CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

航天科技國際集團有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 31)

ANNOUNCEMENT OF 2005 FINAL RESULTS

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 2005.

SUMMARY OF RESULTS

The audited consolidated results of the Group for the year ended 31 December 2005 and the comparative figures for 2004 are as follows:

	Notes	2005 HK$'000	2004 HK$'000 (restated)
Continuing operations			
Turnover	5	**1,610,175**	1,087,996
Cost of sales and services		**(1,171,905)**	(823,952)
Gross profit		**438,270**	264,044
Other income		**54,007**	25,708
Distribution costs		**(43,697)**	(42,495)
Administrative expenses		**(182,225)**	(159,416)
Waiver of debts	6	**176,024**	–
(Impairment loss) reversal of impairment loss recognised in respect of property, plant and equipment		**(4,689)**	93,104
Fair value changes of investment properties		**1,679**	60,898
Allowance for loans receivable		**–**	(369,239)
Allowance for doubtful debts		**(4,358)**	(5,012)
Reversal of allowance for amounts due from related companies		**5,450**	–
Finance costs		**(39,289)**	(50,102)
Share of results of associates		**274**	(102)
Share of results of jointly controlled entities		**(9,125)**	(9,996)
Impairment loss on available-for-sale investments		**(146,705)**	–
Gain on disposals/deemed disposal of subsidiaries		**876**	65,806
Reversal of (allowance for) amounts due from jointly controlled entities		**2,977**	(26,949)
Gain on disposals/deemed disposal of associates		**69,164**	11,590
Profit (loss) before taxation	7	**318,633**	(142,161)
Taxation	8	**(1,506)**	397
Profit (loss) for the year from continuing operations		**317,127**	(141,764)
Discontinued operation			
(Loss) profit for the year from discontinued operation	9	**(31,252)**	4,251
Profit (loss) for the year		**285,875**	(137,513)
Attributable to:			
Equity holders of the Company		**286,403**	(137,740)
Minority interests		**(528)**	227
		285,875	(137,513)
Earnings (loss) per share – Basic	10		
From continuing and discontinued operations		**HK13.4 cents**	HK(6.4) cents
From continuing operations		**HK14.8 cents**	HK(6.6) cents

CONSOLIDATED BALANCE SHEET

AT 31 December 2005

	31.12.2005 HK$'000	31.12.2004 HK$'000 (restated)
Non-current assets		
Property, plant and equipment	**590,351**	743,205
Prepaid lease payments	**60,795**	58,855
Investment properties	**27,110**	267,750
Interests in associates	**8,027**	94,967
Interests in jointly controlled entities	**69,410**	78,535
Investments in securities	**–**	227,029
Available-for-sale investments	**90,827**	–
Pledged bank deposits	**110,560**	–
	957,080	1,470,341
Current assets		
Inventories	**125,383**	175,762
Trade and other receivables	**274,742**	235,308
Prepaid lease payments	**2,070**	2,031
Loans receivable	**258,077**	261,371
Amounts due from associates	**3,627**	2,971
Taxation recoverable	**2,659**	1,232
Pledged bank deposits	**–**	66,612
Bank balances and cash	**474,767**	326,050
	1,141,325	1,071,337
Current liabilities		
Trade and other payables	**576,271**	653,083
Amounts due to associates	**1,050**	33,787
Amount due to a major shareholder	**184,593**	–
Taxation payable	**20,938**	13,305
Obligations under finance leases – amount due within one year	**7,692**	7,596
Secured bank loans	**16,925**	221,976
Other loans	**6,891**	53,931
	814,360	983,678
Net current assets	**326,965**	87,659
Total assets less current liabilities	**1,284,045**	1,558,000
Non-current liabilities		
Amount due to a major shareholder	**–**	176,644
Obligations under finance leases – amount due after one year	**3,987**	7,084
Secured bank loans	**191,780**	579,527
Deferred taxation	**7,954**	17,531
	203,721	780,786
	1,080,324	777,214
Capital and reserves		
Share capital	**214,242**	2,142,420
Reserves	**846,945**	(1,384,640)
Equity attributable to equity holders of the Company	**1,061,187**	757,780
Minority interests	**19,137**	19,434
	1,080,324	777,214

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2005

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 (the "Stock Exchange") and the Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention except for certain properties and financial instruments, which are measured at revaluated amounts or fair value, as appropriate.

