CATIC INTERNATIONAL HOLDINGS LIMITED

中國航空技術國際控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 232)

ANNOUNCEMENT OF THE RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

The board of directors of CATIC International Holdings Limited (the "Company") announces that the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008, together with the comparative figures for the corresponding period of last year, are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2008	2007
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
CONTINUING OPERATIONS			
REVENUE	*3*	**112,951**	93,205
Cost of sales		**(104,621)**	(79,011)
Gross profit		**8,330**	14,194
Other income and gains	*4*	**13,193**	10,408
Administrative and other operating expenses, net		**(13,583)**	(12,261)
Finance costs	*5*	**(3,113)**	(2,675)
Surplus on revaluation of an investment property		**–**	3,015
Surplus on revaluation of items of property, plant and equipment		**–**	2,970
Loss on deemed disposal of an associate		**–**	(271)
Share of profits and losses of associates		**(420)**	5,573
Loss on partial disposal of equity interest in a subsidiary		**(9,986)**	–
Impairment of a financial asset under Project EC120		**(2,000)**	(600)
Fair value loss on equity investments at fair value through profit or loss and derivative financial instruments		**(12,064)**	(10,174)
PROFIT/(LOSS) BEFORE TAX	*6*	**(19,643)**	10,179
Tax	*7*	**(3,493)**	(1,389)

	Notes	For the six months ended 30 June **2008** **(Unaudited)** ***HK$'000***	2007 (Unaudited) *HK$'000*
PROFIT/(LOSS) FOR THE PERIOD FROM CONTINUING OPERATIONS		**(23,136)**	8,790
DISCONTINUED OPERATION			
Profit for the period from a discontinued operation		**–**	10,437
PROFIT/(LOSS) FOR THE PERIOD		**(23,136)**	19,227
ATTRIBUTABLE TO:			
Equity holders of the parent		**(24,128)**	15,037
Minority interests		**992**	4,190
		(23,136)	19,227
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic			
– For profit/(loss) for the period		**(0.5042 cent)**	0.3550 cent
– For profit/(loss) from continuing operations		**(0.5042 cent)**	0.1086 cent
Diluted			
– For profit/(loss) for the period		**(0.5017 cent)**	0.3524 cent
– For profit/(loss) from continuing operations		**(0.5017 cent)**	0.1078 cent
DIVIDEND PER SHARE	*9*	**Nil**	Nil

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**30 June 2008 (Unaudited) *HK$'000***	31 December 2007 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Investment property		**24,200**	24,200
Property, plant and equipment		**217,838**	202,736
Prepaid land lease payments		**29,733**	28,216
Goodwill		**30,493**	38,117
Interests in associates		**140,114**	21,205
Financial asset under Project EC120		**9,959**	11,959
Available-for-sale investments		**70,012**	115,721
Deposit for acquisition of an investment		**3,493**	20,029
Rental and utility deposits		**93**	92
Total non-current assets		**525,935**	462,275
CURRENT ASSETS			
Inventories		**21,860**	17,400
Trade and bills receivables	*10*	**24,409**	22,838
Prepayments, deposits and other receivables		**31,851**	62,461
Equity investment at fair value through profit or loss		**–**	54,190
Derivative financial instrument		**105**	638
Pledged time deposits		**24,750**	36,328
Cash and cash equivalents		**462,986**	508,074
Total current assets		**565,961**	701,929

	Note	**30 June 2008 (Unaudited)** *HK$'000*	31 December 2007 (Audited) *HK$'000*
CURRENT LIABILITIES			
Due to a minority shareholder		**–**	5,740
Trade and bills payables	*11*	**60,381**	80,758
Tax payable		**2,035**	2,313
Other payables and accruals		**7,282**	17,425
Derivative financial instrument		**–**	2,209
Interest-bearing bank borrowings		**58,286**	96,017
Finance lease payables		**–**	58
Total current liabilities		**127,984**	204,520
NET CURRENT ASSETS		**437,977**	497,409
TOTAL ASSETS LESS CURRENT LIABILITIES		**963,912**	959,684
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**4,815**	3,721
Net assets		**959,097**	955,963
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**478,530**	478,530
Reserves		**419,328**	444,387
		897,858	922,917
Minority interests		**61,239**	33,046
Total equity		**959,097**	955,963

Notes:

1. ACCOUNTING POLICIES AND BASIS OF PREPARATION

The condensed consolidated interim financial statements are prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and are in compliance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The accounting policies and basis of preparation adopted in the preparation of the condensed consolidated interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2007, except for the adoption of certain new Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretations) for the first time in the current period as disclosed in note 2 below.

