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

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

ANNOUNCEMENT OF ANNUAL RESULT 2012

The Board of Directors (the "Board") of China Aerospace International Holdings Limited (the "Company") is pleased to announce the audited results and financial statements of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2012.

SUMMARY OF RESULTS

The audited consolidated results of the Group for the year ended 31 December 2012 and the comparative figures of the same period in 2011 are as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	**2012** ***HK$'000***	2011 (Restated) *HK$'000*
Turnover	3	**2,615,101**	2,187,006
Cost of sales		**(2,101,111)**	(1,742,759)
Gross profit		**513,990**	444,247
Other income	4	**39,728**	62,153
Gain on disposal of a subsidiary		–	100,592
Other gains and losses	4	**(27,120)**	2,284
Selling and distribution costs		**(48,481)**	(51,610)
Administrative expenses		**(296,781)**	(258,230)
Other expenses		**(21,501)**	(22,043)
Fair value changes of investment properties		**256,230**	289,524
Finance costs		**(6,026)**	(1,104)
Share of results of associates		**402**	–
Share of results of jointly controlled entities		**1,532**	(1,766)
Profit before taxation	5	**411,973**	564,047
Taxation	6	**(113,962)**	(115,608)
Profit for the year		**298,011**	448,439

	Note	**2012** **HK$'000**	2011 (Restated) *HK$'000*
Attributable to:			
Owners of the Company		**246,725**	387,231
Non-controlling interests		**51,286**	61,208
		298,011	448,439
Earnings per share - basic	7	**HK8.00 cents**	HK12.55 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 **HK$'000**	2011 (Restated) *HK$'000*
Profit for the year	**298,011**	448,439
Other comprehensive income includes:		
Available-for-sale investments		
Fair value gain (loss) arising during the year	**15,876**	(60,801)
Reclassification adjustments for the cumulative gain included in profit or loss upon disposal	–	(50,183)
	15,876	(110,984)
Exchange differences arising on translating foreign operations		
Exchange gain arising during the year	**28,931**	129,831
Translation of jointly controlled entities	**(503)**	2,882
Reclassification adjustment for cumulative exchange differences included in profit or loss upon disposal or deregistration of foreign operations	–	2,797
	28,428	135,510
Other comprehensive income for the year	**44,304**	24,526
Total comprehensive income for the year	**342,315**	472,965
Total comprehensive income attributable to:		
Owners of the Company	**285,280**	386,261
Non-controlling interests	**57,035**	86,704
	342,315	472,965

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	Notes	31.12.2012 HK$'000	31.12.2011 (Restated) HK$'000	1.1.2011 (Restated) HK$'000
Non-current assets				
Property, plant and equipment		**903,618**	858,161	649,696
Prepaid lease payments		**74,970**	76,568	45,746
Investment properties		**2,629,529**	2,144,333	1,713,848
Goodwill		**12,241**	34,980	–
Intangible assets		**74,254**	60,056	–
Interests in associates		**12,845**	12,346	–
Interests in jointly controlled entities		**63,891**	62,862	61,746
Available-for-sale investments		**58,140**	42,264	173,040
Prepayment for land development		–	1,943	148,053
Land development expenditure		**665,551**	642,175	77,767
Deposit paid for construction cost of investment properties under construction		**94,597**	70,067	–
Deposit paid for acquisition of an intangible asset and property, plant and equipment		**10,776**	11,714	–
		4,600,412	4,017,469	2,869,896
Current assets				
Inventories		**243,716**	232,144	191,985
Trade and other receivables	9	**590,357**	448,723	403,025
Prepaid lease payments		**2,391**	2,374	1,733
Amounts due from customers for contract work		**2,357**	–	–
Loans receivable		–	–	70,269
Financial assets at fair value through profit or loss		**63,417**	62,911	2,864
Taxation recoverable		**217**	839	1,514
Pledged bank deposits		**110,207**	24,942	43,529
Bank balances and cash		**1,022,285**	1,151,015	1,489,728
		2,034,947	1,922,948	2,204,647
Current liabilities				
Trade and other payables	10	**924,775**	678,713	691,727
Amount due to an associate		**1,050**	1,050	1,050
Taxation payable		**58,717**	53,646	61,916
Bank and other borrowings		**123,756**	234,074	–
Obligations under a finance lease		–	65	767
Other loan		**8,914**	8,848	8,482
		1,117,212	976,396	763,942
Net current assets		**917,735**	946,552	1,440,705
Total assets less current liabilities		**5,518,147**	4,964,021	4,310,601
Non-current liabilities				
Bank and other borrowings		**200,249**	46,913	–
Deferred taxation		**477,207**	387,882	258,221
Obligations under a finance lease		–	–	65
		677,456	**434,795**	**258,286**
		4,840,691	**4,529,226**	**4,052,315**

	31.12.2012	31.12.2011	1.1.2011
		(Restated)	(Restated)
	HK$'000	*HK$'000*	*HK$'000*
Capital and reserves			
Share capital	**308,502**	308,502	308,502
Reserves	**3,809,600**	3,555,170	3,199,759
Equity attributable to owners of the Company	**4,118,102**	3,863,672	3,508,261
Non-controlling interests	**722,589**	665,554	544,054
	4,840,691	4,529,226	4,052,315

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. BASIS OF PREPARATION

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS AND ADJUSTMENTS TO PROVISIONAL VALUES FOR BUSINESS COMBINATION IN 2011

2(a) Application of new and revised HKFRSs

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA.

