2012
INTERIM REPORT

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 Li Hongjun *(President)*
Mr Jin Xuesheng

Non-Executive Directors
Mr Zhang Jianheng *(Chairman)*
Mr Wu Zhuo *(Vice Chairman)*
Mr Luo Zhenbang *(Independent)*
Mr Wang Junyan *(Independent)*
Ms Leung Sau Fan, Sylvia *(Independent)*
Mr Chen Xuechuan
Mr Shi Weiguo

AUDIT COMMITTEE

Mr Luo Zhenbang *(Chairman)*
Ms Leung Sau Fan, Sylvia
Mr Shi Weiguo

REMUNERATION COMMITTEE

Ms Leung Sau Fan, Sylvia *(Chairman)*
Mr Wang Junyan
Mr Chen Xuechuan

NOMINATION COMMITTEE

Mr Zhang Jianheng *(Chairman)*
Mr Luo Zhenbang
Mr Wang Junyan
Ms Leung Sau Fan, Sylvia
Mr Chen Xuechuan

COMPANY SECRETARY

Mr Chan Ka Kin, Ken

AUDITOR

Deloitte Touche Tohmatsu

SHARE REGISTRAR

Tricor Standard Limited

LEGAL COUNSEL

Reed Smith Richards Butler

PRINCIPAL BANKS & FINANCIAL INSTITUTIONS

Bank of China (Hong Kong) Limited
Aerospace Science & Technology Finance Company Limited* (航天科技財務有限責任公司)
Industrial and Commercial Bank of China Limited
Bank of China Limited

REGISTERED OFFICE

Room 1103–1107A, One Harbourfront
18 Tak Fung Street, Hung Hom
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* This PRC entity does not have an English name, the English name sets out in this Interim Report is for identification purpose only.

BUSINESS REVIEW

RESULTS

For the six months ended 30 June 2012, the Company and its subsidiaries reported an unaudited turnover of HK$1,227,611,000, representing an increase of 22% as compared with that of HK$1,007,786,000 for the same period of 2011. Profit for the period was HK$119,588,000, representing a decrease of 53% as compared with that of HK$254,703,000 (being adjusted and restated) for the same period of 2011. Profit attributable to shareholders was HK$96,869,000, representing a decrease of 51% as compared with that of HK$198,033,000 (being adjusted and restated) for the same period of 2011. Basic earnings per share attributable to shareholders was HK$0.0314, representing a decrease of 51% as compared with that of HK$0.0642 (being adjusted and restated) per share for the same period of 2011.

The market continued to be adversely affected by the debt crisis in Europe and the U.S.. On the other hand, there were many uncertainties concerning the economic situation of China. Under the backdrop of a distressed world economy, the Company still unwaveringly committed to its operational principles of prudency in business expansion and rigidity in risk management. However, being under the pressure of operating cost increment and the amount of the gain in the fair value of investment properties under construction was less than that of the same period of 2011, the overall profit of the Company decreased by 53% as compared with the same period of last year, whereas the revenue of the Company's hi-tech manufacturing business maintained a stable growth. Taking into account of the Company's capital requirement for its development projects, the Board decided not to distribute an interim dividend for the year of 2012.

BUSINESS REVIEW

The hi-tech manufacturing business of the Company achieved a moderate growth in the first half of 2012. Foundation work of Shenzhen Aerospace Science & Technology Plaza was basically completed, and the construction work of the Complex Zone of the Launching Site in Hainan Province was proceeding on schedule. As to our new ventures, both the polyimide films business of new materials and the internet of things business were on track to a sustainable operation.

Hi-tech manufacturing

Hi-tech manufacturing

In the context of a global economic downturn, operation of the hi-tech manufacturing business of the Company confronted with numerous difficulties and challenges. Despite being the case, pivoting on the efforts of the manufacturing team, the revenue and the operating profit for the first half of the year recorded a steady growth as compared with the same period of last year. For the six months ended 30 June 2012, the hi-tech manufacturing business recorded a turnover of HK$1,205,051,000, representing an increase of 20% as compared with the same period of last year. Operating profit amounted to HK$118,629,000, representing an increase of 22% as compared with the same period of last year.

In the first half of the year, performances of the respective segments under the manufacturing business arm were satisfactory, with 36%, 16%, 15% and 8% growth in the turnover of each of intelligent chargers, plastic products, printed circuit boards and liquid crystal display segments respectively.

Persistent and aggressive effort in strengthening the marketing and sales, the intelligent chargers segment obtained an ideal growth in sales led by revenue from major customers in the first half of this year. Sales of the battery under the plastic products segment recorded a strong growth, while the moulds division also showed a considerable improvement. However, both the plastic injection and the electroplating divisions reported a slight decline in sales. The printed circuit boards segment comprises hard boards, soft boards and surface mounted technology (SMT). Preliminary technology advancement and productivity expansion boosted a satisfactory sales growth in hard boards and SMT, but the sales of soft boards slightly dropped. The liquid crystal display segment endeavoured to transform itself into medium-to-high-end products by deploying greater marketing effort in Hong Kong and overseas markets. It recorded a considerable growth in sales driven by the contribution from major customers and new customers.

The Company is committed to promote meticulous management in hi-tech manufacturing business by optimizing procedures, enhancing efficiency, controlling expenses and reducing purchasing cost in order to alleviate the pressure of cost increment and maintain its margins. At the beginning of this year, the hi-tech manufacturing business arm underwent a series of product structure adjustments, shifting its attention towards high-end products, for better resilience against future risks and to meet customers' need for higher quality. To achieve stability in workforce, apart from an adjustment in wages and remunerations, the hi-tech manufacturing business arm also resorted to such improvement and investment deemed necessary in catering, accommodation and working conditions, which effectively maintained the stability of the team of chief staff.

New materials

Shenzhen Rayitek Hi-tech Film Company Limited* (深圳瑞華泰薄膜科技有限公司) ("Shenzhen Rayitek"), a subsidiary of the Company, is a hi-tech company that specializes in research, manufacture and sale of polyimide films and related composite materials. Shenzhen Rayitek predominantly engages in manufacturing of polyimide films that used as insulation for electrical machineries and cable wrapping materials. Following its commencement of operation in 2011, Shenzhen Rayitek's polyimide film production line was on track to sustainable operation. In the first half of 2012, Shenzhen Rayitek recorded a sales revenue of approximately HK$21,575,000.

Aerospace service

Hi-tech property

Piling work in Shenzhen Aerospace Science & Technology Plaza has substantially completed. Currently, there are various design-related items and tender invitation procedures underway for this project. In order to facilitate the marketing activities after completion of the project in future, a professional advisory team had been engaged to conduct in-depth study in market positioning and preliminary market development of this project, and prepare promotional materials for the project. As at 30 June 2012, valuation of the development in construction and land use rights of Shenzhen Aerospace Science & Technology Plaza amounted to approximately RMB1,581,000,000.

Land expropriation process in respect of the Complex Zone of the Launching Site in Hainan Province has been almost completed. Preliminary preparation for the construction of the Complex Zone and the related resettlement zone were proceeding as scheduled, of which temporary permit for the planning of the construction works in the resettlement zone project had been granted, while preliminary preparation works such as overall planning, detailed site planning, and municipal planning and design were substantially completed. Turning to Hainan Space Park, project planning and design have been commenced, and a professional advisory firm will be engaged to provide overall development operation study and detailed feasibility study in respect of the project.

