2010 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 Wu Zhuo *(Chairman)*
Mr Chow Chan Lum, Charles *(Independent)*
Mr Luo Zhenbang *(Independent)*
Mr Wang Junyan *(Independent)*
Mr Chen Xuechuan
Mr Shi Weiguo
Dr Chan Ching Har, Eliza
Mr Zhou Qingquan

AUDIT COMMITTEE

Mr Chow Chan Lum, Charles *(Chairman)*
Mr Luo Zhenbang
Mr Zhou Qingquan

REMUNERATION COMMITTEE

Dr Chan Ching Har, Eliza *(Chairman)*
Mr Chen Xuechuan
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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BUSINESS REVIEW

RESULTS PERFORMANCE

The unaudited turnover for the six months ended 30 June 2010 of the Company and its subsidiaries was HK$869,172,000, representing an increase of approximately 58.38% as compared with that of HK$548,805,000 for the same period of 2009. Profit for the period was HK$274,017,000, representing an increase of approximately 27.31% as compared with that of HK$215,230,000 for the same period of 2009. Profit attributable to owners of the Company was HK$209,881,000, representing an increase of approximately 50.66% as compared with that of HK$139,305,000 for the same period of 2009. Basic earnings per share attributable to shareholders were HK$0.071, representing an increase of approximately 31.48% as compared with that of HK$0.054 for the same period of 2009.

After the impact of the financial tsunami in 2008, our hi-tech manufacturing business had gradually recovered and became a key factor of the improvement in results. The Shenzhen Aerospace International Centre under construction had recorded an increase in its fair value, which was also another key factor for the growth in the results for the first half of the year. In view of the capital requirements for the existing developments by the Company, the Board of Directors does not propose an interim dividend.

BUSINESS REVIEW

According to the new business development plan of the Company, each key development project was in smooth progress. On the foundation of the stable development of the hi-tech manufacturing business, both the project of the Complex Zone of the Launching Site in Hainan Province, representing the aerospace service business, and the development of the Shenzhen Aerospace International Centre with the objective of laying the foundation of aerospace business had entered into an actual construction stage.

On 4 February 2010, the Company successfully placed a total of 514,118,000 shares to institutional investors at HK$1.13 per share by way of placing and subscription of shares and raised the gross amount of approximately HK$580,953,000. The proceeds raised will be used in the Complex Zone of the Launching Site in Hainan Province as well as the aerospace business related projects under planning.

Hi-tech Manufacturing

Under the recovery of the global economy and the rapid economic development of the PRC, the hi-tech manufacturing business had achieved a satisfactory performance in the first half of the year. For the six months ended 2010, the turnover of the hi-tech manufacturing business was HK$869,149,000, representing an increase of 58.40% as compared with the same period of last year. The operating profit was HK$113,861,000, representing a substantial increase of 149.15% as compared with the same period of last year. Businesses including the intelligent chargers and the printed circuit boards performed remarkably well with a turnover of HK$222,369,000 and HK$179,039,000 respectively, representing an increase of 120.87% and 72.47% as compared with the same period of last year. The turnover from the major customers of the intelligent chargers business also increased significantly, while the turnover of the printed circuit boards business in overseas, Hong Kong and Mainland markets recorded a greater growth at the same time.

The plastic products business maintained a steady growth with a turnover of HK$326,908,000, representing an increase of 39.09% as compared with the same period of last year. Though the sales of liquid crystal display business in Mainland dropped slightly as compared with the same period of last year, the sales in Hong Kong and overseas markets increased as compared with the same period of last year. The turnover was HK$135,208,000, representing an increase of 31.04% as compared with the same period of last year.

The profit before tax for each hi-tech manufacturing business recorded a substantial growth. As compared with the same period of last year, the printed circuit boards business realized an operating profit of HK$44,503,000, representing a significant increase of 339.71%; the intelligent chargers business realized an operating profit of HK$16,785,000, representing an increase of 198.67%; the plastic products business realized an operating profit of HK$39,213,000, representing an increase of 80.69%; the liquid crystal display business realized an operating profit of HK$7,103,000, representing an increase of 178.99%.

The Shenzhen Aerospace International Centre

The construction of the foundation works of the Shenzhen Aerospace International Centre has already been commenced. On the basis of the works done last year, certain works of the project including construction design and site clearance, etc. had been completed, while retaining and protecting for foundation excavation and earthworks were commenced comprehensively. Meanwhile, six tenders for price consultation, tendering agency, monitoring on retaining and protecting for foundation excavation, monitoring on the construction, retaining and protecting for foundation excavation and earthworks, and inspection on the structure of retaining and protecting for foundation excavation, were completed and the tender for the master construction contract was also commenced. In addition, administrative approvals for temporary land use, road, sewage, fire control, energy saving, retaining and protecting for foundation excavation and earthworks, as well as combined use of three parcels of land were obtained. The submission and approval procedures for the project's construction plan are in progress. To match with the work of marketing upon completion of the project, a team comprising professional consultants was engaged to make thorough studies on the market positioning and early stage market development.

