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 RESULTS 2010

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 2010.

SUMMARY OF RESULTS

The audited consolidated results of the Group for the year ended 31 December 2010 and the comparative figures of the same period in 2009 are as follows:

CONSOLIDATED INCOME STATEMENT

	Notes	**2010** ***HK$'000***	2009 *HK$'000*
Turnover	3	**1,879,745**	1,361,045
Cost of sales		**(1,473,428)**	(1,021,621)
Gross profit		**406,317**	339,424
Other income	4	**78,949**	46,101
Other gains and losses	4	**39,071**	69,670
Selling and distribution costs		**(45,356)**	(49,012)
Administrative expenses		**(248,823)**	(215,001)
Fair value changes of investment properties		**189,995**	491,340
Finance costs		**(747)**	(1,898)
Share of results of jointly controlled entities		**58**	264
Profit before taxation	5	**419,464**	680,888
Taxation	6	**(75,335)**	(141,050)
Profit for the year		**344,129**	539,838
Attributable to:			
Owners of the Company		**292,478**	393,940
Non-controlling interests		**51,651**	145,898
		344,129	539,838
Earnings per share — basic	7	**HK9.69 cents**	HK15.32 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

	2010	2009
	HK$'000	*HK$'000*
Profit for the year	**344,129**	539,838
Other comprehensive income includes:		
Fair value (loss) gain on available-for-sale investments	**(20,972)**	154,468
Property revaluation reserve		
Increase in fair value of land and buildings transferred to investment properties	**9,004**	—
Deferred tax liability arising on revaluation of properties	**(1,893)**	—
	7,111	—
Exchange differences arising on translating foreign operations		
Exchange gain arising during the year	**111,503**	6,088
Share of exchange reserve of jointly controlled entities	**279**	339
Reclassification adjustment for cumulative exchange differences included in profit or loss upon disposal or deregistration of foreign operations	**2,921**	(13,350)
	114,703	(6,923)
Other comprehensive income for the year	**100,842**	147,545
Total comprehensive income for the year	**444,971**	687,383
Total comprehensive income attributable to:		
Owners of the Company	**369,008**	540,476
Non-controlling interests	**75,963**	146,907
	444,971	687,383

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

	Notes	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment		**649,696**	655,264
Prepaid lease payments		**45,746**	43,006
Investment properties		**1,713,848**	1,327,476
Interests in associates		**—**	—
Interests in jointly controlled entities		**61,746**	61,409
Available-for-sale investments		**173,040**	194,012
Prepayment for land development		**148,053**	—
Land development expenditure		**77,767**	12,151
		2,869,896	2,293,318
Current assets			
Inventories		**191,985**	128,685
Trade and other receivables	9	**403,025**	289,018
Prepaid lease payments		**1,733**	1,660
Loans receivable		**70,269**	70,269
Financial assets at fair value through profit or loss		**2,864**	2,926
Taxation recoverable		**1,514**	5,294
Pledged bank deposits		**43,529**	125,083
Bank balances and cash		**1,489,728**	1,208,827
		2,204,647	1,831,762
Current liabilities			
Trade and other payables	10	**691,727**	565,810
Amount due to an associate		**1,050**	1,050
Taxation payable		**61,916**	53,484
Obligations under a finance lease		**767**	730
Secured bank loans		**—**	131,401
Other loan		**8,482**	8,126
		763,942	760,601
Net current assets		**1,440,705**	1,071,161
Total assets less current liabilities		**4,310,601**	3,364,479

	2010	2009
	HK$'000	*HK$'000*
Non-current liabilities		
Deferred taxation	**187,772**	131,763
Obligations under a finance lease	**65**	832
	187,837	132,595
	4,122,764	3,231,884
Capital and reserves		
Share capital	**308,502**	257,090
Reserves	**3,242,030**	2,433,340
Equity attributable to owners of the Company	**3,550,532**	2,690,430
Non-controlling interests	**572,232**	541,454
	4,122,764	3,231,884

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") 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 HKICPA.

HKFRS 3 (as revised in 2008)	Business combinations
HKAS 24 (as revised in 2009)	Related party disclosures in relation to the partial exemption in paragraphs 25 to 27 for government-related entities
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HK(IFRIC) — INT 17	Distributions of non-cash assets to owners
HK — INT 5	Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause

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.

HKFRS 3 (as revised in 2008) Business combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions.

As there was no transaction during the current period in which HKFRS 3 (Revised) are applicable, the application of HKFRS 3 (Revised) had no effect on the consolidated financial statements of the Group for the current period. Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised) are applicable.

