



CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

航天科技國際集團有限公司



Interim Report **2002**

The Board of Directors (the "Board") of China Aerospace International Holdings Limited (the "Company") announces that the unaudited results and financial statements of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2002 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	NOTES	For the six months ended 30 June	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Turnover	3	523,475	456,583
Cost of sales and services		(403,438)	(344,304)
Gross profit		120,037	112,279
Other revenue		5,967	8,027
Distribution costs		(20,287)	(18,308)
Administrative expenses		(100,656)	(96,098)
Profit from operations	4	5,061	5,900
Finance costs		(40,826)	(59,940)
Share of results of associates		(284)	2,562
Gain on disposal of subsidiaries and an associate		2,646	-
Allowance for amount due from an associate	5	-	(37,000)
Loss before taxation		(33,403)	(88,478)
Taxation	6	(2,161)	(2,610)
Loss before minority interests		(35,564)	(91,088)
Minority interests		7,736	26,852
Net loss for the period		<u>(27,828)</u>	<u>(64,236)</u>
Loss per share	7		
- Basic		<u>(1.3) cents</u>	<u>(3.0) cents</u>

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 JUNE 2002

	NOTES	30.6.2002 (Unaudited) HK\$'000	31.12.2001 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	9	869,893	879,112
Investment properties	9	320,026	322,244
Development costs		11,240	10,489
Technology licence right		33,930	33,930
Interests in associates		88,741	133,202
Investments in securities		250,737	250,737
		1,574,567	1,629,714
Current assets			
Inventories		373,395	458,088
Trade and other receivables	10	242,127	211,281
Loans receivable		793,168	799,158
Amounts due from associates		52,923	55,689
Taxation recoverable		349	825
Pledged bank deposits		97,345	95,860
Bank balances and cash		283,540	271,989
		1,842,847	1,892,890
Current liabilities			
Trade and other payables	11	684,627	715,737
Amounts due to associates		21,147	21,165
Amount due to a major shareholder		311,350	311,350
Taxation payable		4,567	7,908
Obligations under finance leases			
– amount due within one year		3,762	3,505
Bank loans and overdrafts	12	558,298	634,612
Other loans	13	46,800	–
		1,630,551	1,694,277
Net current assets			
		212,296	198,613
Total assets less current liabilities			
		1,786,863	1,828,327
Non-current liabilities			
Obligations under finance leases			
– amount due after one year		2,031	3,013
Bank loans	12	318,142	268,615
Other loans	13	277,535	327,299
		597,708	598,927
Minority interests			
		57,789	68,910
		1,131,366	1,160,490
Capital and reserves			
Share capital	14	2,142,420	2,142,420
Reserves		(1,011,054)	(981,930)
		1,131,366	1,160,490

