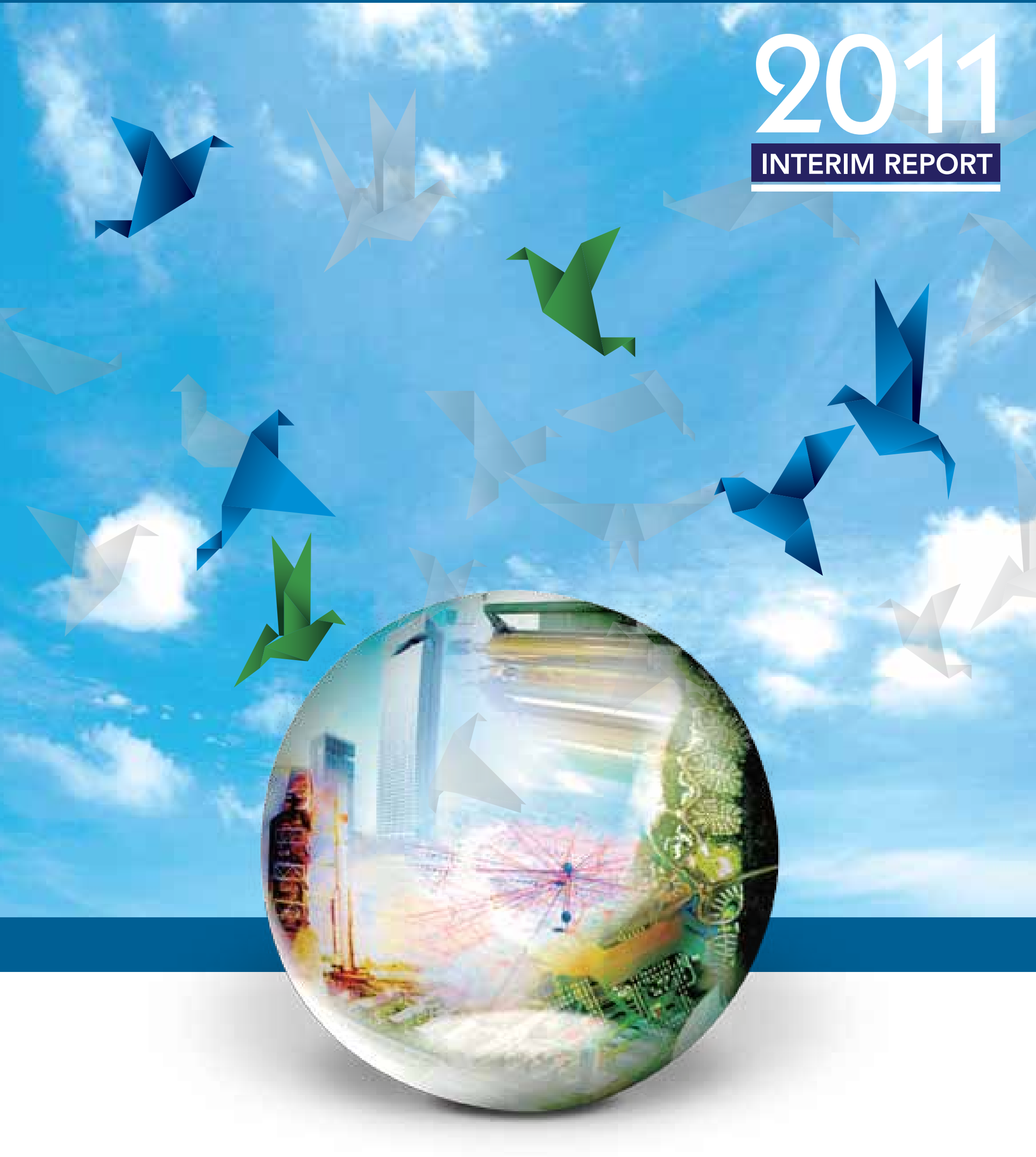
2011
INTERIM REPORT



CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Stock Code: 31)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr Li Hongjun *(President)*
Mr Jin Xuesheng

Non-Executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARY

Mr Chan Ka Kin, Ken

AUDITOR

Deloitte Touche Tohmatsu

SHARE REGISTRAR

Tricor Standard Limited

LEGAL COUNSEL

Reed Smith Richards Butler

PRINCIPAL BANKS & FINANCIAL INSTITUTIONS

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

REGISTERED OFFICE

Room 1103–1107A, One Harbourfront
18 Tak Fung Street, Hung Hom
Kowloon, Hong Kong

Tel: (852) 2193 8888
Fax: (852) 2193 8899
E-mail: public@casil-group.com
Website: http://www.casil-group.com

* This PRC entity does not have an English name, the English name sets out in this Interim Report is for identification purpose only.

BUSINESS REVIEW

RESULTS OVERVIEW

For the six months ended 30 June 2011, the Company and its subsidiaries reported an unaudited turnover of HK$1,007,786,000, representing an increase of 15.95% as compared with that of HK$869,172,000 for the same period of 2010. Profit for the period was HK$282,507,000, representing an increase of 3.10% as compared with that of HK$274,017,000 for the same period of 2010. Profit attributable to owners of the Company was HK$214,715,000, representing an increase of 2.30% as compared with that of HK$209,881,000 for the same period of 2010. Basic earnings per share attributable to owners of the Company was HK$0.0696, representing a decrease of 2.25% as compared with that of HK$0.0712 per share for the same period of 2010.

In general, the Company recorded an ideal growth in revenue. Despite of being under the pressure of substantial increase in costs, having been benefited from the investment property under construction, the project of Shenzhen Aerospace Science & Technology Plaza, continuing to state at fair value, the overall profit of the Company was nearly the same as the same period of last year. Taking into account of the Company's funding requirement for its development projects, the Board decided not to distribute an interim dividend.

BUSINESS REVIEW

According to the medium-term development plan established by the Company, the Company will strive to become an overseas capital operations platform with leading edges for China Aerospace Science & Technology Corporation ("CASC"). The Company is actively carrying out each key business according to the plan, such as to ensure a steady growth of the hi-tech manufacturing business, and the construction works for both hi-tech property projects, namely Shenzhen Aerospace Science & Technology Plaza and the Complex Zone of the Launching Site in Hainan Province, are progressing in an orderly manner. In addition, corresponding to the direction of developing aerospace technology application industry, the Company had made a significant move through the acquisition of a polyimide business and the establishment of a company engaging in the business of internet of things.

Hi-tech manufacturing

Dampened by multiple factors including the monetary tightening and the rise in labour and material costs in the PRC, the appreciation of RMB and the implementation of power supply control measures by the local governments, the manufacturing sector was exposed to another severe challenge after the financial tsunami in 2008. Nevertheless, pivoting on the sales efforts of the experienced management team, the hi-tech manufacturing business of the Company maintained a stable growth in revenue in the first half of the year. However, the operating profit decreased.

For the six months ended 30 June 2011, the hi-tech manufacturing business recorded a turnover of HK$1,006,745,000, representing an increase of 15.83% as compared with the same period of last year. Operating profit amounted to HK$97,240,000, representing a decrease of 14.60% as compared with the same period of last year. Both segments of printed circuit boards and plastic products attained prominent performance by contributing a turnover of HK$213,731,000 and HK$389,242,000 respectively, representing an increase of 19.38% and 19.07% as compared with the same period of last year respectively.

