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CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 31)

ANNOUNCEMENT OF ANNUAL RESULT 2009

The Board of Directors (the "Board") of China Aerospace International Holdings Limited (the "Company") is pleased to announce the audited results and financial statements of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2009.

SUMMARY OF RESULTS

The audited consolidated results of the Group for the year ended 31 December 2009 and the comparative figures of the same period in 2008 are as follows:

Consolidated Income Statement

	Notes	**2009** *HK$'000*	2008 *HK$'000*
Turnover	3	**1,361,045**	1,707,919
Cost of sales		**(1,021,621)**	(1,337,634)
Gross profit		**339,424**	370,285
Other income	4	**119,955**	118,667
Selling and distribution costs		**(49,012)**	(54,138)
Administrative expenses		**(219,185)**	(212,333)
Fair value changes of investment properties		**491,340**	(24,757)
Impairment loss recognised in respect of available-for-sale investments		**—**	(40,780)
Impairment loss recognised in respect of property, plant and equipment		**—**	(2,911)
Finance costs		**(1,898)**	(2,088)
Share of results of jointly controlled entities		**264**	1,832
Profit before taxation	5	**680,888**	153,777
Taxation	6	**(141,050)**	(12,524)
Profit for the year		**539,838**	141,253

	Notes	**2009**	2008
		HK$'000	*HK$'000*
Attributable to:			
Owners of the Company		**393,940**	144,596
Minority interests		**145,898**	(3,343)
		539,838	141,253
Earnings per share — basic	7	**HK15.32 cents**	HK5.62 cents

Consolidated Statement of Financial Position
At 31 December

	Notes	2009 HK$'000	2008 HK$'000
Non-current assets			
Property, plant and equipment		**655,264**	645,084
Prepaid lease payments		**43,006**	585,991
Investment properties		**1,327,476**	265,579
Interests in associates		**—**	—
Interests in jointly controlled entities		**61,409**	60,806
Available-for-sale investments		**194,012**	39,544
Land development expenditure		**12,151**	—
Pledged bank deposits		**—**	110,560
		2,293,318	1,707,564
Current assets			
Inventories		**128,685**	139,222
Trade and other receivables	9	**289,018**	282,488
Prepaid lease payments		**1,660**	12,087
Loans receivable		**70,269**	77,077
Financial assets at fair value through profit or loss		**2,926**	3,251
Taxation recoverable		**5,294**	3,740
Pledged bank deposits		**125,083**	59,070
Short-term investment		**—**	107,710
Bank balances and cash		**1,208,827**	859,244
		1,831,762	1,543,889

	Notes	2009 HK$'000	2008 HK$'000
Current liabilities			
Trade and other payables	10	**565,810**	543,758
Amount due to an associate		**1,050**	1,050
Taxation payable		**53,484**	57,653
Obligations under a finance lease		**730**	—
Secured bank loans		**131,401**	17,500
Other loan		**8,126**	8,126
		760,601	628,087
Net current assets		**1,071,161**	915,802
Total assets less current liabilities		**3,364,479**	2,623,366
Non-current liabilities			
Deferred taxation		**131,763**	8,326
Obligations under a finance lease		**832**	—
Secured bank loans		**—**	131,401
		132,595	139,727
		3,231,884	2,483,639
Capital and reserves			
Share capital		**257,090**	257,090
Reserves		**2,433,340**	1,892,864
Equity attributable to owners of the Company		**2,690,430**	2,149,954
Minority interests		**541,454**	333,685
		3,231,884	2,483,639

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2009

1. BASIS OF PREPARATION

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) — INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) — INT 13	Customer loyalty programmes
HK(IFRIC) — INT 15	Agreements for the construction of real estate
HK(IFRIC) — INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) — INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

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

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of financial statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

A third consolidated statement of financial position as at 1 January 2008 is not presented during the current financial year as the Group has applied new and revised HKFRSs prospectively which is not required to restate items in the consolidated financial statements as at 31 December 2008.