Internet of things
The Company conducts its business of internet of things through Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術(深圳)有限公司) ("Aerospace Digitnexus"). Established in May 2011, Aerospace Digitnexus has by now completed most of its initial setup procedures. It also achieved a solid progress in construction of an internet of things software platform and marketing of closed-loop system integration.

PROSPECT

Debt crisis in Europe and the U.S. will continue to raise concerns to the market for a prolonged period. Economic prospect in the second half of this year remains gloomy. The hi-tech manufacturing business is expected to be materially and adversely affected by, among others, rising costs and volatile overseas and domestic markets. The Company will conduct the hi-tech manufacturing business in line with its market positioning of focusing on high-end customers, adopting sophisticated measures to minimize wastage and reduce expense, upgrading its technologies to constantly promote sustainable development and competency, and strengthening its infrastructure for overall quality upgrade of the hi-tech manufacturing business, with an aim to maintain steady business development.

As for the business of new materials, Shenzhen Rayitek will refine its existing production technology of high-performance polyimide films in order to further enhance the quality of products and production capacity. Intensified effort will be directed towards marketing and sales by Shenzhen Rayitek along with progressive expansion in production capacity and acceleration in business growth. In recent years, the rise to prominence of information technology and flat panel display industries have driven the market development of flexible copper clad laminate and related auxiliary materials. Electronic engineering (electronic grade) polyimide film is used as key material for electronic products such as integrated circuits, flat panel displays and electronic labels. It is expected that polyimide film will play a vital role in the emerging electronic product application segment. Shenzhen Rayitek will, according to market development trend, expand its existing electrical grade film business into electronic grade film market in order to extend its reach in domestic market and to improve profit margins.

The construction plan of Shenzhen Aerospace Science and Technology Plaza will be implemented as scheduled. As the piling work has generally been completed, construction of the basement structure will commence soon. Hainan Aerospace Investment Management Company Limited ("Hainan Aerospace") has resolved to complete the land expropriation as soon as practicable, and it will continue to optimize the planning and design of the Hainan Space Park construction project. On the other hand, Hainan Aerospace will look for joint development of the project with strategic partners. The Company will pay close attention to the impact of the PRC's macroeconomic regulations and control to the project and will implement appropriate risk management measures in a timely manner when necessary.

Further perfecting work on development for the internet of things software platform during this year is planned. In terms of market expansion, in response to the need of potential customers, Aerospace Digitnexus will offer solutions for emergency alert system, inventories, transportation and logistics management, and fixed asset management, and will strive to secure sales contracts for projects with potential customers.

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
Zhang Jianheng
Chairman

Hong Kong, 24 August 2012

MANAGEMENT DISCUSSION & ANALYSIS

RESULTS PERFORMANCE

The unaudited turnover of the Company and the subsidiaries for the six months ended 30 June 2012 was HK$1,227,611,000, representing an increase of 22% as compared with that of HK$1,007,786,000 for the same period of 2011. The profit for the period was HK$119,588,000, representing a decrease of 53% as compared with that of HK$254,703,000 (being adjusted and restated) for the same period of 2011.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Profit attributable to shareholders of the Company was HK$96,869,000, representing a decrease of 51% as compared with that of HK$198,033,000 (being adjusted and restated) for the same period of 2011. The decrease in profit was mainly due to the amount of the gain in the fair value of investment properties was less than that of the same period of 2011.

Based on the issued share capital of 3,085,022,000 shares during the period, the basic earnings per share was HK$0.0314, representing a decrease of 51% as compared with that of HK$0.0642 (being adjusted and restated) for the same period of 2011.

RESULTS OF EACH CORE BUSINESS

Core businesses of the Company and the subsidiaries are hi-tech manufacturing and aerospace services.

The turnover of the hi-tech manufacturing is the main source of the Company's turnover and contributes a significant profit and cashflow. The Company is gradually developing the business of aerospace services and other new businesses in recent years. These include the hi-tech property and the strategic emerging industry represented by new materials and internet of things, so as to achieve the Company's new development target and minimize single business risk.

Hi-tech Manufacturing

Hi-tech manufacturing

The turnover of the hi-tech manufacturing for the six months ended 30 June 2012 was HK$1,205,051,000, representing an increase of 20% as compared with the same period of 2011; the operating profit was HK$118,629,000, representing an increase of 22% as compared with the same period of 2011.

Under the environment of global economic downturn in the first half of 2012, the hi-tech manufacturing businesses are facing the pressures of technology advancement, keen competition and increase in cost. Starting from 2012, the hi-tech manufacturing businesses have adjusted their product structures and gradually transform into high end one, so as to enhance the capability to risk resistance and to satisfy customers' continued requirements on better quality. The hi-tech manufacturing businesses also keep on strengthening their marketing development, visiting customers frequently and adopting measures to enhance the market share, and are promoting meticulous management comprehensively, of which further save energy, reduce unnecessary consumption, reduce costs and enhance efficiency are encouraged, so as to control the costs. The results of the hi-tech manufacturing are shown below:

	Turnover (HK$'000)			Operating Profit (HK$'000)		
	First half of 2012	First half of 2011	Changes (%)	**First half of 2012**	First half of 2011	Changes (%)
Plastic Products	**451,218**	389,242	16	**32,011**	29,293	9
Printed Circuit Boards	**246,584**	213,731	15	**48,795**	42,083	16
Intelligent Chargers	**345,664**	253,982	36	**20,880**	16,732	25
Liquid Crystal Display	**154,745**	143,659	8	**6,308**	5,816	8
Industrial Property Investment	**6,840**	6,131	12	**10,635**	3,316	221
Total	**1,205,051**	1,006,745	20	**118,629**	97,240	22

In the second half of 2012, the hi-tech manufacturing is still facing the issues of cost increment, overseas market fluctuations and downturn in global economy. The Company will continue to strengthen the management, enhance productivity, control cost and recover receivables, so as to ensure the hi-tech manufacturing to have a stable growth continuously.

New materials

The Company, through its subsidiary CASIL New Century Technology Development (Shenzhen) Company Limited* (航科新世紀科技發展(深圳)有限公司), completed an acquisition of a 55% equity in Shenzhen Rayitek Hi-tech Film Company Limited* (深圳瑞華泰薄膜科技有限公司) ("Shenzhen Rayitek") in August 2011, which mainly engages in business related to polyimide film products.

In the first half of 2012, the turnover of Shenzhen Rayitek was HK$21,575,000 and an operating loss of HK$1,922,000 was recorded. An impairment loss of HK$23,000,000 was also recognised in relation to goodwill arising on acquisition.

Since being put into operation last year, Shenzhen Rayitek continues to improve its existing production technology in the first half of 2012. In the second half of the year, Shenzhen Rayitek will further improve its product quality and production capacity and expand its marketing development and sales in order to speed up its business development.