Amendments to HKFRS 7	Disclosures - Transfers of financial assets
Amendments to HKAS 12	Deferred tax: Recovery of underlying assets
Amendments to HKAS 1	As part of the annual improvements to HKFRSs 2009-2011 cycle issued in 2012

Except as described below, the application of those amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 12 "Deferred tax: Recovery of underlying assets"

The Group has applied for the first time the amendments to HKAS 12 "Deferred tax: Recovery of underlying assets" in the current year. Under the amendments to HKAS 12, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the directors reviewed the Group's investment property portfolios and concluded that except for certain of the Group's investment properties of which their carrying amounts will be recovered through sale, other investment properties of the Group are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and therefore the "sale" presumption set out in the amendments to HKAS 12 is rebutted by the Group.

The application of the amendments to HKAS 12 has resulted in the Group recognising additional deferred taxes on certain investment properties situated in the PRC which are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and are subject to land appreciation tax on disposal of these investment properties. Previously, the Group did not recognised deferred tax relating to land appreciation tax on changes in fair value of those investment properties on the basis that the carrying amounts of these properties were expected to be recovered through use, which is the manner in which the Group expects to recover the carrying amounts of the investment properties.

The amendments to HKAS 12 have been applied retrospectively, resulting in the Group's deferred tax liabilities being increased by HK$70,449,000 and HK$103,739,000 as at 1 January 2011 and 31 December 2011 respectively, with the corresponding adjustment as a reduction to retained profits, translation reserve and non-controlling interests (see summary of effect of change in accounting policy below). In addition, the application of the amendments has resulted in the Group's taxation for the year ended 31 December 2012 and 31 December 2011 being increased by HK$23,502,000 and HK$29,236,000 respectively and hence resulted in the profit for the year ended 31 December 2012 and 31 December 2011 being reduced by HK$23,502,000 and HK$29,236,000 respectively.

Amendments to HKAS 1 "Presentation of financial statements"
(as part of the Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012)

Various amendments to HKFRSs were issued in June 2012, the title of which is Annual Improvements to HKFRSs (2009 - 2011 Cycle). The effective date of these amendments is annual periods beginning on or after 1 January 2013.

In current year, the Group has applied for the first time the amendments to HKAS 1 in advance of the effective date (annual periods beginning on or after 1 January 2013).

HKAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to HKAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

In the current year, the Group has applied the amendments to HKAS 12 for the first time, which has resulted in restatement on certain balances in the consolidated statement of financial position as at 1 January 2011. In accordance with the amendments to HKAS 1, the Group has therefore presented a third statement of financial position as at 1 January 2011 without the related notes.

2(b) Adjustments to provisional values for business combination in 2011

The Group has finalised the valuation of certain assets, previously measured at provisional values for a business combination in 2011 certain comparative figures have been adjusted as if the initial accounting had been completed from the acquisition date. The adjustments have no significant effect to the profit or loss for the year ended 31 December 2011.

The effect of change in accounting policy described above on the results for the current and prior year by line items presented in the consolidated income statements are as follows:

	Year ended 31.12.2012 *HK$'000*	Year ended 31.12.2011 *HK$'000*
Increase in taxation expenses and decrease in profit for the year	**23,502**	29,236
Decrease in profit for the year attributable to:		
Owners of the Company	**14,101**	17,541
Non-controlling interests	**9,401**	11,695
	23,502	29,236

The effect of change in accounting policy described above on the financial positions of the Group as at 1 January 2011 and 31 December 2011 and the adjustments to provisional values for business combination for the year ended 31 December 2011 is as follows:

	As at 1.1.2011 (originally stated) HK$'000	Adjustments HK$'000	As at 01.01.2011 (restated) HK$'000	As at 31.12.2011 (originally stated) HK$'000	Adjustments HK$'000	Adjustments to provisional values for business combination in 2011 HK$'000	As at 31.12.2011 (restated) HK$'000
Goodwill	–	–	–	51,001	–	(16,021)	34,980
Intangible assets	–	–	–	21,218	–	38,838	60,056
Deferred taxation	(187,772)	(70,449)	(258,221)	(274,433)	(103,739)	(9,710)	(387,882)
Total effect on net assets	(187,772)	(70,449)	(258,221)	(202,214)	(103,739)	13,107	(292,846)
Retained profits	2,012,478	(40,580)	1,971,898	2,386,400	(58,121)	–	2,328,279
Translation reserve	186,768	(1,691)	185,077	299,215	(4,124)	–	295,091
Non-controlling interests	572,232	(28,178)	544,054	693,941	(41,494)	13,107	665,554
Total effect on equity	2,771,478	(70,449)	2,701,029	3,379,556	(103,739)	13,107	3,288,924

The effects of the above changes in accounting policies on the Group's basic earnings per share for the current and prior year presented in the consolidated income statements are as follows:

Impact on basic earnings per share

	Impact on basic earnings per share	
	Year ended 31.12.2012 ***HK cents***	Year ended 31.12.2011 *HK cents*
Figures before adjustments	**8.46**	13.12
Adjustments arising from changes in the Group's accounting policy in relation to:		
application of amendments to HKAS 12 in respect of deferred taxes on investment properties	**(0.46)**	(0.57)
Figures after adjustments	**8.00**	12.55

New and revised HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 - 2011 cycle, except for the amendments HKAS 1[1]
Amendments to HKFRS 7	Disclosures - Offsetting financial assets and financial liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[2]
HKFRS 9	Financial instruments[3]
HKFRS 10	Consolidated financial statements[1]
HKFRS 11	Joint arrangements[1]
HKFRS 12	Disclosure of interests in other entities[1]
HKFRS 13	Fair value measurement[1]
HKAS 19 (Revised 2011)	Employee benefits[1]
HKAS 27 (Revised 2011)	Separate financial statements[1]

HKAS 28 (Revised 2011)	Investments in associates and joint ventures[1]
Amendments to HKAS 1	Presentation of items of other comprehensive income[4]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[2]
HK(IFRIC) - INT 20	Stripping costs in the production phase of a surface mine[1]

1 Effective for annual periods beginning on or after 1 January 2013.
2 Effective for annual periods beginning on or after 1 January 2014.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 July 2012.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at 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 reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for the Group for the annual period beginning on 1 January 2015, with earlier application permitted.

