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CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED
中國航天國際控股有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 31)

ANNOUNCEMENT OF INTERIM RESULTS 2013

The Board of Directors (the "Board") of China Aerospace International Holdings Limited (the "Company") announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2013 together with the comparative figures of the same period in 2012 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

		Six months ended	
		30.6.2013	30.6.2012
		(Unaudited)	(Unaudited)
	NOTES	***HK$'000***	*HK$'000*
CONTINUING OPERATIONS			
Turnover	3	**1,187,719**	1,227,611
Cost of sales		**(944,819)**	(988,875)
Gross profit		**242,900**	238,736
Other gains and losses	4	**(19,236)**	(25,132)
Other income	4	**22,194**	18,178
Gain on disposal of available-for-sale investments		**120,918**	–
Selling and distribution expenses		**(22,673)**	(29,598)
Administrative expenses		**(157,101)**	(145,624)
Fair value changes of investment properties		**225,783**	118,437
Finance costs		**(11,519)**	(2,913)
Share of results of joint ventures		**1,034**	592
Share of results of associates		**361**	–
Profit before taxation	5	**402,661**	172,676
Taxation	6	**(92,823)**	(52,550)
Profit for the period from continuing operations		**309,838**	120,126
DISCONTINUED OPERATIONS			
Profit (loss) for the period from discontinued operations		**110,985**	(538)
Profit for the period		**420,823**	119,588

	NOTE	Six months ended 30.6.2013 (Unaudited) HK$'000	Six months ended 30.6.2012 (Unaudited) HK$'000
Profit (loss) for the period attributable to owners of the Company:			
From continuing operations		**258,452**	97,407
From discontinued operations		**110,985**	(538)
		369,437	96,869
Profit for the period attributable to non-controlling interests:			
From continuing operations		**51,386**	22,719
From discontinued operations		–	–
		51,386	22,719
		420,823	119,588
Earnings per share	7		
From continuing and discontinued operations - basic		**HK11.98 cents**	HK3.14 cents
From continuing operations - basic		**HK8.38 cents**	HK3.16 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended	
	30.6.2013	30.6.2012
	(Unaudited) ***HK$'000***	(Unaudited) *HK$'000*
Profit for the period	**420,823**	119,588
Other comprehensive income (expense):		
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translating foreign operations	**45,438**	(37,918)
Share of exchange reserve of joint ventures	**12,240**	(527)
Reclassification adjustment upon disposal of available-for-sale investments	**(120,918)**	—
Reclassification adjustments for the cumulative exchange differences upon deemed disposal of foreign operations	**(49,663)**	—
Fair value gain on available-for-sale investments	**82,530**	19,404
Other comprehensive expense for the period	**(30,373)**	(19,041)
Total comprehensive income for the period	**390,450**	100,547
Total comprehensive income attributable to:		
Owners of the Company	**326,839**	85,164
Non-controlling interests	**63,611**	15,383
	390,450	100,547

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2013

	NOTES	**30.6.2013 (Unaudited) *HK$'000***	31.12.2012 (Audited) *HK$'000*
Non-current assets			
Property, plant and equipment		**866,480**	903,618
Prepaid lease payments		**75,255**	74,970
Investment properties		**3,082,262**	2,629,529
Goodwill		**12,820**	12,241
Intangible assets		**68,540**	74,254
Interests in associates		**13,422**	12,845
Interests in joint ventures		**838,459**	63,891
Available-for-sale investments		**29,000**	58,140
Land development expenditure		—	665,551
Deposit paid for construction cost of investment properties under construction		**96,152**	94,597
Deposit paid for acquisition of intangible assets and property, plant and equipment		**39,825**	10,776
		5,122,215	4,600,412
Current assets			
Inventories		**307,460**	243,716
Trade and other receivables	9	**589,123**	590,357
Prepaid lease payments		**2,430**	2,391
Amounts due from customers for contract work		**2,396**	2,357
Loans to a joint venture		**49,304**	—
Financial assets at fair value through profit or loss		**39,974**	63,417
Taxation recoverable		**2,245**	217
Pledged bank deposits		**26,729**	110,207
Bank balances and cash		**1,754,851**	1,022,285
		2,774,512	2,034,947
Current liabilities			
Trade and other payables	10	**932,469**	924,775
Amount due to an associate		**1,050**	1,050
Taxation payable		**77,609**	58,717
Bank and other borrowings		**118,837**	123,756
Other loan		**9,061**	8,914
		1,139,026	1,117,212
Net current assets		**1,635,486**	917,735
Total assets less current liabilities		**6,757,701**	5,518,147