Aerospace Services Business

The Complex Zone of the Launching Site in Hainan Province

In the first half of 2012, Hainan Aerospace Investment Management Company Limited* (海南航天投資管理有限公司) ("Hainan Aerospace") continued to assist the government in the rest of land expropriation and had completed most of the land expropriation. In relation to the construction of resettlement zone, a temporary permit for the planning of construction works had been obtained, the preliminary works such as the master plan, the implementation plan of the construction works, and the planning and design of urban facilities and so on had been completed as well, and the preliminary construction works such as application for the use of resettlement zone are underway at present. Simultaneously, Hainan Aerospace strengthened its force to discuss the possibilities of cooperation with several potential investors. In the second half of the year, Hainan Aerospace will continue all those related works and discuss the cooperation with potential investors aggressively.

Hainan Aerospace recorded a loss of HK$538,000 in the first half of 2012, which was mainly the payment of the cost of preparatory work, and administrative and professional fees.

Shenzhen Aerospace Science & Technology Plaza
In the first half of 2012, Shenzhen Aerospace Technology Investment Company Limited* (深圳市航天高科投資管理有限公司) ("Shenzhen Aerospace") continued to implement the piling works, completed the design of several construction drawings, and tendered for the remaining construction works. In the second half of the year, Shenzhen Aerospace will continue those construction works, design and tendering, and commence the construction works above the ground level.

Shenzhen Aerospace recorded a fair value gain of investment property of HK$100,538,000 in the first half of 2012. As of 30 June 2012, the property under construction and land use right of Shenzhen Aerospace Science & Technology Plaza was estimated at approximately RMB1,581,000,000.

Internet of things
The Company has set up Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術(深圳)有限公司) ("Aerospace Digitnexus") in 2011, which mainly engages in the business of system integration of internet of things and provides comprehensive and systematic solutions to meet customer demands.

In the first half of 2012, Aerospace Digitnexus recorded a loss of HK$5,163,000, which was mainly the payment of the cost of preparation work, and administrative and professional fees.

In the first half of 2012, Aerospace Digitnexus progressed well in the research of software platform. It had already completed the development of software design and most of the modeling. In terms of business development, Aerospace Digitnexus had worked out with several government departments, schools and enterprises in forestry alarm system, academic demonstration platform and management platform.

In the second half of the year, Aerospace Digitnexus will speed up the works on obtaining software platform certification, patent right application and developing target markets aggressively.

ASSETS

As at 30 June 2012, the unaudited total assets of the Company and the subsidiaries were HK$6,086,259,000, of which the non-current assets were HK$4,136,439,000, representing an increase of 4% as compared with that of HK$3,994,652,000 as at 31 December 2011. The current assets were HK$1,949,820,000, representing an increase of 1% as compared with that of HK$1,922,948,000 as at 31 December 2011. The increase in non-current assets was mainly due to an increase in the fair value of investment properties. The increase in current assets was mainly due to an increase in inventory and receivables brought about by an increase in sales correspondingly. The equity attributable to shareholders of the Company was HK$3,917,986,000, representing an increase of 1% as compared with that of HK$3,863,672,000 (being adjusted and restated) as at 31 December 2011. Based on the issued share capital of 3,085,022,000 shares in the period, the net assets per share attributable to shareholders of the Company was HK$1.27.

As at 30 June 2012, cash deposit of the Company and the subsidiaries of approximately HK$24,606,000 had been pledged to banks to obtain credit facilities, Shenzhen Rayitek had pledged its plant and equipment, land use right and buildings at the carrying value of HK$99,863,000, HK$28,675,000 and HK$28,592,000 respectively to a bank and a financial institution to secure general banking facilities, and Shenzhen Aerospace had obtained a syndicated loan by securing the investment properties at value of RMB1,581,000,000 to a syndicate comprising banks and a financial institution.

LIABILITIES

As at 30 June 2012, the total liabilities of the Company and the subsidiaries were HK$1,500,443,000, of which the non-current liabilities were HK$471,904,000, representing an increase of 11% as compared with that of HK$425,085,000 (being adjusted and restated) as at 31 December 2011, the current liabilities were HK$1,028,539,000, representing an increase of 5% as compared with that of HK$976,396,000 as at 31 December 2011. The increase in non-current liabilities was mainly due to an increase in the outstanding amount of the syndicated loan by Shenzhen Aerospace and an increase in deferred tax, whereas the increase in current liabilities was mainly due to an increase in payables brought about by an increase in purchases correspondingly, an increase in dividend payables, and an increase in accruals and tax payables etc.. As at 30 June 2012, the Company and the subsidiaries had bank and other borrowings of HK$206,227,000.

Shenzhen Aerospace, a subsidiary of the Company, entered into a syndicated loan agreement of RMB1,500,000,000 with a syndicate of financial institutions in January 2011 for the payment of construction costs of the Shenzhen Aerospace Science & Technology Plaza. With the comprehensive commencement of the construction works, the construction costs will increase significantly. Shenzhen Aerospace will gradually drawdown the loan to pay the construction costs. Therefore, the relevant bank debt will gradually increase. As at 30 June 2012, Shenzhen Aerospace had drawn down the loan in the amount of RMB36,100,000.

OPERATING EXPENSES

The administrative expenses of the Company and the subsidiaries in the first half of 2012 were HK$148,130,000, representing an increase of 19% as compared with the same period of 2011, which were mainly due to the development of new business, increase in both human resources expenses and research and development cost. The financial costs amounted to HK$8,565,000, of which HK$1,196,000 and HK$4,456,000 had been capitalized and recorded as the construction costs of Shenzhen Aerospace Science and Technology Plaza and the land development cost of the Hainan project respectively.

CONTINGENT LIABILITIES

As at 30 June 2012, the Company and the subsidiaries did not have any other material contingent liabilities.

FINANCIAL RATIOS

	30 June 2012	30 June 2011 (restated)
Gross Profit Margin	**19.45%**	19.99%
Return on Net Assets	**2.61%**	5.90%

	30 June 2012	31 December 2011 (restated)
Assets Liabilities Ratio	**4.06**	4.22
Current Ratio	**1.90**	1.97
Quick Ratio	**1.62**	1.73

The financial ratios of the Company and the subsidiaries were in satisfactory level. This was resulted from the Company and the subsidiaries' policies of continuous assets optimization, strengthened management and business development in recent years.

LIQUIDITY

The source of funds of the Company and the subsidiaries mainly relies on internal resources and banking facilities. The free cash and bank balance as at 30 June 2012 amounted to HK$989,464,000, the majority of which were in Hong Kong Dollars and Renminbi.

CAPITAL EXPENDITURE AND INVESTMENT COMMITMENT

As at 30 June 2012, the capital commitments of the Company and the relevant subsidiaries contracted for but not provided in the condensed consolidated financial statements was HK$1,097,884,000, mainly for the capital expenditure of the construction of Shenzhen Aerospace Science & Technology Plaza. With the comprehensive commencement of the construction of Shenzhen Aerospace Science & Technology Plaza, Shenzhen Aerospace will draw down the syndicated loan by stages to settle related construction costs.

The participation in the land development project of the Complex Zone of the Launching Site in Hainan Province by the Company and the relevant subsidiaries have involved a commitment of RMB1,200,000,000. The Company will invest in Hainan Aerospace by stages, while Hainan Aerospace will be responsible for implementing the land development project.