2. IMPACT OF NEW HONG KONG FINANCIAL REPORTING STANDARDS

The following new HKFRSs are adopted for the first time for the current period's financial statements:

HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of these HKFRSs has had no material impact on the accounting policies of the Group and the presentation of these interim financial statements.

3. SEGMENT INFORMATION

The following table presents revenue and results for the Group's business segments.

	For the six months ended 30 June									
	2008					2007				
	Continuing operations			**Discontinued operation**		Continuing operations			Discontinued operation	
	Electric and steam power supply business	**Aero-technology related business**	**Total**	**Facade contracting works business**	**Consolidated**	Electric and steam power supply business	Aero-technology related business	Total	Facade contracting works business	Consolidated
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:										
Sales to external customers	**111,860**	**1,091**	**112,951**	**–**	**112,951**	92,344	861	93,205	263,978	357,183
Other income	**6,109**	**–**	**6,109**	**–**	**6,109**	7,377	–	7,377	108	7,485
Total	**117,969**	**1,091**	**119,060**	**–**	**119,060**	99,721	861	100,582	264,086	364,668
Segment results	**7,910**	**(2,573)**	**5,337**	**–**	**5,337**	17,391	(112)	17,279	7,478	24,757
Interest income, rental income and unallocated gains			**7,084**	**–**	**7,084**			6,046	1,510	7,556
Unallocated expenses			**(6,481)**	**–**	**(6,481)**			(5,599)	–	(5,599)
Finance costs			**(3,113)**	**–**	**(3,113)**			(2,675)	(4)	(2,679)
Loss on deemed disposal of an associate			**–**	**–**	**–**			(271)	–	(271)
Share of profits and losses of associates			**(420)**	**–**	**(420)**			5,573	–	5,573
Loss on partial disposal of equity interest in a subsidiary			**(9,986)**	**–**	**(9,986)**			–	–	–
Fair value loss on equity investments at fair value through profit or loss and derivative financial instruments			**(12,064)**	**–**	**(12,064)**			(10,174)	–	(10,174)
Profit/(loss) before tax			**(19,643)**	**–**	**(19,643)**			10,179	8,984	19,163
Tax			**(3,493)**	**–**	**(3,493)**			(1,389)	1,453	64
Profit/(loss) for the period			**(23,136)**	**–**	**(23,136)**			8,790	10,437	19,227

4. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**6,527**	4,158
Interest income on a convertible bond	**156**	89
Income from installation of infrastructure for steam supply	**3,751**	5,573
Government grants	**639**	389
Income from sale of coal residues	**1,578**	1,315
Gross rental income	**401**	294
Others	**141**	208
	13,193	12,026
Attributable to a discontinued operation	**–**	1,618
Attributable to continuing operations	**13,193**	10,408
	13,193	12,026

5. FINANCE COSTS

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interest on bank overdrafts and bank loans wholly repayable within five years	**3,112**	3,643
Less: Amounts capitalised to long term construction contracts	**–**	(971)
	3,112	2,672
Interest on a finance lease	**1**	7
	3,113	2,679
Attributable to a discontinued operation	**–**	4
Attributable to continuing operations	**3,113**	2,675
	3,113	2,679

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):#

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**8,116**	9,131
Less: Amounts capitalised to long term construction contracts	**–**	(1,564)
	8,116	7,567
Recognition of prepaid land lease payments	**389**	473
Provision for impairment of trade and retention receivables, net	**–**	600
Financial guarantee contracts	**(431)**	–

The disclosures presented in this note include those amounts charged/credited in respect of the discontinued operation.

7. TAX

No Hong Kong profits tax has been provided for the six months ended 30 June 2008 as the Group had no estimated assessable profits arising in Hong Kong during the period. Hong Kong profits tax had been provided at the rate of 17.5% on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2007.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislations, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current		
– Hong Kong	**–**	1,970
– Elsewhere	**2,399**	2,986
Deferred	**1,094**	(5,020)
Total tax charge/(credit) for the period	**3,493**	(64)
Represented by:		
Tax credit attributable to a discontinued operation	**–**	(1,453)
Tax charge attributable to continuing operations	**3,493**	1,389
	3,493	(64)

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of basic and diluted earnings/(loss) per share are based on:

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent:		
From continuing operations	**(24,128)**	4,600
From a discontinued operation	**–**	10,437
	(24,128)	15,037

	For the six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	**4,785,303**	4,236,286
Effect on dilution – weighted average number of ordinary shares:		
Share options	**24,215**	30,269
	4,809,518	4,266,555

9. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2008 (2007: Nil).