	30.6.2013 (Unaudited) HK$'000	31.12.2012 (Audited) HK$'000
Non-current liabilities		
Loan from a major shareholder	**632,111**	–
Bank and other borrowings	**361,441**	200,249
Deferred taxation	**563,858**	477,207
	1,557,410	677,456
	5,200,291	4,840,691
Capital and reserves		
Share capital	**308,502**	308,502
Reserves	**4,105,589**	3,809,600
Equity attributable to owners of the Company	**4,414,091**	4,118,102
Non-controlling interests	**786,200**	722,589
	5,200,291	4,840,691

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009-2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
Amendments to HKAS 1	Presentation of items of other comprehensive income
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (Revised 2011)	Employee benefits
HKAS 28 (Revised 2011)	Investments in associates and joint ventures
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

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

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current interim period, the Group has applied for the first time HKFRS 10, HKFRS 11, HKFRS 12 and HKAS 28 (as revised in 2011) together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding the transitional guidance. HKAS 27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

The impacts of the application of HKFRS 10, HKFRS 11 and HKFRS 12 are set out below.

HKFRS 10 Consolidated financial statements

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) – INT 12 "Consolidation – Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company reviewed and assessed the control in the investments in investees of the Group in accordance with the requirements of HKFRS 10. The directors concluded that the application of HKFRS 10 has no impact on these condensed consolidated financial statements.

HKFRS 11 Joint arrangements

HKFRS 11 replaces HKAS 31 "Interests in joint ventures", and the guidance contained in a related interpretation, HK(SIC) – INT 13 "Jointly controlled entities – Non-monetary contributions by venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 had three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was classified as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations are different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

The directors of the Company reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of HKFRS 11. The directors concluded that the Group's investment in China Aerospace New World Technology Limited and Hainan Aerospace Investment Management Company Limited ("Hainan Aerospace"), which were classified as a jointly controlled entity under HKAS 31 and was accounted for using the equity method, should be classified as joint ventures under HKFRS 11 and accounted for using the equity method, whilst the arrangement between the Wenchang Government and the Group was jointly controlled operation under HKAS 31 and is a joint operation under HKFRS 11 after assessing the legal form and contractual terms of the respective arrangements. Therefore, the application of HKFRS 11 in the current period has had no material impact on the Group's condensed consolidated financial statements.

HKFRS 12 Disclosure of interests in other entities

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards in the consolidated financial statements.

The directors concluded that the application of HKFRS 12 will result in more disclosures in the consolidated financial statements for the year ending 31 December 2013.

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information in accordance with the consequential amendments of HKAS 34 and additional disclosures in accordance with the requirements of HKFRS 13, especially relating to fair value of the Group's investment properties, will be presented in the consolidated financial statements for the year ending 31 December 2013.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Amendments to HKAS 34 Interim financial reporting (as part of the annual improvements to HKFRSs 2009 – 2011 cycle)

The Group has applied the amendments to HKAS 34 "Interim financial reporting as part of the annual improvements to HKFRSs 2009 – 2011 cycle" for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment. Accordingly, the Group has included segment assets and segment liabilities as part of segment information in the interim 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 9 (1.1.2012 to 30.6.2012: 9) reportable segments: Hi-Tech Manufacturing Business (including plastic products, liquid crystal display, printed circuit boards, intelligent chargers and the related industrial property investment), New Material Business (including polyimide films manufacturing), Aerospace Service (including the Shenzhen Aerospace Science & Technology Plaza of property investment project, land development in Hainan Launching Site Complex Zone and Internet of Things) which represents the major industries in which the Group is engaged.

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

For the six months ended 30 June 2013

	Turnover			
	External sales *HK$'000*	**Inter-segment sales** *HK$'000*	**Total** *HK$'000*	**Segment results** *HK$'000*
Hi-Tech Manufacturing Business				
Plastic products	**417,246**	**33,299**	**450,545**	**30,971**
Liquid crystal display	**158,949**	–	**158,949**	**7,289**
Printed circuit boards	**257,030**	–	**257,030**	**50,805**
Intelligent chargers	**314,786**	–	**314,786**	**19,889**
Industrial property investment	**7,380**	**10,227**	**17,607**	**9,605**
	1,155,391	**43,526**	**1,198,917**	**118,559**
New Material Business				
Polyimide films manufacturing	**31,531**	–	**31,531**	**36**
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	–	–	–	**211,861**
Land development in Hainan Launching Site Complex Zone (Note)	–	–	–	**(1,722)**
Internet of Things	–	–	–	**(12,634)**
	–	–	–	**197,505**
Reportable segment total	**1,186,922**	**43,526**	**1,230,448**	**316,100**
Elimination	–	**(43,526)**	**(43,526)**	–
Other Business	**797**	–	**797**	**2,532**
	1,187,719	–	**1,187,719**	**318,632**
Unallocated corporate income				**27,040**
Unallocated corporate expenses				**(55,527)**
				290,145
Gain on disposal of available-for-sale investments				**120,918**
Gain on deemed disposal of subsidiaries				**112,912**
Share of results of associates				**361**
Share of results of a joint venture				**829**
Finance costs				**(11,519)**
				513,646
Less: Profit for the period from discontinued operations				**(110,985)**
Profit before taxation from continuing operations				**402,661**