2. PRIOR YEAR ADJUSTMENT

On 7 December 2004, the Company together with certain subsidiaries ("Borrowers") entered into a debt restructuring deed ("Deed") with Bank of China ("BOC") for the purpose of restructuring the Group's debts due to BOC. Conditional upon compliance with the terms of the Deed, BOC agreed to waive debts of HK$193,520,000. This amount was recognised as income in the consolidated income statement for the year ended 31 December 2004. However, the Company's auditors considered that not until such time as the conditions set out in the terms of the Deed have been fully complied with, it is not appropriate to recognise the waiver as income. The net assets as at 31 December 2004 and the profit for the year then ended as stated in the consolidated financial statements of the Group for the year ended 31 December 2004 should be reduced by that amount. Therefore, the recognition of waiver of HK$193,520,000 was qualified in the consolidated financial statements for the year ended 31 December 2004.

On 21 December 2005, the Borrowers entered into a supplemental agreement with BOC to revise the terms of the Deed ("Supplemental Agreement"). Pursuant to the terms of the Supplemental Agreement, the waived debts were reduced to HK$176,024,000. The directors of the Company are of the opinion that since the conditions attached to the Supplemental Agreement are satisfied and a confirmation from the legal counsel opining that the Group has been fully released/discharged from all obligations relating to the waived amount upon the execution of the Supplemental Agreement being effective, it is therefore more appropriate to reverse the waiver of debts of HK$193,520,000 recognised for the year ended 31 December 2004 and to recognise the waiver of debts of HK$176,024,000 in the current year.

3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKASs") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of consolidated income statement, consolidated balance sheet and consolidated statement of changes in equity. In particular, the presentation of share of tax of jointly controlled entities, share of tax of associates and minority interests has been changed. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group's accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

Business combinations

In the current year, the Group has applied HKFRS 3 Business Combinations ("HKFRS 3") which is effective for business combinations for which the agreement date is on or after 1 January 2005. The principal effects of the application of HKFRS 3 to the Group are summarised below:

Excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (previously known as "negative goodwill")

In accordance with HKFRS 3, any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition ("discount on acquisition") is recognised immediately in profit or loss in the period in which the acquisition takes place. In previous periods, negative goodwill arising on acquisition prior to 1 January 2001 was held in reserves. In accordance with the relevant transitional provisions in HKFRS 3, the Group has derecognised the negative goodwill of HK$347,000 on 1 January 2005 with a corresponding decrease in accumulated losses.

Investment properties

In the current year, the Group has, for the first time, applied HKAS 40 *Investment Property* ("HKAS 40"). The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the profit or loss for the period in which they arise. In previous periods, investment properties under the predecessor standard were measured at open market values, with revaluation surplus or deficits credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation surplus subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 from 1 January 2005 onwards. The amount held in investment property revaluation reserve at 1 January 2005 has been transferred to the Group's accumulated losses.

Deferred taxes related to investment properties

In previous years, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current year, the Group has applied HK(SIC) Interpretation 21 *Income Taxes – Recovery of Revalued Non-Depreciable Assets* ("HK(SIC) Interpretation 21") which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflect the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HK(SIC) Interpretation 21, this change in accounting policy has been applied retrospectively. However, the adoption of HK(SIC) Interpretation 21 does not have any significant impact on the result of the prior year and no prior year adjustment is necessary.