10. TRADE AND BILLS RECEIVABLES

	30 June 2008	31 December 2007
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade and bills receivables	**24,430**	22,858
Impairment	**(21)**	(20)
	24,409	22,838

An aged analysis of the trade and bills receivables as at the balance sheet date, based on the invoice date and net of provisions, is as follows:

	30 June 2008 (Unaudited)	31 December 2007 (Audited)
	HK$'000	*HK$'000*
Current	**18,998**	20,086
31-60 days	**2,656**	2,259
61-90 days	**1,466**	465
Over 90 days	**1,289**	28
	24,409	22,838

11. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables, as at the balance sheet date, based on the invoice date, is as follows:

	30 June 2008 (Unaudited)	31 December 2007 (Audited)
	HK$'000	*HK$'000*
Current	**56,379**	78,753
31-60 days	**1,069**	609
61-90 days	**80**	–
Over 90 days	**2,853**	1,396
	60,381	80,758

12. COMPARATIVE AMOUNTS

The comparative income statement has been re-presented as if the operation discontinued during the year ended 31 December 2007 had been discontinued at the beginning of the comparative period.

BUSINESS REVIEW

Overall review

For the first half of 2008, although the Group's turnover rose by 21% to HK$112,951,000 as compared to HK$93,205,000 (excluding discontinued operation) for the corresponding period last year, the Group reported a loss attributable to equity holders of HK$24,128,000 (2007: profit of HK$15,037,000). Basic earnings per share dropped by 242% to a loss of HK¢0.5042. The main reasons for the drop in profit included:

– The facade contracting works business had contributed profit of HK$10,437,000 to the Group for the first half of 2007. This business had been disposed of at the end of 2007.

– There was a drop in gross profit rate in electric and steam power supply business in 2008.

– A loss on partial disposal of equity interest in a subsidiary of HK$9,986,000 was recorded.

Electric and steam power supply business

For the first half of 2008, the turnover of Hangzhou Sealand Electric Power Company Limited ("Hangzhou Sealand"), a subsidiary of the Company, increased by 21% from HK$92,344,000 to HK$111,860,000. Sales of steam power increased by 16% over the corresponding period last year, representing 83% of the turnover, while that of electric power decreased by 10%. Both the sales volume of electric and steam power dropped due to the declining consumption by some customers resulting from their reduced production as affected by the poor economic climate in the Mainland. Besides, the coal price grew tremendously throughout the first half of 2008. To cover the continuously increasing coal price, the selling price of steam power was raised from RMB138 per ton to RMB183.6 per ton. However, the increase in the selling price failed to catch up with the rapid rise in the coal price. Accordingly, the overall gross profit rate dropped from 14% to 6%. For the six months ended 30 June 2008, the electric and steam power supply business contributed profit of HK$7,910,000 (2007: HK$17,391,000) to the Group.

During the six months ended 30 June 2008, the Group disposed of 14% out of its 70% shareholding in Hangzhou Sealand to an independent third party at a consideration of RMB12,270,000 (equivalent to approximately HK$14,023,000) as the Group considered that facing various uncertainties encountered by the electric power industry in the Mainland such as the tremendous rise in the coal price, the partial disposal of equity interest in Hangzhou Sealand enabled the Group to focus its resources on the aero-technology related business and to increase the reserve fund for future expansion of the aviation business, while still holding controlling equity interest in Hangzhou Sealand. A loss on disposal of HK$9,986,000 was recorded. After the disposal, Hangzhou Sealand is still a subsidiary of the Company as the Group still holds 56% equity interest in it.

Aero-technology related business

Totally 28 EC120 helicopters were sold in the first half of 2008. Turnover from the aero-technology related business amounted to HK$1,091,000 (2007: HK$861,000). Having considered the profit and cashflow forecast of Project EC120, the Group made a provision for impairment of HK$2,000,000 (2007: HK$600,000) against the financial assets thereunder. The aero-technology related business recorded a loss of HK$2,573,000 (2007: HK$112,000) for the period.

PROSPECTS

Facing the difficult global economic climate and high coal price, Hangzhou Sealand will continue to ensure safe production, to improve production efficiency and to implement stringent cost control so as to enhance its competitive position. It is the long term strategy of the Group to further develop and diversify its aero-technology related business. The Group will closely monitor projects in aviation industry and aviation-related industry in China with good prospects.

FINANCIAL REVIEW

Liquidity, capital structure and financial resources

The Group has consistently maintained sufficient working capital. As at 30 June 2008, the Group had current assets of HK$565,961,000 (31 December 2007: HK$701,929,000), including cash and bank balances and time deposits in an aggregate of HK$487,736,000 (31 December 2007: HK$544,402,000). The Group's current liabilities as at 30 June 2008 were HK$127,984,000 (31 December 2007: HK$204,520,000).