For the six months ended 30 June 2012

	Turnover			
	External sales *HK$'000*	Inter-segment sales *HK$'000*	Total *HK$'000*	Segment results *HK$'000*
Hi-Tech Manufacturing Business				
Plastic products	451,218	48,621	499,839	32,011
Liquid crystal display	154,745	–	154,745	6,308
Printed circuit boards	246,584	–	246,584	48,795
Intelligent chargers	345,664	–	345,664	20,880
Industrial property investment	6,840	8,248	15,088	10,635
	1,205,051	56,869	1,261,920	118,629
New Material Business				
Polyimide films manufacturing	21,575	–	21,575	(22,151)
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	–	–	–	96,594
Land development in Hainan Launching Site Complex Zone (Note)	–	–	–	(667)
Internet of Things	–	–	–	(5,294)
	–	–	–	90,633
Reportable segment total	1,226,626	56,869	1,283,495	187,111
Elimination	–	(56,869)	(56,869)	–
Other Business	985	–	985	7,481
	1,227,611	–	1,227,611	194,592
Unallocated corporate income				20,757
Unallocated corporate expenses				(40,890)
				174,459
Share of results of joint ventures				592
Finance costs				(2,913)
				172,138
Add: Loss for the period from discontinued operations				538
Profit before taxation from continuing operations				172,676

Note: The land development in Hainan Launching Site Complex Zone is held by Hainan Aerospace, which became a joint venture of the Group as a result of deemed disposal. The President continuously reviews this segment information for the purpose of resource allocation and performance assessment. Thus, there is no change on the segment information reported to the President.

Segment results represent the profit earned/loss incurred by each segment without allocations of interest income, changes in fair value of financial assets at fair value through profit or loss, gain on disposal of available-for-sale investments, gain on deemed disposal of subsidiaries, share of results of a joint venture and associates, 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

	Six months ended 30.6.2013 HK$'000	30.6.2012 HK$'000
Continuing operations		
The Group's other income mainly comprises:		
Bank interest income	**11,902**	7,271
The Group's other gains and losses mainly comprise:		
(Loss) gain from change in fair value of financial assets at fair value through profit or loss	**(23,458)**	8,573
Net exchange gain (loss)	**4,991**	(9,065)
Impairment loss recognised in respect of goodwill (Note)	**—**	(23,000)
Discontinued operations		
The Group's other income mainly comprises:		
Bank interest income	**412**	124
The Group's other gains and losses mainly comprise:		
Net exchange (loss) gain	**(11)**	1,844

Note:

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

5. PROFIT BEFORE TAXATION

	Six months ended 30.6.2013 HK$'000	30.6.2012 HK$'000
Continuing operations		
Profit before taxation has been arrived at after charging:		
Amortisation of prepaid lease payments	**1,632**	1,250
Amortisation of intangible assets (included in cost of sales)	**6,761**	1,389
Depreciation of property, plant and equipment	**58,816**	39,099
Discontinued operations		
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**205**	852

6. TAXATION

	Six months ended	
	30.6.2013	30.6.2012
	HK$'000	*HK$'000*
Continuing operations		
Current tax:		
Hong Kong Profits Tax	**4,866**	8,152
PRC Enterprise Income Tax	**9,922**	6,393
	14,788	14,545
Deferred tax	**78,035**	38,005
Income tax charge	**92,823**	52,550

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

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

7. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2013	30.6.2012
	HK$'000	*HK$'000*
From continuing operations and discontinued operations		
Earnings		
Profit for the period attributable to the owners of the Company for the purposes of basic earnings per share	**369,437**	96,869

	30.6.2013	30.6.2012
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**3,085,022,000**	3,085,022,000

	Six months ended	
	30.6.2013	30.6.2012
	HK$'000	*HK$'000*
From continuing operations		
Profit for the period attributable to the owners of the Company	**369,437**	96,869
Less: Profit (loss) for the period from the discontinued operations attributable to the owners of the Company	**110,985**	(538)
Earnings for the purpose of basic earnings per share from the continuing operations	**258,452**	97,407

The denominators used are the same as those detailed above for both basic earnings per share.

