



INTERIM REPORT 2014

CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Stock Code: 31)



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr Li Hongjun (*President*)
Mr Jin Xuesheng

Non-Executive Directors

Mr Zhang Jianheng (*Chairman*)
Mr Luo Zhenbang (*Independent*)
Ms Leung Sau Fan, Sylvia
(*Independent*)
Mr Wang Xiaojun (*Independent*)
Mr Chen Xuechuan
Mr Shi Weiguo
Mr Wu Zhuo (*Vice Chairman*)
(retired on 31 March 2014)

AUDIT COMMITTEE

Mr Luo Zhenbang (*Chairman*)
Ms Leung Sau Fan, Sylvia
Mr Shi Weiguo

REMUNERATION COMMITTEE

Ms Leung Sau Fan, Sylvia (*Chairman*)
Mr Wang Xiaojun
Mr Chen Xuechuan

NOMINATION COMMITTEE

Mr Zhang Jianheng (*Chairman*)
Mr Luo Zhenbang
Ms Leung Sau Fan, Sylvia
Mr Wang Xiaojun
Mr Chen Xuechuan

COMPANY SECRETARY

Mr Chan Ka Kin, Ken

AUDITOR

Deloitte Touche Tohmatsu

SHARE REGISTRAR

Tricor Standard Limited

LEGAL COUNSEL

Reed Smith Richards Butler

PRINCIPAL BANKS & FINANCIAL INSTITUTIONS

Bank of China (Hong Kong) Limited
Aerospace Science & Technology
Finance Company Limited*
(航天科技財務有限責任公司)
Industrial and Commercial Bank of
China Limited
Bank of China Limited

REGISTERED OFFICE

Room 1103–1107A, One Harbourfront
18 Tak Fung Street, Hung Hom
Kowloon, Hong Kong
Tel: (852) 2193 8888
Fax: (852) 2193 8899
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* This PRC entity does not have an English name, the English name sets out in this Interim Report is for identification purpose only.



BUSINESS REVIEW

RESULTS

For the six months ended 30 June 2014, the Company and its subsidiaries reported an unaudited turnover from continuing operations of HK\$1,258,579,000, representing an increase of 8.86% as compared with that of HK\$1,156,188,000 for the same period of 2013. Profit for the period was HK\$94,335,000, representing a decrease of 77.58% as compared with that of HK\$420,823,000 for the same period of 2013. Profit for the period attributable to the shareholders was HK\$87,933,000, representing a decrease of 76.21% as compared with that of HK\$369,437,000 for the same period of 2013. Basic earnings per share attributable to the shareholders was HK2.85 cents, representing a decrease of 76.21% as compared with that of HK11.98 cents for the same period of 2013.

In the first half of this year, the global economy continued to recover slowly while the main economies such as China, the United States and Europe were gradually gaining momentum. The turnover of the Company remained stable as compared with the same period of last year, gross profit margin increased to 21.75% as compared with that of 20.46% for the same period of 2013. The overall profit of the Company posted a relatively substantial decrease as compared with the same period of last year, mainly due to the decrease in incremental gain in fair value of investment properties and no material non-recurring profits were recorded in this period. Taking into consideration the Company's capital condition as a whole, the Board decided not to distribute any interim dividend.

BUSINESS REVIEW

The hi-tech manufacturing business of the Company performed well in the first half of 2014. The construction works of Shenzhen Aerospace Science & Technology Plaza entered the completion stage while that of the Complex Zone of the Launching Site in Hainan Province were proceeding as scheduled. The two incubated businesses, namely the new materials and the internet of things, have also shown steady progress.



For the six months ended 30 June 2014, the turnover of the hi-tech manufacturing business amounted to HK\$1,253,003,000, representing an increase of 8.45% as compared with that of HK\$1,155,391,000 for the same period of 2013. With a wide range of measures spanning from technical revamp and strengthening delicacy management to efficiency enhancement and cost reduction, the hi-tech manufacturing business realised an operating profit of HK\$133,160,000, representing a growth of 12.32% as compared with that of HK\$118,559,000 for the same period of 2013. Under each of the hi-tech manufacturing businesses, the plastic products operation continued delivering stable results. The intelligent chargers operation, on the other hand, was suffered from major clients changing their marketing strategies. The semiconductor operation was improving steadily attributable to the development of new clients as well as an increase in sales from the existing ones. Benefited from the unremitting growth in the market share of high-end consumer electronic accessories, the performance of the printed circuit boards operation continued to perform well. Under the existing market condition, the hi-tech manufacturing business relied on stable clients and good internal management in realizing simultaneous growth in revenue and profit, and the Board showed satisfaction to the performance.