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2002

	Share capital HK\$'000	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Special capital reserve HK\$'000	General reserve HK\$'000	Negative goodwill reserve HK\$'000	Goodwill reserve HK\$'000	Translation reserve HK\$'000	Capital redemption reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2001	2,142,420	939,048	79,351	14,044	23,916	347	(17,878)	(39,870)	1,080	(1,182,197)	1,960,261
Eliminated on disposal of investment properties	-	-	(8,247)	-	-	-	-	-	-	-	(8,247)
Translation of accounts of overseas subsidiaries and associates not recognised in the income statement	-	-	-	-	-	-	-	388	-	-	388
Net loss for the period	-	-	-	-	-	-	-	-	-	(64,236)	(64,236)
At 30 June 2001	2,142,420	939,048	71,104	14,044	23,916	347	(17,878)	(39,482)	1,080	(1,246,433)	1,888,166
Eliminated on disposal of investment properties	-	-	(15,837)	-	-	-	-	-	-	-	(15,837)
Net loss for the period	-	-	-	-	-	-	-	-	-	(672,075)	(672,075)
	2,142,420	939,048	55,267	14,044	23,916	347	(17,878)	(39,482)	1,080	(1,918,508)	1,200,254
Deficit on revaluation	-	-	(46,024)	-	-	-	-	-	-	-	(46,024)
Translation of accounts of overseas subsidiaries and associates	-	-	-	-	-	-	-	6,260	-	-	6,260
Net loss not recognised in the income statement	-	-	(46,024)	-	-	-	-	6,260	-	-	(39,764)
At 31 December 2001	2,142,420	939,048	9,243	14,044	23,916	347	(17,878)	(33,222)	1,080	(1,918,508)	1,160,490
Eliminated on disposal of investment properties	-	-	(1,285)	-	-	-	-	-	-	-	(1,285)
Translation of accounts of overseas subsidiaries and associates not recognised in the income statement	-	-	-	-	-	-	-	(11)	-	-	(11)
Net loss for the period	-	-	-	-	-	-	-	-	-	(27,828)	(27,828)
At 30 June 2002	<u>2,142,420</u>	<u>939,048</u>	<u>7,958</u>	<u>14,044</u>	<u>23,916</u>	<u>347</u>	<u>(17,878)</u>	<u>(33,233)</u>	<u>1,080</u>	<u>(1,946,336)</u>	<u>1,131,366</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	For the six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Net cash used in operating activities	(16,993)	(38,248)
Net cash from investing activities	26,001	11,608
Net cash from financing activities	1,937	147,473
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Net increase in cash and cash equivalents	10,945	120,833
Cash and cash equivalents at beginning of the period	191,976	273,383
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Cash and cash equivalents at end of the period	202,921	394,216
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Analysis of the balances of cash and cash equivalents		
Bank balances and cash	283,540	475,505
Bank overdrafts	(80,619)	(81,289)
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	202,921	394,216
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NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2002

1. BASIS OF PREPARATION

The condensed financial statements have been prepared under the historical cost convention and in accordance with the Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("HKSA").

2. PRINCIPAL ACCOUNTING POLICIES

In the current period, the Group has adopted, for the first time, the following new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the HKSA:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The new and revised standards have introduced revised disclosure requirements which have been adopted in the condensed financial statements. Comparative amounts for prior period have been restated in order to achieve a consistent presentation. The adoption of the above standards has had no significant effect on the results for the current or prior accounting periods.

Other accounting policies adopted are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 December 2001.

3. SEGMENT INFORMATION

(a) Business segments

	Turnover			Profit (loss) from operations		
	External sales	Inter-segment sales	Consolidated	Segment result	Unallocated corporate expenses	Profit from operations
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2002						
Manufacturing						
Plastic products	120,369	7,879	128,248	17,727		
Liquid crystal display	31,510	-	31,510	1,660		
Audio-video products	114,182	-	114,182	(9,529)		
Printed circuit boards	46,985	-	46,985	8,971		
Telecommunication products	41,547	-	41,547	(11,176)		
Intelligent chargers and security system	79,127	419	79,546	11,220		
Other products	8,823	12	8,835	(12,750)		
	442,543	8,310	450,853	6,123		
Property	23,219	3,764	26,983	19,349		
Trading	53,067	-	53,067	(556)		
Finance	4,646	3,128	7,774	7,186		
Others	-	-	-	1,028		
	523,475	15,202	538,677	33,130		
Eliminations	-	(15,202)	(15,202)	(8,408)		
	523,475	-	523,475	24,722	(19,661)	5,061
2001						
Manufacturing						
Plastic products	103,024	1,516	104,540	7,676		
Liquid crystal display	26,456	-	26,456	2,220		
Audio-video products	88,525	-	88,525	(4,897)		
Printed circuit boards	57,390	-	57,390	12,670		
Telecommunication products	34,586	-	34,586	(14,053)		
Intelligent chargers and security system	45,968	731	46,699	5,208		
Other products	19,561	15	19,576	(4,550)		
	375,510	2,262	377,772	4,274		
Property	43,378	4,118	47,496	19,365		
Trading	21,663	-	21,663	(1,689)		
Finance	14,571	1,610	16,181	12,924		
Others	1,461	-	1,461	998		
	456,583	7,990	464,573	35,872		
Eliminations	-	(7,990)	(7,990)	(5,253)		
	456,583	-	456,583	30,619	(24,719)	5,900