From discontinued operations

Basic earnings per share for the discontinued operation is HK3.60 cents per share (1.1.2012 to 30.6.2012 : HK0.02 cents per share) based on the profit for the period from the discontinued operations of HK$110,985,000 (1.1.2012 to 30.6.2012: loss of HK$538,000) and the denominators detailed above for both basic earnings per share.

No diluted earnings per share is presented as there were no potential dilutive shares in issue for both periods.

8. DIVIDEND

2012 final dividend of HK1 cent (1.1.2012 to 30.6.2012: 2011 final dividend of HK1 cent) per share amounting to HK$30,850,000 (1.1.2012 to 30.6.2012: HK$30,850,000) was paid by the Company during the period. The directors do not recommend payment of an interim dividend for the interim period.

9. TRADE AND OTHER RECEIVABLES

At 30 June 2013, included in trade and other receivables are trade receivables of HK$528,969,000 (31.12.2012: HK$529,636,000). 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, which approximated the revenue recognition date, at the end of the reporting period:

	30.6.2013	31.12.2012
	HK$'000	*HK$'000*
Within 90 days	**476,387**	491,252
Between 91 - 180 days	**52,098**	33,141
Between 181 - 365 days	**—**	5,243
Between 1 to 2 years	**484**	—
	528,969	529,636

10. TRADE AND OTHER PAYABLES

	30.6.2013	31.12.2012
	HK$'000	*HK$'000*
Trade payables	**299,993**	285,109
Accrued charges	**114,150**	124,108
Receipt in advance	**81,430**	137,196
Other payables	**436,896**	378,362
	932,469	924,775

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

	30.6.2013	31.12.2012
	HK$'000	*HK$'000*
Within 90 days	**282,464**	268,944
Between 91 - 180 days	**2,811**	2,825
Between 181 - 365 days	**2,900**	442
Over 1 year	**11,818**	12,898
	299,993	285,109

BUSINESS REVIEW

RESULTS

For the six months ended 30 June 2013, the Company and its subsidiaries reported an unaudited turnover of HK$1,187,719,000, representing a decrease of 3% as compared with that of HK$1,227,611,000 for the same period of 2012. Profit for the period was HK$420,823,000, representing an increase of 252% as compared with that of HK$119,588,000 for the same period of 2012. Profit attributable to shareholders was HK$369,437,000, representing an increase of 282% as compared with that of HK$96,869,000 for the same period of 2012. Basic earnings per share attributable to shareholders was HK11.98 cents, representing an increase of 282% as compared with that of HK3.14 cents for the same period of 2012.

In the first half of this year, China witnessed a slowdown in economic growth, economy driving factors such as investment, export and consumer spending had experienced major difficulties and challenges. Despite the economy in the U.S. has started to recover and the negative impacts of the European debt crisis have been reduced, global market demand remains weak. Being affected by the gloomy world economy, rising operation costs and other negative factors, the overall revenue of the Company fell slightly as compared with the same period of last year. However, the overall profit of the Company recorded a substantial increase as compared with the same period of last year, which mainly due to the increase in the fair value of investment properties under construction, the capital contribution by investors introduced for Hainan project, and the disposal in full of the remaining interests in APT Satellite Holdings Limited. Taking into account of the Company’s capital requirement for its development projects, the Board decided not to distribute an interim dividend.

BUSINESS REVIEW

The hi-tech manufacturing business of the Company maintained a stable operation in the first half of 2013. The construction works of Shenzhen Aerospace Science & Technology Plaza and the development of the Complex Zone of the Launching Site in Hainan Province were proceeding in accordance with the plans. Besides, the business of polyimide (PI) films new materials and the business of internet of things were proceeded gradually.

The hi-tech manufacturing business of the Company had been affected by a number of negative factors such as customers’ reduction of investment in new product development, intense competition, rising costs in human resources and appreciation of RMB all the time. Despite the global economic situation has yet to improve, the hi-tech manufacturing business aggressively created opportunities and actively developed markets in face of difficulties, and was basically maintained stable operations. For the six months ended 30 June 2013, the hi-tech manufacturing business recorded a turnover of HK$1,155,391,000, representing a decrease of 4% as compared with the same period of last year. However, through the endeavour to reduce the material and other costs by meticulous management and to enhance the automation by technical upgrading in order to control costs in human resources, operating profit amounted to HK$118,559,000 which is more or less the same as compared with the same period of last year, and the gross profit margin was improved as well.