HKFRS 8 Operating segments

HKFRS 8 is a disclosure standard that has resulted in a redesignation of the Group's reportable segments (see note 3) and changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

Improving disclosures about financial instruments (Amendments to HKFRS 7 financial instruments: disclosures)

The amendments to HKFRS 7 expand the disclosures required in relation to fair value measurements in respect of financial instruments which are measured at fair value. The amendments also expand and amend the disclosures required in relation to liquidity risk.

Amendments to HKAS 40 Investment property

As part of Improvements to HKFRSs (2008), HKAS 40 has been amended to include within its scope properties under construction or development for future use as investment properties and to require such properties to be measured at fair value (where the fair value model is used and the fair values of the properties are reliably determinable). In the past, the leasehold land and building elements of investment properties under construction were accounted for separately. The leasehold land element was accounted for as an operating lease and the building element was carried at cost less accumulated impairment losses, if any. The Group used the fair value model to account for its investment properties.

The Group has applied the amendment to HKAS 40 prospectively from 1 January 2009 in accordance with the relevant transitional provision. As a result of the application of the amendment, the Group's investment properties under construction that include the leasehold land and building elements with previous carrying amounts of HK$552,338,000 and HK$14,222,000 as at 1 January 2009, respectively, have been reclassified as investment properties on 1 January 2009 and measured at fair value as at 31 December 2009. As at 31 December 2009, the impact has been to decrease prepaid lease payments and property, plant and equipment by HK$552,338,000 and HK$14,222,000 respectively, to increase investment properties by HK$1,089,569,000 (including fair value gain of HK$505,712,000), to increase deferred tax liabilities by HK$126,428,000, to increase profit for the year by HK$379,284,000 and to increase earnings per share for the year by HK8.85 cents.

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)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related party disclosure[6]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of right issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[5]
HKFRS 2 (Amendments)	Group cash-settled share-based payments transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK(IFRIC) — INT 14 (Amendment)	Prepayments of a minimum funding requirement[6]
HK(IFRIC) — INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) — INT 19	Extinguishing financial liabilities with equity instrument[5]

1 Effective for annual periods beginning on or after 1 July 2009.
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate.
3 Effective for annual periods beginning on or after 1 January 2010.
4 Effective for annual periods beginning on or after 1 February 2010.
5 Effective for annual periods beginning on or after 1 July 2010.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 January 2013.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

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 consolidated financial statements.

3. SEGMENT INFORMATION

The Group has adopted HKFRS 8 "Operating segments" with effect from 1 January 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14 "Segment reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with HKAS 14.

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.

As a result of the adoption of the HKFRS 8, the identification of the Group's reportable segment has changed. In prior years, segment information reported externally was analysed on the basis of business nature including segments of manufacturing and distribution, property investment, trading, financial service and securities trading. However, information reported to the President for the purpose of resource allocation and assessment of performances focuses more specifically on the nature of industry. Therefore, on adoption of HKFRS 8, management has identified 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 represents the major industries the Group engaged.

Information regarding these segments is presented below. The segment information reported for the prior period have been restated to conform with the requirement of HKFRS 8.

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

For the year ended 31 December 2009

	Turnover			
	External sales	**Inter-segment sales**	**Total turnover**	**Segment results**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hi-Tech Manufacturing Business				
Plastic products	**537,052**	**44,152**	**581,204**	**60,497**
Liquid crystal display	**244,663**	**—**	**244,663**	**9,733**
Printed circuit boards	**273,032**	**—**	**273,032**	**43,983**
Intelligent chargers	**294,367**	**—**	**294,367**	**28,829**
Industrial property investment	**11,818**	**12,680**	**24,498**	**14,537**
	1,360,932	**56,832**	**1,417,764**	**157,579**
Aerospace and Aerospace Service				
Property investment in Shenzhen Aerospace International Centre	**—**	**—**	**—**	**501,212**
Land development in Hainan Launching Site Complex Zone	**—**	**—**	**—**	**(5,888)**
	—	**—**	**—**	**495,324**
Other Business	**113**	**—**	**113**	**(19,252)**
	1,361,045	**56,832**	**1,417,877**	**633,651**
Elimination	**—**	**(56,832)**	**(56,832)**	**—**
	1,361,045	**—**	**1,361,045**	**633,651**
Unallocated corporate income				**19,568**
Unallocated corporate expenses				**(43,501)**
				609,718
Reversal of impairment loss recognised in respect of loans receivable				**24,929**
Gain on disposal of a subsidiary				**43,551**
Gain on deregistration of a subsidiary				**1,148**
Discount on acquisition of additional interests in a subsidiary				**3,176**
Share of results of jointly controlled entities				**264**
Finance costs				**(1,898)**
Profit before taxation				**680,888**