3. SEGMENT INFORMATION (Con't)

(b) Geographical segments

	Turnover		Profit (loss) from operations	
	1.1.2002 to 30.6.2002 HK\$'000	1.1.2001 to 30.6.2001 HK\$'000	1.1.2002 to 30.6.2002 HK\$'000	1.1.2001 to 30.6.2001 HK\$'000
Hong Kong	380,192	250,783	34,285	28,480
Other parts of the People's Republic of China ("PRC")	143,283	205,800	(9,563)	2,139
	<u>523,475</u>	<u>456,583</u>	24,722	30,619
Unallocated corporate expenses			(19,661)	(24,719)
Profit from operations			<u>5,061</u>	<u>5,900</u>

4. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging (crediting):

	1.1.2002 to 30.6.2002 HK\$'000	1.1.2001 to 30.6.2001 HK\$'000
Amortisation of development costs	1,566	5,737
Depreciation on property, plant and equipment	28,685	34,317
Loss (gain) on disposal of property, plant and equipment	191	(6,392)
Dividend income from listed investment securities	(3,090)	(9,270)
Interest income	<u>(1,557)</u>	<u>(10,641)</u>

5. ALLOWANCE FOR AMOUNT DUE FROM AN ASSOCIATE

The amount in prior period represented allowance for amount due from an associate of a subsidiary, Southern Telecommunications Development Company Limited.

6. TAXATION

1.1.2002	1.1.2001
to	to
30.6.2002	30.6.2001
HK\$'000	HK\$'000

The charge comprises:

- Hong Kong Profits Tax	1,968	2,470
- Overseas income tax	193	140
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	<u>2,161</u>	<u>2,610</u>

Hong Kong Profits Tax is calculated at 16% on the estimated assessable profits for the period.

Overseas income tax represents the income tax of the PRC. Pursuant to relevant laws and regulations in the PRC, the Company's subsidiaries and the Group's associates are entitled to exemption from income tax under certain tax holidays and concessions. Income tax is calculated at rates given under the concessions.

7. LOSS PER SHARE

The calculation of basic loss per share for the period is based on the net loss for the period of HK\$27,828,000 (for the six months ended 30 June 2001: HK\$64,236,000) and on 2,142,420,000 shares (for the six months ended 30 June 2001: 2,142,420,000 shares) outstanding during the period.

8. DIVIDENDS

No interim dividend was paid by the Company during the period (1.1.2001 to 30.6.2001: nil).

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

During the period, the Group disposed of property, plant and equipment with a carrying value of HK\$827,000 for proceeds of HK\$636,000, resulting in a loss on disposal of HK\$191,000.

Moreover, during the period, the Group disposed of investment properties with a carrying value of HK\$2,218,000 for proceeds of HK\$2,150,000. The gain on disposal, after realising profit from investment property revaluation reserve of HK\$1,285,000, was HK\$1,217,000.

In addition, the Group spent HK\$27,640,000 on acquisition of property, plant and equipment.

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$168,352,000 (31.12.2001: HK\$129,961,000). The Group allows an average credit period of 30 days to 90 days to its trade customers. The following is an aged analysis of trade receivables at the reporting date:

	30.6.2002	31.12.2001
	HK\$'000	HK\$'000
Within 90 days	144,317	92,394
Between 91 – 180 days	11,794	17,175
Between 181 – 365 days	5,353	8,428
Between 1 to 2 years	6,888	11,964
	<u>168,352</u>	<u>129,961</u>

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$310,422,000 (31.12.2001: HK\$324,449,000). The following is an aged analysis of trade payables at the reporting date:

	30.6.2002	31.12.2001
	HK\$'000	HK\$'000
Within 90 days	131,842	135,238
Between 91 – 180 days	12,178	12,129
Between 181 – 365 days	2,513	3,034
Between 1 to 2 years	15,143	19,949
Over 2 years	148,746	154,099
	<u>310,422</u>	<u>324,449</u>

12. BANK LOANS AND OVERDRAFTS

During the period, the Group obtained new bank loans of HK\$42,557,000 and they bear interests at the rate from prime rate to prime rate plus 1.5% and are repayable in instalments over a period of five years. The Group's investment properties, land and buildings and bank deposits with aggregate net book values of HK\$311,835,000, HK\$146,229,000 and HK\$97,345,000, respectively, were pledged for the Group's bank loans.