Shenzhen Rayitek Hi-tech Film Company Limited* (深圳瑞華泰薄膜科技有限公司) (“Shenzhen Rayitek”) is committed to engaging in research, production and operation of high-performance polyimide films. At present, the products of Shenzhen Rayitek are predominantly used as electrical insulation, electrical compound materials, electromagnetic wire wrapping and Flexible Copper Clad Laminate (FCCL), cover films and electronic labels. By enhancing marketing activities and adjusting the product mix, Shenzhen Rayitek gradually improved its operating performance. In the first half of 2013, Shenzhen Rayitek recorded a revenue of HK$31,531,000, representing an increase of 46% over the same period of last year.

The construction works of Shenzhen Aerospace Science & Technology Plaza are proceeding as planned. As at 30 June 2013, valuation of the development in construction and land use rights of Shenzhen Aerospace Science & Technology Plaza amounted to approximately HK$2,715,550,000. In order to facilitate the marketing activities after completion of the project, the Company is conducting a study in market positioning and preliminary market development of this project.

The introduction of Hainan Expressway Co., Ltd.* (海南高速公路股份有限公司) and China Great Wall Industry Corporation* (中國長城工業集團有限公司) as new investors has provided a new strength for the project development of the Complex Zone of the Launching Site in Hainan Province and Hainan Space Park. In the first half of this year, Hainan Aerospace Investment Management Company Limited (海南航天投資管理有限公司) worked with the local government to promote the remaining expropriation work, construct resettlement zones, start major infrastructure construction, as well as accelerate the planning and design of Hainan Space Park, but the overall progress was not satisfactory.

Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術（深圳）有限公司) ("Aerospace Digitnexus") engages in developing applications of internet of things and related businesses. Aerospace Digitnexus focuses in fulfilling those project contracts. By building up its experience, the company actively explores clients from industries such as forestry, steel, petrochemical and corporate information technology.

PROSPECT

Looking forward to the second half of the year, the Company and the subsidiaries are still expected to face both internal and external complex economic environment. The new Central Government is going to adopt a series of measures in stabilizing economic growth, deleveraging and adjusting industrial structure. In the second half of the year, China may face a greater challenge in austerity measures and an increased pressure will be seen in maintaining a stable growth in the national economy. Being affected by the slowdown in global economic recovery, demand in overseas market remains weak. The growth in industrial manufacturing may be slowed down inevitably. It can be anticipated that the future operation environment remains tough.

While taking serious account into environment protection, energy saving and reducing hazardous disposal, the hi-tech manufacturing business will enhance its competitiveness by means of improved meticulous management, further market expansion and technical upgrading, as well as control business risk and to maintain profitability, with an aim to achieve a steady business development.

As for the business of new materials, Shenzhen Rayitek has achieved certain progress in technical upgrading and market development of high-performance polyimide films. In order to enhance the research and production capabilities, further strengthen the operation and optimize the company's asset structure, Shenzhen Rayitek is assessing the feasibility to introduce strategic investors and expand its production capacity.

The business of internet of things will devote efforts in full force in market development, strengthen internal management and control costs, aim to meet the needs of customers in offering solutions for emergency alert system, inventories, transportation and logistics management and strive to secure sales contracts for projects with potential customers.

The construction of Shenzhen Aerospace Science & Technology Plaza will be implemented as planned. Its main structure is expected to be capped within this year if the construction progresses smoothly. Meanwhile, in order to reduce its liabilities and work with property operation in the future, the Company will actively consider introducing strategic partners to the project of Shenzhen Aerospace Science & Technology Plaza. Hainan Aerospace will strengthen its communication and coordination with the local government and the related departments in the hope of completing the land expropriation and the construction of resettlement area as soon as practicable, and to strengthen the project's financing. At the same time, it will continue to optimize the planning and design of Hainan Space Park.

MANAGEMENT DISCUSSION AND ANALYSIS

Results performance

The unaudited turnover of the Company and the subsidiaries for the six months ended 30 June 2013 was HK$1,187,719,000, representing a decrease of 3% as compared with that of HK$1,227,611,000 for the same period of 2012. The profit for the period was HK$420,823,000, representing an increase of 252% as compared with that of HK$119,588,000 for the same period of 2012.

Profit attributable to shareholders of the Company

Profit attributable to shareholders of the Company was HK$369,437,000, representing an increase of 282% as compared with that of HK$96,869,000 for the same period of 2012. The increase in profit was mainly due to an increase in the fair value of investment properties, and the profit generated from the introduction of strategic investors to subscribe the shares of Hainan Aerospace Investment Management Company Limited resulting in a deemed disposal of 50% interest thereof and the profit on disposal of the remaining interests in APT Satellite Holdings Limited.

Based on the issued share capital of 3,085,022,000 shares during the period, the basic earnings per share was HK11.98 cents, representing an increase of 282% as compared with that of HK3.14 cents for the same period of 2012.