The profit before tax of each hi-tech manufacturing business segment dropped at varying degrees. The operating profit of the intelligent chargers segment was HK$16,732,000, representing a decrease of 0.32% as compared with the same period of last year. The operating profit of the printed circuit boards segment was HK$42,083,000, representing a decrease of 5.44% as compared with the same period of last year. The operating profit of the plastic products segment was HK$29,293,000, representing a decrease of 25.30% as compared with the same period of last year. The operating profit of the liquid crystal display segment was HK$5,816,000, representing a decrease of 18.12% as compared with the same period of last year.

Shenzhen Aerospace Science & Technology Plaza

In early 2011, Aerospace Science & Technology Finance Company Limited* ("航天科技財務有限責任公司"), a subsidiary of CASC, formed a syndicate with the Bank of China and the Industrial and Commercial Bank of China in respect of the provision of a syndicate loan in the amount of RMB1,500,000,000 to finance the construction of Shenzhen Aerospace Science & Technology Plaza. The syndicate loan and the related mortgage on the land use right, which constituted connected transactions of the Company, were approved by the independent shareholders of the Company at the Extraordinary General Meeting held on 25 March 2011, details of which please refer to the announcements of the Company dated 14 January 2011, 23 January 2011 and 25 March 2011, and the circular dated 25 January 2011. Amid the economic tightening in the macro-market conditions, the syndicate loan has timely provided a satisfactory financing for the project of Shenzhen Aerospace Science & Technology Plaza.

The foundation excavation and earthwork of the project of Shenzhen Aerospace Science & Technology Plaza have been basically completed. At present, the foundation works of the project are in progress and are expected to be completed in early 2012. To step up the marketing efforts on the project upon completion, a team of professional consultants has been engaged to fully gear up for the in-depth research of market positioning and preliminary market development of the project. As at 30 June 2011, the construction-in-progress together with the land use rights of Shenzhen Aerospace Science & Technology Plaza was valued at RMB1,422,000,000.

The Complex Zone of the Launching Site in Hainan Province

In 2011, the project of the Complex Zone of the Launching Site in Hainan Province was mainly focused on expropriation of lands and establishment of resettlement zones. Currently, agreements have been reached with most of the local residents in respect of the terms of demolishment compensation. The detailed site planning and design of the resettlement zones have been basically completed and will be proceeded to the review and approval process. In relation to the Hainan Space Park, the detailed project planning and design will be commenced immediately after the optimization of the design plan. On the other hand, according to an agreement entered into, upon negotiation, with the host organization of the "Space Home Pavilion" of the Shanghai World Expo, a permanent home for the "Space Home Pavilion" will be located in the Complex Zone of the Launching Site in Hainan Province.

New materials business

New materials sector is one of the seven strategic and emerging industries that is emphasized to develop according to China's "12th Five-year Plan", and is also a major industry that is keenly developed by CASC at the forefront of aerospace technology applications. To capture the prevailing opportunities, the Company, after careful research, decided to step into the new organic polymer materials business with immense potentials through the acquisition of a 55% equity interest in Shenzhen Rayitek Hi-tech Film Company Limited* (深圳瑞華泰薄膜科技有限公司) ("Shenzhen Rayitek").

Shenzhen Rayitek has been committed to the development of polyimide as the new polymer materials since its inception in 2004. It is a high-tech company engaging in the research and development, manufacturing and marketing of polyimide films and related composite materials. Polyimide is a special kind of new polymer materials. With its excellent properties of high temperature resistance and high insulation, polyimide has become an indispensable key material for the development of microelectronics technology. The polyimide materials, as a kind of special engineering materials, are actually in widespread use in a wide variety of aspects including aviation, aerospace, microelectronics, nanotechnology, liquid crystals, membranes and lasers.

The polyimide film products produced by Shenzhen Rayitek, such as insulation materials of wire, cable and electrical machinery, substrates of flexible printed circuit (FPC), tape automated bonding (TAB) and pressure-sensitive tape (PST), are mainly used in fields stretching from aviation, aerospace, microelectronic devices, electrical equipment to information industry. In early 2011, the polyimide film production line of Shenzhen Rayitek was officially put into operation, and was identified as a demonstration project of national high-tech industrialization by the National Development and Reform Commission.

Others

To optimize the Company's assets, improve asset structure and the overall financial position, and promote the development of the Company's main business operations, the Company entered into an agreement to dispose its entire interest in CASIL Satellite Holdings Limited in March 2011. The transaction is expected to be completed in the second half of the year and to generate a gain of approximately HK$100,000,000 for the Company, subject to final audit.

In May 2011, the Company set up Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術（深圳）有限公司) by establishing a strategic partnership with international experts of internet of things, thereby laying a solid foundation for tapping into the business of internet of things.

In line with the Company's future development plans, the Company had retained a professional manpower consulting company to conduct a research and analysis of the Company's organizational structure, as well as the continued development and configuration of human resources, and to put forward optimization recommendations thereon. With reference to the relevant opinion, the Company had formed several new departments such as Corporate Development Department, Asset Management Department and Corporate Finance Department. The Company is of the view that the change of the organizational structure will effectively enhance the Company's strengths in planning formulation, asset management, investment monitoring, financial management and investor relations.

PROSPECT

Recently, certain European countries had suffered from national debt crises sequentially, as well as the US credit rating was being downgraded, the global markets for equity, forex and commodity fluctuated violently. This further weakens the already sluggish aggregate demand. Looking ahead towards the second half of the year, the business environment will not be optimistic. It is expected that the hi-tech manufacturing business will continue to be affected by a couple of adverse factors including the rise in costs, the appreciation of RMB and the fluctuation in domestic and foreign markets. The hi-tech manufacturing business will continue to strengthen its management, control costs and risks, intensify technical enhancement, and reinforce efforts on market exploration of domestic and foreign markets in order to endeavour to maintain a stable business.

The construction of both hi-tech property projects, the Shenzhen Aerospace Science & Technology Plaza and the Complex Zone of the Launching Site in Hainan Province, will be proceeded as scheduled. Hainan Aerospace Investment Management Company Limited* (海南航天投資管理有限公司) will strengthen its communications with the local government and enhance the business model. Meanwhile, the Company will put more efforts to introduce strategic partners for the cooperation of project development. Under the impacts of factors such as inflation and policy measures in the PRC, the hi-tech property business may encounter increased pressures on cost control and financing in the short run. The Company will keep itself highly alert of cost and price fluctuations in order to strictly mitigate the short-term risks brought by the relevant policies. However, it is believed that both projects of the hi-tech property in Shenzhen and Hainan, principally providing accommodation services to the industrial bases, will develop healthily in the long run.

In connection with the new materials business, the annual production capacity of the high-performance polyimide films of Shenzhen Rayitek is about 300 tonnes, subject to change in accordance with different product specifications. In the second half of the year, Shenzhen Rayitek will gradually increase its sales and production volume and begin to consider its expansion plan for the next stage. With the support from CASC, the Company has made an initial step, through the acquisition of Shenzhen Rayitek, towards the development of new organic polymer materials industry. At the same time, the Company expects the relevant acquisition will have synergy effect to the hi-tech manufacturing business of the Company.

APPRECIATION

In June 2011, Mr Rui Xiaowu, due to a change of work arrangement, resigned as a Non-Executive Director and the Chairman of the Company. The Board would like to extend wholehearted gratitude to Mr Rui Xiaowu for his dedicated efforts and valuable contribution for the Company's development over the years. The Company would also like to express heartfelt thanks to all staff, and our shareholders, banks, business partners and the community for their patronage for the development of the Company.