For the year ended 31 December 2008

	Turnover			
	External sales *HK$'000*	Inter-segment sales *HK$'000*	Total turnover *HK$'000*	Segment results *HK$'000*
Hi-Tech Manufacturing Business				
Plastic products	679,643	62,231	741,874	59,029
Liquid crystal display	262,349	1,353	263,702	20,615
Printed circuit boards	261,098	—	261,098	39,322
Intelligent chargers	479,991	—	479,991	63,645
Industrial property investment	14,956	11,911	26,867	(557)
	1,698,037	75,495	1,773,532	182,054
Aerospace and Aerospace Service				
Property investment in Shenzhen Aerospace International Centre	—	—	—	(2,037)
Land development in Hainan Launching Site Complex Zone	—	—	—	(3,421)
	—	—	—	(5,458)
Other Business	9,882	—	9,882	(23,731)
	1,707,919	75,495	1,783,414	152,865
Elimination	—	(75,495)	(75,495)	—
	1,707,919	—	1,707,919	152,865
Unallocated corporate income				42,444
Unallocated corporate expenses				(58,730)
				136,579
Reversal of impairment loss recognised in respect of loans receivable				58,234
Impairment loss on available-for-sale investments				(40,780)
Share of results of jointly controlled entities				1,832
Finance costs				(2,088)
Profit before taxation				153,777

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represents the profit/loss earned/incurred by each segment without allocation of interest income, profits on securities trading, reversal of impairment loss recognised on loans receivable, 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.

4. OTHER INCOME

The Group's other income mainly comprises:

	2009	2008
	HK$'000	*HK$'000*
Bank interest income	**12,447**	13,700
Gain on disposal of a subsidiary	**43,551**	—
Gain on deregistration of a subsidiary	**1,148**	—
Gain from change in fair value of financial assets at fair value through profit or loss	**6,174**	7,655
Reversal of impairment loss recognised in respect of loans receivable	**24,929**	58,234
Discount on acquisition of additional interests in a subsidiary	**3,176**	—
Net exchange gain	**—**	17,671
Gain on disposal of assets classified as held for sale	**—**	3,093

5. PROFIT BEFORE TAXATION

	2009	2008
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Depreciation on		
— owned assets	**62,441**	55,800
— assets held under finance leases	**250**	—
Amortisation on prepaid lease payments	**1,074**	10,156
Less: Amount capitalised and included on properties under development	**—**	(8,937)
	1,074	1,219
Auditors' remuneration		
— current year	**4,080**	4,134
— underprovision in prior year	**157**	559
(Profit) loss on disposal of property, plant and equipment	**(18)**	3,672
Allowance for doubtful trade debts	**5,142**	1,519
Minimum lease payments under operating leases in respect of land and buildings	**6,659**	6,369
Net exchange loss (gain)	**4,184**	(17,671)
Research and development expenses	**11,997**	2,273
Staff costs, including directors' remuneration	**234,926**	249,802
Gross rental income	**(11,931)**	(15,852)
Less: Direct operating expenses from investment properties that generated rental income during the year	**1,186**	1,261
	(10,745)	(14,591)

6. TAXATION

The tax charge for the year comprises:

	2009	2008
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**9,519**	16,975
PRC Enterprise Income Tax	**11,112**	15,444
	20,631	32,419
Overprovision in prior years		
Hong Kong Profits Tax	**(2,256)**	(78)
Deferred tax		
Current year	**122,675**	(19,104)
Attributable to a change in tax rate	**—**	(713)
	122,675	(19,817)
Taxation attributable to the Company and its subsidiaries	**141,050**	12,524

Hong Kong Profits Tax is calculated at 16.5% (2008: 16.5%) of the estimated assessable profit for the year.