In December 2013, Shenzhen Rayitek Hi-tech Film Company Limited* (深圳瑞華泰薄膜科技有限公司) (“Shenzhen Rayitek”) introduced new investors, together with the existing shareholders, to inject a sum of capital of RMB267,532,400 into Shenzhen Rayitek by way of cash and technological patents. As the capital contribution had been made in full, Shenzhen Rayitek commenced the preliminary preparation works, such as assessment of the proposal, environmental assessment, and construction planning and filing of the second phase of its expansion construction on schedule.



After capping the roof of the auxiliary building and annex building of Shenzhen Aerospace Science & Technology Plaza in September 2013, the structure of the main building was completed in January 2014, hence signifying the entering of the construction works into a new milestone. The project is currently going through rigorous tests, while internal and external decorations are also well underway. As for the marketing and sales of the project, Shenzhen Aerospace Technology Investment Company Limited* (深圳市航天高科技投資管理有限公司) (“Shenzhen Aerospace”) launched a marketing campaign, commenced office leasing and conducted a tender for property management services. As at 30 June 2014, the property under construction and the land use right of Shenzhen Aerospace Science & Technology Plaza were valued at approximately HK\$3,491,272,000.

The land expropriation and compensation works for the Complex Zone of the Launching Site in Hainan Province have basically completed. Notwithstanding certain disruptions caused by the recent severe typhoon attack, the construction of the resettlement zone is proceeding as planned. Furthermore, Hainan Aerospace Investment Management Company Limited* (海南航天投資管理有限公司) (“Hainan Aerospace”) and Shenzhen OCT Tourism Planning Consultancy Company Limited are currently preparing and finalising the project planning, implementation scheme and core project design of the Hainan Space Park.

Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術(深圳)有限公司) (“Aerospace Digitnexus”) engages in developing applications of internet of things and related business. During the first half of the year, Aerospace Digitnexus focused on the development of three major projects, namely the supply chain management system, the intelligent warehouse and the enterprise management platform for the internet of things. As some of the projects had encountered greater technical difficulties, the development progress was hindered and some of the revenues have not yet been recognised in the first half of the year. Recently, Aerospace Digitnexus introduced two investors to raise a total of HK\$90,000,000 as capital, thereby providing a secured fund for the future development of the company.



PROSPECTS

By implementing a series of economic adjustment policies and measures, it is expected that the Chinese government will successfully rein in growth. On the other hand, developed countries in Europe and the United States will likely resume their growth driven by raising market demand by a number of positive factors such as falling unemployment rate, bottomed out property prices, and persistent growth in consumption and export. Hence, the global economy will continue to improve during the second half of the year. The Board expects that the Company will continue the development trend of the first half of the year to that of the second half, and will pay attention to the movement of macro-economy, as well as the possible risk arising thereof.

For the hi-tech manufacturing business, the new semiconductor production lines and the environmental-friendly automated electroplating production lines were preliminary completed for operation and that is expected to bring a new revenue source to the related businesses. The preparation works of the contemplated new-generation manufacturing base for High Density Interconnector (HDI) printed circuit boards had been completed, and the construction thereof is expected to commence as planned.

For the internet of things business, market development will be in full force. By completing a number of model projects including the supply chain management system and the intelligent warehouse, Aerospace Digitnexus plans to replicate its related experience and technology in other new projects with a view to securing more sales contracts of projects.

The completion works of internal, fine and external decorations of Shenzhen Aerospace Science & Technology Plaza will be proceeded and finished pursuant to the construction plan, striving to complete the whole construction project in next year. In the meantime, based on its own marketing and sales efforts, Shenzhen Aerospace will push ahead with the leasing of offices and shopping arcade by identifying major tenants through professional property agents.



The Company will work closely with the shareholders of Hainan Aerospace to enlist the support of China Aerospace Science & Technology Corporation and the Hainan provincial government, to improve the business model of the Complex Zone of the Launching Site in Hainan Province, as well as to promote project financing and construction works. The Company may consider making appropriate adjustment to its investment strategy for the project deemed necessary, so as to adapt to the long-term development needs of the Company while maintaining effective risk control.

APPRECIATION

Mr Wu Zhuo resigned as Non-Executive Director and Vice Chairman of the Company on 31 March 2014 on his graceful retirement. The Board extends its highly praised respect and heartfelt gratitude to Mr Wu Zhuo for his outstanding contributions to the Company's development during his tenure of services as Chairman and Vice Chairman of the Company.

At the same time, the Company would like to express its heartfelt thanks to all its employees, and shareholders, banks, business partners and other people from the society who have rendered support to the Company's development.