Financial instruments

In the current year, the Group has applied HKAS 32 *Financial Instruments: Disclosure and Presentation* ("HKAS 32") and HKAS 39 *Financial Instruments: Recognition and Measurement* ("HKAS 39"). HKAS 32 requires retrospective application. HKAS 39, which is effective for annual periods beginning on or after 1 January 2005, generally does not permit the recognition, derecognition or measurement of financial assets and liabilities on a retrospective basis. The principal effects resulting from the implementation of HKAS 39 are summarised below:

Classification and measurement of financial assets and financial liabilities

The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets and financial liabilities that are within the scope of HKAS 39.

By 31 December 2004, the Group classified and measured its equity securities in accordance with the benchmark treatment of Statement of Standard Accounting Practice 24 ("SSAP 24"). Under SSAP 24, investments in debt or equity securities are classified as "investment securities", "other investments" or "held-to-maturity investments" as appropriate. "Investment securities" are carried at cost less impairment losses (if any) while "other investments" are measured at fair value, with unrealised gains or losses included in profit or loss. Held-to-maturity investments are carried at amortised cost less impairment losses (if any).

From 1 January 2005 onwards, the Group classifies and measures its equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables", or "held-to-maturity financial assets". "Financial assets at fair value through profit or loss" and "available-for-sale financial assets" are carried at fair value, with changes in fair values recognised in profit or loss and equity respectively. "Loans and receivables" and "held-to-maturity financial assets" are measured at amortised cost using the effective interest method after initial recognition.

On 1 January 2005, the Group reclassified its investments in securities with a carrying amount of HK$227,029,000 to available-for-sale investments.

Financial assets and financial liabilities other than debt and equity securities

From 1 January 2005 onwards, the Group classifies and measures its financial assets and financial liabilities other than debt and equity securities (which were previously outside the scope of SSAP 24) in accordance with the requirements of HKAS 39. As mentioned above, financial assets under HKAS 39 are classified as "financial assets at fair value through profit or loss", "available-for-sale financial assets", "loans and receivables" or "held-to-maturity financial assets". Financial liabilities are generally classified as "financial liabilities at fair value through profit or loss" or "financial liabilities other than financial liabilities at fair value through profit or loss (other financial liabilities)". "Other financial liabilities" are carried at amortised cost using the effective interest method.

Owner-occupied leasehold interest in land

In previous years, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current year, the Group has applied HKAS 17 *Leases* ("HKAS 17"). Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. The change in accounting policy has been applied retrospectively. Accordingly, the leasehold interests in land are reclassified to prepaid lease payments under operating lease.

4. **SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES**

The cumulative effects of the application of the new HKFRSs as at 31 December 2004 and 1 January 2005 are summarised below:

Balance sheet items	As at 31 December 2004 (before applications of the new HKFRSs but after prior year adjustment) (see note 2) *HK$'000*	Adjustments *HK$'000*	As at 31 December 2004 (restated) *HK$'000*	Adjustments *HK$'000*	**As at 1 January 2005 (restated)** ***HK$'000***
Property, plant and equipment *(note a)*	804,091	(60,886)	743,205	–	**743,205**
Prepaid lease payments *(note a)*	–	60,886	60,886	–	**60,886**
Available-for-sale investments *(note b)*	–	–	–	227,029	**227,029**
Investments in securities *(note b)*	227,029	–	227,029	(227,029)	**–**
Total effects on assets and liabilities	1,031,120	–	1,031,120	–	**1,031,120**
Accumulated losses *(note c and d)*	(2,344,725)	–	(2,344,725)	13,257	**(2,331,468)**
Investment property revaluation reserve *(note c)*	12,910	–	12,910	(12,910)	**–**
Negative goodwill reserve *(note d)*	347	–	347	(347)	**–**
Total effect on equity	(2,331,468)	–	(2,331,468)	–	**(2,331,468)**

There was no financial effect on the application of new HKFRSs to the Group's equity at 1 January 2004 or the result of the Group for the current or prior year.

Notes:

(a) Upon the adoption of HKAS 17, the leasehold interests in land were reclassified to prepaid lease payments under operating leases.

(b) Upon the adoption of HKAS 39, the investments in securities was reclassified as available-for-sale investments.