Except for available-for-sale investments, the directors anticipate that the application of HKFRS 9 will not affect the classification and measurement of the Group's other financial assets and liabilities as at 31 December 2012. Regarding the Group's available-for-sale investments, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

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

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

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 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) the 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. HK(SIC) - INT 13 "Jointly controlled entities - Non-monetary contributions by venturers" will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three 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.

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 July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the transitional guidance, are effective for the Group's annual period beginning on 1 January 2013. The application of these five standards will not have impact on amounts reported in the consolidated financial statements but will result in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair value measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it 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, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

The directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of the new standard will not have impact on amounts reported in the consolidated financial statements but will result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The amendments to HKAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the 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 items of other comprehensive income to be 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 option to present items of other comprehensive income either before tax or net of tax.

The amendments to HKAS 1 are effective for the Group for the annual period beginning on 1 January 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied.

Other than those disclosed above, the directors anticipate that the application of the other new and revised standards, amendments and interpretations 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 9 operating 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, the Hainan Launching Site Complex Zone of land development project and Internet of Things) which represents the major industries in which the Group engaged.

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

For the year ended 31 December 2012

	Turnover			
	External sales *HK$'000*	**Inter-segment sales** *HK$'000*	**Total turnover** *HK$'000*	**Segment results** *HK$'000*
Hi-Tech Manufacturing Business				
Plastic products	**846,598**	**102,620**	**949,218**	**67,424**
Liquid crystal display	**358,866**	**435**	**359,301**	**13,420**
Printed circuit boards	**507,340**	–	**507,340**	**107,716**
Intelligent chargers	**764,975**	–	**764,975**	**49,007**
Industrial property investment	**13,743**	**16,619**	**30,362**	**14,350**
	2,491,522	**119,674**	**2,611,196**	**251,917**
New Material Business				
Polyimide films manufacturing	**84,751**	–	**84,751**	**(21,173)**
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	–	–	–	**219,222**
Land development in Hainan Launching Site Complex Zone	–	–	–	**(6,921)**
Internet of Things	**36,984**	–	**36,984**	**(4,706)**
	36,984	–	**36,984**	**207,595**
Reportable segment total	**2,613,257**	**119,674**	**2,732,931**	**438,339**
Elimination	–	**(119,674)**	**(119,674)**	–
Other Business	**1,844**	–	**1,844**	**12,810**
	2,615,101	–	**2,615,101**	**451,149**
Unallocated corporate income				**31,435**
Unallocated corporate expenses				**(66,519)**
				416,065
Share of results of associates				**402**
Share of results of jointly controlled entities				**1,532**
Finance costs				**(6,026)**
Profit before taxation				**411,973**

For the year ended 31 December 2011

	Turnover			
	External sales *HK$'000*	Inter-segment sales *HK$'000*	Total turnover *HK$'000*	Segment results *HK$'000*
Hi-Tech Manufacturing Business				
Plastic products	808,160	79,089	887,249	59,803
Liquid crystal display	306,003	–	306,003	12,391
Printed circuit boards	450,362	–	450,362	90,997
Intelligent chargers	586,720	–	586,720	39,286
Industrial property investment	12,826	13,862	26,688	14,351
	2,164,071	92,951	2,257,022	216,828
New Material Business				
Polyimide films manufacturing	20,843	–	20,843	(760)
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	–	–	–	248,679
Land development in Hainan Launching Site Complex Zone	–	–	–	(12,152)
Internet of Things	–	–	–	(7,978)
	–	–	–	228,549
Reportable segment total	2,184,914	92,951	2,277,865	444,617
Elimination	–	(92,951)	(92,951)	–
Other Business	2,092	–	2,092	17,536
	2,187,006	–	2,187,006	462,153
Unallocated corporate income				51,171
Unallocated corporate expenses				(77,627)
				435,697
Gain on disposal of a subsidiary				100,592
Recovery of loans receivable				29,010
Reversal of impairment loss recognised in respect of loans receivable				1,618
Share of results of jointly controlled entities				(1,766)
Finance costs				(1,104)
Profit before taxation				564,047

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

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

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	2012 HK$'000	2011 HK$'000
The Group's other income mainly comprises:		
Bank interest income	**13,796**	16,308
Recovery of loans receivable (Note)	**—**	29,010
The Group's other gains and losses comprise:		
Impairment loss recognised in respect of goodwill	**(23,000)**	—
Net exchange (loss) gain	**(6,463)**	6,804
Net gain (loss) from change in fair value of financial assets at fair value through profit or loss	**3,383**	(5,556)
Allowance for doubtful trade debts	**(1,278)**	(638)
Gain on deregistration of subsidiaries	**83**	—
Gain on disposal/written off of property, plant and equipment	**155**	56
Reversal of impairment loss recognised in respect of loans receivable (Note)	**—**	1,618

Note:

During the year ended 31 December 2011, 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$30,628,000, 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, was recognised in profit or loss for the year ended 31 December 2011 whereby amounts of HK$1,618,000 and HK$29,010,000 were recorded as reversal of impairment loss recognised in respect of loans receivable and recovery of loans receivable respectively. The recovery of loans receivable was mainly related to the additional amount recovered upon settlement net of transaction costs.