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

On 16 March 2007, the People's Republic of China ("PRC") promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was mainly reduced from 33% to 25%. For certain of the Company's subsidiaries situated in Shenzhen Special Economic Zone of the PRC, they were subject to a corporate income tax at a rate of 20% (2008: 18%) on its assessable profits arising in the PRC for the year, though the tax rate will gradually increase to 25% by 2012.

7. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company for the year is based on the profit for the year attributable to owners of the Company of HK$393,940,000 (2008: HK$144,596,000) and on 2,570,904,000 shares (2008: 2,570,904,000 shares) in issue during the year.

8. DIVIDENDS

A final dividend of HK2 cents per share in respect of the year ended 31 December 2009 (2008: Nil) has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting payable to the shareholders of the Company ("Shareholders").

9. TRADE AND OTHER RECEIVABLES

	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**307,210**	275,518
Less: Allowance for doubtful debts	**(40,372)**	(35,382)
	266,838	240,136
Other receivables, deposits and prepayments	**22,180**	42,352
	289,018	282,488

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

	2009	2008
	HK$'000	*HK$'000*
Within 90 days	**255,506**	228,952
Between 91–180 days	**11,332**	11,184
	266,838	240,136

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

10. TRADE AND OTHER PAYABLES

	2009	2008
	HK$'000	*HK$'000*
Trade payables	**218,740**	205,880
Other payables and accrued charges	**347,070**	337,878
	565,810	543,758

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

	2009	2008
	HK$'000	*HK$'000*
Within 90 days	**201,534**	180,686
Between 91–180 days	**4,227**	2,897
Between 181–365 days	**1,311**	1,010
Over 1 year	**11,668**	21,287
	218,740	205,880

RESULTS

The turnover of the Company and the subsidiaries for the year ended 31 December 2009 was HK$1,361,045,000 (2008: HK$1,707,919,000), representing a decrease of approximately 20.31%. Profit attributable to the owners of the Company was HK$393,940,000, representing a substantial increase of approximately 172.44% as compared with HK$144,596,000 in last year.

The financial tsunami caused by the U.S. subprime mortgage crisis has led to a global economic recession, which caused a substantial decrease in demand. Our export-oriented hi-tech manufacturing business was inevitably hit by the financial tsunami. However, since the second half of 2009, the results of the hi-tech manufacturing business began to recover rapidly. At the same time, benefited from the development of new business, under the new amendment HKAS40, our investment properties under construction, namely Shenzhen Aerospace International Centre, was required to be stated at fair value, which still made a considerable increase in the results of the whole year under the shadow of the financial tsunami.

The Board of Directors recommends a final dividend of HK2 cents to be distributed for the year as a return to the shareholders.

Business Development Plan

China Aerospace Science & Technology Corporation ("CASC"), the major shareholder of the Company, has formulated a new era development strategy which focuses on the development of four core businesses including aerospace system, defense system, aerospace service and aerospace technology applications, etc, and the development of eight major industrial bases including Beijing, Hong Kong/Shenzhen, Hainan, etc. As the future of aerospace business and aerospace service business is broad, the Company, with a strong support from CASC and relying on the new development strategy of CASC, had established a new business development plan.

According to the business development direction of the new plan, the Company will focus on the comprehensive development of the Complex Zone of the Launching Site in Hainan Province as part of the aerospace service business and the aerospace business with the minisatellite industry as a starting point. The Company expects to rely on the unified strategic layout of CASC and makes full use of CASC's resources to promote the development of its new businesses.

On 4 February 2010, the Company placed 514,118,000 shares to institutional investors at HK$1.13 per share by way of placing and subscription of shares and successfully raised the gross amount of approximately HK$581 million. The placing acquired the supports from international investors, including international investment funds, sovereign state funds, insurance funds and the Greater China listed companies from Europe, America and Asia, making the placing a complete success.