HKAS 27 (as revised in 2008) Consolidated and separate financial statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

The application of the revised Standard has affected the accounting for the Group's acquisition of additional 35% of the equity capital of 海南航天投資管理有限公司Hainan Aerospace Investment Management Company Limited ("Hainan Aerospace") in the current year. The change in policy has resulted in the difference of HK$7,261,000 between the proportionate share of the carrying amount of the net assets of Hainan Aerospace at the date of acquisition amounting to RMB39,266,000 (equivalent to approximately HK$45,185,000) and the consideration paid of RMB45,583,400 (equivalent to approximately HK$52,446,000) being recognised directly in equity (i.e. capital reserve), instead of in goodwill. Therefore, the change in accounting policy has resulted in a decrease in goodwill arising on acquisition of additional interest in a subsidiary of HK$7,261,000 and a decrease of equity of HK$7,261,000.

The consolidated statement of financial position as at 1 January 2009 has not been presented as the above restatement has no impact on that consolidated statement of financial position.

Amendments to HKAS 7 Statement of cash flows
(as part of Improvements to HKFRSs issued in 2009)

The amendments to HKAS 7 specify that cash flows arising from changes ownership interests in a subsidiary that do not result in a loss of control, such as the subsequent purchase or sale by a parent of a subsidiary's equity instruments, shall be classified as cash flows from financing activities.

Accordingly, the cash consideration paid in the current year of HK$52,446,000 for the Group's acquisition of additional interests in a subsidiary has been included in cash flows as financing activities. This change has been applied retrospectively. Acquisition of addition interests in a subsidiary of HK$380,000 paid in 2009 has been reclassified from investing to financing activities in the consolidated statement of cash flows for consistent presentation.

Amendments to HKAS 17 Leases

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 HKFRS on HKAS 17 Leases had no effect on the consolidated financial statements of the Group.

HKAS 24 (as revised in 2009) Related party disclosures

Paragraphs 25 to 27 of HKAS 24 (as revised in 2009) "Related party disclosures" exempt certain disclosures in relation to the government-related entities. The Group has applied this disclosure exemption in the consolidated financial statements.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective except for partial exemption from disclosure requirements for government-related entities in accordance with HKAS 24 (as revised in 2009) "Related party disclosures".

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures — Transfers of financial assets[2]
HKFRS 9	Financial instruments[3]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[4]
HKAS 24 (as revised in 2009)	Related party disclosures[5]
HKAS 32 (Amendments)	Classification of rights issues[6]
HK(IFRIC) — INT 14 (Amendments)	Prepayments of a minimum funding requirement[5]
HK(IFRIC) — INT 19	Extinguishing financial liabilities with equity instruments[7]

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate.
[2] Effective for annual periods beginning on or after 1 July 2011.
[3] Effective for annual periods beginning on or after 1 January 2013.
[4] Effective for annual periods beginning on or after 1 January 2012.
[5] Effective for annual periods beginning on or after 1 January 2011.
[6] Effective for annual periods beginning on or after 1 February 2010.
[7] Effective for annual periods beginning on or after 1 July 2010.

HKFRS 9 "Financial instruments" (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 "Financial instruments" (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted. The directors anticipate that the application of HKFRS 9 will affect the classification and measurement of the Group's available-for-sale investment and may affect the classification and measurement of other financial assets.

The amendments to HKAS 12 "Deferred tax: Recovery of underlying assets" mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property". Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties located in the PRC that are measured using the fair value model. If the presumption under the amendments is not rebutted, the deferred tax liability relating to the revaluation of investment properties may increase as the land appreciation tax rate of the PRC is higher than the tax rate currently used by the Group to calculate the deferred tax recognised for investment properties.

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 determines its operating segments based on the internal reports reviewed by the President, the chief operating decision maker of the Group, that are used to make strategic decisions. The management has identified 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 the Shenzhen Aerospace Science & Technology Plaza of property investment project and the Hainan Launching Site Complex Zone of land development project) which represents the major industries the Group engaged.

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

For the year ended 31 December 2010

	Turnover			
	External sales	**Inter-segment sales**	**Total turnover**	**Segment results**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Hi-Tech Manufacturing Business				
Plastic products	**650,770**	**79,748**	**730,518**	**65,310**
Liquid crystal display	**343,391**	—	**343,391**	**11,717**
Printed circuit boards	**395,616**	—	**395,616**	**95,116**
Intelligent chargers	**476,919**	—	**476,919**	**35,348**
Industrial property investment	**11,825**	**13,074**	**24,899**	**8,340**
	1,878,521	**92,822**	**1,971,343**	**215,831**
Aerospace and Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	—	—	—	**177,080**
Land development in Hainan Launching Site Complex Zone	—	—	—	**(14,800)**
	—	—	—	**162,280**
Reportable segment total	**1,878,521**	**92,822**	**1,971,343**	**378,111**
Elimination	—	**(92,822)**	**(92,822)**	—
Other Business	**1,224**	—	**1,224**	**(2,170)**
	1,879,745	—	**1,879,745**	**375,941**
Unallocated corporate income				**66,750**
Unallocated corporate expenses				**(46,957)**
				395,734
Reversal of impairment loss recognised in respect of loans receivable				**24,419**
Share of results of jointly controlled entities				**58**
Finance costs				**(747)**
Profit before taxation				**419,464**