5. PROFIT BEFORE TAXATION

	2012 HK$'000	2011 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Depreciation on		
- owned assets	**97,338**	71,302
- assets held under a finance lease	**—**	250
Amortisation of prepaid lease payments	**2,465**	1,952
Amortisation of intangible asset (included in cost of sales)	**13,360**	971
Auditors' remuneration		
- current year	**4,200**	4,192
- overprovision in prior year	**(192)**	(25)
Minimum lease payments under operating leases in respect of land and buildings	**13,630**	10,905
Research and development expenses (included in other expenses)	**21,501**	21,309
Staff costs, including directors' remuneration	**463,123**	366,981
Cost of inventories charged to profit or loss including allowance for obsolete inventories of HK$3,375,000 (2011: reversal of HK$1,241,000)	**2,101,111**	1,742,759
Gross rental income	**(15,587)**	(14,918)
Less: Direct operating expenses from investment properties that generated rental income during the year	**2,418**	2,156
	(13,169)	(12,762)

6. TAXATION

The tax charge for the year comprises:

	2012	2011
		(Restated)
	HK$'000	*HK$'000*
Current tax:		
Hong Kong Profits Tax	**18,799**	14,111
PRC Enterprise Income Tax	**13,024**	9,372
	31,823	23,483
(Over)underprovision in prior years:		
Hong Kong Profits Tax	**(73)**	107
PRC Enterprise Income Tax	**(3,032)**	(5,513)
	(3,105)	(5,406)
Deferred tax	**85,244**	97,531
	113,962	115,608

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. Certain subsidiaries of the Company operating in the PRC are eligible as High and New Technology Enterprise and the income tax rate of these subsidiaries is 15%.

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

Overprovision for the year ended 31 December 2011 mainly included tax refund from tax bureau to certain subsidiaries of the Company in the PRC for successfully claiming during the current year as High and New Technology Enterprise status since 2010. The income tax rate of these subsidiaries is thus reduced to 15%.

7. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company for the year is based on the profit for the year attributable to owners of the Company of HK$246,725,000 (2011: HK$387,231,000) and on 3,085,022,000 shares (2011: 3,085,022,000) in issue during the year.

No diluted earnings per share have been presented as there were no potential ordinary shares outstanding for both years.

8. DIVIDENDS

	2012	2011
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
2011 final, paid - HK1 cent (2011: 2010 final dividend of HK1 cent) per share	**30,850**	30,850

A final dividend of HK1 cent per share in respect of the year ended 31 December 2012 (2011: HK1 cent) has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

9. TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade receivables	**554,274**	420,616
Less: Allowance for doubtful debts	**(24,638)**	(24,776)
	529,636	395,840
Other receivables, deposits and prepayments	**60,721**	52,883
	590,357	448,723

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

	2012	2011
	HK$'000	*HK$'000*
Within 90 days	**491,252**	368,256
Between 91 - 180 days	**33,141**	27,584
Between 181 - 365 days	**5,243**	—
	529,636	395,840

Included in trade receivables for the year ended 31 December 2011 was an amount due from a non-controlling shareholder of a subsidiary of amounting to HK$9,827,000 with a credit period of 90 days. The amount was fully settled during the year.

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

10. TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**285,109**	221,287
Accrued charges	**124,108**	102,084
Receipt in advance	**137,196**	98,704
Other payables	**378,362**	256,638
	924,775	678,713

Other payables included an amount of HK$54,000,000 (2011: HK$54,000,000) received from a third party on behalf of China Aerospace Science & Technology Corporation and payables to contractors for investment properties under construction of HK$104,263,000 (2011: HK$19,233,000).

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

	2012	2011
	HK$'000	*HK$'000*
Within 90 days	**268,944**	207,316
Between 91 - 180 days	**2,825**	2,755
Between 181 - 365 days	**442**	681
Over 1 year	**12,898**	10,535
	285,109	221,287

CHAIRMAN'S STATEMENT

RESULTS

For the year ended 31 December 2012, the Company and its subsidiaries reported a turnover of HK$2,615,101,000 (2011: HK$2,187,006,000), representing an increase of approximately 20% over last year. The profit attributable to shareholders was HK$246,725,000 (2011 being restated: HK$387,231,000), representing a decrease of approximately 36%.

In 2012, the continued influence of European sovereign debt crisis resulted in a sluggish global economy, leading to a slowdown in global trade. Despite the impact of various negative factors, the turnover of the hi-tech manufacturing of the Company still achieved a considerable growth when compared with that of last year. The project of Shenzhen Aerospace Science and Technology Plaza, an investment property under construction, recorded at fair value and contributed a considerable amount of profits to the Company. Save as no material one-off non-recurring income was recorded by the Company in 2012, the turnover of the Company grew satisfactorily while a higher profit was achieved when comparing to that of last year. The Board of Directors has proposed the distribution of a final dividend of HK1 cent per share for the shareholders in return.

BUSINESS REVIEW

During the year, the development of the major businesses of the Company performed well. Among which, the hi-tech manufacturing business continued to grow steadily, the project of Complex Zone of the Launching Site in Hainan Province completed the introduction of strategic investors, while the construction of Shenzhen Aerospace Science and Technology Plaza was progressing as scheduled. Both the new materials and the internet of things business recorded a growth in turnover.

Hi-Tech Manufacturing

Hi-Tech Manufacturing

Facing unfavorable factors such as severe global economy, appreciation of RMB, rising costs, human resources shortage and intense competition, the hi-tech manufacturing business had timely adopted certain positive measures, including enhancement of market development efforts, technical upgrading, promotion of meticulous management, optimization of product structure, improvement of employee productivity, and had both the turnover and the profit set a historical record again. In 2012, the turnover of hi-tech manufacturing business was HK$2,491,522,000 (2011： HK$2,164,071,000), representing an increase of 15% as compared to that of last year. The profit amounted to HK$251,917,000 (2011: HK$216,828,000), representing an increase of 16% as compared to that of last year.