BUSINESS REVIEW

The market in the first half of 2009 was seriously impacted by the financial tsunami; although the economic situation was gradually stabilized in the second half of the year, the road to recovery is still rough. The Company took orders of the management philosophy of steady development, continuously kept a good financial position and constantly improved the quality of management and the risk resistant ability, aiming to effectively managing the impact from this global financial crisis.

Hi-tech Manufacturing

In 2009, the turnover of the hi-tech manufacturing business of the Company was HK$1,349,114,000 (2008: HK$1,683,081,000), representing a decrease of approximately 19.84% as compared with last year. The result of the hi-tech manufacturing business was HK$143,042,000, representing a decrease of approximately 21.67% as compared with HK$182,611,000 in last year. The plastic products and the printed circuit boards businesses have their key markets in the United States and Europe where major customers are located. In the presence of the economy recovery in the second half of the year, the orders from our customers quickly rebounded and the sales performance in recent months has gradually restored to near the level before the outbreak of the financial tsunami. The intelligent chargers and the liquid crystal display businesses were badly affected by the financial tsunami and their operating conditions are yet to be recovered. On the whole, although the hi-tech manufacturing business was subject to a tough test in the first half of the year, the situation in the second half of the year has gradually stabilized and begun to restore to growth, the situation in the results of the full-year was better than expectation.

Shenzhen Aerospace International Centre

Shenzhen Aerospace International Centre has been progressing smoothly since its inception. Shenzhen Aerospace Hi-Tech Investment Management Company Limited ("Shenzhen Aerospace") has completed the design proposal for construction and obtained the governmental approval. It has also acquired several approvals and permits for planning and construction and has completed the preparation of project work plan, including project proposal, expansion and commencement plan design, construction design, etc. The completed works included geological inspection, geological safety assessment and earthquake faults investigation, etc. Shenzhen Aerospace has also established a series of internal management system and strengthened the management in project quality, safety and cost control, etc, so as to support the large scale of construction tenderings and project management in the future.

The Complex Zone of the Launching Site in Hainan Province

After entering into the "Agreement of the Land Development Project of the Complex Zone of the Launching Site in Hainan Province" between the Company and the Wenchang Government, Hainan Province in August 2008, its preliminary works had commenced subsequently. The Company has established a project company named Hainan Aerospace Investment Management Company Limited ("Hainan Aerospace") and invested an upfront capital funding in it and formed an operation team. At present, the Master Plan of the Complex Zone of the Launching Site in Hainan Province has been approved by the provincial government and the entire comprehensive development project has been considered as a key project in the province, as well as a key cultural industrial park and a key cultural industrial project.

During the year, internationally renowned architects, theme park designers and property consultants have been engaged by Hainan Aerospace to form a syndicate of specialists and are working together for the planning and design of the aerospace theme park and the entire Complex Zone. After a year of efforts, the relevant works have been basically completed. Currently, the approval for controlling detailed planning of the entire Complex Zone is being applied. At the same time, Hainan Aerospace is working closely with the Wenchang Government for the joint research and formulation of a program concerning the expropriation of the entire Complex Zone. As of the date of this Announcement, the expropriation has been commenced and it is expected that the relevant works will be completed within 2010. The Company is endeavor to beginning with the construction of infrastructure projects by the end of the year.

In order to match up the development of new development strategy, the Company gained a profit before taxation of approximately HK$43,551,000 by selling its 80% interest held in Shanghai Aerospace Technology Investment Management Limited ("Shanghai Aerospace") during the year at a consideration of RMB192,370,000 (approximately HK$218,107,000).

PROSPECT

The goal of the development planning of the Company's new business is to strive for the establishment of a core business which is combined with the principal business of CASC. The Company will, on the foundation of the hi-tech manufacturing business, through the development of the comprehensive development project of the Complex Zone of the Launching Site in Hainan Province and the construction of Shenzhen Aerospace International Centre, gradually establish the business base for aerospace and aerospace service business.