For the year ended 31 December 2009

	Turnover			
	External sales *HK$'000*	Inter-segment sales *HK$'000*	Total turnover *HK$'000*	Segment results *HK$'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 Science & Technology Plaza	—	—	—	501,212
Land development in Hainan Launching Site Complex Zone	—	—	—	(5,888)
	—	—	—	495,324
Reportable segment total	1,360,932	56,832	1,417,764	652,903
Elimination	—	(56,832)	(56,832)	—
Other Business	113	—	113	(19,252)
	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

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, 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 cost-plus basis.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	2010	2009
	HK$'000	*HK$'000*
The Group's other income mainly comprises:		
Waiver of debts *(Note)*	**31,063**	—
Bank interest income	**11,082**	12,447
The Group's other gains and losses comprise:		
Reversal of impairment loss recognised in respect of loans receivable	**24,419**	24,929
Net exchange gain (loss)	**11,186**	(4,184)
Reversal of allowance (allowance for) doubtful trade debts	**8,256**	(5,142)
(Loss) gain on deregistration of a subsidiary	**(2,921)**	1,148
(Loss) profit on disposal of property, plant and equipment	**(1,421)**	18
(Loss) gain from change in fair value of financial assets at fair value through profit or loss	**(448)**	6,174
Gain on disposal of a subsidiary	**—**	43,551
Discount on acquisition of additional interests in a subsidiary	**—**	3,176

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. PROFIT BEFORE TAXATION

	2010	2009
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Depreciation on		
— owned assets	**62,806**	62,441
— assets held under finance leases	**250**	250
Amortisation on prepaid lease payments	**1,081**	1,074
Auditors' remuneration		
— current year	**3,999**	4,080
— underprovision in prior year	**47**	157
Minimum lease payments under operating leases in respect of land and buildings	**8,230**	6,659
Research and development expenses	**17,681**	11,997
Staff costs, including directors' remuneration	**314,578**	234,926
Reversal of allowance for obsolete inventories *(Note)*	**(4,753)**	(1,614)
Cost of inventories charged to profit or loss	**1,476,906**	1,022,049
Gross rental income	**(13,049)**	(11,931)
Less: Direct operating expenses from investment properties that generated rental income during the year	**1,275**	1,186
	(11,774)	(10,745)

Note: Cost of sales includes reversal of allowance for obsolete inventories of HK$4,753,000 (2009:HK$1,614,000) which were used in the production of finished goods sold in the current year.

6. TAXATION

The tax charge for the year comprises:

	2010	2009
	HK$'000	*HK$'000*
Current tax		
Hong Kong Profits Tax	**15,032**	9,519
PRC Enterprise Income Tax	**13,436**	11,112
	28,468	20,631
Under (over) provision in prior years		
Hong Kong Profits Tax	**254**	(2,256)
Deferred tax		
Current year	**46,613**	122,675
	75,335	141,050

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. 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% (2009: 18%) on its assessable profits arising in the PRC for the year, though the tax rate will gradually increase to 25% by 2012.

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

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$292,478,000 (2009: HK$393,940,000) and on 3,017,412,000 weighted average number of shares (2009: 2,570,904,000 shares in issue) during the year.

8. DIVIDENDS

	2010	2009
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2009 final, paid — HK2 cents (2009: nil) per share	**61,700**	—

A final dividend of HK1 cent per share in respect of the year ended 31 December 2010 (2009: HK2 cents) has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

9. TRADE AND OTHER RECEIVABLES

	2010	2009
	HK$'000	*HK$'000*
Trade receivables	**381,377**	307,210
Less: Allowance for doubtful debts	**(24,242)**	(40,372)
	357,135	266,838
Other receivables, deposits and prepayments	**45,890**	22,180
	403,025	289,018

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

	2010	2009
	HK$'000	*HK$'000*
Within 90 days	**339,791**	255,506
Between 91–180 days	**17,344**	11,332
	357,135	266,838

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

	2010	2009
	HK$'000	*HK$'000*
Trade payables	**264,729**	218,740
Accrued charges	**98,082**	73,814
Other payables	**328,916**	273,256
	691,727	565,810

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

	2010	2009
	HK$'000	*HK$'000*
Within 90 days	**248,877**	201,534
Between 91–180 days	**3,519**	4,227
Between 181–365 days	**849**	1,311
Over 1 year	**11,484**	11,668
	264,729	218,740

CHAIRMAN'S STATEMENT

RESULTS

For the year ended 31 December 2010, the Company and its subsidiaries reported a turnover of HK$1,879,745,000 (2009: HK$1,361,045,000), representing an increase of approximately 38.11%. Profit attributable to shareholders was HK$292,478,000, representing a decrease of approximately 25.76% when compared with that of HK$393,940,000 in last year. The decrease in profit was primarily due to the fact that the extent of increase in the fair value of the investment properties held by the subsidiaries of the Company was lower than that of the same period last year. Hi-tech manufacturing business recovered from the financial tsunami at a rate which was better than anticipated.