The Complex Zone of the Launching Site in Hainan Province

Since the commencement of construction of the Launching Site in Hainan Province in September 2009, the preparation work for land expropriation of the Complex Zone of the Launching Site was commenced thereupon. In March 2010, the Land Environment and Resources Bureau of Wenchang City, Hainan Province issued a notice of land expropriation, which marked the official launch of land expropriation. Currently, the main working team of 海南航天投資管理有限公司 (Hainan Aerospace Investment Management Company Limited)* ("Hainan Aerospace") has established its base in Wenchang City and the government has already accelerated the progress of land expropriation. In June 2010, the Hainan provincial government has included the development of the Complex Zone of the Launching Site as one of the key development projects to be incorporated in the "Development Plan for the Hainan International Tourism Island" and high attention are paid by the governments at both provincial and municipal levels. The approval of each item of the project is progressing in a faster manner. The Company has confirmed the initial development model for the project, and all preparatory works for the first development project within the Complex Zone of the Launching Site, a space theme park, are being processed in order. Meanwhile, the approval for the control detailed planning of the Complex Zone of the Launching Site is about to complete.

航天時代置業發展有限公司 (Aerospace Times Properties Development Limited)* ("Aerospace Times"), the shareholder of 35% equity interest in Hainan Aerospace, has decided to cease to hold the equity interests of Hainan Aerospace as a result of its adjustment of the development strategies. Pursuant to the relevant requirements in the PRC, the disposal of such equity interests by Aerospace Times had to go through the public tendering process of the China Beijing Equity Exchange. After thorough review, the Board of the Company decided to acquire the 35% interest in Hainan Aerospace being held by Aerospace Times. 航科新世紀科技發展（深圳）有限公司 (CASIL New Century Technology Development (Shenzhen) Company Limited)* ("New Century"), a wholly-owned subsidiary of the Company, as the sole bidder, won the bid at the bid price to acquire the equity interests and entered into the Property Right Transfer Agreement with Aerospace Times on 4 August 2010 on a conditional basis (the details of which were set out in the announcements dated 4 August 2010 and 24 August 2010 and the circular dated 24 August 2010 of the Company). The acquisition is pending the approval of the Independent Shareholders of the Company at the Extraordinary General Meeting to be held on 10 September 2010. It is believed that consolidating all the equity interests of Hainan Aerospace by the Company will be beneficial to the development of the Complex Zone of the Launching Site in Hainan Province and bring along greater revenue and returns to the Company.

PROSPECT

Looking forward to the second half of the year, China Aerospace Industrial Limited, a wholly-owned subsidiary of the Company, will continue to enhance various kinds of integration and establish internal regulatory system after its corporate restructure, and strive to achieve synergy in operations. In respect of business development, the hi-tech manufacturing business will put greater efforts on marketing with an aim to acquire and explore new customers. Necessary management measures will be adopted to improve the remuneration of staff and implement production safety, with an aim to facilitate the stability of the staff team. Though uncertainties still exist in the macro-economic environment, the Board is optimistic about the performance of the hi-tech manufacturing business in the second half of the year.

The pace of the construction of the Shenzhen Aerospace International Centre will be increased and the tendering for the retaining and protecting for foundation excavation and earthworks and the master construction contract will be completed as scheduled, while tendering works for specific projects such as steel structural work, curtain walls and lighting design and pile inspection, as well as the implementation and inspection of piling will be initiated. It is expected that the planning permit on construction works and the working permit on construction works will be obtained by the end of the year. Meanwhile, 深圳市航天高科投資管理有限公司 (Shenzhen Aerospace Hi-tech Investment Management Company Limited)* ("Shenzhen Aerospace") will commence studies on the future marketing strategies and positioning of the project, and start preliminary marketing and operational development along with the progress of the construction. Furthermore, Shenzhen Aerospace will negotiate and finalize the construction plan with the local government and Shenzhen Metro regarding the access to Shenzhen Metro and the issues in relation to the construction of Metro station.

In the second half of the year, the Company will strengthen the communications and co-operations with the government of Hainan Province at both provincial and municipal levels to proactively facilitate the pace of land expropriation and strive for a breakthrough within the year. With further enhancement in developing the business model of the project, early stage preparatory works for the space theme park, the first project within the Complex Zone, will be carried out, and strategic partners would be introduced when appropriate.

To strengthen the corporate governance and to cope with future development, the Board of Directors and the management team of the Company underwent partial restructure in May this year. During the last three months, the new management team had reviewed and made deployment for each business and key development projects for the Company, adjusted the structure of the head office, reinforced the management of all business subsidiaries, and further optimized the management system for finance, human resources, performance appraisal system, etc.. At the same time, the Company has started to formulate its medium to long term development plan so as to establish a principal business scope which will be in line with that of its substantial shareholder, China Aerospace Science & Technology Corporation ("CASC").

APPRECIATION

In May this year, Mr Zhao Liqiang, due to developing his own business, resigned as Executive Director and President, and Mr Li Hongjun was appointed as Executive Director and President. The Board would like to extend its highly praised gratitude to Mr Zhao Liqiang for his outstanding contributions to the Company's development during his tenure of services and extend a warm welcome to Mr Li Hongjun, who became the new Executive Director and President of the Company, and Mr Shi Weiguo, who became the Non-Executive Director of the Company.

The Company hereby expresses its sincere gratitude to all staff as well as its shareholders, banks, business partners, people from various social communities for their support on its development.

By order of the Board
Wu Zhuo
Chairman

Hong Kong, 24 August 2010

MANAGEMENT DISCUSSION & ANALYSIS

RESULTS PERFORMANCE

The unaudited turnover for the six months ended 30 June 2010 of the Company and its subsidiaries was HK$869,172,000, representing an increase of 58.38% as compared with that of HK$548,805,000 for the same period of 2009. Profit for the period was HK$274,017,000, representing an increase of 27.31% as compared with that of HK$215,230,000 for the same period of 2009.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND OPERATING PROFIT

Profit attributable to owners of the Company was HK$209,881,000, representing an increase of 50.66% as compared with that of HK$139,305,000 for the same period of 2009.