As at 30 June 2008, the Group's equity attributable to equity holders of the parent amounted to HK$897,858,000 (31 December 2007: HK$922,917,000), comprising issued capital of HK$478,530,000 (31 December 2007: HK$478,530,000) and reserves of HK$419,328,000 (31 December 2007: HK$444,387,000). The Group's outstanding bank borrowing as at 30 June 2008 amounted to HK$58,286,000 (31 December 2007: HK$96,017,000). The Group's gearing ratio, calculated on the basis of total bank borrowings as a percentage of equity attributable to equity holders of the parent, was 6% (31 December 2007: 10%).

The Group's banking facilities are mainly utilised for capital expenditure and general working capital requirements.

Charges on the Group's assets

As at 30 June 2008, the following Group's assets were pledged to secure the Group's banking facilities:

(a) certain of the Group's land and buildings with an aggregate net book value of approximately HK$29,325,000 (31 December 2007: HK$30,817,000);

(b) certain of the Group's leasehold land with an aggregate net book value of approximately HK$5,076,000 (31 December 2007: HK$4,852,000); and

(c) certain of the Group's short term time deposits amounting to HK$24,750,000 (31 December 2007: HK$36,328,000).

As at 31 December 2007, the Group's investment property with carrying value of HK$24,200,000 had also been pledged to secure the Group's banking facilities.

Exposure to fluctuations in exchange rates

The Group's foreign currency exposures primarily arise from certain sales or purchases by operating units in currencies other than the unit's functional currency, which are mainly denominated in United States dollars. In view of the fact that the Hong Kong dollar is pegged to the United States dollar and that the Group tries to match its assets and liabilities with the same currency, the Group's exposure to foreign currency risk is minimal.

MATERIAL ACQUISITIONS AND DISPOSALS

On 4 January 2006, Sino-Aviation Investments Limited ("Sino-Aviation Investments"), a wholly-owned subsidiary of the Company, entered into a joint venture agreement (the "JV Agreement") with China National Aero-Technology Import & Export Corporation ("CATIC"), a substantial shareholder of the Company, and Chengdu Aircraft Industry (Group) Corporation Ltd. ("Chengdu Aircraft"), for the establishment of a joint venture to engage in the research and development, design and manufacture of, and provision of technical services for, parts and components for commercial aircraft. According to the JV Agreement, the total registered capital of the joint venture will be RMB100 million (equivalent to approximately HK$114 million), of which 40%, 15% and 45% respectively, will be contributed by Sino-Aviation Investments, CATIC and Chengdu Aircraft. The JV Agreement is conditional upon (i) internal approval obtained by each of the three parties; and (ii) the approvals from the relevant PRC authorities. As at 30 June 2008, the JV agreement has not become effective as the conditions stated above have not been fulfilled.

Save as disclosed above, the Group had no other material acquisitions or disposals during the period.

CONTINGENT LIABILITIES

As at 30 June 2008, the Group had a contingent liability in respect of guarantees for banking facilities granted to major suppliers of HK$123,429,000 (31 December 2007: HK$169,165,000) which were utilised to the extent of approximately HK$115,116,000 (31 December 2007: HK$140,499,000).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2008, there were 285 (31 December 2007: 281) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain good standards of the corporate governance practices by emphasising transparency, accountability and responsibility to its shareholders.

Throughout the six months ended 30 June 2008, the Company applied the principles of, and complied with all the code provisions and, where applicable, the recommended best practices of the "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 for all Non-executive Directors are appointed without specific terms. The Company will periodically review and improve its corporate governance practices with reference to the latest development of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2008.

AUDIT COMMITTEE

The Company has an Audit Committee which was established in compliance with the Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. It currently comprises three Independent Non-executive Directors of the Company.

REVIEW OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2008 have been reviewed by the Audit Committee, and have been reviewed by Ernst & Young in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by HKICPA.

APPRECIATION

I would like to take this opportunity to express my appreciation to my fellow directors and all our staff for their support, hard work and dedication.

By Order of the Board
Fu Shula
Chairman

Hong Kong, 23 September 2008

As at the date of this announcement, the board of directors of the Company comprises Mr. Fu Shula, Mr. Wang Xinkuo, Mr. Ji Guirong, Mr. Ma Zhiping, Mr. Pan Linwu, Mr. Liu Rongchun and Mr. Zhang Chuanjun as Executive Directors; Mr. Ip Tak Chuen, Edmond as Non-executive Director; Mr. Chu Yu Lin, David, Mr. Li Ka Fai, David and Mr. Li Zhaoxi as Independent Non-executive Directors.

* *for identification purpose only*