The plastic product business had enhanced the grading and technical specification of its products through technical upgrading, from which the business strived to acquire considerable orders for products of new models in order to serve clients' needs, and strengthened its long-term partnership with major clients, as well as reinforced its market share.

The printed circuit board business continued to focus on the research and development and market exploration of unique products, optimized the product structure of hard board business, completed the transformation of the product structure of soft board business and developed the core clients for SMT business. Meanwhile, the printed circuit board business, through the introduction of new technology and equipment and implementation of technical upgrading by stages, ensures its production capacity for its medium-term development.

The intelligent charger business successfully accomplished the transformation of product structure. The lithium ion battery charger newly developed in recent years accounted for approximately 70% of the turnover, and gradually replaced the traditional Ni-MH charger products.

The semiconductor business had developed a number of new clients while consolidating its relationship with existing clients. The client structure has been optimized, ensuring the profit-oriented sales strategy can be consistently implemented.

New Materials

In 2012, the production capacity of Shenzhen Rayitek Hi-tech Film Company Limited* (深圳瑞華泰薄膜科技有限公司) ("Shenzhen Rayitek") was becoming stable, the marketing and sales was also strengthened as a result of the gradual improvement of its production conditions. Shenzhen Rayitek progressively saw some achievements in promoting product transformation, as well as making a breakthrough in exploiting medium to high electronic grade film market, and built up a stable client base. As a result, it successfully broke into the electronic grade film market with higher added-value from the electrical grade film market. The newly developed 12.5 micron electronic film products contributed about half of the turnover during the year. At the same time, Shenzhen Rayitek launched its research and development on new products of 9 micron ultra-thin film, functional films and new generation high-performance films, some of which are included in the New Materials Industrialization Plan of Shenzhen and have obtained a subsidy from the municipal government. Such research and development will lay a foundation for the future growth of Shenzhen Rayitek.

Aerospace Service Business

The Complex Zone of the Launching Site in Hainan Province

Hainan Aerospace Investment Management Company Limited (海南航天投資管理有限公司) ("Hainan Aerospace") had facilitated the municipal government of Wenchang and made considerable progresses in expropriation of lands, of which contracts for approximately 98% of the total area of lands expropriated were executed by the municipal government of Wenchang. In October 2012, Hainan Aerospace, for the first time, successfully bid a site of 58 mu for the Hainan Space Park project and that of 129 mu for its ancillary hotels, which established an important condition for the first phase construction of Hainan Space Park. Meanwhile, the construction of resettlement zones had commenced and the construction plan for the first phase of Hainan Space Park also moved into the detailed design stage.

In November 2012, with the supports from China Aerospace Science & Technology Corporation ("CASC"), Hainan Aerospace successfully introduced 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'') to be its strategic investors. Each of Hainan Expressway and China Great Wall has subscribed the capital of Hainan Aerospace of RMB300,000,000. Meanwhile, Hainan Project engaged an advisory agency under Shenzhen Overseas Chinese Town Co., Ltd.* (深圳華僑城股份有限公司) (the "OCT Advisory Agency") as its consultant, so as to provide professional advice on the general planning of the project and the construction and operation of the theme park.

Shenzhen Aerospace Science and Technology Plaza

Following the completion of piling works, the project of Shenzhen Aerospace Science and Technology Plaza moved into the construction stage of main structure during the year. At the end of 2012, the construction reached ground level for the main building and 5th floor for the auxiliary building. At present, the construction of Shenzhen Aerospace Science and Technology Plaza has made a satisfactory progress, and the other tasks of design, tender, approval applications, costs of construction, finance and internal management are also proceeding in order. To complement the marketing and sales in the future and to improve the understanding of the requirements of potential customers, Shenzhen Aerospace Technology Investment Company Limited* (深圳市航天高科投資管理有限公司) ("Shenzhen Aerospace") has unfolded relevant research works with professional real estate consultants.

Internet of Things

The internet of things software platform developed by Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術(深圳)有限公司) ("Aerospace Digitnexus") on its own initiative had basically completed. The marketing works made a remarkable progress, which included the signing of major service contracts for Sichuan Forestry Alert Project and Supply Chain Management System Project of China Construction Steel Structure Corporation Limited* (中建鋼構有限公司). In addition, Aerospace Digitnexus has obtained 3 utility new patent rights, such as smart goods management system, network signal switching device of internet of things and the system of internet of things, personal goods management system etc..

PROSPECT

Against the backdrop of sluggish economies in major developed regions like the US, Europe and Japan, the outlook of the development of the global economy cannot be optimistic. The dual pressure from the sluggish demands and inflation represents a challenge to the export-oriented hi-tech manufacturing business. The business environment continued to be tough. Faced with the challenging market prospects, the Company's hi-tech manufacturing will continue to reinforce management, control costs and risks, increase investment in technical upgrading, as well as the development efforts for domestic and overseas markets, with an aim to actively explore new development opportunities while ensuring the steady operation of business.

The two hi-tech property projects, namely the Complex Zone of the Launching Site in Hainan Province and Shenzhen Aerospace Science and Technology Plaza, will be developed as scheduled on their respective construction plans. The Company will, after the successful introduction of strategic investors to Hainan Aerospace, jointly perform the investment commitments with the strategic investors. Hainan Aerospace will strive to complete the first phase construction of housings and the construction of several municipal facilities in the resettlement zones in 2013, and will explore the possibility of further introducing other strategic partners. With the assistance from the OCT Advisory Agency, Hainan Aerospace will strive for the finalization of various constructions and implementation plans in the near future, so as to commence the construction of the first phase of the project.