DIVIDEND

The Board had proposed the distribution of 2011 final dividend of HK$0.01 per share in March 2012, which was approved by shareholders at the annual general meeting held in June 2012, warrants of which were dispatched to all shareholders on 12 July 2012.

The Board decided not to distribute an interim dividend for the year of 2012.

FINANCIAL RISKS

The Company and the subsidiaries review the 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 remuneration policy of the Company and the subsidiaries is based on the employee's qualifications, experience and performance on the job, with reference to the current market situation. The Company and the subsidiaries will continue to upgrade the level of human resources management, and strictly implement the performance-based appraisal system, in order to motivate employees to make continuous improvement in their individual performance and contributions to the Company.

The Remuneration Committee takes the role of advisory and proposes to the Board on the emoluments of the Directors with regard to the operating results of the Company, the individual performance and the comparable market information.

As at 30 June 2012, the Company and the subsidiaries had a total of approximately 7,280 employees based in the Mainland China and Hong Kong respectively.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2012, the register of substantial shareholders maintained by the Company pursuant to Part XV of the Securities & Futures Ordinance recorded the following shareholders had declared their interests as having 5% or more of the issued capital of the Company:

Name	Capacity	Number of shares interested (Long Position)	Percentage of issued share capital	Number of shares interested (Short Position)	Percentage of issued share capital
China Aerospace Science & Technology Corporation	Interests in controlled corporation (Note 1)	1,183,598,636	38.37%	927,107,581	30.05%
Jetcote Investments Limited	Beneficial owner	131,837,011	4.27%	0	0
	Interests in controlled corporation (Note 2)	1,051,761,625	34.10%	927,107,581	30.05%
		1,183,598,636	38.37%	927,107,581	30.05%
Burhill Company Limited	Beneficial owner (Note 2)	579,834,136	18.80%	514,118,000	16.67%
Sin King Enterprises Company Limited	Beneficial owner (Note 2)	471,927,489	15.30%	412,989,581	13.38%

Notes:

(1) These 1,183,598,636 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.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital or underlying shares of the Company as at 30 June 2012.

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 first half of 2012.

CORPORATE GOVERNANCE

For the six months ended 30 June 2012, the Company had complied throughout the period with the provisions of the *Corporate Governance Code and Corporate Governance Report* as set out in Appendix 14 of the Listing Rules.

LITIGATION

As of 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 of, no litigation or arbitration or claim of material importance was pending or threatened by or against any member of the Company.

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 2012, save as disclosed below, none of the directors, chief executive 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*.

Name	Capacity	Number of shares interested (Long Position)	Percentage of issued share capital
Leung Sau Fan, Sylvia	Director	130,000	0.004%

AUDIT COMMITTEE

The Audit Committee of the Company currently has a membership comprising two Independent Non-Executive Directors, Mr Luo Zhenbang (Chairman) and Ms Leung Sau Fan, Sylvia, and a Non-Executive Director, Mr Shi Weiguo. 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 the 2012 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 two Independent Non-Executive Directors, Ms Leung Sau Fan, Sylvia (Chairman) and Mr Wang Junyan, and a Non-Executive Director, Mr Chen Xuechuan. The Remuneration Committee takes the role of advisory and proposes to the Board on the emoluments of the Directors with regard to the operating results of the Company, the individual performance and the comparable market information.

NOMINATION COMMITTEE

The Nomination Committee of the Company currently has a membership comprising three Independent Non-Executive Directors, Mr Luo Zhenbang, Mr Wang Junyan and Ms Leung Sau Fan, Sylvia, and two Non-Executive Directors, Mr Zhang Jianheng (Chairman) and Mr Chen Xuechuan. The responsibilities of the Nomination Committee are to review the structure, the number of members and its composition for the execution of the Company's policy.

CONNECTED TRANSACTIONS

On 4 May 2012, Shenzhen Rayitek Hi-tech Film Company Limited* (深圳瑞華泰薄膜科技有限公司) ("Shenzhen Rayitek"), an indirect 55%-owned subsidiary of the Company, entered into the Loan Agreement with Aerospace Science & Technology Finance Company Limited* (航天科技財務有限責任公司) ("Aerospace Finance"), a connected person of the Company, pursuant to which Aerospace Finance shall provide an one-year loan in the sum of RMB60,000,000 to Shenzhen Rayitek. As security for the loan, Shenzhen Rayitek will charge its land use right, buildings and plant and equipment in favour of Aerospace Finance. In addition, CASIL New Century Technology Development (Shenzhen) Company Limited* (航科新世紀科技發展(深圳)有限公司), a wholly-owned subsidiary of the Company and the direct holding company of Shenzhen Rayitek, will provide the Guarantee in respect of all amounts outstanding under the Loan Agreement in favour of Aerospace Finance. As Aerospace Finance is a connected person of the Company and accordingly, the transactions contemplated under the Loan Agreement and the Guarantee constituted connected transactions of the Company. Details of which please refer to the Company's announcement made on 4 May 2012.

Independent Non-Executive Directors of the Company had reviewed the above connected transaction and confirmed that the connected transaction had been entered into on normal commercial terms and are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

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
Li Hongjun
Executive Director & President

Hong Kong, 24 August 2012

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 condensed consolidated financial statements of China Aerospace International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 22 to 48, which comprise the condensed consolidated statement of financial position as of 30 June 2012 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 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements consists of making inquiries, 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 condensed consolidated financial statements is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 August 2012

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2012

	NOTES	Six months ended 30.6.2012 (Unaudited) HK$'000	30.6.2011 (Unaudited) (Restated) HK$'000
Turnover	3	**1,227,611**	1,007,786
Cost of sales		**(988,875)**	(806,303)
Gross profit		**238,736**	201,483
Other gains and losses	4	**(23,288)**	48,899
Other income	4	**18,302**	16,421
Selling and distribution expenses		**(29,598)**	(25,792)
Administrative expenses		**(148,130)**	(124,112)
Fair value changes of investment properties		**118,437**	243,697
Finance costs	5	**(2,913)**	(17)
Share of results of jointly controlled entities		**592**	(1,763)
Profit before taxation	6	**172,138**	358,816
Taxation	7	**(52,550)**	(104,113)
Profit for the period		**119,588**	254,703
Attributable to:			
Owners of the Company		**96,869**	198,033
Non-controlling interests		**22,719**	56,670
		119,588	254,703
Earnings per share — basic	8	**HK3.14 cents**	HK6.42 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

	Six months ended 30.6.2012 (Unaudited) HK$'000	Six months ended 30.6.2011 (Unaudited) (Restated) HK$'000
Profit for the period	**119,588**	254,703
Other comprehensive (expense) income		
Exchange differences arising on translating foreign operations	**(37,918)**	47,073
Share of translation reserve of jointly controlled entities	**(527)**	2,270
Fair value gain (loss) on available-for-sale investments	**19,404**	(8,961)
Other comprehensive (expense) income for the period	**(19,041)**	40,382
Total comprehensive income for the period	**100,547**	295,085
Total comprehensive income attributable to:		
Owners of the Company	**85,164**	228,253
Non-controlling interests	**15,383**	66,832
	100,547	295,085