By order of the Board
Wu Yanhua
Chairman

Hong Kong, 26 August 2011

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS PERFORMANCE

The unaudited turnover for the six months ended 30 June 2011 of the Company and its subsidiaries was HK$1,007,786,000, representing an increase of 15.95% as compared with that of HK$869,172,000 for the same period of 2010. Profit for the period was HK$282,507,000, representing an increase of 3.10% as compared with that of HK$274,017,000 for the same period of 2010.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND OPERATING PROFIT

Profit attributable to owners of the Company was HK$214,715,000, representing an increase of 2.30% as compared with that of HK$209,881,000 for the same period of 2010. The increase in profit was mainly due to the increase in fair value gain of investment properties.

Based on the issued share capital of 3,085,022,000 shares in the period, the basic earnings per share was HK$0.0696, representing a decrease of 2.25% as compared with that of HK$0.0712 for the same period of 2010, based on the weighted average issued share capital of 2,948,681,000 shares after being adjusted for the effect of placing of 514,118,000 shares in February 2010.

RESULTS OF EACH CORE BUSINESS

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

Hi-tech Manufacturing

Relying on highly efficient management and proficient marketing, the hi-tech manufacturing business recorded a turnover of HK$1,006,745,000 for the six months ended 30 June 2011, representing an increase of 15.83% as compared with the same period of last year; the operating profit, mainly affected by the increase in rigid costs, was HK$97,240,000, representing a decrease of 14.60% as compared with the same period of last year.

The results of the hi-tech manufacturing segments are shown below:

	Turnover (HK$'000)			Operating Profit (HK$'000)		
	First Half of 2011	First Half of 2010	Change %	**First Half of 2011**	First Half of 2010	Change %
Plastic Products	**389,242**	326,908	19.07	**29,293**	39,213	(25.30)
Printed Circuit Boards	**213,731**	179,039	19.38	**42,083**	44,503	(5.44)
Intelligent Chargers	**253,982**	222,369	14.22	**16,732**	16,785	(0.32)
Liquid Crystal Display	**143,659**	135,208	6.25	**5,816**	7,103	(18.12)
Industrial Property Investment	**6,131**	5,625	9.00	**3,316**	6,257	(47.00)
Total	**1,006,745**	869,149	15.83	**97,240**	113,861	(14.60)

Aerospace Service Business

The Complex Zone of the Launching Site in Hainan Province

The comprehensive development of the Complex Zone of the Launching Site in Hainan Province is still in a preparatory stage. Hainan Aerospace Investment Management Company Limited* (海南航天投資管理有限公司) ("Hainan Aerospace") recorded a loss of HK$5,215,000 in the first half of 2011, which was mainly due to the payment of cost of preparatory works, administrative expenses and professional fees etc.

Shenzhen Aerospace Science & Technology Plaza

The investment property under construction, the Shenzhen Aerospace Science & Technology Plaza, measured at fair value in accordance with the Hong Kong Accounting Standards, recorded a fair value gain of HK$228,423,000.

In addition, Shenzhen Aerospace Technology Investment Management Company Limited* (深圳市航天高科投資管理有限公司) ("Shenzhen Aerospace") had entered into a main contractor contract and a syndicate 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 have been commenced comprehensively in 2011.

ESTABLISHMENT OF NEW BUSINESSES

To consolidate diversification of the Company's business, the Company has established two new businesses since the beginning of 2011 respectively, namely Internet of Things and New Materials.

Internet of Things

The Company has set up a company focusing on internet of things, namely Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術（深圳）有限公司) ("Aerospace Digitnexus") in Shenzhen in the first half of 2011, mainly engaging in business of research and development of radio frequency identification (RFID), sensor technology, embedded software supporting platform technology, intelligent terminal technology for computer network and short data link satellite technology, system integration of internet of things comprising sensor, RFID, computer software and hardware, satellite systems and other electronic products etc., and sales of self-developed software and products. Aerospace Digitnexus will concentrate on the field of system integration of internet of things and provide comprehensive and systematic solutions to meet customers' demands.

New Materials

The Company, through its subsidiary CASIL New Century Technology Development (Shenzhen) Company Limited* (航科新世紀科技發展（深圳）有限公司) ("New Century"), acquired a 55% equity interest in Shenzhen Rayitek Hi-tech Film Company Limited* (深圳瑞華泰薄膜科技有限公司) ("Shenzhen Rayitek") in July 2011, which allows the Company to develop polyimide films as a starting point to enter into polyimide related businesses and as a stepping stone to enter into the platform of new materials business. Shenzhen Rayitek has been committed to the development of new materials in polyimide and is a research and development, manufacturing and marketing high-tech company focusing on polyimide films and related composite materials. The polyimide film products of Shenzhen Rayitek include the insulation materials of wire, cable and electrical machinery, substrates of flexible printed circuit (FPC), tape automated bonding (TAB) and pressure-sensitive tape (PST), and are widely used in aviation, aerospace, microelectronic devices, electrical equipment and information industry and other fields.

It is expected that Shenzhen Rayitek will become an important foundation for the Company to develop new materials business with great competitiveness and profitability. Simultaneously, the Company expects Shenzhen Rayitek will create synergy effect to the Company's hi-tech manufacturing business.

ASSETS

As at 30 June 2011, the unaudited total assets of the Company and the subsidiaries were HK$5,550,428,000, of which the non-current assets were HK$3,449,269,000, representing an increase of 20.19% as compared with that of HK$2,869,896,000 as at the end of 2010, and the current assets were HK$2,101,159,000, representing a decrease of 4.69% as compared with that of HK$2,204,647,000 as at the end of 2010. The huge increase in non-current assets was mainly due to an increase in fair value of investment properties and the increase in land development costs of the Hainan project. The equity attributable to owners of the Company was HK$3,765,612,000, representing a significant increase of 6.06% as compared with that of HK$3,550,532,000 as at the end of 2010. Based on the issued share capital of 3,085,022,000 shares in the period, the net assets per share attributable to owners of the Company was HK$1.22.

As at 30 June 2011, the Company and the subsidiaries' cash deposit of about HK$33,012,000 had been pledged to banks to secure trade financings and Shenzhen Aerospace had pledged a land use right at value of RMB1,422,000,000 to a syndicate of banks and a financial institution for a syndicate loan.

To optimize the Company's assets, improve asset structure and overall financial position, facilitate the development of each core business, the Company disposed its entire interests in a subsidiary, CASIL Satellite Holdings Limited ("CASIL Satellite"), to its connected party China Great Wall Industry (Hong Kong) Corp. Limited at a consideration of HK$132,300,000 in March 2011. The main assets of CASIL Satellite are its interests in APT Satellite Holdings Limited (stock code: 1045). As at the date of publication of this Interim Report, the purchaser has already obtained a waiver from general offer from the Securities and Futures Commission, Hong Kong and is in the process of obtaining regulatory approvals in China. Upon completion of the disposal, CASIL Satellite will cease to be the Company's subsidiary. Details of which please refer to the Company's announcements dated 28 and 29 March 2011 respectively.

LIABILITIES

As at 30 June 2011, the total liabilities of the Company and the subsidiaries were HK$1,133,968,000, of which the non-current liabilities were HK$251,882,000, representing an increase of 34.10% as compared with that of HK$187,837,000 as at the end of 2010. This was mainly due to the increase in deferred tax. The current liabilities were HK$882,086,000, representing an increase of 15.47% as compared with that of HK$763,942,000 as at the end of 2010. As at 30 June 2011, the Company and the subsidiaries had an outstanding bank debt of RMB100,000,000.