Based on 2,948,681,000 weighted average number of shares, after being adjusted for the effect of Placing of 514,118,000 shares in February 2010, the basic earnings per share was HK$0.071, representing an increase of 31.48% as compared with that of HK$0.054 for the same period of 2009.

RESULTS OF EACH CORE BUSINESS

Core businesses of the Company and its subsidiaries are hi-tech manufacturing, and aerospace and aerospace service.

Hi-tech Manufacturing

For the six months ended 30 June 2010, the turnover of the hi-tech manufacturing business was approximately HK$869,149,000, representing an increase of 58.40% as compared with the same period of last year; the gross profit margin was 22.32%, representing a slight increase as compared with that of 21.44% for the same period of last year. Relying on high proficient management, strict cost control and good marketing efforts, the hi-tech manufacturing business recorded an operating profit of HK$113,861,000, representing a significant increase of 149.15% as compared with the same period of last year. The analysis of turnover and profit of each of the major hi-tech manufacturing business is shown as below:

	Turnover			Operating Profit		
HK$	**First Half of 2010**	First Half of 2009	Change (%)	**First Half of 2010**	First Half of 2009	Change (%)
Plastic Products	**326,908,000**	235,036,000	39.09%	**39,213,000**	21,702,000	80.69%
Printed Circuit Boards	**179,039,000**	103,809,000	72.47%	**44,503,000**	10,121,000	339.71%
Intelligent Chargers	**222,369,000**	100,677,000	120.87%	**16,785,000**	5,620,000	198.67%
Liquid Crystal Display	**135,208,000**	103,181,000	31.04%	**7,103,000**	2,546,000	178.99%
Industrial Property Investment	**5,625,000**	6,012,000	(6.44%)	**6,257,000**	5,711,000	9.56%
Total	**869,149,000**	548,715,000	58.40%	**113,861,000**	45,700,000	149.15%

Despite the hi-tech manufacturing business of the Company showed a good performance in the first half of 2010, the global economy has not yet been fully recovered, each hi-tech manufacturing enterprise will keep on strengthening its management and strictly controlling the position of account receivables and inventories in order to maintain the trend of growth of the business, so as to reduce risks that may be brought along by unstable economy.

Aerospace and Aerospace Service Business

The Complex Zone of the Launching Site in Hainan Province

The comprehensive development of the Complex Zone of the Launching Site in Hainan Province is still in a preparatory stage. Hainan Aerospace recorded a loss of HK$2,975,000 in the first half of 2010, which was mainly due to the payment of cost of preparatory works, administrative expenses and professional fees etc.

The Shenzhen Aerospace International Centre

The Shenzhen Aerospace International Centre, being an investment property under construction, was recorded a fair value gain of HK$220,497,000 in the first half of 2010 due to the rise in property market value. Shenzhen Aerospace recorded a profit of HK$218,100,000 in the first half of 2010 after deducting the operating expenses. Implementation of construction works will start in full swing in 2011.

ASSETS

As at 30 June 2010, the total assets of the Company and the subsidiaries were HK$4,912,664,000, representing an increase of 19.09% as compared with that of HK$4,125,080,000 for the end of 2009, of which the non-current assets were HK$2,738,072,000, representing an increase of 19.39% as compared with that of HK$2,293,318,000 for the end of 2009, the current assets were HK$2,174,592,000, representing an increase of 18.72% as compared with HK$1,831,762,000 for the end of 2009. The huge increase in non-current assets was mainly due to an increase in fair value of the investment property, the Shenzhen Aerospace International Centre, being a property under construction, and the increase in prepayment of land development and land development cost of the Complex Zone of the Launching Site in Hainan Province. The equity attributable to owners of the Company, after non-controlling interests, was HK$3,416,831,000, increased by about 27.00%, as compared with that of HK$2,690,430,000 for the end of 2009.

Having spent efforts in preparing and actively participating in the past two years, the assets of aerospace and aerospace service business of the Company have been gradually built up, of which the total assets value increased from HK$1,140,308,000 as at 31 December 2009 to HK$1,588,938,000 as at 30 June 2010, representing an increase of about 39.34%.

The net assets per share attributable to shareholders was HK$1.16, based on 2,948,681,000 weighted average number of shares after being adjusted for the effect of Placing of 514,118,000 shares in February 2010, representing an increase of 10.48% as compared with that of HK$1.05, based on the issued share capital of 2,570,904,000 shares as at 31 December 2009.

LIABILITIES

As at 30 June 2010, the total liabilities of the Company and the subsidiaries were HK$881,935,000, representing a slight decrease in comparing with that of HK$893,196,000 for the end of 2009, of which the non-current liabilities were HK$191,126,000, representing an increase of 44.14% as compared with that of HK$132,595,000 for the end of 2009. This was mainly due to the increase in deferred tax. The current liabilities were HK$690,809,000, representing a plunge of 9.18% as compared with that of HK$760,601,000 for the end of 2009. This was mainly due to the early full repayment of a bank loan by a subsidiary of the Company in the first half of 2010 which resulted in a further reduction in liability ratio of the Company. The Company does not have any outstanding bank debt for the time being.