The Board of Directors recommends the payment of a final dividend of HK1 cent per share as a return to the shareholders.

BUSINESS REVIEW

In 2010, the Company attained promising performance in its main business operations. The key development projects were in smooth progress. In addition to the steady development of the hi-tech manufacturing business, the projects of both Shenzhen Aerospace Science & Technology Plaza and the Complex Zone of the Launching Site in Hainan Province had been proceeded to construction stage.

On 4 February 2010, the Company successfully placed a total of 514,118,000 shares to institutional investors by way of placing and subscription at a price of HK$1.13 per share, raising total proceeds of approximately HK$580,953,000.

Hi-Tech Manufacturing

Benefited from a favorable recovery of the global economy, pivoting on timely reinforcement of internal management and market exploration, as well as the mitigation of adverse factors such as the rise in labor and material costs and the appreciation of Renminbi, the Company's business in the arena of the hi-tech manufacturing business reported favorable operating results. In 2010, the hi-tech manufacturing business reached a historical high in terms of both revenue and earnings. The business recorded a turnover of HK$1,878,521,000 (2009: HK$1,360,932,000), representing an increase of approximately 38.03% compared with last year. Profit amounted to HK$215,831,000, which was a growth of approximately 36.97% when compared with HK$157,579,000 in last year.

Shenzhen Aerospace Science & Technology Plaza

The project of Shenzhen Aerospace Science & Technology Plaza is being developed by a subsidiary of the Company, Shenzhen Aerospace Technology Investment Company Limited# ("Shenzhen Aerospace", "深圳市航天高科投資管理有限公司"). The project involves a total investment of approximately RMB2,100,000,000 (including land cost of approximately RMB507,000,000). It covers a land area of 12,619 square meters, with a total construction area of 196,405 square meters. The project is expected to generate long-term stable recurring income for the Company upon completion.

The project of Shenzhen Aerospace Science & Technology Plaza has been progressed well since its inception. According to the development plan of Shenzhen, the region in which the project is situated, being Nanshan Houhai Central District, is planned to develop into an international financial and business district. In addition, the Shenzhen Aerospace Science & Technology Plaza is located surrounding the Western Corridor at the intersection of Shenzhen and Hong Kong and is directly connected to the Shenzhen Metro. In 2010, Shenzhen Aerospace retained a professional project development consultant to conduct an in-depth research of the future market positioning of the project. With reference to the recommendations from the professional project development consultant, the project has been re-positioned as international standard Grade A office buildings and is targeted to become a high-end business services platform in Nanshan Houhai Central District.

In early 2011, Aerospace Science & Technology Finance Company Limited# ("航天科技財務有限責任公司"), a subsidiary of China Aerospace Science & Technology Corporation ("CASC"), formed a syndicate with the Bank of China and the Industrial and Commercial Bank in respect of the provision of a loan facility in the amount of RMB1,500,000,000 to finance the construction of Shenzhen Aerospace Science & Technology Plaza. In considering the trend of tightening bank credit in the entire credit market in China, the syndicated loan ensures sufficient funds for the project development of Shenzhen Aerospace Science & Technology Plaza in a timely manner, thus greatly easing the project financing pressure under the bank credit tightening environment. The syndicated loan and the related mortgage on land constitutes a connected transaction of the Company, which is subject to approval by independent shareholders of the Company at the Extraordinary General Meeting to be held on 25 March 2011 by way of poll (for further details, please refer to the announcements of the Company dated 14 January 2011 and 23 January 2011, and the circular dated 25 January 2011).

Shenzhen Aerospace has already engaged China State Construction Engineering Corporation Limited as the main contractor through an open tender, so as to fully gear up for the commencement of the construction. The project is expected to be completed in 2013. As at 31 December 2010, the construction-in-progress together with the land use rights of the Shenzhen Aerospace Science & Technology Plaza are valued at approximately RMB1,206,000,000.