Though the recovery of external economy still exists uncertainty, it is expected that the performance of the hi-tech manufacturing business will gradually be stabilized and restored to growth. The hi-tech manufacturing business, to be operated by the newly established China Aerospace Industrial Limited, will continue to improve the integration after the restructure, and firmly take the measures to control investments, reduce receivables, cut down inventories, stringently control costs, strengthen quality control, maintain close connection with existing clients and actively explore new markets, with a view to bringing the operating performance back to the level prevailing before the outbreak of the financial tsunami as soon as possible and continuing to provide the Company with performance contribution and stable cash flow.

Shenzhen Aerospace will speed up the pace of the construction to complete each tendering according to the relevant laws and regulatory procedures. Shenzhen Aerospace International Centre will become the operational headquarters of CASC in the south, the research and development center for minisatellites and the investment property of the Company upon completion, and will bring another major recurrent revenue for the Company. The minisatellite industry will be a starting point for the development of aerospace business of the Company and has a broad development prospect. The Company will soon carry out the preparatory work of this business and will continue to maintain a good communication with CASC as well with a view to promptly establishing a business platform of the minisatellite industry.

China's State Council formally approved the planning concerning the construction of an "international tourism island" in Hainan Province at the end of 2009. It is planned that Hainan Province will initially build a world-class island leisure resort by 2020 and this will be incorporated into the State's major strategic plan. The information, upon announcement, immediately caused a high attention from domestic and overseas, a new historic trading high constantly made in the real estate market. Yet, the related cost is also expected to increase relatively. The long-term development in Hainan Province is encouraging. Hainan Aerospace will actively communicate with Hainan and the Wenchang Governments, step up to carry out each relevant work, including launching the works concerning the expropriation, demolition, resettlement and infrastructure projects of the entire Complex Zone and timely introduce the strategic partners to jointly develop the aerospace theme park and other commercial supporting projects.

MANAGEMENT DISCUSSION AND ANALYSIS

Results performance

The audited turnover of the Company and the subsidiaries for the year ended 31 December 2009 was approximately HK$1,361,045,000, representing a decrease of approximately 20.31% as compared with that of HK$1,707,919,000 for 2008. The profit for the year was HK$539,838,000, representing a significant increase of 282.18% as compared with that of HK$141,253,000 for 2008.

Profit attributable to owners of the Company and operating profit

In 2009, the profit attributable to owners of the Company was HK$393,940,000, representing a significant increase of 172.44% as compared with that of HK$144,596,000 for 2008. According to the new amendment HKAS40, the Company and its subsidiaries' investment properties under development, Shenzhen Aerospace International Centre, is required to be measured at fair value, resulting in the substantial increase in the fair value gain of investment properties amounting to HK$505,712,000. In addition, a gain of HK$43,551,000 was generated from the disposal of Shanghai Aerospace, and the performance of the hi-tech manufacturing business was better than expectation.

Based on the issued share capital of 2,570,904,000 shares, the earnings per share in 2009 was HK$0.1532, representing an increase of 172.60% as compared with that of HK$0.0562 for 2008.

Results of each core business

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

Hi-tech manufacturing

In 2009, the turnover of the hi-tech manufacturing business was approximately HK$1,349,114,000, representing a decrease of approximately 19.84% as compared with last year; the gross profit margin was 24.27%, representing an increase as compared with that of 20.57% for last year. Despite of the fact that the hi-tech manufacturing business was affected by the side effects of the financial tsunami, relying on high proficient management, strict cost control and good market exploring ability, the hi-tech manufacturing business managed to deliver an operating profit of HK$143,042,000, representing a decrease of 21.67% as compared with last year.

The turnover of the plastic injection business was HK$537,052,000, representing a decrease of 20.98% as compared with last year; the operating profit was HK$60,497,000, representing an increase of 2.49% when compared with last year. The business of printed circuit boards had still made a historical record in its results during period of difficulties. The turnover of printed circuit boards was HK$273,032,000, increased by 4.57% as compared with last year, operating profit was HK$43,983,000, increased by 11.85% as compared with last year. The turnover of intelligent chargers was HK$294,367,000, representing a decrease of 38.67% as compared with last year; the operating profit was HK$28,829,000, decreased by 54.70% as compared with last year. The turnover of liquid crystal displays was HK$244,663,000, representing a decrease of 6.74% as compared with last year; the operating profit was HK$9,733,000, decreased by 52.79% as compared with last year.