OPERATING EXPENSES

The administrative expenses of the Company and the subsidiaries in the first half of 2010 were HK$98,448,000, being more or less the same as compared with that of HK$91,907,000 for the same period last year. The finance costs were HK$529,000, representing a decrease of 44.90% as compared with that of HK$960,000 for the same period last year. The reduction was mainly due to the repayment of a bank loan during the period and thus relative decrease in interest expense.

CONTINGENT LIABILITIES

A subsidiary of the Company made an early full repayment of a bank loan in the first half of 2010 and therefore all of the repayment obligations of borrowers and the guarantee obligations of the guarantor under the loan were released.

As at 30 June 2010, save for several bank deposits of HK$54,771,000 pledged by a subsidiary of the Company as guarantee in obtaining banking credit facilities, the Company and the subsidiaries did not have any other material contingent liabilities.

FINANCIAL RATIOS

For the six months ended 30 June 2010, the consolidated gross profit margin of the Company was 22.32%, representing a slight increase as compared with that of 21.44% for the same period of 2009. The return on net assets ratio was 6.80%, representing a slight decrease as compared with that of 7.55% for the period end of 2009. The liabilities/assets ratio was 17.95%, recording a further drop as compared with that of 21.65% for the end of 2009, it was mainly because the Company and the subsidiaries had a greater increment in assets and the early full repayment of a bank loan by the Company's subsidiary which resulted in a reduction in liabilities. The current ratio and the quick ratio were 3.15 and 2.86 respectively, being increased as compared with 2.41 and 2.24 respectively for the end of 2009.

The financial ratios of the Company and the subsidiaries were maintained in a satisfactory level. This was resulted from the Company's and the subsidiaries' policies of continuous assets optimization, strengthened management and forward movement of business development.

Following the launch of the construction works of the Shenzhen Aerospace International Centre and the development of the Complex Zone of the Launching Site in Hainan Province, the Company's investment size will gradually be enlarged. Besides the use of current internal resources, the Company will consider, including but not limited to, the necessity of increasing long term bank debt to finance the related projects.

LIQUIDITY

The source of funds of the Company and the subsidiaries mainly relies on internal resources and banking facilities. The Company's and the subsidiaries' cash and bank balances as at 30 June 2010 was HK$1,439,972,000, most of which was in Hong Kong Dollars, Renminbi and US Dollars.

The Company placed a total of 514,118,000 shares at HK$1.13 per share on 4 February 2010. The net proceed was about HK$560,000,000, of which HK$178,000,000 had already been used in the specified purpose and the remaining approximately HK$382,000,000 is being deposited in banks.

CAPITAL EXPENDITURE AND INVESTMENT COMMITMENT

As at 30 June 2010, the Company's and the subsidiaries' capital commitments contracted for but not provided in the consolidated financial statements were HK$80,009,000, which represented the acquisition of property, plant and equipment and the preliminary input in the construction works of the Shenzhen Aerospace International Centre. Capital expenditure of approximately HK$1,309,156,000, having been authorized but not contracted for, was mainly the estimated construction works of the Shenzhen Aerospace International Centre. The Company and certain subsidiaries have committed investments of approximately HK$1,166,550,000 for the investment commitment in the land development project of the Complex Zone of the Launching Site in Hainan Province, though not having been provided in the consolidated financial statements.

On 4 August 2010, the Company announced that it, through its wholly-owned subsidiary New Century, acquired a 35% interest in the equity capital of Hainan Aerospace through a public tender at the tendered purchase price of RMB45,583,400 (approximately HK$52,394,713). The transaction is yet to be confirmed by the approval of independent shareholders at the Extraordinary General Meeting on 10 September 2010. Upon completion of the acquisition under the Property Right Transfer Agreement and transactions thereunder, Hainan Aerospace will become the Company's indirectly wholly-owned subsidiary. The Company will by itself undertake all investment commitments of Hainan Aerospace.

DIVIDEND

The Board of the Company had proposed the distribution of 2009 final dividend of HK$0.02 per share in March 2010 and was approved by shareholders at the annual general meeting held in May 2010, warrants of which were dispatched to all shareholders on 3 June 2010.

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 2010, the Company and the subsidiaries have a total of about 7,000 staff mainly based in the Mainland and Hong Kong.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2010, 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	Direct interest (Yes/No)	Number of shares held for long positions	Percentage of issued share capital of the Company
China Aerospace Science & Technology Corporation	Interested in controlled corporations (note 1)	No	1,143,330,636	37.06%
Jetcote Investments Limited	Beneficial owner	Yes	131,837,011	4.27%
	Interested in controlled corporations (note 2)	No	1,011,493,625	32.79%
			1,143,330,636	37.06%
Burhill Company Limited	Beneficial owner (note 2)	Yes	539,566,136	17.49%
Sin King Enterprises Company Limited	Beneficial owner (note 2)	Yes	471,927,489	15.30%

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.

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 2010, 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 issue 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 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 advance under the loan agreement and the mortgage. A Court hearing in respect of the loan was conducted in June 2004, and the judgement in respect of the action was received at the end of July 2004. The judgement was merely a fact finding and confined to issues of liability only. For the issues of damages, it was held by the Court in December 2006 that, inter alia, CASIL Clearing is required to pay a nominal damages of HK$100 to Chinluck for its breach of agreement to advance the remaining portion of the loan and Chinluck is required to pay the outstanding principal and the accrued interest under the loan agreement and the mortgage for its breach of the repayment obligations. The nominal damage of HK$100 payable by CASIL Clearing to Chinluck is to be set off against the amount of the judgment to be calculated and agreed between the parties. As the calculation of 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.