The project of Shenzhen Aerospace Science and Technology Plaza recorded a satisfactory progress after moving into the construction stage of the main structure. It is expected that the capping of main structure will be completed during 2013. Shenzhen Aerospace will accomplish the construction of the main structure according to the project schedule and enhance the management efforts over the project. In line with the facilitation of work progress, quality of construction and safety will be emphasized and various construction costs will be well controlled. In addition, preparatory works for marketing and sales will be performed, including the engagement of sales agents and planning agencies, setting up promotion platforms and building up the client base for leasing and solicitation of business. Shenzhen Aerospace will carry out the relevant procedures for the real estate sales qualifications and pre-sale permits, and begins to prepare tasks such as engaging property management companies.

As regard to the new materials business, Shenzhen Rayitek will further improve its production process and enhance production efficiency. The introduction of new products such as HL type film, carbon black polyimide film and corona-resistant polyimide nano film are being promoted principally. Furthermore, Shenzhen Rayitek will continue to develop and deepen its research and development on HE type high modulus polyimide film, low dielectric polyimide, TPI resin, chemical imidized process technology, aerospace prepreg composite membrane and special resin application technology. To enhance the research and development capability, Shenzhen Rayitek will prepare to build an engineering & technology centre and conduct investigation and research for the construction of a new phase of production site.

The internet of things business will strengthen its market development efforts, and expand its forestry projects nationwide based on the foundation works of Sichuan Forestry Project. At the same time, Aerospace Digitnexus will, based on the foundation works of Supply Chain Management System of China Construction Steel Structure Corporation Limited* (中建鋼構有限公司), develop other supply chain management projects for major enterprises. In addition to the markets for forestry and large enterprise supply chain management, Aerospace Digitnexus will strive to explore new markets such as urban fire protection, new energy, oil and petrochemical.

By developing such projects as hi-tech property, new materials and internet of things, the Company absorbed valuable knowledge and experience in merger and acquisition. Looking forward, the Company will enhance its efforts in the field, and further develop two major business segments, hi-tech manufacturing and aerospace services, in accordance with the strategic plan. The Company will develop in full force five business segments of electronic products, hi-tech property, aerospace culture, new materials, and internet of things and satellite application systems.

China Aerospace Science and Technology Corporation established a comprehensive development plan spanning over the thirteenth five-year plan period in its quinquennial meeting in January 2013. The goal to be fulfilled by 2020 is to fully develop CASC into a large world-class aerospace enterprise group. The Company will unswervingly bring its role as the overseas capital operation platform of CASC by devoting all efforts to achieve its goal of the group company, and to strive for better returns for the shareholders of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Results performance

The audited turnover of the Company and the subsidiaries for the year ended 31 December 2012 was HK$2,615,101,000, representing an increase of approximately 20% as compared with that of HK$2,187,006,000 for 2011. The profit for the year was HK$298,011,000, representing a decrease of 34% as compared with that of HK$448,439,000 (being restated) for 2011.

Profit attributable to shareholders of the Company

Profit attributable to shareholders of the Company was HK$246,725,000, representing a decrease of 36% as compared with that of HK$387,231,000 (being restated) for 2011. The decrease in profit was mainly due to, in comparing to 2011, no material one-off non-recurring income was recorded by the Company in 2012.

Based on the issued share capital of 3,085,022,000 shares during the year, the basic earnings per share was HK$0.08, representing a decrease of 36% as compared with that of HK$0.1255 (being restated) for 2011.

Dividends

The Board proposed the distribution of 2012 final dividend of HK1 cent per share in March 2013, subject to the approval by shareholders at the annual general meeting to be held on 30 May 2013. If approved, warrants of which will be dispatched to all shareholders on or about 26 June 2013.

The 2011 final dividend of HK1 cent per share had been approved by shareholders at the annual general meeting in June 2012 and warrants of which were dispatched to all shareholders on 12 July 2012.

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 gradual development of the business of aerospace services and other new businesses such as 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 risk.

Hi-tech Manufacturing

Hi-tech manufacturing

The turnover of the hi-tech manufacturing in 2012 was HK$2,491,522,000, representing an increase of 15% as compared with last year; the operating profit was HK$251,917,000, representing an increase of 16% as compared with last year. The results of the hi-tech manufacturing are shown below:

	Turnover (HK$'000)			Operating Profit (HK$'000)		
	2012	2011	Changes (%)	**2012**	2011	Changes (%)
Plastic Products	**846,598**	808,160	4.76	**67,424**	59,803	12.74
Printed Circuit Boards	**507,340**	450,362	12.65	**107,716**	90,997	18.37
Intelligent Chargers	**764,975**	586,720	30.38	**49,007**	39,286	24.74
Liquid Crystal Display	**358,866**	306,003	17.28	**13,420**	12,391	8.30
Industrial Property Investment	**13,743**	12,826	7.15	**14,350**	14,351	(0.01)
Total	**2,491,522**	2,164,071	15.13	**251,917**	216,828	16.18

Looking forward to 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 ensure the hi-tech manufacturing to have a stable growth continuously.

New materials

In 2012, Shenzhen Rayitek Hi-tech Film Company Limited*(深圳瑞華泰薄膜科技有限公司) ("Shenzhen Rayitek") furthered the improvement of production technology in polyimide film products and completed the adjustment in strategy of major markets, from mainly supplying insulators for electric-engineering market to that of in electronics applications. In 2012, the turnover was HK$84,751,000 and an operating loss of HK$21,173,000 was recorded, including an impairment loss of goodwill of HK$23,000,000.

Looking forward to 2013, Shenzhen Rayitek continues to improve its existing production technology, further improves its product quality and production capacity, and expands its sales and marketing in order to speed up its business development.