(c) Upon the adoption of HKAS 40, the Group has applied the relevant transitional provisions in HKAS 40. The amount held in investment property revaluation reserve at 1 January 2005 has been transferred to the Group's accumulated losses.

(d) Upon the adoption of HKFRS 3, the Group has applied the relevant transitional provisions in HKFRS 3. The amount held in negative goodwill reserve at 1 January 2005 has been transferred to the Group's accumulated losses.

The Group has not early applied the following Standards and Interpretations that have been issued but are not yet effective.

HKAS 1 (Amendment)	Capital disclosures [1]
HKAS 19 (Amendment)	Actuarial gains and losses, group plans and disclosures [2]
HKAS 21 (Amendment)	Net investment in a foreign operation [2]
HKAS 39 (Amendment)	Cash flow hedge accounting of forecast intragroup transactions [2]
HKAS 39 (Amendment)	The fair value option [2]
HKAS 39 & HKFRS 4 (Amendments)	Financial guarantee contracts [2]
HKFRS 6	Exploration for and evaluation of mineral resources [2]
HKFRS 7	Financial instruments: Disclosures [1]
HK(IFRIC) – INT 4	Determining whether an arrangement contains a lease [2]
HK(IFRIC) – INT 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds [2]
HK(IFRIC) – INT 6	Liabilities arising from participating in a specific market – waste electrical and electronic equipment [3]
HK(IFRIC) – INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies [4]
HK(IFRIC) – INT 8	Scope of HKFRS 2 [5]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 January 2006.
3 Effective for annual periods beginning on or after 1 December 2005.
4 Effective for annual periods beginning on or after 1 March 2006.
5 Effective for annual periods beginning on or after 1 May 2006.

The directors of the Company anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

5. **SEGMENTAL ANALYSIS**

(a) **Business Segments**

2005	**Turnover**			**Profit from continuing operations**			
	External sales ***HK$'000***	**Inter-segment sales** ***HK$'000***	**Total** ***HK$'000***	**Segment result** ***HK$'000***	**Unallocated corporate income** ***HK$'000***	**Unallocated corporate expenses** ***HK$'000***	**Profit from operations** ***HK$'000***
Manufacturing							
Plastic products	**483,656**	**66,519**	**550,175**	**41,289**			
Liquid crystal display	**133,398**	**–**	**133,398**	**10,882**			
Printed circuit boards	**165,426**	**–**	**165,426**	**30,694**			
Intelligent chargers and security system	**429,359**	**61**	**429,420**	**58,661**			
Other products	**–**	**–**	**–**	**(1,683)**			
	1,211,839	**66,580**	**1,278,419**	**139,843**			
Property	**381,080**	**11,243**	**392,323**	**168,534**			
Trading	**9,939**	**–**	**9,939**	**(781)**			
Finance	**7,317**	**45,490**	**52,807**	**13,252**			
	1,610,175	**123,313**	**1,733,488**	**320,848**			
Eliminations	**–**	**(123,313)**	**(123,313)**	**(64,920)**			
Consolidated total from continuing operations	**1,610,175**	**–**	**1,610,175**	**255,928**	**76,647**	**(44,269)**	**288,306**

Inter-segment sales are charged at prevailing market prices.

2004	Turnover			Profit from continuing operations			
	External sales *HK$'000*	Inter-segment sales *HK$'000*	Total revenue *HK$'000*	Segment result *HK$'000*	Unallocated corporate income *HK$'000*	Unallocated corporate expenses *HK$'000*	Profit from operations *HK$'000*
Manufacturing							
Plastic products	450,114	28,208	478,322	45,788			
Liquid crystal display	82,176	–	82,176	2,539			
Printed circuit boards	125,785	–	125,785	19,606			
Intelligent chargers and security system	321,478	415	321,893	34,094			
Other products	571	–	571	(7,101)			
	980,124	28,623	1,008,747	94,926			
Property	58,466	10,123	68,589	77,518			
Trading	47,167	–	47,167	2,276			
Finance	2,239	7,546	9,785	(356,666)			
	1,087,996	46,292	1,134,288	(181,946)			
Eliminations	–	(46,292)	(46,292)	(20,807)			
Consolidated total from continuing operations	1,087,996	–	1,087,996	(202,753)	119,489	(49,144)	(132,408)