Shenzhen Aerospace entered into a syndicate loan agreement for a syndicate loan of RMB1,500,000,000 in January 2011 for the construction costs of the Shenzhen Aerospace Science & Technology Plaza. With the comprehensive commencement of the construction works, construction costs will be significantly increased and Shenzhen Aerospace will then draw down the facility by stages for the construction cost payment. Hence, relevant bank debt will be gradually increased from the second half of 2011. As at 30 June 2011, Shenzhen Aerospace had not drawn down the syndicate loan yet.

OPERATING EXPENSES

The administrative expenses of the Company and the subsidiaries in the first half of 2011 were HK$124,112,000, representing an increase of 26.07% as compared with the same period of last year. This was mainly due to the increase in human resources expenses, and research and development cost. The total finance costs were HK$1,156,000, of which HK$1,139,000 has been capitalised to land development expenditure of Hainan project.

CONTINGENT LIABILITIES

As at 30 June 2011, the Company and the subsidiaries did not have any material contingent liabilities.

FINANCIAL RATIOS

For the six months ended 30 June 2011, the consolidated gross profit margin of the Company was 19.99%, representing a decrease of 2.33% as compared with that of 22.32% for the same period of 2010. The return on net assets ratio was 6.40%, representing a slight decrease as compared with that of 6.80% for the same period of 2010. The liabilities/assets ratio was 20.43%, recording a slight increase as compared with that of 18.76% for the end of 2010. It was mainly because the Company and the subsidiaries had an increase in both deferred tax and short term debt. The current ratio and the quick ratio were 2.38 and 2.11 respectively, being decreased as compared with that of 2.89 and 2.63 respectively for the end of 2010. In general, each of the financial ratios of the Company and the subsidiaries still maintained at a satisfactory level.

LIQUIDITY

The source of funds of the Company and the subsidiaries mainly relies on internal resources and banking facilities. The Company and the subsidiaries' cash and bank balances as at 30 June 2011 was HK$1,190,066,000, most of which were in Hong Kong Dollars and Renminbi.

The Company placed a total of 514,118,000 shares in February 2010 and the net proceed was about HK$560,000,000, of which HK$540,000,000 had already been used in the purpose specified. As at the date of publication of this Interim Report, the balance of approximately HK$20,000,000 was being deposited in bank accounts.

CAPITAL EXPENDITURE AND INVESTMENT COMMITMENT

As at 30 June 2011, the capital commitments of the Company and the related subsidiaries contracted for but not provided in the condensed consolidated financial statements were HK$1,163,251,000, mainly representing the capital expenditure of the construction of the Shenzhen Aerospace Science & Technology Plaza. Following the comprehensive commencement of the construction of the Shenzhen Aerospace Science & Technology Plaza in 2011, the capital commitments of those approved but not yet contracted for were RMB423,000,000. Shenzhen Aerospace will draw down the syndicate loan by stages to settle the relevant construction costs, where required.

The Company and its relevant subsidiaries have participated in the land development of the Complex Zone of the Launching Site in Hainan Province with investment commitments of RMB1,200,000,000. The Company will undertake the investment in Hainan Aerospace by stages and Hainan Aerospace will be responsible for implementing the land development project.

Pursuant to the auction terms of the acquisition of Shenzhen Rayitek, New Century entered into a guarantee agreement with Hangzhou Bank, Shenzhen Branch to guarantee the repayment of outstanding loan of Shenzhen Rayitek. As at the date of the publication of this Interim Report, Shenzhen Rayitek had an outstanding loan of RMB60,000,000. In addition, New Century will lend a sum of RMB100,000,000 to Shenzhen Rayitek before the end of this year according to the auction terms. Details of which please refer to the Company's announcements dated 11 and 14 July 2011 respectively.

DIVIDEND

The Board of the Company had proposed the distribution of 2010 final dividend of HK$0.01 per share in March 2011 and that was approved by shareholders at the annual general meeting held in May 2011, warrants of which were dispatched to all shareholders on 13 June 2011.

The Board decided not to distribute an interim dividend for the year of 2011.

FINANCIAL RISKS

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

HUMAN RESOURCES AND REMUNERATION POLICIES

The Company 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 30 June 2011, the Company and the subsidiaries have a total staff of about 6,800 based in the Mainland and Hong Kong.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2011, the following declarations of interests by shareholders holding 5% or more of the issued capital of the Company have been recorded in the Register of Interests pursuant to Part XV of the Securities & Futures Ordinance:

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

Notes:

(1) These 1,143,330,636 shares are duplicated in the interests held by Jetcote Investments Limited, a wholly-owned subsidiary of China Aerospace Science & Technology Corporation, and its subsidiaries.

(2) Both Burhill Company Limited and Sin King Enterprises Company Limited are wholly-owned subsidiaries of Jetcote Investments Limited. The shares held by them form part of the total number of shares held by Jetcote Investments Limited.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital or underlying shares of the Company as at 30 June 2011.

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

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

CORPORATE GOVERNANCE

For the six months ended 30 June 2011, the Company had complied throughout the period with the provisions of the *Code on Corporate Governance Practice* as set out in Appendix 14 of the Listing Rules.

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

CASIL Clearing Limited ("CASIL Clearing"), a wholly-owned subsidiary of the Company, had made an advance in the past to Chinluck Properties Limited ("Chinluck"), an independent third party. The loan was secured by a piece of land and guaranteed personally by Mr Cheng Zhen Shu, the substantial shareholder and chairman of Chinluck. CASIL Clearing was alleged a breach of the loan agreement in failing to advance the full amount of HK$330,000,000 to Chinluck. CASIL Clearing resisted the claim and counterclaimed against Chinluck and sued against Mr Cheng Zhen Shu upon default on, including but not limited to, interest and payment of the loan amount advanced under the loan agreement and the mortgage. A Court hearing in respect of the loan was conducted in June 2004, and the judgement in respect of the action was received in July 2004. The judgement was merely a fact finding and confined to issues of liability only. For the issues of damages, it was held by the Court in December 2006 that, *inter alia*, CASIL Clearing is required to pay a nominal damage of HK$100 to Chinluck for its breach of agreement to advance the remaining portion of the loan and Chinluck is required to pay the outstanding principal and the accrued interest under the loan agreement and the mortgage for its breach of the repayment obligations.

In September 2007, CASIL Clearing entered into a settlement deed with Chinluck and Mr Cheng Zhen Shu so as to solve the litigation completely. Pursuant to the settlement deed, both Chinluck and Mr Cheng Zhen Shu agreed to repay a sum of HK$280,000,000 to CASIL Clearing by instalments.

During the first half of 2011, both Chinluck and Mr Cheng Zhen Shu had repaid in full pursuant to the settlement deed. All parties had executed and filed a consent order to the Court to provide for a permanent stay of execution of judgement.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

The Company had adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 of the Listing Rules as the required standard for the Directors of the Company to trade the securities of the Company. Having made specific enquiry of all the Directors of the Company and in accordance with information provided, all the Directors have complied with the provisions under the Model Code.

As at 30 June 2011, none of the Directors, chief executive or their associates have any beneficial or non-beneficial interests in the share capital, warrants and options of the Company or its subsidiaries or any of its associated corporations which is required to be recorded in the Register of Directors' Interests pursuant to Part XV of the Securities & Futures Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers*.