The rental income of industrial property investments was HK$11,818,000, decreased by 20.98% as compared with last year. As a result of the increase in the fair value of the related properties, the industrial property investments turned loss to profits with the operating profit recorded at HK$14,537,000.

Aerospace and Aerospace Service Businesses

The comprehensive development of the Complex Zone of the Launching Site in Hainan Province

The comprehensive development of the Complex Zone of the Launching Site in Hainan Province was still in a preparatory stage. Hainan Aerospace recorded a loss of HK$5,888,000 during the year, which was mainly due to the payment of the cost of preparatory works, administration expenses and professional fees etc.

Shenzhen Aerospace International Centre

The investment property under construction, Shenzhen Aerospace International Centre, was measured at fair value in accordance with the new amendment HKAS40, resulting in a fair value gain of HK$505,712,000. The construction work of the project is expected to commence comprehensively in 2010.

Assets

As at 31 December 2009, the audited total assets of the Company and the subsidiaries were HK$4,125,080,000, of which the non-current assets were HK$2,293,318,000, representing an increase of 34.30% as compared with that of HK$1,707,564,000 as at 31 December 2008. The current assets were HK$1,831,762,000, representing an increase of 18.65% as compared with HK$1,543,889,000 as at 31 December 2008. The significant increase in non-current assets was mainly due to an increase in value of HK$505,712,000 contributed by the re-classification and fair value measurement of the investment properties under construction, Shenzhen Aerospace International Centre. The equity attributable to owners of the Company, after minority interests, was HK$2,690,430,000, increased significantly by about 25.14%, compared with that of HK$2,149,954,000 for the same period last year and the net assets per share and the net assets per share attributable to owners of the Company was HK$1.26 and HK$1.05 respectively, based on the issued share capital of 2,570,904,000 shares.

Certain of the Company and the subsidiaries' assets have been pledged to banks to secure financings at an annual interest rate of 1.25%. The remaining repayment term is about 1 year.

Liabilities

As at 31 December 2009, the total liabilities of the Company and the subsidiaries were HK$893,196,000, of which the non-current liabilities were HK$132,595,000, representing a decrease of 5.10% as compared with that of HK$139,727,000 as at 31 December 2008, the current liabilities were HK$760,601,000, representing an increase of 21.10% as compared with that of HK$628,087,000 as at 31 December 2008. Changes in non-current liabilities and current liabilities were mainly due to the reclassification of a bank loan from non-current liabilities to current liabilities in accordance with its due date. The Company will repay the bank loan in full by the pledged deposit before the due date.

Operating expenses

The administrative expenses of the Company and the subsidiaries in 2009 were HK$219,185,000, representing an increase of 3.23% as compared with last year. The finance costs were HK$1,898,000, representing a decrease of 9.10% as compared with HK$2,088,000 last year. This was mainly due to the partial repayment of bank loans and thereby decreased the related interest expenses.

Contingent Liabilities

As at 31 December 2009, save for the guarantees provided by the Company to a subsidiary in obtaining bank loans and banking facilities, the Company and the subsidiaries did not have any other material contingent liabilities.

Financial Ratios

	2009	2008
Gross Profit Margin	**24.94%**	21.68%
Return on Equity	**16.70%**	5.69%
Liabilities/Assets Ratio	**21.65%**	23.61%
Current Ratio	**2.41**	2.46
Quick Ratio	**2.24**	2.24

Though having been affected by the financial tsunami, the financial ratios of the Company and the subsidiaries were still maintained at a satisfactory level. This was resulted from the Company and the subsidiaries' policies of continuous assets modifications, 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 Company and the subsidiaries' free cash and bank balance as at 31 December 2009 was HK$1,208,827,000, most of which were in Hong Kong Dollars, Renminbi and US Dollars.