(b) **Geographical segments**

	Sales revenue by geographical market		**Profit (loss) from operations**	
	2005 ***HK$'000***	**2004** ***HK$'000***	**2005** ***HK$'000***	**2004** ***HK$'000***
Revenue				
Hong Kong	**1,360,012**	**642,909**	**206,928**	**(231,839)**
The People's Republic of China, other than Hong Kong (the "PRC")	**250,163**	**445,087**	**49,000**	**29,086**
Total	**1,610,175**	**1,087,996**	**255,928**	**(202,753)**
Unallocated corporate income			**76,647**	**119,489**
Unallocated corporate expenses			**(44,269)**	**(49,144)**
			288,306	**(132,408)**

6. **WAIVER OF DEBTS**

As described in note 2, pursuant to the terms of the Supplemental Agreement, BOC agreed to irrevocably waive the debt of HK$176,024,000 being the difference between the original debt totaling HK$642,280,000 and HK$466,256,000 (being the original restructured loan of HK$435,193,000 ("Original Restructured Loan") plus interest of HK$31,063,000 calculated up to 15 January 2004 ("Accrued Interests") as stated in the Supplemental Agreement. Accordingly, a prior year adjustment of HK$193,520,000 is made to reverse the waiver of debts recognised in 2004 and a waiver of debts of HK$176,024,000 is recognised as income in the consolidated income statement for the year ended 31 December 2005.

Pursuant to the terms of the Supplemental Agreement, the Original Restructured Loan will be repayable in 11 instalments, the last of which due on 7 December 2010. Upon the prompt payments of these instalments being made, the Accrued Interests will not be repayable. Such financial impact has not been recognised in the consolidated income statement for the year ended 31 December 2005 as the relevant conditions specified in the Supplemental Agreement have not been satisfied.

7. **PROFIT (LOSS) BEFORE TAXATION**

	Continuing operations		**Discontinued operation**		**Total**	
	2005 ***HK$'000***	2004 *HK$'000* (restated)	**2005** ***HK$'000***	2004 *HK$'000* (restated)	**2005** ***HK$'000***	2004 *HK$'000* (restated)
Profit (loss) before taxation has been arrived at after charging:						
Auditors' remuneration	**2,452**	2,233	**295**	384	**2,747**	2,617
Cost of inventories consumed	**929,137**	745,843	**166,928**	306,282	**1,096,065**	1,052,125
Depreciation on						
– owned assets	**49,645**	40,061	**2,181**	3,865	**51,826**	43,926
– assets held under finance leases	**2,926**	1,867	**–**	–	**2,926**	1,867
Amortisation on prepaid lease payment	**2,070**	2,031	**–**	–	**2,070**	2,031
Loss on disposal of property, plant and equipment	**11,533**	–	**4,839**	–	**16,372**	–
Minimum lease payments paid under operating leases on land and buildings	**3,511**	8,308	**–**	2,367	**3,511**	10,675
Research expenses	**9,210**	1,340	**111**	148	**9,321**	1,488
Total staff costs, including directors' remuneration	**168,283**	129,906	**8,643**	10,932	**176,926**	140,838
and after crediting:						
Gross rental income from						
– land and buildings	**159**	6,217	**–**	–	**159**	6,217
– investment properties	**21,111**	18,311	**–**	–	**21,111**	18,311
	21,270	24,528	**–**	–	**21,270**	24,528
Less: Outgoings	**(2,898)**	(5,009)	**–**	–	**(2,898)**	(5,009)
	18,372	19,519	**–**	–	**18,372**	19,519
Gain on disposal of property, plant and equipment	**–**	2,885	**–**	–	**–**	2,885
Interest income	**7,317**	2,128	**–**	111	**7,317**	2,239
(Allowance) reversal of allowance for obsolete inventories, net of allowance HK$3,046,000 (2004: HK$1,537,000) *(note)*	**(3,046)**	(1,023)	**15,079**	20,394	**12,033**	19,371

Note: The amounts are included in cost of sales and services.