AUDIT COMMITTEE

The Audit Committee of the Company currently has a membership comprising two Independent Non-Executive Directors, Mr Chow Chan Lum, Charles (Chairman) and Mr Luo Zhenbang, and a Non-Executive Director, Mr Zhou Qingquan. The major responsibilities of the Audit Committee include serving as a focal point for communication between the Directors and external auditors in reviewing the Company's financial information as well as overseeing the Company's financial reporting system and internal control procedures.

The Audit Committee of the Company reviewed, discussed and approved this 2011 unaudited Interim Report that had been reviewed by the auditor, Deloitte Touche Tohmatsu.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company currently has a membership comprising three Independent Non-Executive Directors, Mr Chow Chan Lum, Charles, Mr Luo Zhenbang and Mr Wang Junyan, and two Non-Executive Directors, Dr Chan Ching Har, Eliza (Chairman) and Mr Chen Xuechuan. The responsibilities of the Remuneration Committee are to study and suggest the remuneration policy and to determine the remuneration of the Directors and senior management of the Company.

CONNECTED TRANSACTIONS

On 14 January 2011, Shenzhen Aerospace Hi-tech Investment Management Company Limited* (深圳市航天高科投資管理有限公司), a subsidiary of the Company, entered into a syndicate loan agreement and a supplemental agreement in respect of a 5-year term loan in the amount of RMB1,500,000,000 with the Finance Syndicate for the construction cost of the Shenzhen Aerospace Science & Technology Plaza. Pursuant to the terms of the syndicate 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 constituted a connected transaction of the Company and was approved by the independent shareholders at the Extraordinary General Meeting held on 25 March 2011. CASC and its associates abstained from voting on the resolution related to the connected transaction. Details of which please refer to the Company's announcements made on 14 January 2011, 23 January 2011 and 25 March 2011, and the circular dated 25 January 2011, respectively.

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

On 28 March 2011, the Company disposed the entire interest in CASIL Satellite Holdings Limited ("CASIL Satellite") to a connected party China Great Wall Industry (Hong Kong) Corp. Limited in a consideration of HK$132,300,000. The disposal constituted a connected transaction of the Company exempt from the independent shareholders' approval requirements, The Directors (including the Independent Non-Executive Directors) believe that the terms of the transaction are on normal commercial terms and are fair and reasonable, the entering into the sale and purchase agreement is in the interests of the Company and the shareholders of the Company as a whole. Upon completion of the disposal, CASIL Satellite will cease to be a subsidiary of the Company. Details of which please refer to the Company's announcements made on 28 and 29 of March 2011 respectively.

As at the date of publication of this Interim Report, the purchaser has already obtained a waiver from general offer from the Securities and Futures Commission, Hong Kong and is in the process of obtaining regulatory approvals in China.

EVENT AFTER THE END OF INTERIM PERIOD

On 11 July 2011, CASIL New Century Technology Development (Shenzhen) Company Limited* (航科新世紀科技發展（深圳）有限公司) ("New Century"), a wholly-owned subsidiary of the Company, won an open tender and entered into a share transfer agreement with Guangdong Huamei Group Company Limited* (廣東華美集團有限公司) in respect of a proposed acquisition of 39% shareholding in Shenzhen Rayitek Hi-tech Film Company Limited* (深圳瑞華泰薄膜科技有限公司) ("Shenzhen Rayitek"). On the same day, New Century also entered into share transfer agreements with Shenzhen Huamei Jiye Investment Company Limited* (深圳市華美基業投資有限公司) and Hangzhou Taida Industrial Company Limited* (杭州泰達實業有限公司) in respect of the acquisitions from each of them a 10% and 6% of shareholding in Shenzhen Rayitek, respectively. The aggregated consideration of acquiring a 55% shareholding in Shenzhen Rayitek was RMB 63,040,000. The acquisition constituted a discloseable transaction of the Company and details of which please refer to the Company's announcements dated 11 and 14 July 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 for their long-time support.

By order of the Board
Li Hongjun
Executive Director & President

Hong Kong, 26 August 2011

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF
CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 24 to 48, which comprises the condensed consolidated statement of financial position of China Aerospace International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2011 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 August 2011

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	NOTES	Six months ended 30.6.2011 (Unaudited) HK$'000	30.6.2010 (Unaudited) HK$'000
Turnover	3	**1,007,786**	869,172
Cost of sales		**(806,303)**	(675,194)
Gross profit		**201,483**	193,978
Other gains and losses	4	**48,899**	5,092
Other income	4	**16,421**	43,697
Selling and distribution expenses		**(25,792)**	(19,996)
Administrative expenses		**(124,112)**	(98,448)
Fair value changes of investment properties		**243,697**	223,373
Finance costs	5	**(17)**	(529)
Share of results of jointly controlled entities		**(1,763)**	(74)
Profit before taxation	6	**358,816**	347,093
Taxation	7	**(76,309)**	(73,076)
Profit for the period		**282,507**	274,017
Attributable to:			
Owners of the Company		**214,715**	209,881
Non-controlling interests		**67,792**	64,136
		282,507	274,017
Earnings per share — basic	8	**HK6.96 cents**	HK7.12 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	Six months ended	
	30.6.2011	30.6.2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Profit for the period	**282,507**	274,017
Other comprehensive income		
Exchange differences arising on translating foreign operations	**48,730**	36,803
Share of exchange reserve of jointly controlled entities	**2,270**	—
Fair value loss on available-for-sale investments	**(8,961)**	(16,065)
Increase in fair value of land and buildings transferred to investment properties	**—**	7,169
Deferred tax liability arising on revaluation of properties	**—**	(1,434)
Other comprehensive income for the period	**42,039**	26,473
Total comprehensive income for the period	**324,546**	300,490
Total comprehensive income attributable to:		
Owners of the Company	**245,930**	228,046
Non-controlling interests	**78,616**	72,444
	324,546	300,490

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2011

	NOTES	30.6.2011 (Unaudited) HK$'000	31.12.2010 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	10	**666,945**	649,696
Prepaid lease payments		**46,599**	45,746
Investment properties	10	**2,017,950**	1,713,848
Interests in jointly controlled entities		**62,253**	61,746
Available-for-sale investments		**53,604**	173,040
Prepayment for land development	11	**9,398**	148,053
Land development expenditure	11	**592,520**	77,767
		3,449,269	2,869,896
Current assets			
Inventories		**239,024**	191,985
Trade and other receivables	12	**428,374**	403,025
Prepaid lease payments		**1,762**	1,733
Loans receivable		**—**	70,269
Financial assets at fair value through profit or loss		**85,878**	2,864
Taxation recoverable		**3,568**	1,514
Pledged bank deposits		**33,012**	43,529
Bank balances and cash		**1,190,052**	1,489,728
		1,981,670	2,204,647
Assets classified as held for sale	13	**119,489**	—
		2,101,159	2,204,647

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2011

	NOTES	30.6.2011 (Unaudited) HK$'000	31.12.2010 (Audited) HK$'000
Current liabilities			
Trade and other payables	14	**674,474**	691,727
Amount due to an associate		**1,050**	1,050
Taxation payable		**77,125**	61,916
Obligations under a finance lease		**454**	767
Unsecured bank loan	15	**120,337**	—
Other loan		**8,625**	8,482
		882,065	763,942
Liabilities associated with assets classified as held for sale	13	**21**	—
		882,086	763,942
Net current assets		**1,219,073**	1,440,705
Total assets less current liabilities		**4,668,342**	4,310,601
Non-current liabilities			
Deferred taxation		**251,882**	187,772
Obligations under a finance lease		**—**	65
		251,882	187,837
		4,416,460	4,122,764
Capital and reserves			
Share capital	16	**308,502**	308,502
Reserves		**3,457,110**	3,242,030
Equity attributable to owners of the Company		**3,765,612**	3,550,532
Non-controlling interests		**650,848**	572,232
		4,416,460	4,122,764

