments made                                     | —                                    | (538,043)                            |
| Proceeds from disposal of investment properties                 | —                                    | 6,596                                |
| Other investing cash flows                                      | <b>7,934</b>                         | 7,185                                |
|   | <b>133,520</b>                       | (505,865)                            |
| Net cash from financing activities                              |                                      |                                      |
| Capital contribution from minority shareholders of subsidiaries | <b>111,111</b>                       | 255,415                              |
| Repayment of bank loans   | <b>(7,500)</b>                       | (7,500)                              |
| Other financing cash flows                                      | <b>(968)</b>                         | (1,125)                              |
|   | <b>102,643</b>                       | 246,790                              |
| Net increase (decrease) in cash and cash equivalents            | <b>287,072</b>                       | (280,280)                            |
| Cash and cash equivalents at 1 January                          | <b>859,244</b>                       | 1,144,957                            |
| Effect of foreign exchange rate changes                         | <b>57</b>                            | 52,631                               |
| Cash and cash equivalents at 30 June                            |                                      |                                      |
| Bank balances and cash  | <b>1,146,373</b>                     | 917,308                              |

## 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. SIGNIFICANT 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 (see note 8).

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

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

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

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2010.

<sup>4</sup> 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 purposes 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<br>HK\$'000 |
|---|----------------------------|---------------------------------|-------------------|----------------------------|
|   | External sales<br>HK\$'000 | Inter-segment sales<br>HK\$'000 | Total<br>HK\$'000 |                            |
| 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                            | 100,677                    | —                               | 100,677           | 5,620                      |
|   | 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                           | —                          | —                               | —                 | 1,287                      |
|   | 552,525                    | 22,799                          | 575,324           | 301,930                    |
| Eliminations                                    | —                          | (22,799)                        | (22,799)          | —                          |
|   | 552,525                    | —                               | 552,525           | 301,930                    |
| Unallocated corporate income                    |                            |                                 |                   | 7,295                      |
| Unallocated corporate expenses                  |                            |                                 |                   | (24,826)                   |
|   |                            |                                 |                   | 284,399                    |
| Finance costs                                   |                            |                                 |                   | (960)                      |
| Share of results of jointly controlled entities |                            |                                 |                   | 89                         |
| Profit before taxation                          |                            |                                 |                   | 283,528                    |
| Taxation  |                            |                                 |                   | (68,298)                   |
| Profit for the period                           |                            |                                 |                   | 215,230                    |

Inter-segment sales are charged at prevailing market prices.

**3. SEGMENT INFORMATION** *(continued)***Six months ended 30 June 2008**

|  | Turnover                      |                                    |                   | Segment<br>result<br>HK\$'000 |
|--|-------------------------------|------------------------------------|-------------------|-------------------------------|
|  | External<br>sales<br>HK\$'000 | Inter-segment<br>sales<br>HK\$'000 | Total<br>HK\$'000 |                               |
| Manufacturing and<br>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<br>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<br>income                    |                               |                                    |                   | 17,337                        |
| Unallocated corporate<br>expenses                  |                               |                                    |                   | (39,893)                      |
|  |                               |                                    |                   | 117,170                       |
| Finance costs                                      |                               |                                    |                   | (1,081)                       |
| Share of results of jointly<br>controlled entities |                               |                                    |                   | (3,828)                       |
|  |                               |                                    |                   | 112,261                       |
| Profit before taxation                             |                               |                                    |                   | (19,492)                      |
| Taxation   |                               |                                    |                   |                               |
| Profit for the period                              |                               |                                    |                   | 92,769                        |

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)   |

## 5. TAXATION

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

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. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, PREPAID LEASE PAYMENTS AND INVESTMENT PROPERTIES

During the period, the Group spent approximately HK\$15,143,000 (1.1.2008 to 30.6.2008: HK\$14,907,000) and HK\$4,459,000 (1.1.2008 to 30.6.2008: nil) on acquisition of property, plant and equipment and additions of investment properties under construction respectively. During the period ended 30 June 2008, the Group paid approximately HK\$538,043,000 (1.1.2009 to 30.6.2009: nil) of prepaid lease payments for the development of commercial office in Shenzhen, the PRC, for rental purpose.

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 comprise the land element included in prepaid lease payments of HK\$552,338,000 and the building element included in property, plant and equipment of HK\$14,222,000 as at 1 January 2009 have been reclassified as investment properties and measured at fair value as at 30 June 2009, with the fair value gain of HK\$263,561,000 being recognised in profit or loss for the six months ended 30 June 2009.

In prior period, the Group rented out certain of its buildings, comprising of HK\$119,265,000 included in property, plant and equipment and prepaid lease payments of HK\$23,940,000, to outsiders for rental income. These buildings 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.

## 8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT, PREPAID LEASE PAYMENTS AND INVESTMENT PROPERTIES *(continued)*

The fair values of the Group's investment properties at 30 June 2009 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 are members of the Institute of Valuers. The valuation of completed investment properties of HK\$254,786,000 (31.12.2008: HK\$265,579,000) was arrived at by reference to market evidence of transaction prices for similar properties. The valuation of investment properties under construction of HK\$834,580,000 (31.12.2008: nil) was arrived at by reference to market evidence of transaction prices for similar completed properties and by capitalisation of income potential of the properties, on the basis that the properties will be developed and completed in accordance with the Group's latest development proposals, after taking into account of the estimated construction costs to completion to reflect the quality of the completed development and the restrictions imposed on the proposed development properties to lease or to sell to the third parties. The resulting increase in fair value of investment properties of HK\$249,886,000 (1.1.2008 to 30.6.2008: HK\$6,450,000) has been recognised directly in the condensed consolidated income statement.

## 9. 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:

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

## 10. 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:

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

## 11. SECURED BANK LOANS

At 30 June 2009, the Group's certain investment properties, property, plant and equipment and bank deposits with aggregate carrying value of HK\$50,105,000 (31.12.2008: HK\$46,315,000), HK\$17,326,000 (31.12.2008: HK\$17,764,000) and HK\$129,689,000 (31.12.2008: HK\$169,630,000) respectively, were pledged for the Group's bank loans and 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. COMMITMENTS

|   | <b>30.6.2009</b> | 31.12.2008 |
|---|------------------|------------|
|   | <b>HK\$'000</b>  | HK\$'000   |
| Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of: |                  |            |
| acquisition of property, plant and equipment  | <b>12,659</b>    | 15,575     |
| property under development  | <b>7,968</b>     | 1,655      |
|   | <b>20,627</b>    | 17,230     |

At 30 June 2009, the Group has committed investment of approximately RMB1,200,000,000 (31.12.2008: RMB1,200,000,000), equivalent to approximately HK\$1,360,544,000 (31.12.2008: HK\$1,360,544,000), for a land development project in Wenchang City, Hainan Province as detailed in the circular of the Company dated 10 September 2008.

## 14. RELATED PARTY TRANSACTIONS

### (a) Transactions/balances with 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 China Aerospace Science & Technology Corporation which is controlled by the PRC government. The Group conducts business with 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 business, the directors are of the opinion that it is impracticable to ascertain the identity of the counterparties and accordingly whether the transactions are with state-controlled entities.

The Group has certain deposit 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.

### (b) During the period, the emoluments of key management personnel were HK\$6,950,000 (1.1.2008 to 30.6.2008: HK\$6,177,000).