8. **TAXATION**

The tax charge (credit) for the year comprises:

	Continuing operations	
	2005 ***HK$'000***	2004 *HK$'000*
Current tax:		
Hong Kong Profits Tax	**457**	1,974
PRC Enterprise Income Tax	**10,717**	1,560
	11,174	3,534
Overprovision in previous years:		
Hong Kong Profits Tax	**(91)**	(3,443)
Deferred tax	**(9,577)**	(488)
Taxation attributable to the Company and its subsidiaries	**1,506**	(397)

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for both years. Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdictions.

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

9. **DISCONTINUED OPERATION**

On 13 September 2005, a subsidiary of the Company entered into a sale agreement to dispose of the entire television manufacturing business. The disposal was effected in order to improve the operating profits and performance of the Group. The disposal was completed in February 2006.

The (loss) profit for the year from the discontinued operation is analysed as follows;

	2005 ***HK$'000***	2004 *HK$'000*
(Loss) profit of television manufacturing operation for the year	**(31,252)**	4,251

The results of the television manufacturing operation for the year ended 31 December 2005 are as follows:

	2005 ***HK$'000***	2004 *HK$'000*
Turnover	**170,763**	322,244
Cost of sales	**(174,749)**	(306,283)
Other revenue	**3,157**	1,897
Distribution costs	**(3,552)**	(7,039)
Administrative expenses	**(20,770)**	(6,192)
Impairment loss on property, plant and equipment	**(6,101)**	–
Provision for doubtful debts	**–**	(343)
Finance cost	**–**	(33)
(Loss) profit for the year	**(31,252)**	4,251

10. **EARNINGS (LOSS) PER SHARE**

The calculation of the basic earnings (loss) per share is based on the following data:

	2005 ***HK$'000***	2004 *HK$'000* (restated)
Earnings		
Earnings (loss) for the year for calculation of basic earnings (loss) per share from continuing and discontinued operations	**286,403**	(137,740)
Earnings (loss) for the year from continuing operations for calculation of basic earnings (loss) per share from continuing operations	**317,655**	(141,991)
	Number of Shares *(In thousand)*	
Weighted average number of ordinary shares for the calculation of basic earnings (loss) per share	**2,142,420**	2,142,420

BUSINESS REVIEW

According to the audited results of the Group for the year ended 31 December 2005, the Group recorded a turnover of HK$1,780,938,000, an increase of 26.3% as compared with last year. Profit attributable to shareholders was HK$286,403,000 and finance expense was HK$39,289,000, a decrease of 21.6% as compared with last year.

The Group's industrial manufacturing business continued to grow at a rapid pace, especially its LCD business, where a turnover of HK$133,398,000 was recorded, an increase of 62.3% as compared with last year. While turnover from printed circuit boards, plastic moulding and products of intelligent battery charging system increased 31.5%, 7.5% and 33.6% respectively as compared with last year.

The Group's video and audio business operation mainly included the assembly of traditional CRT TV. However, owing to the undesirable operating environment in recent years and in face of severe competition from plasma and LCD TV, profit margin from such operation had diminished while risks associated with it increased. As such, the Group strategically decided to entirely withdraw from such business during the year so as to allocate those resources to more reassuring businesses.

In 2005, turnover of industrial manufacturing business was HK$1,382,602,000, an increase of 6.2% as compared with last year. Despite impacts of one-off accounting treatment of the disposal of audio and video business, profit of industrial products still managed to grow at 9.5% to HK$108,591,000. Without taking into account of the impact of audio and video business, the turnover of industrial products would have been HK$1,211,839,000 during the year, representing 23.6% hike as compared with last year, and operating profit would have been HK$139,843,000, an increase of 47.3% as compared with last year.