Dividends

The Board decided not to distribute an interim dividend for the year of 2013.

The distribution of 2012 final dividend of HK1 cent per share was approved by shareholders at the annual general meeting held in May 2013, warrants of which were dispatched to all shareholders on 26 June 2013.

Results of core businesses

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

The turnover of the hi-tech manufacturing is the main source of the Company's turnover and contributes a significant profit and cash flow. This has enabled the Company to fulfill a gradual development of the business of aerospace services and other new businesses in good order in recent years, and shift to the strategic emerging industry represented by hi-tech property, new materials, aerospace cultural industry, internet of things and satellite applications, so as to achieve the Company's new development target and minimize single business risks.

Hi-tech manufacturing

Hi-tech manufacturing

The turnover of the hi-tech manufacturing for the six months ended 30 June 2013 was HK$1,155,391,000, representing a decrease of 4% as compared with the same period of 2012; the operating profit was

HK$118,559,000, representing more or less the same as compared with the same period of 2012. The detailed results of the hi-tech manufacturing are shown below:

	Turnover (HK$'000)			Operating Profit (HK$'000)		
	First half of 2013	First half of 2012	Changes （%）	**First half of 2013**	First half of 2012	Changes （%）
Plastic Products	**417,246**	451,218	(7.53)	**30,971**	32,011	(3.25)
Printed Circuit Boards	**257,030**	246,584	4.24	**50,805**	48,795	4.12
Intelligent Chargers	**314,786**	345,664	(8.93)	**19,889**	20,880	(4.75)
Liquid Crystal Display	**158,949**	154,745	2.72	**7,289**	6,308	15.55
Industrial Property Investment	**7,380**	6,840	7.89	**9,605**	10,635	(9.69)
Total	**1,155,391**	1,205,051	(4.12)	**118,559**	118,629	(0.06)

Looking forward to the second half of 2013, the hi-tech manufacturing still faces the issues of cost increment, market fluctuations and so on. The Company will continue to strengthen the marketing development and the management, enhance productivity and control costs, so as to strive for the hi-tech manufacturing to maintain a stable growth.

New Materials

In the first half of 2013, Shenzhen Rayitek Hi-tech Film Company Limited* (深圳瑞華泰薄膜科技有限公司) ("Shenzhen Rayitek") further improved the production technology in polyimide film products and completed the adjustment in product mix and major markets. In the first half of 2013, the turnover was HK$31,531,000 and an operating profit of HK$36,000 was recorded. Looking forward to the second half of 2013, Shenzhen Rayitek will strengthen the development of new products and new technology, expand its sales and marketing and aggressively introduce strategic investors so as to speed up its business development.

Aerospace services business

The Complex Zone of the Launching Site in Hainan Province

In the first half of 2013, Hainan Aerospace Investment Management Company Limited* (海南航天投資管理有限公司) ("Hainan Aerospace") continued to assist the government in the rest of land expropriation. In relation to the construction of resettlement zone, the planning and design of various preliminary works had been completed, the related permit had also been obtained and the construction was commenced accordingly. The procedures of introduction of strategic investors by the Company was completed in March 2013. Upon completion of the subscription, Hainan Aerospace is no longer a subsidiary of the Company and becomes that of a joint venture.

Shenzhen Aerospace Science & Technology Plaza

In the first half of 2013, Shenzhen Aerospace Technology Investment Company Limited* (深圳市航天高科投資管理有限公司) ("Shenzhen Aerospace") progressed the construction work of Shenzhen Aerospace Science & Technology Plaza as planned. As at 30 June 2013, the main tower's structure had been constructed to the ninth floor and that of the twenty-first floor of the lower tower. In the second half of 2013, Shenzhen Aerospace will continue to step up those construction works, design and tendering works.

Shenzhen Aerospace recorded a fair value gain of investment property of HK$215,967,000 in the first half of 2013. As at 30 June 2013, the property under construction and land use right of Shenzhen Aerospace Science & Technology Plaza was valued at approximately HK$2,715,550,000.

Internet of Things
In the first half of 2013, Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術(深圳)有限公司) ("Aerospace Digitnexus") completed the research of software platform though the company remains in a preliminary development stage. In the second half of 2013, Aerospace Digitnexus will explore markets in greater force, strengthen cost control, and strive for a new development. Aerospace Digitnexus did not record any turnover and a loss of HK$12,634,000 was recorded in the first half of 2013, which was mainly the amortization of intangible assets and payment of administrative fees etc..