By order of the Board,
Zhang Jianheng
Chairman

Hong Kong, 18 August 2014



MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS PERFORMANCE

The unaudited turnover of the Company and the subsidiaries from the continuing operations for the six months ended 30 June 2014 was HK\$1,258,579,000, representing an increase of 8.86% as compared with that of HK\$1,156,188,000 for the same period of 2013. The profit for the period was HK\$94,335,000, representing a significant decrease of 77.58% as compared with that of HK\$420,823,000 for the same period of 2013.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Profit attributable to shareholders of the Company was HK\$87,933,000, representing a substantial decrease of 76.21% as compared with that of HK\$369,437,000 for the same period of 2013. Since no material non-recurring income was recorded by the Company in this period and the amount of the gain in the fair value of investment properties significantly decreased in comparing to the same period of last year, profit for this period substantially decreased in comparing to the same period of last year.

Based on the issued share capital of 3,085,022,000 shares during the period, the basic earnings per share was HK2.85 cents, representing a substantial decrease of 76.21% as compared with that of HK11.98 cents for the same period of 2013.

DIVIDENDS

The Board decided not to distribute an interim dividend for the year of 2014.

The distribution of 2013 final dividend of HK1 cent per share was approved by shareholders at the annual general meeting held in May 2014, warrants of which were dispatched to all shareholders on 17 June 2014.

RESULTS OF CORE BUSINESS

Core businesses of the Company and the subsidiaries are hi-tech manufacturing and aerospace services.

The turnover of the hi-tech manufacturing is the main source of the Company's turnover and that contributes a significant profit and cash flow. This has enabled the Company to fulfill gradual development of the business of aerospace services



and other new businesses such as science and technology, tourism and culture driven real estate business, so as to achieve the Company's new development target and minimize single business risk.

Hi-tech manufacturing

Hi-tech Manufacturing

The turnover of the hi-tech manufacturing business for the six months ended 30 June 2014 was HK\$1,253,003,000, representing an increase of 8.45% as compared with the same period of last year; the operating profit was HK\$133,160,000, representing an increase of 12.32% as compared with the same period of last year. The turnover and the results of the hi-tech manufacturing business are shown below:

	Turnover (HK\$'000)			Operating Profit (HK\$'000)		
	First half of 2014	First half of 2013	Changes (%)	First half of 2014	First half of 2013	Changes (%)
Plastic Products	404,475	417,246	(3.06)	35,148	30,971	13.49
Printed Circuit Boards	298,453	257,030	16.12	55,555	50,805	9.35
Intelligent Chargers	308,389	314,786	(2.03)	20,296	19,889	2.05
Liquid Crystal Display	234,203	158,949	47.34	11,006	7,289	50.99
Industrial Property Investment	7,483	7,380	1.40	11,155	9,605	16.14
Total	1,253,003	1,155,391	8.45	133,160	118,559	12.32

Looking forward to the second half of 2014, the competition in the electronic information industry will remain intense with short product life cycles, market's sensitivity to prices, and clients' concern on product quality and punctual delivery. The Company will continue to strengthen the market development and the management, enhance productivity and control costs, so as to ensure the hi-tech manufacturing to have a stable growth continuously.



New Materials

On 19 December 2013, Shenzhen Rayitek introduced several strategic investors and together with the existing shareholders to increase the capital by a sum of RMB267,532,400, which strengthened the ability of its future development. The capital increase by the other shareholders of Shenzhen Rayitek and the first term of capital increase of RMB5,000,000 by one of the shareholders were completed in January 2014. Upon the completion of the first term of the capital increase, the Company's indirect equity interest in Shenzhen Rayitek was decreased from 55% to 44.48%. As a result, Shenzhen Rayitek ceased to be an indirect subsidiary of the Company and becomes an associate of the Company. Besides, the second term of capital contribution was made in full by the shareholder. Upon the completion of all capital increase, the equity interest of the Company in Shenzhen Rayitek was further decreased from 44.48% to 42.75%.

Aerospace services business

The Complex Zone of the Launching Site in Hainan Province

In the first half of 2014, Hainan Aerospace Investment Management Company Limited* (海南航天投資管理有限公司) ("Hainan Aerospace"), a joint venture of the Company, basically completed the land expropriation while the resettlement zone was constructed as scheduled. For the first half of 2014, the loss of Hainan Aerospace attributable to the Company amounted to HK\$190,000. Looking into the second half of 2014, Hainan Aerospace will complete the construction of the resettlement zone as soon as possible and actively plan the project of Hainan Space Park, as well as explore financing options so as to satisfy its capital needs for subsequent construction works.

Shenzhen Aerospace Science & Technology Plaza

In the first half of 2014, Shenzhen Aerospace Technology Investment Company Limited* (深圳市航天高科技投資管理有限公司) ("Shenzhen Aerospace") progressed the construction work of Shenzhen Aerospace Science & Technology Plaza as planned. The auxiliary building, the annex building, and the core tube of the main building were topped out consecutively. The other construction works are progressing at present. Recently, the two non-controlling shareholders of Shenzhen Aerospace, due to its own strategic adjustment, transferred its holding of 40% interests in total to an independent third party by way of public tender. However, this transfer will not have material effect on the Company's control and operating



strategy towards Shenzhen Aerospace. In the second half of 2014, Shenzhen Aerospace will continue to step up those construction works, decoration and tendering works, striving for early completion of the work. Meanwhile, the works of business promotion and leasing have been started.