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2012

	NOTES	**30.6.2012 (Unaudited) HK$'000**	31.12.2011 (Restated) HK$'000
Non-current assets			
Property, plant and equipment	10	**860,444**	858,161
Prepaid lease payments		**74,007**	76,568
Investment properties	10	**2,273,045**	2,144,333
Goodwill	4(a)	**27,440**	51,001
Intangible asset		**19,611**	21,218
Interests in associates		**12,210**	12,346
Interests in jointly controlled entities		**62,927**	62,862
Available-for-sale investments		**61,668**	42,264
Prepayment for land development	11	**1,923**	1,943
Land development expenditure	11	**641,744**	642,175
Deposit paid for construction cost of investment properties under construction		**69,297**	70,067
Deposits paid for acquisition of intangible assets and property, plant and equipment		**32,123**	11,714
		4,136,439	3,994,652
Current assets			
Inventories		**283,366**	232,144
Trade and other receivables	12	**579,043**	448,723
Prepaid lease payments		**2,348**	2,374
Financial assets at fair value through profit or loss		**68,583**	62,911
Taxation recoverable		**2,410**	839
Pledged bank deposits		**24,606**	24,942
Bank balances and cash		**989,464**	1,151,015
		1,949,820	1,922,948

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 June 2012

	NOTES	**30.6.2012 (Unaudited) HK$'000**	31.12.2011 (Restated) HK$'000
Current liabilities			
Trade and other payables	13	**770,025**	678,713
Amount due to an associate		**1,050**	1,050
Taxation payable		**71,831**	53,646
Bank and other borrowings	14	**146,032**	234,074
Dividend payable		**30,850**	—
Obligations under a finance lease		**—**	65
Other loan		**8,751**	8,848
		1,028,539	976,396
Net current assets		**921,281**	946,552
Total assets less current liabilities		**5,057,720**	4,941,204
Non-current liabilities			
Bank and other borrowings	14	**60,195**	46,913
Deferred taxation		**411,709**	378,172
		471,904	425,085
		4,585,816	4,516,119
Capital and reserves			
Share capital	15	**308,502**	308,502
Reserves		**3,609,484**	3,555,170
Equity attributable to owners of the Company		**3,917,986**	3,863,672
Non-controlling interests		**667,830**	652,447
		4,585,816	4,516,119

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Special capital reserve HK$'000	General reserve HK$'000	Translation reserve HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Sub total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
At 1 January 2011 (audited)	308,502	844,929	14,044	23,916	186,768	133,496	11,010	14,309	1,080	2,012,478	3,550,532	572,232	4,122,764
Effect on change in accounting policy (note 2)	–	–	–	–	(1,691)	–	–	–	–	(40,580)	(42,271)	(28,178)	(70,449)
At 1 January 2011 (restated)	308,502	844,929	14,044	23,916	185,077	133,496	11,010	14,309	1,080	1,971,898	3,508,261	544,054	4,052,315
Profit for the period	–	–	–	–	–	–	–	–	–	198,033	198,033	56,670	254,703
Exchange gain arising on translating foreign operations	–	–	–	–	36,911	–	–	–	–	–	36,911	10,162	47,073
Share of translation reserve of jointly controlled entities	–	–	–	–	2,270	–	–	–	–	–	2,270	–	2,270
Fair value loss on available-for-sale investments	–	–	–	–	–	(8,961)	–	–	–	–	(8,961)	–	(8,961)
Total comprehensive income (expense) for the period	–	–	–	–	39,181	(8,961)	–	–	–	198,033	228,253	66,832	295,085
Dividend recognised as distribution	–	–	–	–	–	–	–	–	–	(30,850)	(30,850)	–	(30,850)
At 30 June 2011 (unaudited)	308,502	844,929	14,044	23,916	224,258	124,535	11,010	14,309	1,080	2,139,081	3,705,664	610,886	4,316,550
At 1 January 2012 (audited)	**308,502**	**844,929**	**14,044**	**23,916**	**299,215**	**22,512**	**11,010**	**14,309**	**1,080**	**2,386,400**	**3,925,917**	**693,941**	**4,619,858**
Effect on change in accounting policy (note 2)	**–**	**–**	**–**	**–**	**(4,124)**	**–**	**–**	**–**	**–**	**(58,121)**	**(62,245)**	**(41,494)**	**(103,739)**
At 1 January 2012 (restated)	**308,502**	**844,929**	**14,044**	**23,916**	**295,091**	**22,512**	**11,010**	**14,309**	**1,080**	**2,328,279**	**3,863,672**	**652,447**	**4,516,119**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**96,869**	**96,869**	**22,719**	**119,588**
Exchange loss arising on translating foreign operations	**–**	**–**	**–**	**–**	**(30,582)**	**–**	**–**	**–**	**–**	**–**	**(30,582)**	**(7,336)**	**(37,918)**
Share of translation reserve of jointly controlled entities	**–**	**–**	**–**	**–**	**(527)**	**–**	**–**	**–**	**–**	**–**	**(527)**	**–**	**(527)**
Fair value gain on available-for-sale investments	**–**	**–**	**–**	**–**	**–**	**19,404**	**–**	**–**	**–**	**–**	**19,404**	**–**	**19,404**
Total comprehensive (expense) income for the period	**–**	**–**	**–**	**–**	**(31,109)**	**19,404**	**–**	**–**	**–**	**96,869**	**85,164**	**15,383**	**100,547**
Dividend recognised as distribution	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(30,850)**	**(30,850)**	**–**	**(30,850)**
At 30 June 2012 (unaudited)	**308,502**	**844,929**	**14,044**	**23,916**	**263,982**	**41,916**	**11,010**	**14,309**	**1,080**	**2,394,298**	**3,917,986**	**667,830**	**4,585,816**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

	Six months ended	
	30.6.2012	30.6.2011
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash from (used in) operating activities	**23,703**	(100,995)
Net cash used in investing activities		
Additions of investment properties	**(32,834)**	(27,198)
Purchase of property, plant and equipment	**(46,970)**	(37,155)
Deposits paid for acquisition of intangible assets and property, plant and equipment	**(24,549)**	—
Payment for land development	**(2,299)**	(366,050)
Net decrease in pledged bank deposits	**63**	11,064
Settlement of loans receivable	**—**	117,657
Purchase of available-for-sale investments	**—**	(9,000)
Other investing cash flows	**7,190**	10,448
	(99,399)	(300,234)
Net cash (used in) from financing activities		
New bank and other borrowings raised	**93,951**	118,343
Repayment of bank and other borrowings	**(164,984)**	—
Dividend paid	**—**	(30,769)
Other financing cash flows	**(8,630)**	(395)
	(79,663)	87,179
Net decrease in cash and cash equivalents	**(155,359)**	(314,050)
Cash and cash equivalents at 1 January	**1,151,015**	1,489,728
Effect of foreign exchange rate changes	**(6,192)**	14,388
Cash and cash equivalents at 30 June	**989,464**	1,190,066
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**989,464**	1,190,052
Bank balances and cash included under assets classified as held for sale	**—**	14
	989,464	1,190,066

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2012

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 basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2012 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

Amendments to HKFRS 7	Financial instruments: Disclosures — Transfers of financial assets
Amendments to HKAS 12	Deferred tax: Recovery of underlying assets

Except as described below, the adoption of those HKFRSs has had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Amendments to HKAS 12 "Deferred tax: Recovery of underlying assets"

Under the amendments to HKAS 12, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that except for certain of the Group's investment properties of which their carrying amounts will be recovered through sale, other investment properties of the Group are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and therefore the presumption set out in the amendments to HKAS 12 is rebutted by the Group.