In September 2007, CASIL Clearing had entered into a settlement deed with Chinluck and Mr Cheng Zhen Shu so as to solve the litigation completely. Pursuant to the settlement deed, 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 issue date of this Interim Report, both Chinluck and Mr Cheng Zhen Shu have only repaid to CASIL Clearing a sum equivalent to approximately HK$139,628,765. 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 declares 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 2010, the carrying value of the advance of Chinluck was HK$70,269,000.

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 2010, 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*.

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 Zhou Qingquan. 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 2010 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 two Non-Executive Directors, Dr Chan Ching Har, Eliza (Chairman) and Mr Chen Xuechuan. 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.

PLACING AND SUBSCRIPTION OF SHARES

On 4 February 2010, the Company, Burhill Company Limited, a substantial shareholder of the Company, and CITIC Securities Corporate Finance (HK) Limited, the placing agent, entered into the Placing and Subscription Agreement in respect of a top-up placement of 514,118,000 shares at HK$1.13 per share. The net proceed of approximately HK$560,000,000 will be applied towards funding the project of the Complex Zone of the Launching Site in Wenchang City, Hainan Province, and the related projects of the aerospace business under planning. The top-up placement was completed on 18 February 2010. The details of which were set out in the announcement dated 4 February 2010.

EVENT AFTER THE END OF INTERIM PERIOD

On 4 August 2010, New Century, a wholly-owned subsidiary of the Company, has won the bid to acquire 35% of the equity capital of Hainan Aerospace at the tendered purchase price of RMB45,583,400 (approximately HK$52,394,713).

The acquisition constitutes a connected and discloseable transaction of the Company and is subject to the approval of Independent Shareholders at the forthcoming Extraordinary General Meeting held on 10 September 2010. CASC and its associates shall abstain from voting at the Extraordinary General Meeting. The details of which were set out in the announcements dated 4 August 2010 and 24 August 2010 and the circular dated 24 August 2010.

The Company through its wholly-owned subsidiary, CASIL Hainan Holdings Limited, holds a 65% interest on Hainan Aerospace, and Hainan Aerospace will become an indirect wholly-owned subsidiary of the Company upon completion of the acquisition.

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 2010

* This PRC entity does not have an English name. The English name is inserted herein for identification purpose only.

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 22 to 42, which comprises the condensed consolidated statement of financial position of China Aerospace International Holdings Limited (the "Company") and its subsidiaries as of 30 June 2010 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 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 interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 August 2010

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2010

	NOTES	Six months ended 30.6.2010 (Unaudited) HK$'000	30.6.2009 (Unaudited) HK$'000
Turnover	3	**869,172**	548,805
Cost of sales		**(675,194)**	(431,147)
Gross profit		**193,978**	117,658
Other income		**48,789**	26,934
Selling and distribution expenses		**(19,996)**	(18,172)
Administrative expenses		**(98,448)**	(91,907)
Fair value changes of investment properties		**223,373**	249,886
Finance costs		**(529)**	(960)
Share of results of jointly controlled entities		**(74)**	89
Profit before taxation	4	**347,093**	283,528
Taxation	5	**(73,076)**	(68,298)
Profit for the period		**274,017**	215,230
Attributable to:			
Owners of the Company		**209,881**	139,305
Non-controlling interests		**64,136**	75,925
		274,017	215,230
Earnings per share — basic	6	**HK7.1 cents**	HK5.4 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2010

	Six months ended	
	30.6.2010	30.6.2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit for the period	**274,017**	215,230
Other comprehensive income		
Exchange differences arising on translation of foreign operations	**36,803**	606
Available-for-sale investments	**(16,065)**	38,926
Increase in fair value of land and buildings transferred to investment properties	**7,169**	—
Deferred tax liability arising on revaluation of properties	**(1,434)**	—
Other comprehensive income for the period	**26,473**	39,532
Total comprehensive income for the period	**300,490**	254,762
Total comprehensive income attributable to:		
Owners of the Company	**228,046**	178,503
Non-controlling interests	**72,444**	76,259
	300,490	254,762

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2010

	NOTES	30.6.2010 (Unaudited) HK$'000	31.12.2009 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	8	**635,803**	655,264
Prepaid lease payments		**43,579**	43,006
Investment properties	8	**1,606,648**	1,327,476
Interests in jointly controlled entities		**61,335**	61,409
Available-for-sale investments		**177,947**	194,012
Prepayment for land development	9	**181,076**	—
Land development expenditure	9	**31,684**	12,151
		2,738,072	2,293,318
Current assets			
Inventories		**199,967**	128,685
Trade and other receivables	10	**395,607**	289,018
Prepaid lease payments		**1,683**	1,660
Loans receivable		**70,269**	70,269
Financial assets at fair value through profit or loss		**2,539**	2,926
Taxation recoverable		**9,784**	5,294
Pledged bank deposits		**54,771**	125,083
Bank balances and cash		**1,439,972**	1,208,827
		2,174,592	1,831,762
Current liabilities			
Trade and other payables	11	**606,199**	565,810
Amount due to an associate		**1,050**	1,050
Taxation payable		**74,574**	53,484
Secured bank loans	12	**—**	131,401
Other loan		**8,238**	8,126
Obligations under a finance lease		**748**	730
		690,809	760,601