Aerospace Services Business

The Complex Zone of the Launching Site in Hainan Province

In 2012, 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 and that had completed most of the land expropriation. In relation to the construction of resettlement zone, a temporary permit for the planning of construction works had been obtained, the preliminary works such as the master plan, the implementation plan of the construction works, and the planning and design of urban facilities and so on had been completed as well, and the construction works are underway at present. Simultaneously, Hainan Aerospace had obtained the subscription of equity interests by the strategic investors and the subscription was completed in March 2013.

Hainan Aerospace recorded a loss of HK$6,921,000 in 2012, which was mainly the payment of the cost of preparatory work, and administrative and professional fees.

Shenzhen Aerospace Science & Technology Plaza

In 2012, Shenzhen Aerospace Technology Investment Company Limited* (深圳市航天高科投資管理有限公司) ("Shenzhen Aerospace") completed the design of several construction drawings, underwent several tendering of construction works and completed the work of pilings. Besides, the construction works above the ground level was commenced. In 2013, Shenzhen Aerospace will continue to step up those construction works, design and tendering works, and strive to complete the capping of the main structure.

Shenzhen Aerospace recorded a fair value gain of investment property of HK$229,325,000 in 2012. As at 31 December 2012, the property under construction and land use right of Shenzhen Aerospace Science & Technology Plaza was estimated at HK$2,272,388,000.

Internet of Things
In 2012, Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術(深圳)有限公司) ("Aerospace Digitnexus") basically completed the research of software platform and signed several projects and services contracts. In 2013, Aerospace Digitnexus will continue to explore markets and strengthen research and development so as to maintain a pioneer position of its products.

Aerospace Digitnexus recorded a turnover of HK$36,984,000 and a loss of HK$4,706,000 in 2012, which was mainly the amortization of intangible assets and payment of administrative fees etc..

Assets

As at 31 December 2012, the audited total assets of the Company and the subsidiaries were HK$6,635,359,000, of which the non-current assets were HK$4,600,412,000, representing an increase of 15% as compared with that of HK$4,017,469,000 (being restated) as at 31 December 2011. The current assets were HK$2,034,947,000, representing an increase of 6% as compared with that of HK$1,922,948,000 as at 31 December 2011. The increase in non-current assets was mainly due to the increase in fair value of investment properties, whereas the increase in current assets was mainly due to the increase in trade receivables resulting from the increase in turnover correspondingly. The equity attributable to shareholders of the Company was HK$4,118,102,000 representing an increase of 7% as compared with that of HK$3,863,672,000 (being restated) as at 31 December 2011. Based on the issued share capital of 3,085,022,000 shares during the year, the net assets per share attributable to shareholders of the Company was HK$1.33.

As at 31 December 2012, a cash deposit of the Company and the subsidiaries of approximately HK$110,207,000 had been pledged to banks to obtain credit facilities, Shenzhen Rayitek had pledged its plant and equipment and land use right at the book value of HK$110,392,000 and HK$14,341,000 respectively to Aerospace Science & Technology Finance Company Limited* (航天科技財務有限責任公司) to secure general banking facilities, and Shenzhen Aerospace had obtained a syndicated loan by securing the land use right and property under construction thereof at value of RMB1,827,000,000 to a syndicate comprising banks and a financial institution.

Liabilities

As at 31 December 2012, the total liabilities of the Company and the subsidiaries were HK$1,794,668,000, of which the non-current liabilities were HK$677,456,000, representing an increase of 56% as compared with that of HK$434,795,000 (being restated) as at 31 December 2011, the current liabilities were HK$1,117,212,000, representing an increase of 14% as compared with that of HK$976,396,000 as at 31 December 2011. The increase in non-current liabilities was mainly due to the increase in bank loans and deferred tax, whereas the increase in current liabilities was mainly due to the increase in trade payables resulting from the increase in purchase correspondingly and payables for the construction of Shenzhen Aerospace Science & Technology Plaza. As at 31 December 2012, the Company and the subsidiaries had bank and other borrowings of HK$324,005,000.

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 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 gradually drawdown the loan to pay the construction costs. Therefore, the relevant bank debt will gradually increase. As at 31 December 2012, Shenzhen Aerospace had drawn down the loan in the amount of RMB141,000,000.

Operating expenses

The administrative expenses of the Company and the subsidiaries in 2012 were HK$296,781,000, representing an increase of 15% as compared with last year, which was mainly due to the increase in human resources expense. The financial costs amounted to HK$14,995,000, of which HK$3,523,000 and HK$5,446,000 had been capitalized and recorded as the construction cost of Shenzhen Aerospace Science & Technology Plaza and the land development cost of the Hainan project.

Contingent liabilities

As at 31 December 2012, the Company and the subsidiaries did not have any other material contingent liabilities.

Financial Ratios

	2012	2011 (Restated)
Gross Profit Margin	**19.65%**	20.31%
Return on Net Assets	**6.16%**	9.90%

	31 December 2012	31 December 2011 (Restated)
Assets-Liabilities Ratio	**27.05%**	23.76%
Current Ratio	**1.82**	1.97
Quick Ratio	**1.60**	1.73

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 31 December 2012 amounted to HK$1,022,285,000, the majority of which were in Hong Kong Dollars and Renminbi.

Capital Expenditure and Investment Commitment

As at 31 December 2012, the capital commitments of the Company and the relevant subsidiaries contracted for but not provided in the consolidated financial statements was HK$910,563,000, mainly for the capital expenditure of the construction of Shenzhen Aerospace Science & Technology Plaza. With the comprehensive commencement of the construction of Shenzhen Aerospace Science & Technology Plaza, Shenzhen Aerospace will draw down the syndicated loan by stages to settle related construction costs.

The commitment of the land development project of the Complex Zone of the Launching Site in Hainan Province is RMB1,200,000,000, and as at 31 December 2012, a sum of RMB535,103,000 had been incurred or paid. The other shareholders of Hainan Aerospace had completed the increase in capital in Hainan Aerospace in March 2013, the registered capital of which is RMB1,200,000,000.