The Complex Zone of the Launching Site in Hainan Province

Since the Wenchang City Government announced the commencement of land expropriation of the Complex Zone in March 2010, the land expropriation has been conducted in full swing. In June 2010, the project was regarded as a key development project under the "Development Plan for the Hainan International Tourism Island", and was highly valued by the governments at provincial and municipal levels. During the year, the core team of Hainan Aerospace Investment Management Company Limited# ("Hainan Aerospace", "海南航天投資管理有限公司"), the project company set up for the construction of this project, had already rooted in Wenchang City to promote the government in advancing the land expropriation for the project. At the end of 2010, the Wenchang City Government has entered into land expropriation agreements with the majority of the local residents. At the same time, the planning and construction of the resettlement zone was gradually carrying out.

In August 2010, the Company acquired a 35% equity interest in Hainan Aerospace from Aerospace Times Properties Development Limited# ("航天時代置業發展有限公司"), a subsidiary of CASC, by way of open tender, through which the interest of the whole project of Complex Zone of the Launching Site in Hainan Province was consolidated to the Company. It is believed that this acquisition will enable the Company to adopt more flexible strategies in developing the project. The relevant connected transaction had been approved by independent shareholders of the Company at the Extraordinary General Meeting held in September 2010 by way of poll (for further details, please refer to the announcements of the Company dated 4 August 2010, 24 August 2010 and 10 September 2010 and the circular dated 24 August 2010).

In November 2010, the detail control plan relating to the Complex Zone of the Launching Site in Hainan Province was granted an official approval from the Wenchang City Government. The conceptual plan and design of the Hainan Space Park was also reviewed and approved by the Hainan Provincial Tourism Planning Commission and relevant experts. On 5 December 2010, a groundbreaking ceremony was held for the Hainan Space Park under the witness of the principal leaders of the Hainan Provincial Government and CASC.

DEVELOPMENT PLAN

The 11^{th} Five-Year marked a record-breaking era which highlighted the rapid development and brilliant achievements of the business of CASC. While successfully launching a number of large scale aerospace projects such as the "Shenzhou" manned spacecrafts aerospace project and "Chang'e" moon exploration project, CASC has boosted its economy of scale and beneficial results significantly. During the period, the aerospace civilian industry, which mainly comprises the aerospace technology applications industry and the aerospace services industry, has reaped notable success. During the 12^{th} Five-Year, CASC will continue to focus on the development of four main industries including aerospace systems, defense systems, aerospace technology applications and aerospace services, so as to maintain a speedy growth.

The aerospace technology applications industry produces products through aerospace technology transfer, as well as the extension and expansion of relevant industrial chains. The aerospace technology applications industry comprises six business segments, namely satellite applications equipment and products, information technology products, new materials and new energy products, special application products of aerospace technology, special vehicles and auto parts, as well as space bio-products. The aerospace services provide services for industries including the aerospace systems and aerospace technology applications based on utilization of existing resources, which can be divided into five business segments, namely satellite and ground operations services, financial services (industrial investment), internationalized services, information and software services, as well as industrial bases accommodation services ("Hi-Tech Property").

The Company is the only international financing platform that under the direct shareholding of CASC. The Company has solid and strong fundamentals, and carved out certain foundation in the arena of aerospace services. In recent years, China encourages the integration of central enterprises to advance the listing process, and actively adopt a strategy of "extending a foothold" into the international markets. In addition, China has put forward a policy for the development of seven strategic emerging industries. On the other hand, CASC is heading towards a direction that vigorously hastens the development of two major industrial sectors including aerospace technology applications and aerospace services. All these initiatives would open exciting development opportunities for the Company.

While formulating the medium-term development plan for the next five years, the Company will focus on the development of two main business segments including the hi-tech manufacturing and the aerospace services. It is believed that the Company is set to fully capitalize on its own strengths and features, and is well positioned to blossom into a leading beneficial resulted overseas capital operation platform for CASC.

The hi-tech manufacturing business is cored on production of electronic products and generates stable cash flow for the Company. While the business is upgrading and transforming, it will enhance the proportion of domestic sales, improve the technical know-how, and develop products with high profit margin.

Hi-Tech Property business is one of the major business segments of aerospace services. Through co-ordination of internal land resources and revitalization of land assets, CASC creates a professional and unique hi-tech property platform with distinctive features. Over the past few years, under the support of CASC, the Company carried out the projects of Shenzhen Aerospace Science & Technology Plaza and the Complex Zone of the Launching Site in Hainan Province, thus establishing a foundation for the development of the Hi-Tech Property business. The Company will continue to closely collaborate with CASC and seek for larger room for development in the arena of Hi-Tech Property business. It is believed that with the future expansion of the eight major industrial bases of CASC, the Hi-Tech Property business will be blessed with more advantages.

