

On behalf of the Board of Directors, I am pleased to announce the audited results of China Aerospace International Holdings Limited (the "Company") and its subsidiaries (together hereinafter referred to as the "Group") for the financial year ended 31 December 2004.

## BUSINESS REVIEW

The audited consolidated profit attributable to shareholders of the Group for the year ended 31 December 2004 was approximately HK\$55,780,000, representing an increase of about 85% as compared to that of HK\$30,196,000 in 2003. The turnover increased by 13.7% to HK\$1,410,240,000. Administrative expenses and finance costs decreased by 15.5% and 22.4% to HK\$165,608,000 and HK\$50,135,000 respectively.

The economy of Hong Kong continued to improve in 2004. Economic growth for the whole year reached 8.1%. Through aggressively adopting measures in strengthening market exploration and cost control, cutting finance and administrative expenses and accelerating asset consolidation, the Group achieved the above results. This further improves the condition of the Group's development.

Through continuous measures like technological innovation, equipment replacement and plant expansion etc., the Group maintains a relatively strong competitiveness of its major products with rooms of development. The turnover for business of liquid crystal display, audio and video products, printed circuit boards, plastic moulding and intelligent battery charging systems had been recorded growth respectively. The overall turnover of industrial manufacturing for the year 2004 had reached HK\$1,330,992,000, grown by 34%. Profit had recorded a growth of more than 63%. This shows that the profitability of the Group has been obviously strengthened.

In order to develop the digital TV and satellite digital broadcasting markets in China, the Group established China Aerospace New World Technology Limited ("CANW"), a jointly controlled entity, in early 2004 through completion of internal business and assets integration and the introduction of a strategic partner. A business development plan had also been made. Under the fierce market competition and uncertainty of relevant state policies, it is expected that CANW will still face certain challenges in its business development.

The disposal of non-core assets and better resource allocation are policies of the Group. The Group speedily captured the market opportunity and disposed some properties located at Concordia Plaza in Tsimshatsui East, Kowloon, Hong Kong at a consideration of HK\$180 million in 2004. The transaction was completed at the end of March 2005.

During the course of disposal of the property, the Group actively negotiated with the lending bank, Bank of China (Hong Kong) Limited, for a debt restructuring arrangement. After many rounds of negotiation and effort, the Group finally reached a debt restructuring agreement with the Bank. A sum of approximately HK\$193 million was waived. The rest of the debt will be settled by instalments according to the new terms.

Upon completion of property assets disposal and the debt restructuring, the gearing ratio of the Group was reduced to 61.8 % at the end of 2004 from 66.9% at the end of 2003. The financial position of the Group was further improved.

### BUSINESS OUTLOOK

Looking forward, the Group will continue to strengthen the internal management, raise operational efficiency and management level under the thesis of steady operation and practical exploration. Besides, the Group will continue to strengthen the technological innovation, improve products quality and diversify its customer base with the aim of utilizing its integrated advantages and maintaining a stable growth of current business. At the same time, the Group will try seeking investment opportunities, introducing potential investment projects that fall in line with the Group's business development strategies. The Group will strive to achieve even better results in order to contribute back to shareholders and the society.

### COMPLIMENTS

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

**Rui Xiaowu**  
*Chairman*

Hong Kong, 22 April 2005