As a result of the application of the amendments to HKAS 12, the Group recognised additional deferred taxes on certain investment properties situated in the PRC which are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and are subject to land appreciation tax on disposal of these investment properties. Previously, the Group did not recognised deferred tax relating to land appreciation tax on changes in fair value of those investment properties on the basis that the carrying amounts of these properties were expected to be recovered through use, which is the manner in which the Group expects to recover the carrying amounts of the investment properties.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Amendments to HKAS 12 "Deferred tax: Recovery of underlying assets" *(continued)*

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being increased by HK$70,449,000 and HK$103,739,000 as at 1 January 2011 and 31 December 2011 respectively, with the corresponding adjustment as a reduction to retained profits, translation reserve and non-controlling interests (see summary of effect of change in accounting policy below). In addition, the application of the amendments has resulted in the Group's taxation for the six months ended 30 June 2012 and 30 June 2011 being increased by HK$9,822,000 and HK$27,804,000 respectively and hence resulted in the profit for the six months ended 30 June 2012 and 30 June 2011 being reduced by HK$9,822,000 and HK$27,804,000 respectively.

Summary of the effect of the above change in accounting policy

The effect of the change in accounting policy described above on the results for the current and preceding interim periods by line items presented in the condensed consolidated income statement is as follows:

	Six months ended	
	30.6.2012	30.6.2011
	HK$'000	HK$'000
Increase in income tax expenses and decrease in profit for the period	**9,822**	27,804
Decrease in profit for the period attributable to:		
Owners of the Company	**5,893**	16,682
Non-controlling interests	**3,929**	11,122
	9,822	27,804

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Amendments to HKAS 12 "Deferred tax: Recovery of underlying assets" *(continued)*

Summary of the effect of the above change in accounting policy (continued)

The effect of change in accounting policy described above on the financial position of the Group as at the end of the immediate preceding financial year, i.e. 31 December 2011, is as follows:

	As at 31.12.2011 (originally stated) HK$'000	Adjustments HK$'000	As at 31.12.2011 (restated) HK$'000
Impact on net assets			
Deferred taxation	274,433	103,739	378,172
Impact on total equity			
Retained profits	2,386,400	(58,121)	2,328,279
Translation reserve	299,215	(4,124)	295,091
Non-controlling interests	693,941	(41,494)	652,447
	3,379,556	(103,739)	3,275,817

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Amendments to HKAS 12 "Deferred tax: Recovery of underlying assets" *(continued)*

Summary of the effect of the above change in accounting policy (continued)

The effect of changes in accounting policy described above on the financial position of the Group as at the beginning of the comparative period, i.e. 1 January 2011, is as follows:

	As at 1.1.2011 (originally stated) HK$'000	Adjustments HK$'000	As at 1.1.2011 (restated) HK$'000
Impact on net assets			
Deferred taxation	187,772	70,449	258,221
Impact on total equity			
Retained profits	2,012,478	(40,580)	1,971,898
Translation reserve	186,768	(1,691)	185,077
Non-controlling interests	572,232	(28,178)	544,054
	2,771,478	(70,449)	2,701,029

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Impact on basic earnings per share

	Six months ended	
	30.6.2012	30.6.2011
	HK cents	HK cents
Basic earnings per share before adjustments	**3.33**	6.96
Adjustments arising from change in accounting policy in relation to:		
— application of amendments to HKAS 12 in respect of deferred taxes on investment properties	**(0.19)**	(0.54)
Reported basic earnings per share	**3.14**	6.42

3. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the President, the chief operating decision maker of the Group, that are used to make strategic decisions. The management has identified 9 (1.1.2011 to 30.6.2011: 7) reportable segments: Hi-Tech Manufacturing Business (including plastic products, liquid crystal display, printed circuit boards, intelligent chargers and the related industrial property investment), New Material Business (including polyimide films manufacturing), Aerospace Service (including the Shenzhen Aerospace Science & Technology Plaza of property investment project, the Hainan Launching Site Complex Zone of land development project and Internet of Things) which represents the major industries in which the Group is engaged.

The Group has two new segments including polyimide film manufacturing and Internet of Things since the second half of 2011. The operation of polyimide films manufacturing was acquired on 31 August 2011 which is engaged in the development, manufacturing and marketing of polyimide films and related composite materials. The operation of Internet of Things started in October 2011 which is engaged in development and sale of software and related products of radio frequency identification, sensor technology and embedded software supporting platform technology.

3. SEGMENT INFORMATION *(continued)*

An analysis of the Group's turnover and results by reportable segments is as follows:

For the six months ended 30 June 2012

	Turnover			
	External sales HK$'000	Inter-segment sales HK$'000	Total HK$'000	Segment results HK$'000
Hi-Tech Manufacturing Business				
Plastic products	451,218	48,621	499,839	32,011
Liquid crystal display	154,745	—	154,745	6,308
Printed circuit boards	246,584	—	246,584	48,795
Intelligent chargers	345,664	—	345,664	20,880
Industrial property investment	6,840	8,248	15,088	10,635
	1,205,051	56,869	1,261,920	118,629
New Material Business				
Polyimide films manufacturing	21,575	—	21,575	(22,151)
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	—	—	—	96,594
Land development in Hainan Launching Site Complex Zone	—	—	—	(667)
Internet of Things	—	—	—	(5,294)
	—	—	—	90,633
Reportable segment total	1,226,626	56,869	1,283,495	187,111
Elimination	—	(56,869)	(56,869)	—
Other Business	985	—	985	7,481
	1,227,611	—	1,227,611	194,592
Unallocated corporate income				20,757
Unallocated corporate expenses				(40,890)
				174,459
Share of results of jointly controlled entities				592
Finance costs				(2,913)
Profit before taxation				172,138

3. SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2011

	Turnover			
	External sales HK$'000	Inter-segment sales HK$'000	Total HK$'000	Segment results HK$'000
Hi-Tech Manufacturing Business				
Plastic products	389,242	38,288	427,530	29,293
Liquid crystal display	143,659	—	143,659	5,816
Printed circuit boards	213,731	—	213,731	42,083
Intelligent chargers	253,982	—	253,982	16,732
Industrial property investment	6,131	6,948	13,079	3,316
	1,006,745	45,236	1,051,981	97,240
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	—	—	—	225,244
Land development in Hainan Launching Site Complex Zone	—	—	—	(5,215)
	—	—	—	220,029
Reportable segment total	1,006,745	45,236	1,051,981	317,269
Elimination	—	(45,236)	(45,236)	—
Other Business	1,041	—	1,041	11,180
	1,007,786	—	1,007,786	328,449
Unallocated corporate income				68,551
Unallocated corporate expenses				(38,022)
				358,978
Reversal of impairment loss recognised in respect of loans receivable				1,618
Share of results of jointly controlled entities				(1,763)
Finance costs				(17)
Profit before taxation				358,816