The Company had issued a total of 514,118,000 shares in February 2010, net proceeds amounted to HK$560,000,000. Substantial part of the fund is now being deposited in bank account. The Company will, according to the original plan, utilize the fund in the land development project of the Complex Zone of Launching Site in Hainan and the related projects of aerospace business under planning.

Capital Expenditure and Investment Commitment

As at 31 December 2009, the capital commitments of the Company and the subsidiaries contracted for but not provided in the consolidated financial statements in respect of the purchase of property, plant and equipment and the input in the construction of Shenzhen Aerospace International Centre amounted to HK$22,937,000.

The investment commitments of the Company and the related subsidiaries in respect of the land development project of the Complex Zone of the Launching Site in Hainan Province is RMB1.2 billion. The Company and the joint venture partner will make contribution to Hainan Aerospace in accordance with the respective interests based on the agreement in different period, and Hainan Aerospace is responsible for the implementation of the project.

With the commencement of the construction of Shenzhen Aerospace International Centre this year, the capital expenditure authorized but not contracted for in relation to the construction is approximately RMB1.2 billion. The Company and the joint venture partner will make contribution to Shenzhen Aerospace in accordance with the respective interests based on the agreement in different period, and Shenzhen Aerospace is responsible for the construction of the project.

Financial Risks

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

Human Resources and Remuneration Policies

The Company and the subsidiaries' remuneration policy is based on the employee's qualifications, experience and performance as well as by reference to market trends. The Company and the subsidiaries will continue to strengthen the level of human resources management, strictly implement the performance-based appraisal system to encourage employees to have continuous improvement in their performance and contributions to the Company.

As at 31 December 2009, the Company and the subsidiaries have a total of about 5,900 staff mainly based in the Mainland and Hong Kong.

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

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

CORPORATE GOVERNANCE

During 2009, the Company had complied with the provisions of the Code on Corporate Governance Practices of Appendix 14 of the Listing Rules.

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 of the Listing Rules, as the required standard for the Directors of the Company to trade the securities of the Company. Hence, the Company enquired all the

Directors individually whether they had complied with Appendix 10 while trading the securities of the Company during 2009, and all the Directors replied that they had complied with the requirements of Appendix 10 during the year.

AUDIT COMMITTEE

The Audit Committee of the Company has a membership comprising two Independent Non-Executive Directors, Mr Chow Chan Lum, Charles (Chairman) and Mr Luo Zhenbang and a Non-Executive Director, Mr Jin Xuesheng. The Audit Committee of the Company reviewed, discussed and approved this 2009 financial statements that had been audited by the auditor, Deloitte Touche Tohmatsu.

EVENT AFTER THE REPORTING PERIOD

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 million 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.

DIVIDEND

The Board has recommended a final dividend of HK2 cents per share for the year ended 31 December 2009 (2008: Nil) payable to the shareholders of the Company whose names appear on the register of members of the Company on Thursday, 13 May 2010.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 11 May 2010 to Thursday, 13 May 2010 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 10 May 2010. Subject to approval by the shareholders at the forthcoming annual general meeting of the Company, dividend warrants are expected to be despatched to the shareholders by post on or around Thursday, 3 June 2010.

APPRECIATION

The Company hereby expresses its sincere gratitude to its shareholders, banks, business partners, people from various social communities, as well as all staff of the Company and the subsidiaries for their long-time support.

By order of the Board
Wu Zhuo
Chairman

Hong Kong, 25 March 2010

As of the date of this Announcement, the Board of Directors of the Company comprises:

Executive Directors	Non-Executive Directors	Independent Non-Executive Directors
Mr Zhao Liqiang *(President)*	Mr Wu Zhuo *(Chairman)*	Mr Chow Chan Lum, Charles
Mr Zhou Qingquan	Mr Chen Xuechuan	Mr Luo Zhenbang
Mr Wu Hongju	Mr Li Hongjun	Mr Wang Junyan
Mr Guo Xianpeng	Dr Chan Ching Har, Eliza	
	Mr Xu Jianhua	
	Mr Jin Xuesheng	