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 June 2010

	NOTES	**30.6.2010 (Unaudited) HK$'000**	31.12.2009 (Audited) HK$'000
Net current assets		**1,483,783**	1,071,161
Total assets less current liabilities		**4,221,855**	3,364,479
Non-current liabilities			
Deferred taxation		**190,672**	131,763
Obligations under a finance lease		**454**	832
		191,126	132,595
		4,030,729	3,231,884
Capital and reserves			
Share capital	13	**308,502**	257,090
Reserves		**3,108,329**	2,433,340
Equity attributable to owners of the Company		**3,416,831**	2,690,430
Non-controlling interests		**613,898**	541,454
		4,030,729	3,231,884

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2010

	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
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
Balance at 1 January 2010 (audited)	**257,090**	**336,286**	**14,044**	**23,916**	**96,377**	**154,468**	**3,899**	**21,570**	**1,080**	**1,781,700**	**2,690,430**	**541,454**	**3,231,884**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**209,881**	**209,881**	**64,136**	**274,017**
Available-for-sale investments	**–**	**–**	**–**	**–**	**–**	**(16,065)**	**–**	**–**	**–**	**–**	**(16,065)**	**–**	**(16,065)**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**28,495**	**–**	**–**	**–**	**–**	**–**	**28,495**	**8,308**	**36,803**
Increase in fair value of land and buildings transferred to investment properties	**–**	**–**	**–**	**–**	**–**	**–**	**7,169**	**–**	**–**	**–**	**7,169**	**–**	**7,169**
Deferred tax liability arising on revaluation of properties	**–**	**–**	**–**	**–**	**–**	**–**	**(1,434)**	**–**	**–**	**–**	**(1,434)**	**–**	**(1,434)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**28,495**	**(16,065)**	**5,735**	**–**	**–**	**209,881**	**228,046**	**72,444**	**300,490**
Dividend recognised as distribution	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(61,700)**	**(61,700)**	**–**	**(61,700)**
Issue of shares in placing and subscription arrangement	**51,412**	**529,541**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**580,953**	**–**	**580,953**
Expenses incurred in connection with issue of shares	**–**	**(20,898)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(20,898)**	**–**	**(20,898)**
Balance at 30 June 2010 (unaudited)	**308,502**	**844,929**	**14,044**	**23,916**	**124,872**	**138,403**	**9,634**	**21,570**	**1,080**	**1,929,881**	**3,416,831**	**613,898**	**4,030,729**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2010

	Six months ended	
	30.6.2010	30.6.2009
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash (used in) from operating activities	**(11,724)**	50,909
Net cash (used in) from investing activities		
Prepayment for land development	**(181,076)**	—
Decrease in pledged bank deposits	**71,057**	39,941
Additions of investment properties	**(22,133)**	(4,459)
Purchase of property, plant and equipment	**(9,283)**	(13,221)
Repayment of loans receivable	**1,705**	13,756
Payment for acquisition of office premises	**—**	(18,141)
Decrease in short-term investment	**—**	107,710
Other investing cash flows	**5,105**	7,934
	(134,625)	133,520
Net cash from financing activities		
Proceeds from issue of shares	**580,953**	—
Repayment of bank loans	**(131,401)**	(7,500)
Dividend paid	**(61,611)**	—
Issue share expenses	**(20,898)**	—
Capital contribution from minority shareholders of subsidiaries	**—**	111,111
Other financing cash flows	**(889)**	(968)
	366,154	102,643
Net increase in cash and cash equivalents	**219,805**	287,072
Cash and cash equivalents at 1 January	**1,208,827**	859,244
Effect of foreign exchange rate changes	**11,340**	57
Cash and cash equivalents at 30 June		
Bank balances and cash	**1,439,972**	1,146,373

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2010

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 basis except for certain properties and financial instruments, which 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 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) — INT 17	Distributions of Non-cash Assets to Owners

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The Group applies HKFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in HKAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for change in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Result of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, lessees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendment has removed such a requirement. Instead, the amendment requires the classification of leasehold land to be based on the general principles set out in HKAS 17, that are based on the extent to which substantially all the risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee.

In accordance with the transitional provisions of HKAS 17 "Leases", the Group reassessed the classification of land elements of unexpired leases at 1 January 2010 based on information which existed at the inception of these leases and found that the Improvements to HKFRSs on HKAS 17 "Leases" had no effect on the condensed consolidated financial statements of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related Party Disclosures[4]
HKAS 32 (Amendment)	Classification of Right Issues[2]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosure for first-time adopters[3]
HKFRS 9	Financial Instruments[5]
HK(IFRIC) — INT 14 (Amendment)	Prepayments of a minimum funding requirement[4]
HK(IFRIC) — INT 19	Extinguishing financial liabilities with equity instrument[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

2 Effective for annual periods beginning on or after 1 February 2010

3 Effective for annual periods beginning on or after 1 July 2010

4 Effective for annual periods beginning on or after 1 January 2011

5 Effective for annual periods beginning on or after 1 January 2013

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The identification of the Group's operating segment reviewed by the President, the chief operating decision maker of the Group, that are used to make strategic decisions has changed in September 2009. Prior to September 2009, segment information reported to the President was analysed on the basis of business nature including segments of manufacturing and distribution, property investment, trading, financial service and securities trading. From September 2009, information reported to the President for the purpose of resource allocation and assessment of performances focuses more specifically on the nature of industry by the following operating segments: Hi-Tech Manufacturing Business (including plastic products, liquid crystal display, printed circuit boards, intelligent chargers and the related industrial property investment), Aerospace and Aerospace Service (including property investment in Shenzhen Aerospace International Centre and land development in Hainan Launching Site Complex Zone) and Other Business, which represent the major industries the Group engaged.