The Hainan Space Park derived from the Complex Zone of the Launching Site in Hainan Province is expected to become the momentum for driving the development of the aerospace cultural industry for the Company. The aerospace industry in China has posted astounding business growth and attained fascinating achievements in aerospace science and technology for a history of more than half of a century, thus tapping into plenty of aerospace and cultural resources. The Company will take full advantage of these unique resources and the Hainan Space Park project to develop a creative cultural industry with aerospace features. Such development will extend to surrounding projects of Hainan Space Park such as China space camp, space botanical garden, as well as aerospace technology convention and Hainan Space Park exhibition centre.

While capturing the opportunities arising from the development of seven emerging strategic industries in China, the Company will closely communicate with CASC regarding development opportunities in relation to the aerospace technology applications industry and the aerospace services industry, through which different kinds of cooperation and ways of capital operation will be explored. The Company will also take careful measures in assessing the possibility of investing in new business opportunities that are embedded with competitive advantages and are yet to be securitized, in order to develop new business segments of high potentials.

PROSPECT

Hi-tech manufacturing business will continue to encounter rising costs, appreciation of Renminbi and fluctuations in overseas markets. The Company will continue to strengthen its management, improve productivity and control costs so as to ensure the stable growth of the hi-tech manufacturing business. The Company will also pay special attention to the effect arising from the recent international events such as the earthquake and tsunami catastrophe in Japan. Meanwhile, the hi-tech manufacturing business will increase investment in technical enhancement and step up efforts on expanding domestic and foreign markets, as well as improve the fringe benefits of the employees in order to further promote workforce stability.

The Hi-Tech Property business is being affected by inflation and a series of tightening and controlling policies in China. This may increase the pressure on cost control and financing for project development in the short run. While the Company is speeding up the construction of the two key projects in Shenzhen and Hainan, constant assess of cost fluctuations and strict control of short-term risk brought about by the real estate policy will be adopted. Yet the Company believes that under the thorough support of CASC, the two developing projects, which are relating to the provision of accommodation services for industrial and operation bases, will be blessed with long-term positive development.

Shenzhen Aerospace will closely coordinate with the main contractor on the construction of the Shenzhen Aerospace Science & Technology Plaza. The design, tendering, construction and building report and approval processes of the project will be completed on schedule. Shenzhen Aerospace will strictly carry out all the cost budget, quality control and management, as well as project settlement and auditing. Meanwhile, Shenzhen Aerospace will retain professional project development consultants, as well as sales and leasing agents, in order to frame specific programs and plans for the future marketing of the project.

The land expropriation for the project of Complex Zone of the Launching Site in Hainan Province is expected to be generally completed in 2011. Hainan Aerospace will formulate a plan for the primary land development. Meanwhile, it will timely commence the construction preparation of infrastructure of the Hainan Space Park upon completion of an improved project business model and will try to introduce strategic partners for joint cooperation in the development of the project.

To strengthen corporate governance and to cope with future development, the composition of the Board of Directors and the management team of the Company had been adjusted during the year. The Company will continue to strengthen its management capabilities in the horizons including capital operation, mechanism innovation, planning and investment, risk control and public relations. The Company will also improve the management system in the aspects of finance, human resources and corporate governance. It believed that the strengthening of the management capabilities in various areas will better support the Company's future development.

Looking forward, the Board of Directors is confident about the future development of the Company. The Company will ride on the prompt development of CASC in two major aerospace civilian industry sectors including the aerospace technology applications industry and the aerospace services industry. Based on innovation-driven mechanism and by means of capital operation and support of scientific management system, the Company will promote the development of new business segments. A solid foundation will also be established so that the Company is set to act as an overseas capital operation platform for CASC. Over the next five years, the Company will unwaveringly commit to developing itself into a leading beneficial resulted overseas listed company of CASC, thereby creating greater returns for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Results performance

The audited turnover of the Company and the subsidiaries for the year ended 31 December 2010 was approximately HK$1,879,745,000, representing an increase of approximately 38.11% as compared with that of HK$1,361,045,000 for 2009. The profit for the year was HK$344,129,000, representing a decrease of 36.25% as compared with that of HK$539,838,000 for 2009.

Profit attributable to owners of the Company and operating profit

In 2010, the profit attributable to owners of the Company was HK$292,478,000, representing a decrease of 25.76% as compared with that of HK$393,940,000 for 2009. The decrease in profit was mainly due to the lower fair value gain of investment properties than that of last year and the increase in administrative expenses. Besides, the hi-tech manufacturing business had performed the best results ever made in its history, which had exceeded the management's expectation.

Based on the weighted average issued share capital of 3,017,412,000 shares in the period, the earnings per share in 2010 was HK$0.0969, representing a decrease of 36.75% as compared with that of HK$0.1532 for 2009.

The Board has recommended the distribution of a final dividend of HK1 cent per share.