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the Company												
	Share capital HK$'000	Share premium HK$'000	Special capital reserve HK$'000	General reserve HK$'000	Translation reserve HK$'000	Investment revaluation reserve HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Retained profits HK$'000	Sub total HK$'000	Attributable to non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2010 (audited)	257,090	336,286	14,044	23,916	96,377	154,468	3,899	21,570	1,080	1,781,700	2,690,430	541,454	3,231,884
Profit for the period	–	–	–	–	–	–	–	–	–	209,881	209,881	64,136	274,017
Exchange gain arising on translating foreign operations	–	–	–	–	28,495	–	–	–	–	–	28,495	8,308	36,803
Fair value loss on available-for-sale investments	–	–	–	–	–	(16,065)	–	–	–	–	(16,065)	–	(16,065)
Increase in fair value of land and buildings transferred to investment properties	–	–	–	–	–	–	7,169	–	–	–	7,169	–	7,169
Deferred tax liability arising on revaluation of properties	–	–	–	–	–	–	(1,434)	–	–	–	(1,434)	–	(1,434)
Total comprehensive income (expense) for the period	–	–	–	–	28,495	(16,065)	5,735	–	–	209,881	228,046	72,444	300,490
Dividend recognised as distribution	–	–	–	–	–	–	–	–	–	(61,700)	(61,700)	–	(61,700)
Issue of shares in placing and subscription arrangement	51,412	529,541	–	–	–	–	–	–	–	–	580,953	–	580,953
Expenses incurred in connection with issue of shares	–	(20,898)	–	–	–	–	–	–	–	–	(20,898)	–	(20,898)
Balance at 30 June 2010 (unaudited)	308,502	844,929	14,044	23,916	124,872	138,403	9,634	21,570	1,080	1,929,881	3,416,831	613,898	4,030,729
Balance at 1 January 2011 (audited)	**308,502**	**844,929**	**14,044**	**23,916**	**186,768**	**133,496**	**11,010**	**14,309**	**1,080**	**2,012,478**	**3,550,532**	**572,232**	**4,122,764**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**214,715**	**214,715**	**67,792**	**282,507**
Exchange gain arising on translating foreign operations	**–**	**–**	**–**	**–**	**37,906**	**–**	**–**	**–**	**–**	**–**	**37,906**	**10,824**	**48,730**
Share of exchange reserve of jointly controlled entities	**–**	**–**	**–**	**–**	**2,270**	**–**	**–**	**–**	**–**	**–**	**2,270**	**–**	**2,270**
Fair value loss on available-for-sale investments	**–**	**–**	**–**	**–**	**–**	**(8,961)**	**–**	**–**	**–**	**–**	**(8,961)**	**–**	**(8,961)**
Total comprehensive income (expense) for the period	**–**	**–**	**–**	**–**	**40,176**	**(8,961)**	**–**	**–**	**–**	**214,715**	**245,930**	**78,616**	**324,546**
Dividend recognised as distribution	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(30,850)**	**(30,850)**	**–**	**(30,850)**
Balance at 30 June 2011 (unaudited)	**308,502**	**844,929**	**14,044**	**23,916**	**226,944**	**124,535**	**11,010**	**14,309**	**1,080**	**2,196,343**	**3,765,612**	**650,848**	**4,416,460**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	Six months ended	
	30.6.2011	30.6.2010
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash used in operating activities	**(100,995)**	(11,724)
Net cash used in investing activities		
Payment for land development	**(366,050)**	(181,076)
Net decrease in pledged bank deposits	**11,064**	71,057
Additions of investment properties	**(27,198)**	(22,133)
Purchase of property, plant and equipment	**(37,155)**	(9,283)
Settlement of loans receivable	**117,657**	1,705
Purchase of available-for-sale investment	**(9,000)**	—
Other investing cash flows	**10,448**	5,105
	(300,234)	(134,625)
Net cash from financing activities		
New bank loan raised	**118,343**	—
Dividend paid	**(30,769)**	(61,611)
Proceeds from issue of shares	**—**	580,953
Repayment of bank loans	**—**	(131,401)
Issue share expenses	**—**	(20,898)
Other financing cash flows	**(395)**	(889)
	87,179	366,154
Net (decrease) increase in cash and cash equivalents	**(314,050)**	219,805
Cash and cash equivalents at 1 January	**1,489,728**	1,208,827
Effect of foreign exchange rate changes	**14,388**	11,340
Cash and cash equivalents at 30 June	**1,190,066**	1,439,972
Analysis of balances of cash and cash equivalents		
Bank balances and cash	**1,190,052**	1,439,972
Bank balances and cash included under total assets classified as held for sale (Note 13)	**14**	—
	1,190,066	1,439,972

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2011

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments which are measured at fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010. In addition, the Group applied the following accounting policy during the current interim period.

Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell other than financial assets within the scope of HKAS 39 "Financial instruments: Recognition and measurement".

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010
HKAS 24 (Revised)	Related party disclosures (except for the partial exemption in paragraphs 25 to 27 for government-related entities which has been early applied in the Group's 2010 annual financial statements)
HKAS 32 (Amendments)	Classification of rights issues
HK(IFRIC) — INT 14 (Amendments)	Prepayments of a minimum funding requirement
HK(IFRIC) — INT 19	Extinguishing financial liabilities with equity instruments

The application of the above new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements.

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

HKFRS 7 (Amendments)	Disclosures — Transfers of financial assets[1]
HKFRS 9	Financial instruments[2]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HKAS 1 (Amendments)	Presentation of items of other comprehensive income[3]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[4]
HKAS 19 (As Revised in 2011)	Employee benefits[2]
HKAS 27 (As Revised in 2011)	Separate financial statements[2]
HKAS 28 (As Revised in 2011)	Investments in associates and joint ventures[2]

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

[1] Effective for annual periods beginning on or after 1 July 2011.
[2] Effective for annual periods beginning on or after 1 January 2013.
[3] Effective for annual periods beginning on or after 1 July 2012.
[4] Effective for annual periods beginning on or after 1 January 2012.

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. Specifically 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.

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 five new or revised standards on consolidation, joint arrangements and disclosures including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (As Revised in 2011) and HKAS 28 (As Revised in 2011) were issued by the HKICPA in June 2011 and are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five new or revised standards are applied early at the same time.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements. HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in joint ventures". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, there are two types of joint arrangements: joint ventures and joint operations. The classification in HKFRS 11 is based on parties' rights and obligations under the arrangements. In contrast, under HKAS 31, there are three different types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting. The Group's jointly controlled entities are currently accounted for using the equity method of accounting and the Group's jointly controlled operations where the assets and liabilities arising from those jointly controlled operations are recognised in the condensed consolidated statement of financial position of the relevant company on an accrual basis and classified according to the nature of the item. The Group's share of the income from jointly controlled operations, together with the expenses that it incurs are included in the condensed consolidated income statement when it is probable that the economic benefits associated with the transactions will flow to/from the Group.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The directors of the Company anticipate that these new or revised standards will be applied in the Group's consolidated financial statements for financial year beginning on 1 January 2013 and are in the process of assessing the impact.

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 People's Republic of China other than Hong Kong (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.

Other than those disclosed above, the directors of the Company anticipate that the application of the other new and revised standards will have no material impact on the results and financial position of the Group.

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.