3. SEGMENT INFORMATION *(continued)*

Information regarding these segments is presented below. The segment information reported for the prior period has been restated to conform with the Group's current identification of operating segment reviewed by the President.

(a) An analysis of the Group's turnover and results by operating segments is as follows:

For the six months ended 30 June 2010

	Turnover			
	External sales HK$'000	Inter-segment sales HK$'000	Total HK$'000	Segment result HK$'000
Hi-Tech Manufacturing Business				
Plastic products	326,908	35,525	362,433	39,213
Liquid crystal display	135,208	–	135,208	7,103
Printed circuit boards	179,039	–	179,039	44,503
Intelligent chargers	222,369	–	222,369	16,785
Industrial property investment	5,625	6,465	12,090	6,257
	869,149	41,990	911,139	113,861
Aerospace and Aerospace Service				
Property investment in Shenzhen Aerospace International Centre	–	–	–	218,100
Land development in Hainan Launching Site Complex Zone	–	–	–	(2,975)
	–	–	–	215,125
Other Business	23	–	23	(1,872)
	869,172	41,990	911,162	327,114
Elimination	–	(41,990)	(41,990)	–
	869,172	–	869,172	327,114
Unallocated corporate income				47,547
Unallocated corporate expenses				(28,670)
				345,991
Reversal of impairment loss recognised in respect of loans receivable				1,705
Share of results of jointly controlled entities				(74)
Finance costs				(529)
Profit before taxation				347,093

3. SEGMENT INFORMATION *(continued)*

(a) An analysis of the Group's turnover and results by operating segments is as follows: *(continued)*

For the six months ended 30 June 2009

	Turnover			
	External sales HK$'000	Inter-segment sales HK$'000	Total HK$'000	Segment result HK$'000
Hi-Tech Manufacturing Business				
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
Industrial property investment	6,012	6,340	12,352	5,711
	548,715	22,799	571,514	45,700
Aerospace and Aerospace Service				
Property investment in Shenzhen Aerospace International Centre	—	—	—	261,866
Land development in Hainan Launching Site Complex Zone	—	—	—	(364)
	—	—	—	261,502
Other Business	90	—	90	(19,463)
	548,805	22,799	571,604	287,739
Elimination	—	(22,799)	(22,799)	—
	548,805	—	548,805	287,739
Unallocated corporate income				12,320
Unallocated corporate expenses				(28,281)
				271,778
Reversal of impairment loss recognised in respect of loans receivable				12,621
Share of results of jointly controlled entities				89
Finance costs				(960)
Profit before taxation				283,528

3. SEGMENT INFORMATION *(continued)*

(a) An analysis of the Group's turnover and results by operating segments is as follows: *(continued)*

Segment result represents the profit/loss earned/incurred by each segment without allocation of interest income, change 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 purpose of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market prices.

(b) The following is an analysis of the Group's assets by operating segment:

	30.6.2010 HK$'000	31.12.2009 HK$'000
Segment assets		
Hi-Tech Manufacturing Business		
Plastic products	**518,563**	421,530
Liquid crystal display	**287,758**	265,745
Printed circuit boards	**174,711**	173,546
Intelligent chargers	**241,005**	184,740
Industrial property investment	**193,920**	184,362
	1,415,957	1,229,923
Aerospace and Aerospace Service		
Property investment in Shenzhen Aerospace International Centre	**1,352,970**	1,091,916
Land development in Hainan Launching Site Complex Zone	**235,968**	48,392
	1,588,938	1,140,308
Other Business	**54,094**	55,389
Total segment assets	**3,058,989**	2,425,620
Available-for-sale investments	**177,947**	194,012
Interests in jointly controlled entities	**61,335**	61,409
Loans receivable	**70,269**	70,269
Unallocated assets	**1,544,124**	1,373,770
Consolidated assets	**4,912,664**	4,125,080

3. SEGMENT INFORMATION *(continued)*

(b) The following is an analysis of the Group's assets by operating segment: *(continued)*

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to operating segments other than bank balances and cash, pledged bank deposits, financial assets at fair value through profit or loss, tax recoverable and the other unallocated assets.

4. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2010	30.6.2009
	HK$'000	HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	**631**	630
Depreciation of property, plant and equipment	**32,031**	25,831
Interest income	**(5,105)**	(7,295)
Reversal of impairment loss recognised in respect of loans receivable	**(1,705)**	(12,621)
Change in fair value of financial assets at fair value through profit or loss	**744**	(1,287)
Waiver of debts (Note)	**(31,063)**	—

Note: Being derecognition of financial liabilities upon the fulfilment of repayment terms specified in a debt restructuring deed entered into with a bank in prior years.

5. TAXATION

	Six months ended 30.6.2010 HK$'000	30.6.2009 HK$'000
Current tax		
Hong Kong Profits Tax	**8,032**	1,475
PRC Enterprise Income Tax	**10,100**	3,546
	18,132	5,021
Deferred tax		
Current period	**54,944**	63,277
Income tax charge	**73,076**	68,298

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.

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$209,881,000 (2009: HK$139,305,000) and on 2,948,681,000 weighted average number of shares (2009: 2,570,904,000 shares in issue) during the period.

7. DIVIDEND

2009 final dividend of HK2 cents per share (2009: 2008 final dividend of nil) amounting to HK$61,700,000 was paid by the Company during the period. The directors do not recommend payment of an interim dividend for the year 2010.