Shenzhen Aerospace recorded a fair value gain of investment property of HK\$33,402,000 in the first half of 2014. As at 30 June 2014, the property under construction and land use right of Shenzhen Aerospace Science & Technology Plaza was valued at approximately HK\$3,491,272,000.

Internet of Things

In the first half of 2014, Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術(深圳)有限公司) (“Aerospace Digitnexus”) had completed research and development of software platform and had more practical knowledge in core technology, products and markets. These set a clearer concept for future development. In the first half of 2014, the turnover was HK\$3,928,000 and the operating loss was HK\$8,248,000.

On 22 July 2014, the Company, Digilink Systems Limited (“Digilink”), a wholly-owned subsidiary of the Company which in turn owns the entire interest in Aerospace Digitnexus, entered into the Subscription Agreement with two strategic investors. Pursuant to the Subscription Agreement, the two strategic investors will subscribe a total of 83,815,915 shares of Digilink in a consideration of HK\$90,000,000. Upon the completion of the subscription, the shareholding of the Company in Digilink will decrease to 41.72%, which diversifies the shareholding of Digilink and expands the capital base so as to reduce investment risk.

In the second half of 2014, Aerospace Digitnexus will put effort in optimizing its product techniques, strengthening its market development, project management and human resources, and striving for the early completion of capital increase in order to lay a foundation for the company’s further development and profit realization.



ASSETS

As at 30 June 2014, the total assets of the Company and the subsidiaries were HK\$8,651,552,000, of which the non-current assets were HK\$5,847,594,000, representing a slight increase as compared with that of HK\$5,842,135,000 as at 31 December 2013. The current assets were HK\$2,803,958,000, representing a slight decrease as compared with that of HK\$2,845,045,000 as at 31 December 2013. The equity attributable to shareholders of the Company was HK\$4,671,303,000, representing a slight decrease as compared with that of HK\$4,696,014,000 as at 31 December 2013. The decrease in equity attributable to shareholders of the Company was due to the depreciation of Renminbi and the distribution of dividend of 2013 by the Company during the period. Based on the issued share capital of 3,085,022,000 shares during the period, the net assets per share attributable to shareholders of the Company was HK\$1.51.

As at 30 June 2014, a cash deposit of the Company and the subsidiaries of approximately HK\$26,363,000 had been pledged to banks to obtain credit facilities, and Shenzhen Aerospace had obtained a syndicated loan by securing the land use right and property under construction thereof at value of RMB2,800,000,000 to a syndicate comprising banks and a financial institution.

LIABILITIES

As at 30 June 2014, the total liabilities of the Company and the subsidiaries were HK\$3,148,613,000, of which the non-current liabilities were HK\$2,089,107,000, representing an increase of 8.97% as compared with that of HK\$1,917,086,000 as at 31 December 2013. The current liabilities were HK\$1,059,506,000, representing a decrease of 11.95% as compared with that of HK\$1,203,368,000 as at 31 December 2013. The increase in non-current liabilities was mainly due to the increase in bank loans, whereas the decrease in current liabilities was mainly due to the corresponding decrease in current liabilities upon a deemed disposal of a subsidiary, Shenzhen Rayitek. As at 30 June 2014, the Company and the subsidiaries had bank and other borrowings of HK\$1,476,309,000.

Shenzhen Aerospace entered into a syndicated loan agreement of RMB1,500,000,000 with a syndicate of financial institutions in 2011 for the payment of construction costs of Shenzhen Aerospace Science & Technology Plaza. With the comprehensive



commencement of the construction works, the construction costs will increase significantly. Shenzhen Aerospace will gradually drawdown the loan to pay the construction costs. Therefore, the relevant bank debt will gradually increase. As at 30 June 2014, Shenzhen Aerospace had drawn down the loan in the amount of RMB648,000,000.

OPERATING EXPENSES

The administrative expenses of the Company and the subsidiaries in the first half of 2014 were HK\$163,949,000, representing an increase of 7.57% as compared with the same period of last year. The finance costs amounted to HK\$39,953,000, of which HK\$22,468,000 had been capitalized and recorded as the construction cost of Shenzhen Aerospace Science & Technology Plaza.

CONTINGENT LIABILITIES

As at 30 June 2014, the Company and the subsidiaries did not have any other material contingent liabilities.