Assets
As at 30 June 2013, the total assets of the Company and the subsidiaries were HK$7,896,727,000, of which the non-current assets were HK$5,122,215,000, representing an increase of 11% as compared with that of HK$4,600,412,000 as at 31 December 2012. The current assets were HK$2,774,512,000, representing an increase of 36% as compared with that of HK$2,034,947,000 as at 31 December 2012. The increase in non-current assets was mainly due to an increase in the fair value of investment properties. The increase in current assets was mainly due to an increase in bank deposit correspondingly resulting from the withdrawal of bank and other loans. The equity attributable to shareholders of the Company was HK$4,414,091,000, representing an increase of 7% as compared with that of HK$4,118,102,000 as at 31 December 2012. Based on the issued share capital of 3,085,022,000 shares in the period, the net assets per share attributable to shareholders of the Company was HK$1.43.

As at 30 June 2013, a cash deposit of the Company and the subsidiaries of approximately HK$26,729,000 had been pledged to banks to obtain credit facilities, Shenzhen Rayitek had pledged its plant and equipment, land use right and property at the book value of HK$113,450,000, HK$31,567,000 and HK$20,137,000 respectively to a financial institution to secure general banking facilities, and Shenzhen Aerospace had obtained a syndicated loan by securing the land use right together with the properties under construction at value of RMB2,148,000,000 to a syndicate comprising banks and a financial institution.

Liabilities
As at 30 June 2013, the total liabilities of the Company and the subsidiaries were HK$2,696,436,000, of which the non-current liabilities were HK$1,557,410,000, representing an increase of 130% as compared with that of HK$677,456,000 as at 31 December 2012, the current liabilities were HK$1,139,026,000, representing an increase of 2% as compared with that of HK$1,117,212,000 as at 31 December 2012. The increase in non-current liabilities was mainly due to the increase in loan from a major shareholder, bank and other borrowings, and deferred tax. As at 30 June 2013, the Company and the subsidiaries had bank and other loans of HK$1,112,389,000.

Shenzhen Aerospace entered into a syndicated loan agreement of RMB1,500,000,000 with a syndicate of financial institutions in 2011 for the payment of the construction costs of the Shenzhen Aerospace Science & Technology Plaza. With the comprehensive commencement of the construction works, the construction costs will increase significantly. Shenzhen Aerospace will then drawdown the loan to pay the construction costs. Therefore, the relevant bank debt will gradually increase. As at 30 June 2013, Shenzhen Aerospace had drawn down the loan in the amount of RMB285,900,000.

Operating expenses
The administrative expenses of the Company and the subsidiaries in the first half of 2013 were HK$157,101,000, representing an increase of 8% as compared with the same period of last year, which was mainly due to the increase in human resources expenses. The finance costs amounted to HK$19,910,000, of which HK$8,391,000 had been capitalized and recorded as the construction costs of Shenzhen Aerospace Science & Technology Plaza.

Contingent liabilities
As at 30 June 2013, the Company and the subsidiaries did not have any other material contingent liabilities.

Financial ratios

	First half of 2013	First half of 2012
Gross Profit Margin	**20.45%**	19.45%
Return on Net Assets	**8.09%**	2.61%
	30 June 2013	31 December 2012
Assets- Liabilities Ratio	**34.15%**	27.05%
Current Ratio	**2.44**	1.82
Quick Ratio	**2.17**	1.60

Liquidity
The source of funds of the Company and the subsidiaries mainly relies on internal resources and banking facilities. The free cash and bank balance as at 30 June 2013 amounted to HK$1,754,851,000, the majority of which were in Hong Kong Dollars and Renminbi.

Capital expenditure and investment commitment
As at 30 June 2013, the capital commitments of the Company and the relevant subsidiaries contracted for but not provided in the condensed consolidated financial statements was HK$986,204,000, mainly for the capital expenditure of the construction of Shenzhen Aerospace Science & Technology Plaza. Shenzhen Aerospace will draw down the syndicated loan by stages to settle related construction costs in accordance with the progress of the construction of Shenzhen Aerospace Science & Technology Plaza.

The investment commitment of Hainan Aerospace, being the Company's joint venture, is RMB1,200,000,000. As at 30 June 2013, the Company and other shareholders of Hainan Aerospace had fully contributed its registered capital of RMB1,200,000,000 on a *pro rata* basis of respective shareholding.

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

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

As at 30 June 2013, the Company and the subsidiaries had a total of approximately 6,700 employees based in the Mainland China and Hong Kong respectively.

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

There had been no purchase, sale or redemption of the Company's listed securities by the Company and its subsidiaries during the first half of 2013.

CORPORATE GOVERNANCE

For the six months ended 30 June 2013, the Company had complied throughout the period with the provisions of the *Corporate Governance Code and Corporate Governance Report* as set out in Appendix 14 of the Listing Rules.