In addition, the Company's interest in a listed subsidiary of HK\$222,366,000 were also pledged to banks.

13. OTHER LOANS

	30.6.2002	31.12.2001
	HK\$'000	HK\$'000
Other loans are repayable:		
– within one year	46,800	–
– in the second to the fifth year inclusive	277,535	327,299
	324,335	327,299
Less: Amount due within one year shown under current liabilities	(46,800)	–
Amount due after one year	<u>277,535</u>	<u>327,299</u>
Other loans comprise:		
Loans from third parties (note a)	215,207	218,171
Guaranteed exchangeable fixed/floating rate notes (note b)	62,400	62,400
Guaranteed floating rate notes (note c)	46,728	46,728
	<u>324,335</u>	<u>327,299</u>

Notes:

- (a) Loans from third parties represent advances from independent third parties. The amounts are unsecured, bear interest at 4.25% or prime rate per annum and are repayable from 2003 to 2005.
- (b) During the year ended 31 December 2001, a subsidiary of the Company issued US\$8,000,000 guaranteed exchangeable fixed/floating rate notes due 2004 which were in bearer form in the denomination of US\$1,000,000 each and will mature in March 2004. The notes are interest bearing at 6.5% per annum for the period up to September 2002 and at 1.5% above London interbank offered rate (for six-month US dollar deposits) thereafter. Unlisted investment securities with a carrying value of HK\$76,662,000 are pledged for the notes.
- (c) During the year ended 31 December 2001, a subsidiary of the Company issued US\$6,000,000 guaranteed secured floating rate notes due 2004 which were in bearer form in the denomination of US\$250,000 each and will mature in September 2004. The notes are interest bearing at 1.5% above London interbank offered rate. Listed investment securities with a carrying value of HK\$53,340,000 are pledged for the notes.

14. SHARE CAPITAL

There was no movement in the authorised, issued and fully paid share capital of the Company during the interim reporting period.

15. CAPITAL COMMITMENTS

	30.6.2002	31.12.2001
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the condensed financial statements in respect of:		
– capital contribution to investee companies	–	7,751
– purchase of property, plant and equipment	7,475	11,606
– properties under development	7,960	9,097
	<u>15,435</u>	<u>28,454</u>

16. CONTINGENT LIABILITIES

	30.6.2002	31.12.2001
	HK\$'000	HK\$'000
Guarantees given for banking and finance facilities granted to third parties	<u>2,358</u>	<u>4,450</u>

BUSINESS REVIEW

In the first half of this year, major industrialized countries suffered from a sluggish economy even the interest rate remained at a low level, so did Hong Kong from an obvious economic slowdown simultaneously. Under such a global deflation, the Group was committed to reduce losses by taking strategies such as developing new markets, strengthening management, cutting costs and improving efficiency. Favorable results had therefore achieved.

The Group's total loss was reduced by more than 50% over the previous period. The Group's turnover in the first half of 2002 was HK\$523,475,000, representing an increase of 14.7% over the previous period, and the gross profit was HK\$120,037,000, which was higher than that of the previous period. The loss attributable to shareholders was HK\$27,828,000, representing a substantial decrease of 56.7% over the previous period, which resulted from a 31.9% reduction in finance costs and the proportion of administration, general and selling expenses to turnover were also reduced accordingly.

The Group's high-tech enterprises maintained their competitiveness, achieving a substantial increase of profits. The Group's present core business, high-tech manufacturing business, maintained their competitiveness which was attributable to the technological renovation and equipment upgrading in recent years. Against a global deflation in the first half of this year, both the turnover and the profit of the business increased remarkably over the previous period.