FINANCIAL RATIOS

	First half of 2014	First half of 2013
Gross Profit Margin	21.75%	20.46%
Return on Net Assets	1.71%	8.09%

	30 June 2014	31 December 2013
Assets-Liabilities Ratio	36.39%	35.92%
Current Ratio	2.65	2.36
Quick Ratio	2.39	2.15

LIQUIDITY

The source of funds of the Company and the subsidiaries mainly relies on internal resources, banking facilities and short term deposits. The free cash, bank balance and short-term bank deposits as at 30 June 2014 amounted to HK\$1,837,129,000, the majority of which were in Hong Kong Dollars and Renminbi.



CAPITAL EXPENDITURE AND INVESTMENT COMMITMENT

As at 30 June 2014, the capital commitments of the Company and the relevant subsidiaries contracted for but not provided in the condensed consolidated financial statements was HK\$585,120,000, mainly for the capital expenditure of the construction of Shenzhen Aerospace Science & Technology Plaza. With the comprehensive commencement of the construction of Shenzhen Aerospace Science & Technology Plaza, Shenzhen Aerospace will draw down the syndicated loan by stages to settle related construction costs.

FINANCIAL RISKS

The Company and the subsidiaries review the cash flow and financial position periodically and do not presently engage into any financial instruments or derivatives to hedge the exchange and the interest rate risks.

HUMAN RESOURCES AND REMUNERATION POLICIES

The remuneration policy of the Company and the subsidiaries is based on the employee's qualifications, experience and performance on the job, with reference to the current market situation. The Company and the subsidiaries will continue to upgrade the level of human resources management and strictly implement the performance-based appraisal system, in order to motivate employees to make continuous improvement in their individual performance and contributions to the Company.

As at 30 June 2014, the Company and the subsidiaries have a total of approximately 6,900 employees based in the Mainland China and Hong Kong respectively.



SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, the Register of Substantial Shareholders maintained by the Company pursuant to Part XV of the Securities & Futures Ordinance recorded the following shareholders had declared their interests as having 5% or more of the issued share capital of the Company:

Name	Capacity	Direct interest (Yes/No)	Number of shares interested (Long Position)	Percentage of issued share capital
China Aerospace Science & Technology Corporation	Interests in controlled corporation	No	1,205,210,636	39.06%
Jetcote Investments Limited	Beneficial owner	Yes	131,837,011	4.27%
	Interests in controlled corporation	No	1,051,761,625	34.10%
			1,183,598,636	38.37%
Aerospace Science & Technology Finance Company Limited* (航天科技財務有限責任公司)	Beneficial owner	Yes	21,612,000	0.69%
Burhill Company Limited	Beneficial owner	Yes	579,834,136	18.80%
Sin King Enterprises Company Limited	Beneficial owner	Yes	471,927,489	15.30%

Note: Jetcote Investments Limited, Burhill Company Limited, Sin King Enterprises Company Limited and Aerospace Science & Technology Finance Company Limited* (航天科技財務有限責任公司) are subsidiaries of China Aerospace Science & Technology Corporation, the shares held by them form the total number of shares in which China Aerospace Science & Technology Corporation was deemed interested.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital or underlying shares of the Company as at 30 June 2014.

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 first half of 2014.



CORPORATE GOVERNANCE

For the six months ended 30 June 2014, the Company had complied throughout the period with the provisions of the *Corporate Governance Code and Corporate Governance Report* as set out in Appendix 14 of the Listing Rules.

LITIGATION

As at 30 June 2014, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and, so far as the Directors were aware of, no litigation or arbitration or claim of material importance was pending or threatened by or against any member of the Company.

DIRECTORS' AND EXECUTIVE'S INTERESTS IN SHARES

The Company had adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 of the Listing Rules as the required standard for the Directors of the Company to trade the securities of the Company. Having made specific enquiry to all the Directors of the Company and in accordance with information provided, all the Directors have complied with the provisions under the Model Code during the first half of 2014.

As at 30 June 2014, save as disclosed below, 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 Part XV of the Securities & Futures 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 Issuers*.

Name	Capacity	Number of shares Interested (long position)	Percentage of issued share capital
Leung Sau Fan, Sylvia	Director	130,000	0.004%



AUDIT COMMITTEE

The Audit Committee of the Company currently has a membership comprising two Independent Non-Executive Directors, Mr Luo Zhenbang (Chairman) and Ms Leung Sau Fan, Sylvia, and a Non-Executive Director, Mr Shi Weiguo. The major responsibilities of the Audit Committee include serving as a focal point for communication between the Directors and external auditors in reviewing the Company's financial information as well as overseeing the Company's financial reporting system and internal control procedures.

The Audit Committee of the Company reviewed, discussed and approved the unaudited condensed consolidated financial statements for the six months ended 30 June 2014 that had been reviewed by the auditor, Deloitte Touche Tohmatsu.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company currently has a membership comprising two Independent Non-Executive Directors, Ms Leung Sau Fan, Sylvia (Chairman) and Mr Wang Xiaojun, and a Non-Executive Director, Mr Chen Xuechuan. The Remuneration Committee takes the role of advisory and proposes to the Board on the emoluments of the Directors and senior management with regard to the operating results of the Company, the individual performance and the comparable market information.