3. SEGMENT INFORMATION *(continued)*

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

For the six months ended 30 June 2011

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

3. SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2010

	Turnover			
	External sales HK$'000	Inter-segment sales HK$'000	Total HK$'000	Segment results HK$'000
Hi-Tech Manufacturing Business				
Plastic products	326,908	35,525	362,433	39,213
Liquid crystal display	135,208	—	135,208	7,103
Printed circuit boards	179,039	—	179,039	44,503
Intelligent chargers	222,369	—	222,369	16,785
Industrial property investment	5,625	6,465	12,090	6,257
	869,149	41,990	911,139	113,861
Aerospace and Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	—	—	—	218,100
Land development in Hainan Launching Site Complex Zone	—	—	—	(2,975)
	—	—	—	215,125
Reportable segment total	869,149	41,990	911,139	328,986
Elimination	—	(41,990)	(41,990)	—
Other business	23	—	23	(1,872)
	869,172	—	869,172	327,114
Unallocated corporate income				47,547
Unallocated corporate expenses				(28,670)
				345,991
Reversal of impairment loss recognised in respect of loans receivable				1,705
Share of results of jointly controlled entities				(74)
Finance costs				(529)
Profit before taxation				347,093

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

3. SEGMENT INFORMATION *(continued)*

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

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

	30.6.2011 HK$'000	31.12.2010 HK$'000
Segment assets		
Hi-Tech Manufacturing Business		
Plastic products	**567,213**	550,625
Liquid crystal display	**298,777**	293,625
Printed circuit boards	**217,130**	202,459
Intelligent chargers	**281,928**	233,696
Industrial property investment	**202,692**	198,224
	1,567,740	1,478,629
Aerospace and Aerospace Service		
Property investment in Shenzhen Aerospace Science & Technology Plaza	**1,711,191**	1,427,219
Land development in Hainan Launching Site Complex Zone	**601,918**	227,222
	2,313,109	1,654,441
Total assets for reportable segments	**3,880,849**	3,133,070
Other business	**104,067**	90,703
Available-for-sale investments	**173,079**	173,040
Interests in jointly controlled entities	**62,253**	61,746
Loans receivable	**—**	70,269
Unallocated assets	**1,330,180**	1,545,715
Consolidated assets	**5,550,428**	5,074,543

3. SEGMENT INFORMATION *(continued)*

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

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2011	30.6.2010
	HK$'000	HK$'000
The Group's other income mainly comprises:		
Bank interest income	**9,026**	5,105
Waiver of debts (Note a)	**—**	31,063
The Group's other gains and losses comprise:		
Gain (loss) from change in fair value of financial assets at fair value through profit or loss (Note b)	**15,711**	(744)
Net exchange gain	**4,240**	4,131
Reversal of impairment loss recognised in respect of loans receivable (Note c)	**1,618**	1,705
Recovery of loans receivable (Note c)	**27,330**	—

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

Notes:

a. 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.

b. The gain (loss) of the financial assets at fair value through profit or loss arose from listed securities held for trading purpose and the fair value are determined based on the quoted market bid prices available on the relevant exchanges or disposal of the listed securities during the period.

c. During the current period, the Group recovered an amount of HK$117,657,000 from a borrower pursuant to a settlement deed entered into between a subsidiary of the Company and the borrower on 14 September 2007 in respect of the Group's interest bearing loans receivables. The excess of HK$28,948,000, representing the amount recovered over the carrying amount of the loan receivable of HK$70,269,000 net of the transaction costs incurred relating to the debt collections, is recognised in profit and loss in the current period whereby amounts of HK$1,618,000 and HK$27,330,000 are recorded as reversal of impairment loss recognised in respect of loans receivable and recovery of loans receivable respectively.

5. FINANCE COSTS

	Six months ended	
	30.6.2011	30.6.2010
	HK$'000	HK$'000
Interest on:		
— bank borrowings wholly repayable within five years	**1,139**	494
— finance lease	**17**	35
	1,156	529
Less: Amount capitalised to land development expenditure (Note 15)	**(1,139)**	—
	17	529

6. PROFIT BEFORE TAXATION

	Six months ended 30.6.2011 HK$'000	Six months ended 30.6.2010 HK$'000
Profit before taxation has been arrived at after charging:		
Amortisation of prepaid lease payments	**659**	631
Depreciation of property, plant and equipment	**29,790**	32,031

7. TAXATION

	Six months ended 30.6.2011 HK$'000	Six months ended 30.6.2010 HK$'000
Current tax		
Hong Kong Profits Tax	**7,067**	8,032
PRC Enterprise Income Tax	**9,310**	10,100
	16,377	18,132
Deferred tax	**59,932**	54,944
Income tax charge	**76,309**	73,076

Hong Kong Profits Tax and PRC Enterprise Income Tax have been calculated at 16.5% and 25% respectively of the estimated assessable profit for the periods under review.

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

8. EARNINGS PER SHARE — BASIC

The calculation of basic earnings per share attributable to the owners of the Company for the period is based on the profit for the period attributable to the owners of the Company of HK$214,715,000 (1.1.2010 to 30.6.2010: HK$209,881,000) and on 3,085,022,000 shares in issue (1.1.2010 to 30.6.2010: 2,948,681,000 weighted average number of shares) during the period.

9. DIVIDEND

2010 final dividend of HK1 cent (1.1.2010 to 30.6.2010: 2009 final dividend of HK2 cents) per share amounting to HK$30,850,000 (1.1.2010 to 30.6.2010: HK$61,700,000) was paid by the Company during the period. The directors do not recommend payment of an interim dividend for the year 2011.

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

During the period, the Group spent approximately HK$37,155,000 (1.1.2010 to 30.6.2010: HK$9,283,000) and HK$27,198,000 (1.1.2010 to 30.6.2010: HK$22,133,000) on acquisition of property, plant and equipment and additions of investment properties under construction respectively.

The fair values of the Group's investment properties at 30 June 2011 and 31 December 2010 have been arrived at on the basis of valuations carried out on that date by Jones Lang LaSalle Sallmanns Limited ("Jones Lang") for properties situated in Hong Kong, Knight Frank Petty Limited ("Knight Frank") for properties situated in the PRC and Atkinson Appraisal Consultants Limited ("Atkinson") for properties situated overseas. Jones Lang, Knight Frank and Atkinson are independent qualified professional valuers not connected with the Group and are members of the Institute of Valuers. The valuation of completed investment properties of HK$306,759,000 (31.12.2010: HK$286,629,000) was arrived at by reference to market evidence of transaction prices for similar properties. The valuation of investment properties under construction of HK$1,711,191,000 (31.12.2010: HK$1,427,219,000) was arrived at by reference to market evidence of transaction prices for similar completed properties and by capitalisation of income potential of the properties, on the basis that the properties will be developed and completed in accordance with the Group's latest development proposals, after taking into account of the estimated construction costs to completion to reflect the quality of the completed development and the restrictions imposed on the proposed development properties to lease or to sell to the third parties. The resulting increase in fair value of investment properties of HK$243,697,000 (1.1.2010 to 30.6.2010: HK$223,373,000) has been recognised directly in the condensed consolidated income statement.