The plastic moulding business, after its technological renovation and plant enlargement, improved its productivity and product quality remarkably, and also took effective measures to further strengthen the relationship with its overseas business partners. Its turnover and the profit in the first half of the year increased by 16.8% and 130.9% over the previous period respectively. In the smart battery charger manufacturing business, the turnover and the profit in the first half of this year increased by 72.1% and 115.4% respectively over the previous period, which was attributable to the launching of eight new ODM products. Despite of the intense competition in the LCD business, the Company's semiconductor subsidiary had input substantial resources to research and develop the technology of LCD module so as to increase the output of STN products, and thus its turnover in the first half of this year increased by 19.1% over the previous period. More than 80 new LCD products were developed and targeted at overseas markets, which resulted a notable increase in sales from overseas markets over the previous period. Owing to a sluggish performance on global PCB market and increasing pricing competition, the average unit price for the PCB products dropped remarkably and led to a decrease in turnover and profit over the previous period. Nevertheless, the overall returns are expected to turn favorably when new equipment is ready for a larger scale of production of soft boards and the improved products are more market-oriented. In the TV manufacturing business, a major progress was made in developing overseas

markets though the sales in Mainland China dropped. With a substantial decrease in inventory, the turnover in the first half of this year increased by 29% whilst operating losses persisted. As for CASIL Telecommunications Holdings Limited, of which the Company holds a 51.22% interest, the turnover in the first half of this year increased by 20% with a 20% drop in loss over the previous period.

New progress was made in the R&D and application of network-based information technology. In the first half of this year, the Group continued to input significant resources in the research and development of network-based information technology. The DVB-C system, developed by the Group's R&D Center, has been under smooth operation, 19 channels are broadcasting in the cable TV network in the City of Changzhou, Jiangsu. In addition, the DCR2800 type of set-top box has boasted reliable working quality and satisfactory video quality, as evidenced by increasing subscribers and sales volume. In order to meet the needs of the advancing digital TV application technology and the increasing demands of subscribers, the R&D Center has further developed a new breakthrough generation of DCR2880 type of set-top box, which is expected to undergo batch production in the second half of this year.

The JS-CASIL Network, a joint-venture invested by the Company in Nanjing, focuses on the maintenance of 103 provincial artery data chains and the development of data chain business within Nanjing. Upon the existing 36 municipal data chains already under operation, the JS-CASIL Network successfully expanded the business by setting up another 23 municipal data chains in the first half of this year.

Besides, CXSAT, a French venture specializing in assembling and marketing of satellite set-top boxes, achieved a satisfactory result of turning losses into profits through sales of the satellite set-top boxes in the European market in the first half of this year.

The Group's investment properties were further disposed, and its performance remained stable. Disposal of non-core assets is the Group's policy for business restructuring. Owing to a number of disposals of investment properties last year, the turnover in the first half of this year decreased over the previous period accordingly. Against a sluggish property market in Hong Kong, the property management subsidiaries of the Company took active and workable measures to reduce vacancy, to improve efficient property management, and to keep stable rental incomes. Its business target for the first half of this year was fulfilled.

Business Outlook

In view of the situation in the second half of this year, it is not yet optimistic for the global market environment. The high-tech manufacturing businesses of the Group are still under the pressure of economic slowdown in the European countries and the U.S., as well as the weak import demand and price cut thereof. Nevertheless, the competitive strength of the high-tech manufacturing enterprises has been enhanced by further input of resources in technological renovation and equipment upgrading in recent years, and so have their product quality and innovative capability for ODM products. It is anticipated that sales will continue to increase in the second half of this year. However, the competition will be more intense, with further price cut and less profit margin. The Group's high-tech manufacturing enterprises will further improve their management, competitiveness, quality and sales so as to keep up with the market paces and to achieve overall profitable results eventually.

In promoting the products related to network-based information technology, the DVB-C system and set-top boxes, the broadband wireless access system, and the intelligent traffic control system have all made satisfactory progress and are expected to enlarge the market share in Mainland China, Hong Kong and abroad. The Group is still in the process of business restructuring, which will lead to a new business pattern of taking the network-based information technology and related products as the core one supplemented by the high-tech manufacturing.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Assets and Liabilities

As at 30 June 2002, the Group had total liabilities of about HK\$2,228,259,000 (31 December of 2001: HK\$2,293,204,000), of which the current and the non-current portion of bank loans were HK\$562,060,000 and HK\$320,173,000 respectively (31 December of 2001: HK\$638,117,000 and HK\$271,628,000 respectively). The Group did not have any material financial changes to be disclosed for the half-year period from 1 January 2002 to 30 June 2002. In terms of contingent liabilities, there was about HK\$2,358,000, representing a 47% decrease over the end of last year (31 December of 2001: HK\$4,450,000).