Results of each core business

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

Hi-tech manufacturing

After the Company's internal reorganization, China Aerospace Industrial Limited has commenced operations. Relying on high proficient management, strict cost control and good market exploring ability, the turnover of the hi-tech manufacturing business in 2010 was approximately HK$1,878,521,000, representing an increase of approximately 38.03% as compared with last year; the operating profit was approximately HK$215,831,000, representing an increase of 36.97% as compared with last year.

The turnover of the plastic injection business was HK$650,770,000, representing an increase of 21.17% as compared with last year; the operating profit was HK$65,310,000, representing an increase of 7.96% as compared with last year. The business of printed circuit boards had made a historical record again in its results. The turnover of printed circuit boards was HK$395,616,000, increased by 44.90% as compared with last year; the operating profit was HK$95,116,000, increased by 116.26% as compared with last year. The turnover of intelligent chargers was HK$476,919,000, representing an increase of 62.02% as compared with last year; the operating profit was HK$35,348,000, increased by 22.61% as compared with last year. The turnover of liquid crystal display was HK$343,391,000, representing an increase of 40.35% as compared with last year; the operating profit was HK$11,717,000, increased by 20.38% as compared with last year.

The rental income of industrial property investments was HK$11,825,000, being more or less the same as compared with last year.

Aerospace services 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 was still in a preparatory stage. Hainan Aerospace recorded a loss of HK$14,800,000 during the year, which was mainly due to the payment of the cost of preparatory works, administrative expenses and professional fees, etc..

In addition, the Company acquired the 35% interests in the equity capital of Hainan Aerospace through a tender in August 2010. Upon completion of the transaction, Hainan Aerospace became an indirect wholly-owned subsidiary of the Company. The Company will make investments in Hainan Aerospace by stages while Hainan Aerospace will be responsible in implementing the land development of the Complex Zone of the Launching Site in Hainan Province.

Shenzhen Aerospace Science & Technology Plaza

The investment property under construction, Shenzhen Aerospace Science & Technology Plaza, was measured at fair value in accordance with the Hong Kong Accounting Standards, recorded a fair value gain of HK$183,644,000.

In addition, Shenzhen Aerospace had entered into a main contractor contract and a syndication loan agreement of RMB1,500,000,000 for a period of 5 years in January 2011. The construction works of Shenzhen Aerospace Science & Technology Plaza commences comprehensively in 2011.

Assets

As at 31 December 2010, the audited total assets of the Company and the subsidiaries were HK$5,074,543,000, of which the non-current assets were HK$2,869,896,000, representing an increase of 25.14% as compared with that of HK$2,293,318,000 as at 31 December 2009. The current assets were HK$2,204,647,000, representing an increase of 20.36% as compared with that of HK$1,831,762,000 as at 31 December 2009. The significant increase in non-current assets was mainly due to an increase in the fair value of the investment properties, the increase in prepayment for land development of the Hainan project and the increase in land development expenditure. The equity attributable to owners of the Company, after minority interests, was HK$3,550,532,000, increased significantly by about 31.97% as compared with that of HK$2,690,430,000 as at 31 December 2009. Based on the weighted average issued share capital of 3,017,412,000 shares in the period, the net assets per share and the net assets per share attributable to owners of the Company was HK$1.37 and HK$1.18 respectively.

As at 31 December 2010, the Company and the subsidiaries' cash deposit of about HK$43,529,000 have been pledged to banks to secure trade financings.

Liabilities

As at 31 December 2010, the total liabilities of the Company and the subsidiaries were HK$951,779,000, of which the non-current liabilities were HK$187,837,000, representing an increase of 41.66% as compared with that of HK$132,595,000 as at 31 December 2009, the current liabilities were HK$763,942,000, being more or less the same as compared with that of HK$760,601,000 as at 31 December 2009. The change in non-current liabilities was mainly due to the increase in deferred tax. As at 31 December 2010, the Company and the subsidiaries did not have any bank loan.

Shenzhen Aerospace, the Company's subsidiary, entered into a syndication loan agreement in January 2011 of RMB1,500,000,000 for a period of 5 years with a syndicate of financial institutions in financing the construction of the Shenzhen Aerospace Science & Technology Plaza. With the comprehensive commencement of the construction works, the construction expenses will increase significantly. Shenzhen Aerospace will then drawdown the loan for the construction costs. It is expected that starting from 2011, related bank debt will be gradually increased.

Operating expenses

The administrative expenses of the Company and the subsidiaries in 2010 were HK$248,823,000, representing an increase of 15.73% as compared with last year. This was mainly due to the increase in human resources expense, research and development expense and public donation. The finance costs were HK$747,000, representing a decrease of 60.64% as compared with HK$1,898,000 last year. This was mainly due to the reduction in bank loan.