11. PREPAYMENT FOR LAND DEVELOPMENT AND LAND DEVELOPMENT EXPENDITURE

Pursuant to a land development agreement entered into between the Group and the Wenchang Government on 20 August 2008 in relation to the land development in Hainan Launching Site Complex Zone ("Land Development Project"), the Group has advanced the total amount of approximately RMB473,000,000 (equivalent to approximately HK$559,763,000) (31.12.2010: RMB171,743,000, equivalent to approximately HK$203,246,000) at 30 June 2011 to the Wenchang Government for the demolition and resettlement works carried out by the Wenchang Government for the Land Development Project of which the amount of approximately RMB465,000,000 (equivalent to approximately HK$550,365,000) (31.12.2010: RMB47,000,000, equivalent to approximately HK$55,193,000) has been transferred to land development expenditure in accordance with expenditure requirements on the Land Development Project. Details of the Land Development Project are disclosed in the circular of the Company dated 10 September 2008.

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

Land development expenditure represents the development cost incurred in relation to the Land Development Project less impairment. At 30 June 2011, the Group has incurred HK$592,520,000 (31.12.2010: HK$77,767,000) in the planning and design, demolition and resettlement works in the Land Development Project.

12. TRADE AND OTHER RECEIVABLES

At 30 June 2011, included in trade and other receivables are trade receivables of HK$370,884,000 (31.12.2010: HK$357,135,000). The Group allows an average credit period of 90 days to its trade customers.

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

	30.6.2011 **HK$'000**	31.12.2010 HK$'000
Within 90 days	**351,339**	339,791
Between 91–180 days	**19,545**	17,344
	370,884	357,135

13. DISPOSAL GROUP HELD FOR SALE

In March 2011, the Group entered into a sale and purchase agreement with China Great Wall Industry (Hong Kong) Corp. Limited ("Great Wall"), an indirect wholly-owned subsidiary of China Aerospace Science & Technology Corporation ("CASC"), for a conditional disposal of the entire issued share capital of an indirect wholly-owned subsidiary of the Company, CASIL Satellite Holdings Limited ("CASIL Satellite"), at a cash consideration of HK$132,300,000 (the "Transaction"). CASC is a substantial shareholder of the Company and has ability to exercise significant influence over the Group. The completion of the disposal is subject to the fulfillment the conditions, among others, waiver from general offer from the Securities and Futures Commission of Hong Kong which was obtained during the current interim period as well as further approvals from the relevant governmental authorities in the PRC which is yet to be obtained. Details of the Transaction and the conditions are set out in the announcements of the Company dated 28 March 2011 and 29 March 2011. CASIL Satellite is engaged in investment holding and its major assets are available-for-sale investments.

13. DISPOSAL GROUP HELD FOR SALE *(continued)*

The assets and liabilities of CASIL Satellite classified as held for sale are as follows:

	30.6.2011
	HK$'000
Available-for-sale investments	**119,475**
Bank balances and cash	**14**
Assets classified as held for sale	**119,489**
Liabilities associated with assets classified as held for sale comprising other payables	**21**

The assets and liabilities attributable to CASIL Satellite are expected to be sold within twelve months and are presented separately in the condensed consolidated statement of financial position.

14. TRADE AND OTHER PAYABLES

	30.6.2011	31.12.2010
	HK$'000	HK$'000
Trade payables	**272,327**	264,729
Accrued charges	**93,784**	98,082
Other payables	**308,363**	328,916
	674,474	691,727

14. TRADE AND OTHER PAYABLES *(continued)*

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

	30.6.2011 HK$'000	31.12.2010 HK$'000
Within 90 days	**258,416**	248,877
Between 91–180 days	**3,546**	3,519
Between 181–365 days	**465**	849
Over 1 year	**9,900**	11,484
	272,327	264,729

15. UNSECURED BANK LOAN

During the period, the Group raised a new bank loan amounting to HK$118,343,000. The loan is unsecured, carries interest at variable market rate of 6.31% per annum and is repayable in instalments over a period of 12 months. The proceed was used to finance the development of the Hainan Launching Site Complex Zone and thus interest on the loan of HK$1,139,000 for the period was capitalised to land development expenditure.

16. SHARE CAPITAL

Authorised, issued and fully paid share capital

	Number of shares '000	**Nominal value** HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2011 and 30 June 2011	100,000,000	10,000,000
Issued and fully paid:		
At 1 January 2011 and 30 June 2011	3,085,022	308,502

17. COMMITMENTS

	30.6.2011 HK$'000	31.12.2010 HK$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— acquisition of property, plant and equipment	**1,268**	14,281
— investment properties under construction	**1,161,983**	48,556
	1,163,251	62,837
Capital expenditure authorised but not contracted for:		
— investment properties under construction	**508,687**	1,727,669

In addition, as at 30 June 2011, the Group has committed investment of approximately HK$846,987,000 (31.12.2010: HK$1,189,000,000) not provided in the condensed consolidated financial statements in respect of the Hainan Launching Site Complex Zone project in Wenchang City, Hainan Province as detailed in note 11.

18. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in notes 13 and 20 and in the condensed consolidated statement of financial position, the Group entered into the following related party transactions:

(a) During the period, the Group entered into a facility ("Facility") with a syndicate of financial institutions including Aerospace Science & Technology Finance Company Limited ("航天科技財務有限責任公司"), a subsidiary of CASC, and certain government-related banks (together "Finance Syndicate") for a bank guarantee of up to RMB150,000,000 and advances of RMB1,350,000,000 for the construction of Shenzhen Aerospace Science & Technology Plaza ("Aerospace Plaza") for a period of 5 years from the first drawdown date. The land use right of Aerospace Plaza has been mortgaged in favour of the Finance Syndicate as security.

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

The Group has certain deposits placements, borrowings and other general banking facilities, with certain banks which are government-related entities in its ordinary course of business. Other than the substantial amount of bank balances, unsecured bank loan (note 15) and the Facility (note (a)) with these banks, transactions with other government-related entities are individually insignificant.

(c) During the period, the emoluments of key management personnel were HK$7,621,000 (1.1.2010 to 30.6.2010: HK$7,660,000).

19. PLEDGE OF ASSETS

At 30 June 2011, bank deposits of HK$33,012,000 (31.12.2010: HK$43,529,000) were pledged to secure general banking facilities to the Group. In addition, the land use right of Aerospace Plaza included in investment properties with carrying amount of HK$1,711,191,000 (31.12.2010: nil) was mortgaged to the Finance Syndicate as security of the Facility.

20. EVENTS AFTER THE END OF INTERIM PERIOD

On 11 July 2011, 航科新世紀科技發展（深圳）有限公司 (CASIL New Century Technology Development (Shenzhen) Company Limited) ("New Century"), a wholly-owned subsidiary of the Company, won an open tender and entered into a share transfer agreement with a government-related entity, 廣東華美集團有限公司 (Guangdong Huamei Group Company Limited) in respect of a proposed acquisition of 39% shareholding in 深圳瑞華泰薄膜科技有限公司 (Shenzhen Rayitek Hi-tech Film Company Limited) ("Shenzhen Rayitek") which is principally engaged in manufacture of and trading of polyimide films and related composite materials. On the same date, New Century also entered into share transfer agreements with independent third parties, 深圳市華美基業投資有限公司 (Shenzhen Huamei Jiye Investment Company Limited) and 杭州泰達實業有限公司 (Hangzhou Taida Industrial Company Limited), in respect of the acquisitions from each of them a 10% and 6% of shareholding in Shenzhen Rayitek, respectively. The aggregate consideration of acquiring a 55% shareholding in Shenzhen Rayitek was cash consideration of RMB63,040,000 (equivalent to approximately HK$75,860,000). Details of the transactions were set out in the Company's announcements dated 11 July 2011 and 14 July 2011 respectively. The transaction has not yet completed at the date of approval of these condensed consolidated financial statements.