3. SEGMENT INFORMATION *(continued)*

Segment results represent the profit/loss earned/incurred by each segment without allocations of interest income, changes in fair value of financial assets at fair value through profit or loss, reversal of impairment loss recognised on loans receivable, share of results of jointly controlled entities, interest expenses and other corporate income and corporate expenses. This is the measure reported to the President for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at cost-plus basis.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2012	30.6.2011
	HK$'000	HK$'000
The Group's other income mainly comprises:		
Bank interest income	**7,395**	9,026
The Group's other gains and losses mainly comprise:		
Gain from change in fair value of financial assets at fair value through profit or loss	**8,573**	15,711
Net exchange (loss) gain	**(7,221)**	4,240
Impairment loss recognised in respect of goodwill (Note a)	**(23,000)**	—
Reversal of impairment loss recognised in respect of loans receivable (Note b)	**—**	1,618
Recovery of loans receivable (Note b)	**—**	27,330

4. OTHER INCOME AND OTHER GAINS AND LOSSES *(continued)*

Notes:

(a) During the period ended 30 June 2012, the Group recognised an impairment loss of HK$23,000,000 in relation to goodwill arising on acquisition of a subsidiary engaged in polyimide film manufacturing due to the current market conditions and the decrease of forecast sales. The impairment of goodwill was based on cash flow forecasts of the cash-generating unit which derived from the revised financial budget for the current year and the next 2 years approved by management and cash flows beyond the three-year period are extrapolated using 3% growth rate. The rate used to discount the cash flow forecasts is 16%.

(b) During the period ended 30 June 2011, the Group recovered an amount of HK$117,657,000 from a borrower pursuant to a settlement deed entered into between a subsidiary of the Company and the borrower on 14 September 2007 in respect of the Group's interest bearing loans receivables. The excess of HK$28,948,000, representing the amount recovered over the carrying amount of the loan receivable of HK$70,269,000 net of the transaction costs incurred relating to the debt collections, was recognised in profit or loss for the period ended 30 June 2011 whereby amounts of HK$1,618,000 and HK$27,330,000 were recorded as reversal of impairment loss recognised in respect of loans receivable and recovery of loans receivable respectively. The recovery of loans receivable was mainly related to the additional amount recovered upon settlement net of transaction costs.

5. FINANCE COSTS

	Six months ended 30.6.2012 HK$'000	30.6.2011 HK$'000
Interest on:		
— bank and other borrowings wholly repayable within five years	**8,565**	1,139
— finance lease	**—**	17
	8,565	1,156
Less: Amount capitalised to land development expenditure	**(4,456)**	(1,139)
Amount capitalised to investment properties under construction	**(1,196)**	—
	2,913	17

6. PROFIT BEFORE TAXATION

	Six months ended 30.6.2012 HK$'000	30.6.2011 HK$'000
Profit before taxation has been arrived at after charging:		
Amortisation of prepaid lease payments	**1,250**	659
Amortisation of intangible asset (included in cost of sales)	**1,389**	—
Depreciation of property, plant and equipment	**39,951**	29,790

7. TAXATION

	Six months ended 30.6.2012 HK$'000	30.6.2011 (Restated) HK$'000
Current tax		
Hong Kong Profits Tax	**8,152**	7,067
PRC Enterprise Income Tax	**6,393**	9,310
	14,545	16,377
Deferred tax	**38,005**	87,736
Income tax charge	**52,550**	104,113

Hong Kong Profits Tax and PRC Enterprise Income Tax have been calculated at 16.5% and 25% respectively of the estimated assessable profit for the periods under review other than certain subsidiaries in the PRC that are entitled to High and New Technology Enterprise status of which the applicable income tax rate is 15%.

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

8. 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$96,869,000 (1.1.2011 to 30.6.2011 (restated): HK$198,033,000) and on 3,085,022,000 shares (1.1.2011 to 30.6.2011: 3,085,022,000 shares) in issue during the period.

9. DIVIDEND

2011 final dividend of HK1 cent (1.1.2011 to 30.6.2011: 2010 final dividend of HK1 cent) per share amounting to HK$30,850,000 (1.1.2011 to 30.6.2011: HK$30,850,000) was paid by the Company during the period. The directors do not recommend payment of an interim dividend for the interim period.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the period, the Group incurred approximately HK$52,565,000 (1.1.2011 to 30.6.2011: HK$37,155,000) and HK$32,834,000 (1.1.2011 to 30.6.2011: HK$27,198,000) on acquisition of property, plant and equipment and additions of investment properties under construction respectively.

The fair values of the Group's investment properties at 30 June 2012 and 31 December 2011 have been arrived at on the basis of valuations carried out on that date by Jones Lang LaSalle Corporate Appraisal & Advisory Limited ("Jones Lang") for properties situated in Hong Kong, Knight Frank Petty Limited ("Knight Frank") for properties situated in the PRC and Atkinson Appraisal Consultants Limited ("Atkinson") for properties situated overseas. Jones Lang, 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$342,642,000 (31.12.2011: HK$327,049,000) was arrived at by reference to market evidence of transaction prices for similar properties. The valuation of investment properties under construction of HK$1,930,403,000 (31.12.2011: HK$1,817,284,000) 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$118,437,000 (1.1.2011 to 30.6.2011: HK$243,697,000) has been recognised directly in the condensed consolidated income statement.

11. PREPAYMENT FOR LAND DEVELOPMENT AND LAND DEVELOPMENT EXPENDITURE

Pursuant to a land development agreement entered into between the Group and the Wenchang Government on 20 August 2008 in relation to the land development in Hainan Launching Site Complex Zone ("Land Development Project"), the Group has advanced the total amount of approximately RMB488,637,000 (equivalent to approximately HK$596,626,000) (31.12.2011: RMB488,637,000, equivalent to approximately HK$603,255,000) at 30 June 2012 to the Wenchang Government for the demolition and resettlement works carried out by the Wenchang Government for the Land Development Project of which the amount of approximately RMB487,062,000 (equivalent to approximately HK$594,703,000) (31.12.2011: RMB487,062,000, equivalent to approximately HK$601,312,000) has been transferred to land development expenditure in accordance with expenditure requirements on the Land Development Project. Details of the Land Development Project are disclosed in the circular of the Company dated 10 September 2008.

The arrangement between the Wenchang Government and the Group for the above Land Development Project is considered as jointly controlled operations. The Wenchang Government provided the land for the Land Development Project and is responsible for the demolition and resettlement works while the expenses and costs incurred by the Wenchang Government on demolition and resettlement will be reimbursed by the Group. On the other hand, the Group will be responsible for the construction of basic infrastructure and arranging for or contribute all development costs required for the basic infrastructure of the Land Development Project. The net proceed (after deducting the expenditure incurred for demolition, resettlement and construction of basic infrastructure estimated to be approximately RMB1,200,000,000) from the sale of the land from the Land Development Project shall be shared between the Wenchang Government and CASIL Hainan Holdings Limited, an indirect wholly-owned subsidiary of the Company, in the ratio of 30%: 70%.