The Group's assets/liabilities ratio is obtained by dividing its total liabilities by net tangible assets and the current ratio is obtained by dividing the current assets by the current liabilities. As at 30 June 2002, the assets/liabilities ratio was 66% and the current ratio was 1.13 respectively, both were similar to that of the end of 2001.

The Group reviews its cash flow and financing position periodically. During the first half of 2002, the Group extended a bank loan in the sum of HK\$79,800,000 for another four years successfully.

In the first half of the year, the Group disposed of companies that held investment properties and non-core business, the proceeds generated thereof will be utilized for daily operations. In the second half of the year, the Group will continue to clear off its non-core assets and businesses in order to pool up resources on its core businesses.

II. Cash Flow

The source of funding of the Group is mainly by its own internal financial resources supplemented by banking facilities. The Group's cash on hand as at 30 June 2002 was about HK\$380,885,000 (31 December of 2001: HK\$367,849,000), most of which was in HK dollars and the rest of which were in RMB and US dollars respectively.

The Group's bank loans are in HK and US dollars and are at prime or HIBOR plus margin basis.

The Group encounters little risk in exchange rate under the peg system in Hong Kong, and foresees the interest rate will remain at a lower level in the near future. Therefore, there is no necessity for the Group to engage any financial instruments or derivatives to hedge the exchange and the interest rate risks.

The Group will continue to control its costs and expenditures under strict financial management system.

III. Mortgaged Assets

A couple of the Group's real estates and investments have been mortgaged to banks with instalment repayment terms. As at 30 June 2002, there were outstanding mortgage loans of HK\$438,000,000 at prime rate, and their remaining terms by instalment vary from 4 to 11 years.

IV. Human Resources

As at 30 June 2002, save as the number of staff has increased to over 5,000, the Group has made no major changes in the information on its salary and share option as stated in its 2001 Annual Report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As at 30 June 2002, 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 Section 29 of the Securities (Disclosure of Interests) 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 Companies.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2002, the following declarations of interests by shareholders holding 10% or more of the issued capital of the Company have been recorded in the Register of Interests pursuant to Section 16(1) of the Securities (Disclosure of Interests) Ordinance:

Name	Number of ordinary shares
China Aerospace Science & Technology Corporation	896,818,664 (note 1)
Jetcote Investments Limited	896,818,664
Sin King Enterprises Company Limited	393,272,908 (note 2)
Burhill Company Limited	393,681,580 (note 2)

Notes:

1. These 896,818,664 shares are duplicated in the interests held by Jetcote Investments Limited, a wholly owned subsidiary of China Aerospace Science & Technology Corporation.
2. These 393,272,908 shares held by Sin King Enterprises Company Limited, and 393,681,580 shares held by Burhill Company Limited are duplicated in the interests held by Jetcote Investments Limited. Both companies are wholly owned subsidiaries of Jetcote Investments Limited.

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

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

CORPORATE GOVERNANCE

The Company had complied throughout the period with those paragraphs of the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules"), with which it is required to report compliance, except that none of the non-executive directors of the Company has been appointed for a specific term but are subject to retirement by rotation.

The Audit Committee of the Company and the external auditors, Deloitte Touche Tohmatsu, had reviewed this unaudited interim financial statements.

PRACTICE NOTE 19 OF THE LISTING RULES

As at 30 June 2002, the Company had an outstanding loan in the amount of US\$8,000,000 (equivalent to approximately HK\$62,400,000 at an exchange rate of US\$1.00: HK\$7.8). The loan contains a covenant from the ultimate controlling shareholder to maintain a minimum percentage of shareholding of 41% in the Company, the breach of which would trigger default under the loan.

APPRECIATION

I would like to take this opportunity to express, on behalf of the Board of the Directors, my sincere gratitude to our shareholders, bankers, business partners, people from various social communities, as well as all staff of the Group for their long-time support.

By Order of the Board
Lu Xiaochun
Chairman

Hong Kong SAR, 23 September 2002

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

Introduction

We have been instructed by China Aerospace International Holdings Limited (the "Company") to review the interim financial report set out on pages 1 to 11.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with the Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of group management and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 June 2002.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong SAR, 23 September 2002