DIRECTORS' AND 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 to all the Directors of the Company and in accordance with information provided, all the Directors have compiled with the provisions under the Model Code.

As at 30 June 2013, save as disclosed below, none of the directors, chief executives or their associates have any beneficial or non-beneficial interests in the share capital, warrants and options of the Company or its subsidiaries or any of its associated corporations which is required to be recorded in the Register of Directors' Interests pursuant to Part XV of the Securities & Futures Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers*.

Name	Capacity	Number of shares Interested （long position）	Percentage of issued share capital
Leung Sau Fan, Sylvia	Director	130,000	0.004%

AUDIT COMMITTEE

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

The Audit Committee of the Company reviewed, discussed and approved the unaudited condensed consolidated financial statements for the six months ended 30 June 2013 that had been reviewed by the auditor, Deloitte Touche Tohmatsu.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

CONNECTED TRANSACTIONS

On 5 November 2012, CASIL Hainan Holdings Limited and CASIL New Century Technology Development (Shenzhen) Company Limited* (航科新世紀科技發展(深圳)有限公司), wholly-owned subsidiaries of the Company, Hainan Expressway Co., Ltd.* (海南高速公路股份有限公司) ("Hainan Expressway") and China Great Wall Industry Corporation* (中國長城工業集團有限公司) ("China Great Wall") entered into the Subscription Agreement, pursuant to which each of Hainan Expressway and China Great Wall will subscribe the equity interest in Hainan Aerospace Investment Management Company Limited* (海南航天投資管理有限公司) ("Hainan Aerospace") at a consideration of RMB312,720,000 (the "Subscription"). As China Great Wall is a connected person of the Company and accordingly, the Subscription by China Great Wall in Hainan Aerospace constituted a connected transaction of the Company. The independent shareholders of the Company approved the transaction at the Extraordinary General Meeting held on 4 January 2013, China Aerospace Science & Technology Corporation (“CASC”) and its associates were abstained from voting on the resolution. The procedures of the Subscription were completed on 19 March 2013. Upon completion, the Company, through CASIL Hainan Holdings Limited and CASIL New Century Technology Development (Shenzhen) Company Limited* (航科新世紀科技發展(深圳)有限公司), totally holds a 50% shareholding in Hainan Aerospace and each of Hainan Expressway and China Great Wall holds a 25% shareholding in Hainan Aerospace. Hainan Aerospace is no longer a wholly-owned subsidiary of the Company and would be accounted for as a joint venture of the Company. Details of which please refer to the Company's announcements made on 5 November 2012, 4 January 2013 and 20 March 2013 and the circular dated 11 December 2012, respectively.

On 26 March 2013, CASIL New Century Technology Development (Shenzhen) Company Limited* (航科新世紀科技發展(深圳)有限公司), a wholly-owned subsidiary of the Company (as the borrower), entered into an entrusted loan agreement with CASC (as the trustor), the substantial shareholder of the Company, and Bank of Beijing (as the trustee), pursuant to which CASC will provide an entrusted loan in the sum of RMB500,000,000 to the borrower with maturity of 60 months through Bank of Beijing. Details of which please refer to the Company's announcement made on 26 March 2013.

On 26 April 2013, Shenzhen Rayitek Hi-tech Film Company Limited* (深圳瑞華泰薄膜科技有限公司) ("Shenzhen Rayitek") entered into the Loan Agreement with Aerospace Science & Technology Finance Company Limited* (航天科技財務有限責任公司) ("Aerospace Finance") again, pursuant to which Aerospace Finance shall continue to provide a one-year loan in the sum of RMB60,000,000 to Shenzhen Rayitek. Shenzhen Rayitek will charge its land and buildings, and equipment and facilities in favour of Aerospace Finance as security for the Loan. In addition, CASIL New Century Technology Development

(Shenzhen) Company Limited* (航科新世紀科技發展(深圳)有限公司), a wholly-owned subsidiary of the Company and the holding company of Shenzhen Rayitek, will provide the Guarantee in respect of all amounts outstanding under the Loan Agreement in favour of Aerospace Finance. Details of which please refer to the Company's announcement made on 26 April 2013.

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

APPRECIATION

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

By order of the Board
Zhang Jianheng
Chairman

Hong Kong, 22 August 2013

At 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 Zhang Jianheng *(Chairman)*	Mr Luo Zhenbang
Mr Jin Xuesheng	Mr Wu Zhuo *(Vice Chairman)*	Ms Leung Sau Fan, Sylvia
	Mr Chen Xuechuan	Mr Wang Xiaojun
	Mr Shi Weiguo	

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