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

During the period, the Group spent approximately HK$9,283,000 (1.1.2009 to 30.6.2009: HK$15,143,000) and HK$22,133,000 (1.1.2009 to 30.6.2009: HK$4,459,000) on acquisition of property, plant and equipment and additions of investment properties under construction respectively.

In current period, as the Group rented out certain of its leasehold properties of HK$5,790,000 included in property, plant and equipment to outsiders for rental income, these leasehold properties were transferred to investment properties, at their revalued amount. The increase in fair value of HK$7,169,000 up to the date of transfer was recognised in the equity under property revaluation reserve.

The fair values of the Group's investment properties at 30 June 2010 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$256,073,000 (31.12.2009: HK$237,907,000) was arrived at by reference to market evidence of transaction prices for similar properties. The valuation of investment properties under construction of HK$1,350,575,000 (31.12.2009: HK$1,089,569,000) was arrived at by reference to market evidence of transaction prices for similar completed properties and/or 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$223,373,000 (1.1.2009 to 30.6.2009: HK$249,886,000) has been recognised directly in the condensed consolidated income statement.

9. 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 HK$181,076,000 at 30 June 2010 to Wenchang Government for the demolition and resettlement works carried out by Wenchang Government for the Land Development Project in accordance with expenditure requirement on the Land Development Project. Details of the Land Development Project are disclosed in the circular of the Company dated 10 September 2008.

Land development expenditure represents the development cost incurred in relation to the Land Development Project.

10. TRADE AND OTHER RECEIVABLES

At 30 June 2010, included in trade and other receivables are trade receivables of HK$335,488,000 (31.12.2009: HK$266,838,000). The Group allows an average credit period of 90 days to its trade customers.

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

	30.6.2010 HK$'000	31.12.2009 HK$'000
Within 90 days	**322,734**	255,506
Between 91–180 days	**11,644**	11,332
Between 181–365 days	**1,110**	—
	335,488	266,838

11. TRADE AND OTHER PAYABLES

At 30 June 2010, included in trade and other payables are trade payables of HK$263,077,000 (31.12.2009: HK$218,740,000).

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

	30.6.2010	31.12.2009
	HK$'000	HK$'000
Within 90 days	**236,409**	201,534
Between 91–180 days	**11,510**	4,227
Between 181–365 days	**2,781**	1,311
Over 1 year	**12,377**	11,668
	263,077	218,740

12. SECURED BANK LOANS

The Group has repaid the secured bank loans during the period. At 31 December 2009, the Group's certain investment properties, property, plant and equipment and bank deposits with aggregate carrying value of HK$3,350,000, HK$1,893,000 and HK$110,560,000 respectively, pledged for the Group's bank loans was released on the repayment of the bank loans.

At 30 June 2010, the Group's bank deposits amounting to HK$54,771,000 (31.12.2009: HK$125,083,000) were pledged for banking facilities granted.

13. SHARE CAPITAL

Authorised, issued and fully paid share capital

	Number of shares '000	Nominal value HK$'000
Authorised:		
At 1 January 2009, 1 January 2010 and 30 June 2010		
Ordinary shares of HK$0.10 each	100,000,000	10,000,000
Issued and fully paid:		
At 1 January 2009 and 1 January 2010		
Ordinary shares of HK$0.10 each	2,570,904	257,090
Issued of shares on placement (Note)	514,118	51,412
At 30 June 2010		
Ordinary shares of HK$0.10 each	3,085,022	308,502

Note: On 18 February 2010, the Company allotted and issued 514,118,000 ordinary shares of HK$0.10 each at a price of HK$1.13 per share as a result of the completion of the placing and subscription agreement in respect of a top-up placement of shares entered into among the Company, a substantial shareholder and a placing agent on 4 February 2010. All the shares which were issued during the period rank pari passu with the then existing shares in all aspects.

14. COMMITMENTS

	30.6.2010 **HK$'000**	31.12.2009 HK$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— acquisition of property, plant and equipment	**2,625**	6,023
— properties under construction	**77,384**	16,914
	80,009	22,937
Capital expenditure authorised but not contracted for:		
— properties under construction	**1,309,156**	1,377,000

At 30 June 2010, the Group has committed investment of approximately HK$1,166,550,000 (31.12.2009: HK$1,348,393,000) for the Hainan Launching Site Complex Zone project in Wenchang City, Hainan Province.

15. RELATED PARTY TRANSACTIONS

During the period, the emoluments of key management personnel were HK$7,660,000 (1.1.2009 to 30.6.2009: HK$6,950,000).

16. EVENT AFTER THE END OF INTERIM PERIOD

On 4 August 2010, CASIL New Century Technology Development (Shenzhen) Company Limited, a wholly-owned subsidiary of the Company, has won the bid to acquire 35% of the equity capital of Hainan Aerospace Investment Management Company Limited ("Hainan Aerospace") through a public tender at the tendered purchase price of RMB45,583,400 (equivalent to approximately HK$52,394,713).

The acquisition constitutes a connected and discloseable transaction of the Company and is subject to the approval of Independent Shareholders of the Company at the forthcoming Extraordinary General Meeting held on 10 September 2010. CASC and its associates shall abstain from voting at the Extraordinary General Meeting. Details of which please refer to the Company's announcements dated 4 August 2010 and 24 August 2010 and circular dated 24 August 2010.

The Company through its wholly-owned subsidiary, CASIL Hainan Holdings Limited, holds a 65% interest on Hainan Aerospace, and Hainan Aerospace will become an indirect wholly-owned subsidiary of the Company upon completion of the acquisition.