NOMINATION COMMITTEE

The Nomination Committee of the Company currently has a membership comprising three Independent Non-Executive Directors, Mr Luo Zhenbang, Ms Leung Sau Fan, Sylvia and Mr Wang Xiaojun, and two Non-Executive Directors, Mr Zhang Jianheng (Chairman) and Mr Chen Xuechuan. The responsibilities of the Nomination Committee are to review the structure, the number of members and its composition for the execution of the Company's policy.

EVENTS AFTER THE REPORTING PERIOD

On 22 July 2014, the Company, Digilink Systems Limited ("Digilink"), a wholly-owned subsidiary of the Company, entered into the Subscription Agreement with Brilliant (Hong Kong) Investment Limited and Amber Treasure Global Limited. Pursuant to the Subscription Agreement, Brilliant (Hong Kong) Investment Limited



will subscribe for 46,567,593 shares of Digilink at the consideration of HK\$50,000,000 and Amber Treasure Global Limited will subscribe for 37,248,322 shares of Digilink at the consideration of HK\$40,000,000. Upon the completion of the subscription, the shareholding of the Company in Digilink will decrease to 41.72%. Details of which please refer to the Company's announcement dated 22 July 2014.

On 30 July 2014 (Canadian time), a Purchase and Sale Agreement for the sale by the Vendor and purchase by the Purchaser of the Property was entered into between an indirect subsidiary of the Company, Vanbao Development (Canada) Ltd. (as vendor), and the Purchaser, Cressey Projects Corporation, following a public tender of the Property. The consideration for the Property is CAD19,200,000 (equivalent to approximately HK\$138,508,800). The sale and purchase of the Property is expected to be completed on the later of 45 days following the satisfaction of the Purchaser's conditions or 60 days following the satisfaction of the Vendor's conditions. Details of which please refer to the Company's announcement dated 31 July 2014.

APPRECIATION

The Company hereby expresses its sincere gratitude to its shareholders, banks, business partners, people from various social communities, as well as all staff for their long-time support.

By order of the Board,
Li Hongjun
Executive Director & President

Hong Kong, 18 August 2014



REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

**TO THE BOARD OF DIRECTORS OF
CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED**

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Aerospace International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 20 to 60, which comprise the condensed consolidated statement of financial position as of 30 June 2014 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



SCOPE OF REVIEW

We conducted our review 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 the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

18 August 2014



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2014

	NOTES	Six months ended	
		30.6.2014 (Unaudited) HK\$'000	30.6.2013 (Unaudited) HK\$'000
CONTINUING OPERATIONS			
Turnover	3	1,258,579	1,156,188
Cost of sales		(984,835)	(919,680)
Gross profit		273,744	236,508
Other gains and losses	4	(33,311)	(19,316)
Other income	4	33,676	22,139
Gain on disposal of available-for-sale investments		—	120,918
Selling and distribution expenses		(22,588)	(20,920)
Administrative expenses		(163,949)	(152,418)
Fair value changes of investment properties		47,811	225,783
Finance costs	5	(17,485)	(8,837)
Share of results of joint ventures		1,092	1,034
Share of results of associates		(779)	361
Profit before taxation	6	118,211	405,252
Taxation	7	(31,688)	(92,823)
Profit for the period from continuing operations		86,523	312,429
DISCONTINUED OPERATIONS			
Profit for the period from discontinued operations	15	7,812	108,394
Profit for the period		94,335	420,823



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

For the six months ended 30 June 2014

	NOTE	Six months ended	
		30.6.2014 (Unaudited) HK\$'000	30.6.2013 (Unaudited) HK\$'000
Profit for the period attributable to owners of the Company:			
From continuing operations		79,125	258,212
From discontinued operations		8,808	111,225
		87,933	369,437
Profit (loss) for the period attributable to non-controlling interests:			
From continuing operations		7,398	54,217
From discontinued operations		(996)	(2,831)
		6,402	51,386
		94,335	420,823
Earnings per share	8		
From continuing and discontinued operations			
— basic		HK2.85 cents	HK11.98 cents
From continuing operations			
— basic		HK2.56 cents	HK8.37 cents



CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Six months ended	
	30.6.2014 (Unaudited) HK\$'000	30.6.2013 (Unaudited) HK\$'000
Profit for the period	94,335	420,823
Other comprehensive (expense) income:		
Items that may be reclassified subsequently to profit or loss		
Exchange differences arising on translating foreign operations	(78,940)	45,438
Share of exchange reserve of joint ventures	(19,813)	12,240
Share of exchange reserve of associates	(4,868)	—
Reclassification adjustments for non-controlling interests upon deemed disposal of a subsidiary	(24,390)	—
Reclassification adjustment upon disposal of available-for-sale investments	—	(120,918)
Reclassification adjustments for the cumulative exchange differences upon deemed disposal of foreign operations	739	(49,663)
Fair value gain on available-for-sale investments	—	82,530
Other comprehensive expense for the period	(127,272)	(30,373)
Total comprehensive (expense) income for the period	(32,937)	390,450
Total comprehensive (expense) income attributable to:		
Owners of the Company	6,139	326,839
Non-controlling interests	(39,076)	63,611
	(32,937)	390,450



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	NOTES	30.6.2014 (Unaudited) HK\$'000	31.12.2013 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	10	697,099	877,984
Prepaid lease payments		108,654	144,602
Investment properties	10	3,883,960	3,746,162
Goodwill	15	—	13,232
Intangible assets		16,607	67,578
Interests in associates	15	190,296	14,702
Interests in joint ventures	15	827,862	846,583
Available-for-sale investments		29,000	29,000
Deposit paid for construction cost of investment properties under construction		38,192	64,624
Deposits paid for acquisition of intangible assets and property, plant and equipment		55,924	37,668
		5,847,594	5,842,135
Current assets			
Inventories		274,178	253,257
Trade and other receivables	11	599,584	598,403
Prepaid lease payments		4,064	4,898
Amount due from a related party		7,502	8,841
Financial assets at fair value through profit or loss		44,449	51,269
Taxation recoverable		10,689	3,168
Pledged bank deposits		26,363	20,075
Short-term bank deposits		25,235	137,126
Bank balances and cash		1,811,894	1,768,008
		2,803,958	2,845,045



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 June 2014

	NOTES	30.6.2014 (Unaudited) HK\$'000	31.12.2013 (Audited) HK\$'000
Current liabilities			
Trade and other payables	12	929,900	1,003,131
Amount due to an associate		1,050	1,050
Taxation payable		74,732	58,309
Bank and other borrowings	13	44,888	131,713
Other loan		8,936	9,165
		1,059,506	1,203,368
Net current assets		1,744,452	1,641,677
Total assets less current liabilities		7,592,046	7,483,812
Non-current liabilities			
Loan from a major shareholder	18(a)(iii)	623,441	639,386
Bank and other borrowings	13	807,980	600,128
Deferred taxation		657,686	677,572
		2,089,107	1,917,086
		5,502,939	5,566,726
Capital and reserves			
Share capital	14	1,154,511	308,502
Reserves		3,516,792	4,387,512
Equity attributable to owners of the Company		4,671,303	4,696,014
Non-controlling interests		831,636	870,712
		5,502,939	5,566,726



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Attributable to owners of the Company										Attributable to non-controlling interests		Total	
	Share capital	Share premium	Special capital reserve	General reserve	Translation reserve	Investment revaluation reserve	Property revaluation reserve	Capital reserve	Capital redemption reserve	Retained profits	Sub-total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		HK\$'000
At 1 January 2013 (audited)	308,502	844,929	14,044	23,916	317,770	38,388	11,010	14,309	1,080	2,544,154	4,118,102	722,589	4,840,691	
Profit for the period	-	-	-	-	-	-	-	-	-	369,437	369,437	51,386	420,823	
Exchange difference arising on translating foreign operations	-	-	-	-	33,213	-	-	-	-	-	33,213	12,225	45,438	
Reclassification adjustments for the cumulative exchange differences upon deemed disposal of foreign operations (note 15)	-	-	-	-	(49,663)	-	-	-	-	-	(49,663)	-	(49,663)	
Share of exchange reserve of joint ventures	-	-	-	-	12,240	-	-	-	-	-	12,240	-	12,240	
Fair value gain on available-for-sale investments	-	-	-	-	-	82,530	-	-	-	-	82,530	-	82,530	
Reclassification adjustments upon disposal of available-for-sale investments	-	-	-	-	-	(120,918)	-	-	-	-	(120,918)	-	(120,918)	
Total comprehensive (expense) income for the period	-	-	-	-	(4,210)	(38,388)	-	-	-	369,437	326,839	63,611	390,450	
Dividend recognised as distribution	-	-	-	-	-	-	-	-	-	(30,850)	(30,850)	-	(30,850)	
At 30 June 2013 (unaudited)	308,502	844,929	14,044	23,916	313,560	-	11,010	14,309	1,080	2,882,741	4,414,091	786,200	5,200,291	



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the six months ended 30 June 2014