Financial Risks

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

Human Resources and Remuneration Policies

The 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.

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.

As at 31 December 2012, the Company and the subsidiaries have a total of approximately 6,500 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 year.

CORPORATE GOVERNANCE

During 2012, the Company had complied with the provisions of the Corporate Governance Code and Corporate Governance Report of Appendix 14 of the Listing Rules.

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 of the Listing Rules, as the required standard for the Directors of the Company to trade the securities of the Company. Hence, the Company enquired all the Directors individually whether they had complied with Appendix 10 while trading the securities of the Company during 2012, and all the Directors replied that they had complied with the requirements of Appendix 10 during the year.

AUDIT COMMITTEE

In 2012, the Audit Committee of the Company comprises Mr Luo Zhenbang (Chairman) (appointed as Chairman in March 2012), Mr Chow Chan Lum, Charles (Chairman) (resigned in March 2012) and Ms Leung Sau Fan, Sylvia (appointed in March 2012), all being Independent Non-Executive Directors; and Mr Shi Weiguo (appointed in March 2012) and Mr Zhou Qingquan (retired in March 2012), both being Non-Executive Directors. The major functions of the Audit Committee include serving as a focal point for communication between the Directors and external auditors, reviewing the Company's financial information as well as overseeing the Company's financial reporting system and internal control procedures. The Audit Committee had reviewed, discussed and approved the financial statements for the year ended 31 December 2012.

REMUNERATION COMMITTEE

In 2012, the Remuneration Committee comprises Ms Leung Sau Fan, Sylvia (Chairman) (appointed in March 2012), Mr Wang Junyan, Mr Luo Zhenbang (resigned in March 2012) and Mr Chow Chan Lum, Charles (resigned in March 2012), all being Independent Non-executive Directors, and Dr Chan Ching Har, Eliza (Chairman) (resigned in March 2012) and Mr Chen Xuechuan, both being Non-Executive Directors. 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 Company established a Nomination Committee on 26 March 2012. The Chairman of the Nomination Committee is Mr Zhang Jianheng, being a Non-Executive Director and the Chairman of the Board, and members of the Nomination Committee are Mr Luo Zhenbang, Mr Wang Junyan and Ms Leung Sau Fan, Sylvia, all being Independent Non-Executive Directors, and Mr Chen Xuechuan, being a Non-Executive Director. Main functions of the Nomination Committee are to review the structure, size and composition of the Board in order to implement the Company's strategy.

CONNECTED TRANSACTIONS

On 4 May 2012, Shenzhen Rayitek Hi-tech Film Company Limited* (深圳瑞華泰薄膜科技有限公司) ("Shenzhen Rayitek"), an indirect 55%-owned subsidiary of the Company, 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") pursuant to which Aerospace Finance shall provide an one-year loan in the sum of RMB60,000,000 to Shenzhen Rayitek. As security for the loan, Shenzhen Rayitek will charge its land use right, buildings, and plant and equipment in favour of Aerospace Finance. 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 direct holding company of Shenzhen Rayitek, will provide a guarantee in respect of all amounts outstanding under the Loan Agreement in favour of Aerospace Finance. As Aerospace Finance is a connected person of the Company and accordingly, the transactions contemplated under the Loan Agreement and the Guarantee constituted connected transactions of the Company. Details of which please refer to the Company's announcement made on 4 May 2012.

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 registered capital of RMB300,000,000 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 and its associates were abstained from voting on the resolution. Details of which please refer to the Company's announcements made on 5 November 2012 and 4 January 2013 and the circular dated 11 December 2012, respectively.

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

EVENT AFTER THE REPORTING PERIOD

The Subscription referred in the paragraph headed "Connected Transactions" by China Great Wall 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 and its associates were abstained from voting on the resolution. The Subscription was completed on 19 March 2013. Details of which please refer to the Company's announcements made on 4 January 2013 and 20 March 2013 and the circular dated 11 December 2012.

DIVIDEND

The Board has recommended a final dividend of HK1 cent per share for the year ended 31 December 2012 (2011: HK1 cent) payable to the shareholders of the Company whose names appear on the Register of Members of the Company on Thursday, 6 June 2013.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Thursday, 30 May 2013. Notice of which will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company and dispatched to the shareholders of the Company in such manner as required under the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

To ensure shareholders the right to attend and vote at the Annual General Meeting and to qualify to receive the distribution of final dividend, the Register of Members of the Company will be closed and details of which are as follows:

(1) To ensure shareholders the right to attend and vote at the Annual General Meeting:

Latest time for lodging transfers of shares and related documents for registration	:	4:30 p.m. on Monday, 27 May 2013
Closure of Register of Members	:	From Tuesday, 28 May 2013 to Thursday, 30 May 2013 (both days inclusive)

(2) To ensure shareholders the right to qualify for the distribution of final dividend:

Latest time for lodging transfers of shares and related documents for registration	:	4:30 p.m. on Tuesday, 4 June 2013
Closure of Register of Members	:	From Wednesday, 5 June 2013 to Thursday, 6 June 2013 (both days inclusive)
Record Date	:	Thursday, 6 June 2013

The Register of Members of the Company will be closed at the abovementioned periods. To ensure shareholders the right to attend and vote at the Annual General Meeting and to qualify for the distribution of final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited of 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration. Subject to approval by the shareholders at the Annual General Meeting, dividend warrants are expected to be despatched to shareholders by post on or around Wednesday, 26 June 2013.

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
Wu Zhuo
Vice Chairman

Hong Kong, 22 March 2013

At the time of approving 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)*	Mr Wang Junyan
	Mr Chen Xuechuan	Ms Leung Sau Fan, Sylvia
	Mr Shi Weiguo	

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