To pave the way for our future development, the Group has completed a number of tasks during the year:

On 22 January 2005, the Group and China Academy of Launch Vehicle Technology entered into the Sale and Purchase Agreement to dispose the equity interest in CASIL Telecommunications Holdings Limited ("CASIL"). The transaction was approved at the extraordinary general meeting held on 15 March 2005 and completed on 10 July 2005.

In consistent with the Group's strategy to restructure its debts and to optimize its resource allocation, the Group disposed the entire Conic Investment Building in Hung Hom, Kowloon for a consideration of HK$330 million during the year. The transaction was completed in June 2005.

In order to improve the prospects for raising funds and to increase the possibility of declaring dividend in the future, the Group proposed reduction of capital, cancellation of share premium and restoration of authorised share capital in July 2005. The proposed reorganisation of share capital was approved by the shareholders at the extraordinary general meeting held on 25 August 2005 and confirmed by the High Court on 1 November 2005.

Following the completion of the Original Debt Restructuring Deed between the Group and Bank of China (Hong Kong) Limited ("BOCHK") on 7 December 2004, the Group and BOCHK entered into a Supplemental Debt Restructuring Deed on 21 December 2005. Pursuant to which, the Lender agreed to irrevocably waive the debt of HK$176,024,000. The loan outstanding was then reduced to approximately HK$466,256,000, of which approximately HK$259,291,000 had already been repaid to the Lender in 2005. The remaining debts will be settled by instalments with fixed interest rate according to the new terms. The Supplemental Debt Restructuring Deed entered into between the Group and BOCHK further reduced our finance expenses.

As a result of the business development in 2005 and series of asset optimisation exercises as mentioned above, the gearing ratio of the Group was reduced to 48.5% at the end of 2005 from 69.4% at the end of 2004.

Through strategic deployment and a series of asset optimization exercises over the past few years, the Group was able to turnaround its high debt, high finance cost and low asset quality and significantly improve its asset structure and quality, which served to reinforce our existing business while at the same time paved the way for our new business development.

BUSINESS OUTLOOK

The management had, after careful consideration, review and analysis, resolved to focus on three areas of business development: Hi-tech manufacturing, science park development and high technology development.

Hi-tech manufacturing segment is our profit centre and will be the core area of development of the Group. After disposal of its audio and visual business, the Group will concentrate on the development of liquid crystal display, printed circuit board, plastic moulding and intelligent battery charging systems, as well as expansion of high end products such as LCD modules, flexible printed circuit board and digital electronic products. By means of continued enhancement of technology and equipment, stringent quality control and cost control, gradual expansion of our production scale, the Group's aim is to sustain a steady growth and achieve stronger and better competitive edge and market share.

In recent years, the PRC real estate market and related property investment market had recorded robust growth. Under such circumstances, and by leveraging on the competitive edge of CASC, the Group is aiming at joint development and investment in industry parks and science parks with local government and industrial elites, which will become one of the primary businesses of the Group in future.

The high-technology business segment is the leading business segment of CASC, our major shareholder, which has a promising prospect. By adhering to our practical business development strategy, the Group is actively pursuing any opportunity in the course of development of CASC towards technology industrialisation, commercialisation and internationalisation. By taking full advantage of the favourables of Hong Kong and by means of investment, acquisitions and reorganisation, the Group will fully implement high technology development.

Looking ahead, the Board of Directors is confident about the future development of the Group. The Group will continue to introduce investment projects with good and promising prospect and in line with our development strategy, so as to add value to and provide better returns for our shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2005, the total assets of the Group were HK$2,098,405,000, of which the non-current portion and the current portion were HK$957,080,000 and HK$1,141,325,000 respectively. The total liabilities was about HK$1,018,081.00, of which the non-current and the current portion were HK$203,721,000 and HK$814,360,000 respectively. As at 31 December 2005, the Group had no contingent liabilities except for the litigation as disclosed on this report. As at 31 December 2005, the gearing ratio was 48.52%, representing an improvement compared to that of 69.4% at the end of last year and the current ratio was 1.40, which was relatively greater than that of 1.09 at the end of last year.