Contingent Liabilities

As at 31 December 2010, the Company and the subsidiaries did not have any material contingent liabilities.

Financial Ratios

	2010	2009
Gross Profit Margin	**21.62%**	24.94%
Return on Equity	**8.35%**	16.70%
Liabilities/Assets Ratio	**18.76%**	21.65%
Current Ratio	**2.89**	2.41
Quick Ratio	**2.63**	2.24

The existing financial ratios of the Company and the subsidiaries were in satisfactory level. This was resulted from the Company and the subsidiaries' policies of continuous assets optimisation, 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 2010 was HK$1,489,728,000, most of which were in Hong Kong Dollars and Renminbi.

The Company had placed a total of 514,118,000 shares in February 2010, net proceeds amounted to HK$560,000,000, of which HK$359,000,000 had been invested in purpose specified. As at the date of this Announcement, the balance of HK$201,000,000 was being deposited in bank accounts.

Capital Expenditure and Investment Commitment

As at 31 December 2010, the capital commitments of the Company and the subsidiaries contracted for but not provided in the consolidated financial statements was HK$62,837,000, of which the purchase of property, plant and equipment amounted to HK$14,281,000 and the rest of HK$48,556,000 was the capital expenditure of the construction of Shenzhen Aerospace Science & Technology Plaza.

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 RMB1,200,000,000. The Company will make investments in Hainan Aerospace by stages while Hainan Aerospace will be responsible in implementing the land development of the Complex Zone of the Launching Site in Hainan Province.

With the comprehensive commencement of the construction of Shenzhen Aerospace Science & Technology Plaza in 2011, the capital expenditure authorised but not contracted for in relation to the construction is approximately RMB1,460,000,000. Shenzhen Aerospace will drawdown the loan facility of RMB1,500,000,000 by stages in order to settle related construction costs.

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.

The emoluments of the Directors are reviewed by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

As at 31 December 2010, the Company and the subsidiaries have a total of about 6,600 staff 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 2010, 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 2010, 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 Zhou Qingquan. The Audit Committee of the Company reviewed, discussed and approved this 2010 financial statements that had been audited by the auditor, Deloitte Touche Tohmatsu.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company 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 functions of the Remuneration Committee are to study and recommend on the remuneration policy and to determine the remuneration of Directors and senior management.

EVENT AFTER THE REPORTING PERIOD

On 14 January 2011, Shenzhen Aerospace Technology Investment Company Limited# ("Shenzhen Aerospace", "深圳市航天高科投資管理有限公司"), a subsidiary of the Company, entered into a syndication loan agreement and a supplemental agreement in respect of a 5-year term loan in the amount of RMB 1.5 billion with the Finance Syndicate for the construction cost of the Shenzhen Aerospace Science & Technology Plaza. Pursuant to the terms of the syndication loan agreement, Shenzhen Aerospace is required to pledge the land use right of a parcel of land in Shenzhen to the Finance Syndicate as security. As one of the members of the Finance Syndicate is a connected person of the Company, the provision of security to the connected person by Shenzhen Aerospace constitutes a connected transaction of the Company and is subject to the Independent Shareholders' approval at the Extraordinary General Meeting to be held on 25 March 2011. CASC and its associates shall abstain from voting on the resolution related to the connected transaction.

On 23 January 2011, Shenzhen Aerospace entered into a main contractor contract with China State Construction Engineering Corporation Limited ("中國建築股份有限公司") for the construction of the main structure of the Shenzhen Aerospace Science & Technology Plaza at a consideration of RMB931,996,000. The entering into the main contractor contract by Shenzhen Aerospace constitutes a major transaction of the Company and is subject to the Shareholders' approval at the Extraordinary General Meeting to be held on 25 March 2011.

DIVIDEND

The Board has recommended a final dividend of HK1 cent per share for the year ended 31 December 2010 (2009: HK2 cents) payable to the shareholders of the Company ("Shareholders") whose names appear on the register of members of the Company on Tuesday, 24 May 2011.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 20 May 2011 to Tuesday, 24 May 2011 (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 Thursday, 19 May 2011. 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 Monday, 13 June 2011.

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 for their long-time support.

By order of the Board
Rui Xiaowu
Chairman

Hong Kong, 24 March 2011

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 Li Hongjun *(President)*	Mr Rui Xiaowu *(Chairman)*	Mr Chow Chan Lum, Charles
Mr Jin Xuesheng	Mr Wu Zhuo *(Vice Chairman)*	Mr Luo Zhenbang
	Mr Chen Xuechuan	Mr Wang Junyan
	Mr Shi Weiguo	
	Dr Chan Ching Har, Eliza	
	Mr Zhou Qingquan	

These PRC entities do not have English names, the English names set out herein are for identification purpose only.