

DISCLOSURE OF ADDITIONAL INFORMATION

INTERIM DIVIDEND

The Board of the Company did not recommend any interim dividend for the six months ended 30 June 2004 (2003: Nil).

DIRECTOR'S AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2004, none of the directors and chief executives of the Company or their respective associates had any interest or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (the "SFO")) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of SFO), or to be recorded in the register required to be maintained pursuant to Section 352 of the SFO, or otherwise to be notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

SHARE OPTION SCHEMES

Details of the share option schemes of the Company and the former ultimate holding company, China Aerospace International Holdings Limited ("CASIL") are set out as follows:

- Under the terms of the share option scheme of the Company (the "CASTEL Scheme") which became effective on 23 July 1997 and shall be valid until 23 July 2007, the board of directors may offer to any full time employees, including executive directors of the Company and/or any of its subsidiaries, options to subscribe for shares in the Company at a price which is not less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options, subject to a maximum of 10% of the issued share capital of the Company from time to time. Upon acceptance of an offer of options, an amount of HK\$1 by way of consideration is payable by the employee.

- Under the terms of the share option scheme of CASIL (the “CASIL Scheme”) which became effective on 8 July 1997 and shall be valid until 8 July 2007, the board of directors of CASIL may offer to any full time employees of CASIL, and/or any of its subsidiaries including executive directors of the Company, options to subscribe for shares in CASIL at a price which is not less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the options, subject to a maximum of 10% of the issued share capital of CASIL from time to time. Upon acceptance of an offer of options, and amount of HK\$1 by way of consideration is payable by the employee.
- The purpose of the schemes is to recognize the contribution of employees of the Group.
- Pursuant to Chapter 17 of Listing Rules with which the Company must comply, the exercise price of options under an option scheme must be at least the higher of: (i) the closing price of the shares on the Stock Exchange on the date of grant, which must be a business day; and (ii) the average closing price of the shares for the five business days immediately preceding the date of grant. The Total number of options to be issued to each participant in any twelve-month period must not exceed 1% of the share capital of the Company in issue.
- As the Listing Rules relating to an share option scheme were amended on 1 September 2001, share option can only be granted under the share option scheme provided that the existing Listing Rules on share option scheme are complied with.
- No share option under either the CASTEL Scheme or the CASIL Scheme was held by the directors or employees of the Company or its subsidiaries in both years ended 31 December 2002 and 31 December 2003.

No options were granted or exercised during the year under the schemes nor outstanding at 30 June 2004.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the headings "Directors' and chief executives' interests and short positions in shares, underlying shares and debentures" and "Share option scheme", at no time during the period was the Company, its subsidiaries or any of its associated corporations (within the meaning of Part XV of the SFO) a party to any arrangements to enable the directors of the Company or their associates (as defined in the "Listing Rules") to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2004, to the best knowledge of the directors of the Company, the parties (other than a director or chief executive of the Company) who have interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Name	Capacity	Number of shares (Note 1)	Percentage of shareholding
China Aerospace Science & Technology Corporation ("CASC")	Interest of a controlled corporation (Note 2)	449,244,000 (L)	44.17%
China Aerospace International Holdings Limited ("CASIL")	Interest of a controlled corporation (Note 3)	449,244,000 (L)	44.17%
Astrotech Group Limited ("Astrotech")	Beneficial owner	449,244,000 (L)	44.17%

Notes:

- The letter "L" denotes the shareholder's long position in the shares.
- CASC is deemed to be interested in 449,244,000 shares as it holds approximately 41.86% of the issued share capital of CASIL.
- Astrotech is a wholly owned subsidiary of CASIL. Accordingly, CASIL is deemed to be interested in all the shares held by Astrotech.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company and the Placing Agent entered into a placing and underwriting agreement on 3 March 2004 for the placing of 100,000,000 Placing shares at a placing price of HK\$0.41 per Placing Shares to not less than six independent individual or institutional investors.

The net proceeds to be raised from the Placing in the amount of approximately HK\$40 million will be used for general working capital purpose.

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters. The Group's financial statements for the period ended 30 June 2004 have been reviewed by the audit committee, who are of the opinion that such statements comply with the applicable accounting standards, and the Listing Rules and legal requirements, and that adequate disclosures have been made.

CODE OF BEST PRACTICE

The Board confirms that for the period ended 30 June 2004, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Listing Rules, except that the independent non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's Articles of Association.

BOARD OF DIRECTORS

As at the date of this report, the Board of the Company comprises six executive directors, namely Mr. Rui Xiaowu, Mr. Wang Xiaodong, Mr. Zhou Xiaoyun, Mr. Han Jiang, Mr. Guo Xianpeng and Mr. Xu Jian Hua and one non-executive director namely Mr. Ma Yucheng and four independent non-executive directors, namely Mr. Sit Kien Ping, Peter, Mr. Zhu Shixiong, Mr. Moh Kwen Yung and Mr. Lau Tit Shing.

On behalf of the Board
Wang Xiaodong
Managing Director

Hong Kong, 14 September 2004