Land development expenditure represents the development cost incurred in relation to the Land Development Project less impairment. At 30 June 2012, the Group has incurred HK$641,744,000 (31.12.2011: HK$642,175,000) in the planning and design, demolition and resettlement works in the Land Development Project.

12. TRADE AND OTHER RECEIVABLES

At 30 June 2012, included in trade and other receivables are trade receivables of HK$485,474,000 (31.12.2011: HK$395,840,000). The Group allows an average credit period of 90 days to its trade customers.

The following is an aged analysis of trade receivables presented based on invoice date at the end of the reporting period:

	30.6.2012 HK$'000	31.12.2011 HK$'000
Within 90 days	**444,891**	368,256
Between 91–180 days	**36,805**	27,584
Between 181–365 days	**3,778**	—
	485,474	395,840

13. TRADE AND OTHER PAYABLES

	30.6.2012 HK$'000	31.12.2011 HK$'000
Trade payables	**286,988**	221,287
Accrued charges	**122,795**	102,084
Other payables	**360,242**	355,342
	770,025	678,713

Other payables included an amount of HK$54,000,000 (31.12.2011: HK$54,000,000) received from a third party on behalf of China Aerospace Science & Technology Corporation ("CASC").

13. TRADE AND OTHER PAYABLES *(continued)*

The following is an aged analysis of trade payables based on invoice date at the end of the reporting period:

	30.6.2012 HK$'000	31.12.2011 HK$'000
Within 90 days	**263,754**	207,316
Between 91–180 days	**9,250**	2,755
Between 181–365 days	**2,545**	681
Over 1 year	**11,439**	10,535
	286,988	221,287

14. BANK AND OTHER BORROWINGS

During the period, the Group obtained new bank borrowings in the amount of approximately HK$19,877,000 (1.1.2011 to 30.6.2011: HK$118,343,000) and other borrowings in the amount of approximately HK$74,074,000 (1.1.2011 to 30.6.2011: nil) from 航天科技財務有限責任公司 ("Aerospace Finance"), a subsidiary of CASC and repaid bank borrowings of approximately HK$164,984,000 (1.1.2011 to 30.6.2011: nil). The new bank and other borrowings bear interest at market rates and are repayable ranging from 1 to 5 years.

15. SHARE CAPITAL

Authorised, issued and fully paid share capital

	Number of shares '000	**Nominal value** HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2012 and 30 June 2012	100,000,000	10,000,000
Issued and fully paid:		
At 1 January 2012 and 30 June 2012	3,085,022	308,502

16. COMMITMENTS

	30.6.2012 **HK$'000**	31.12.2011 HK$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— acquisition of property, plant and equipment	**9,666**	25,425
— acquisition of an intangible asset	**4,368**	11,023
— investment properties under construction	**1,083,850**	1,102,392
	1,097,884	1,138,840
Capital expenditure authorised but not contracted for:		
— investment properties under construction	**519,625**	553,467

16. COMMITMENTS *(continued)*

At 30 June 2012, the Group has committed investment of approximately HK$816,994,000 (31.12.2011: HK$832,827,000) not provided in the condensed consolidated financial statements in respect of the Hainan Launching Site Complex Zone project in Wenchang City, Hainan Province as detailed in note 11.

17. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in notes 13 and 14 and in the condensed consolidated statement of financial position, the Group entered into the following related party transactions.

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled or significantly influenced by the PRC government (hereinafter collectively referred to as "government-related entities"). The Company's substantial shareholder with significant influence over the Group, CASC, is a state-owned enterprise under the direct supervision of the State Council of the PRC. During the period, except as disclosed below, the Group did not have any individually significant transactions with government-related entities in its ordinary and usual course of business.

(a) Transactions with the CASC Group

During the period ended 30 June 2012, the Group entered into a loan facility with Aerospace Finance for an amount of RMB60,000,000 (equivalent to approximately HK$74,074,000) for a period of one year from the first drawdown date. The interest paid to Aerospace Finance during the period amounting to HK$601,000.

17. RELATED PARTY TRANSACTIONS *(continued)*

(a) Transactions with the CASC Group *(continued)*

During the period ended 30 June 2012, the Group entered into electronic commercial service agreements (the "Agreement") with 航天新商務信息科技有限公司 (the "Associate") for an amount of RMB300,000 per year for a period of five years commencing from the date of the Agreement. During the period, the Group also paid one-off service fee of RMB200,000 (equivalent to approximately HK$247,000) to the Associate for renovation and maintenance of the Group's website. CASC and its related companies also have substantial interests and significant influence over the Associate.

During the period ended 30 June 2011, the Group entered into a facility ("Facility") with a syndicate of financial institutions including Aerospace Finance, a subsidiary of CASC, and certain government-related banks (together "Finance Syndicate") for a bank guarantee of up to RMB150,000,000 and advances of RMB1,350,000,000 for the construction of Shenzhen Aerospace Science & Technology Plaza ("Aerospace Plaza") for a period of 5 years from the first drawdown date. The land use right of Aerospace Plaza has been mortgaged in favour of the Finance Syndicate as security. As at 30 June 2012, the Group has drawn down RMB36,100,000 (equivalent to approximately HK$44,078,000) (31.12.2011: RMB20,000,000 (equivalent to approximately HK$24,691,000)). The interest paid to loans drawn from the Facility in current period amounting to HK$1,196,000 (1.1.2011 to 30.6.2011: nil).

During the period ended 30 June 2011, the Group entered into a sale and purchase agreement with China Great Wall Industry (Hong Kong) Corp. Limited, an indirect wholly-owned subsidiary of CASC, for a conditional disposal of the entire issued share capital of an indirect wholly-owned subsidiary of the Company, CASIL Satellite Holdings Limited, at a cash consideration of HK$132,300,000 (the "Transaction"). The Transaction was completed in September 2011.

17. RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions/balances with other government-related entities in the PRC

Apart from the transactions with CASC Group which have been disclosed above, the Group also conducts business with other government-related entities.

The Group has certain deposits placements, borrowings and other general banking facilities, with certain banks which are government-related entities in its ordinary course of business. Other than the substantial amount of bank balances, bank and other borrowings (note 14) and the Facility (note (a)) with these banks, and the Land Development Project with the Wenchang Government (note 11), transactions with other government-related entities are individually insignificant.

(c) During the period, the emoluments of key management personnel were HK$8,376,000 (1.1.2011 to 30.6.2011: HK$7,621,000).

18. PLEDGE OF ASSETS

At 30 June 2012, bank deposits of HK$24,606,000 (31.12.2011: HK$24,942,000), plant and equipment of HK$99,863,000 (31.12.2011: HK$109,574,000), buildings of HK$28,592,000 (31.12.2011: nil), land use right of HK$28,675,000 (31.12.2011: HK$14,556,000) and investment properties with an aggregated carrying amount of HK$1,930,403,000 (31.12.2011: HK$1,817,284,000) respectively were pledged to banks and Aerospace Finance to secure general banking facilities and loan facilities granted to the Group.