The source of funding of the Group is mainly from its internal financial resources and banking facilities. The Group's cash on hand as at 31 December 2005 (included pledged deposit of HK$110,560,000) was about HK$585,327,000, mainly in HK dollars and the rest in RMB and US dollars. The Group reviews its cash flow and financial position periodically and does not engage into any financial instruments or derivatives to hedge the exchange and the interest rate risks.

The Group had continued to the betterment of assets allocation during last year, including the disposal of the interest in Astrotech and Conic Investment Building, as well as the further loan restructuring with the Bank of China, and so on. Such effort had effectively further reduced the debt level, and the finance cost was reduced by approximately 21.6% over the same period of last year.

The Company announced in July 2005 to conduct a proposed reorganisation of the share capital. Approvals to the reorganisation had been obtained by the shareholders of the Company at the Extraordinary General Meeting in August 2005 and by the High Court in November 2005. For details of the proposed reorganisation of the share capital, please refer to the Company's announcements dated 13 July 2005, 25 August 2005, 2 November 2005 and 11 November 2005 and a circular sent to its shareholders dated 28 July 2005.

A couple of the Group's real estates have been mortgaged to banks for financings with interest calculated at prime rate minus margin rate, and their remaining terms by installment are about 5 to 6 years.

CODE OF CORPORATE GOVERNANCE PRACTICES

The Company is committed to ensuring and maintaining high standards of corporate governance.

During the year ended 31 December 2005, the Company has compiled with the code provisions set out in "Code on Corporate Governance Practices" 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"), except the following:

Code Provision A.4.1

Non-executive directors (including the independent non-executive directors) have not been appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting with the Bye-Laws of the Company.

On 28 June 2005, the Board had resolved to those non-executive directors who were not appointed for specific term of appointment for a two-year of office subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-Laws of the Company.

DIVIDEND

The directors of the Company resolved not to declare any final dividend for the year ended 31 December 2005 (2004: nil).

PURCHASE, SALE OR REDEMPTION OF SHARES AND OUTSTANDING WARRANTS

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

AUDIT COMMITTEE

The Audit Committee of the Company currently has a membership comprising two independent non-executive directors, Mr Chow Chan Lum, Charles (the Chairman) and Mr Luo Zhenbang, and a non-executive director, Mr Wang Yujun. The Audit Committee had reviewed, discussed and approved the annual financial report of the Company for the twelve months ended 31 December 2005. The consolidated financial statements of the Group and the Company have been audited by the Company's auditors, Deloitte Touche Tohmatsu and an unqualified auditors' report will be included in the Annual Report to the shareholders.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company was established in mid 2005 and its membership comprises Mr Lee Hung Sang, Mr Chow Chan Lum, Charles and Mr Luo Zhenbang, the independent non-executive directors, and Mr Gong Bo and Ms Chan Ching Har, Eliza (the Chairman), the non-executive directors. The Remuneration Committee has preliminarily reviewed and discussed the remuneration of the non-executive directors after the establishment.

HUMAN RESOURCES

As at 31 December, 2005, the Group has a total staff of around 6,000 in Mainland China and Hong Kong respectively.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

Information that is required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be released on the Stock Exchange's website in due course.

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, 24 April 2006

As of the date of this announcement, the Board of Directors of the Company comprises:

Executive Directors	*Non-Executive Directors*	*Independent Non-Executive Directors*
Mr Zhao Liqiang	Mr Rui Xiaowu	Mr Lee Hung Sang
Mr Zhou Qingquan	Mr Gong Bo	Mr Chow Chan Lum, Charles
Mr Zhao Yuanchang	Mr Chen Dingyi	Mr Luo Zhenbang
Mr Wu Hongju	Ms Chan Ching Har, Eliza	
Mr Guo Xianpeng	Mr Wang Yujun	