	Attributable to owners of the Company											Attributable to non-controlling interests		Total
	Share capital	Share premium	Special capital reserve	General reserve	Translation reserve	Investment revaluation reserve	Property revaluation reserve	Capital reserve	Capital redemption reserve	Retained profits	Sub-total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2014 (audited)	308,502	844,929	14,044	23,916	347,909	-	11,010	14,309	1,080	3,130,315	4,696,014	870,712	5,566,726	
Profit for the period	-	-	-	-	-	-	-	-	-	87,933	87,933	6,402	94,335	
Exchange difference arising on translating foreign operations	-	-	-	-	(57,852)	-	-	-	-	-	(57,852)	(21,088)	(78,940)	
Reclassification adjustments for the cumulative exchange differences upon deemed disposal of foreign operations (note 15)	-	-	-	-	739	-	-	-	-	-	739	-	739	
Share of exchange reserve of joint ventures	-	-	-	-	(19,813)	-	-	-	-	-	(19,813)	-	(19,813)	
Share of exchange reserve of associates	-	-	-	-	(4,868)	-	-	-	-	-	(4,868)	-	(4,868)	
Reclassification adjustments upon deemed disposal of a subsidiary (note 15)	-	-	-	-	-	-	-	-	-	-	-	(24,390)	(24,390)	
Total comprehensive income (expense) for the period	-	-	-	-	(81,794)	-	-	-	-	87,933	6,139	(39,076)	(32,937)	
Transfer of abolition of par value under the new Hong Kong Companies Ordinance	846,009	(844,929)	-	-	-	-	-	-	(1,080)	-	-	-	-	
Dividend recognised as distribution	-	-	-	-	-	-	-	-	-	(30,850)	(30,850)	-	(30,850)	
At 30 June 2014 (unaudited)	1,154,511	-	14,044	23,916	266,115	-	11,010	14,309	-	3,187,398	4,671,303	831,636	5,502,939	



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

		Six months ended	
		30.6.2014	30.6.2013
		(Unaudited)	(Unaudited)
	NOTE	HK\$'000	HK\$'000
Net cash (used in) from operating activities		(20,783)	52,503
Net cash used in investing activities			
Proceeds on disposal of available-for-sale investments		—	131,670
Repayment from a joint venture		—	74,627
Additions of investment properties		(137,345)	(150,556)
Cash inflow (outflow) on deemed disposal of subsidiaries, net of cash and cash equivalents disposed of	15	27,965	(80,371)
Purchase of property, plant and equipment		(52,694)	(29,397)
Deposits paid for acquisition of intangible assets and property, plant and equipment		(37,692)	(28,536)
Payment for land development		—	(24,260)
Acquisition of available-for-sale investments		—	(20,000)
Placement of pledged bank deposit		(27,038)	(23,912)
Withdrawal of pledged bank deposit		20,075	22,822
Fixed deposits placed with banks		(25,235)	—
Withdrawal of fixed deposits placed with banks		137,126	—
Other investing cash flows		18,457	13,032
		(76,381)	(114,881)



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the six months ended 30 June 2014

	Six months ended	
	30.6.2014 (Unaudited) HK\$'000	30.6.2013 (Unaudited) HK\$'000
Net cash from financing activities		
Loan from a major shareholder	—	621,891
New bank and other borrowings raised	286,061	285,324
Dividend paid	(30,794)	(30,850)
Repayment of bank and other borrowings	(49,872)	(80,846)
Other financing cash flows	(31,971)	(19,792)
	173,424	775,727
Net increase in cash and cash equivalents	76,260	713,349
Cash and cash equivalents at 1 January	1,768,008	1,022,285
Effect of foreign exchange rate changes	(32,374)	19,217
Cash and cash equivalents at 30 June, represented by bank balances and cash	1,811,894	1,754,851



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with the Hong Kong Accounting Standard 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and amendments of Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC)—INT 21	Levies



2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The application of the above new Interpretations and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the President, the chief operating decision maker of the Group, that are used to make strategic decisions. The management has identified 9 (1.1.2013 to 30.6.2013: 9) reportable segments: Hi-Tech Manufacturing Business (including plastic products, liquid crystal display, printed circuit boards, intelligent chargers and the related industrial property investment), New Material Business (including polyimide films manufacturing), Aerospace Service (including the Shenzhen Aerospace Science & Technology Plaza of property investment project, land development in Hainan Launching Site Complex Zone and Internet of Things) which represents the major industries in which the Group is engaged.



3. SEGMENT INFORMATION *(continued)*

- (a) An analysis of the Group's turnover and results by reportable segments is as follows:

For the six months ended 30 June 2014

	Turnover		Total HK\$'000	Segment results HK\$'000
	External sales HK\$'000	Inter- segment sales HK\$'000		
Hi-Tech Manufacturing Business				
Plastic products	404,475	25,842	430,317	35,148
Liquid crystal display	234,203	218	234,421	11,006
Printed circuit boards	298,453	—	298,453	55,555
Intelligent chargers	308,389	—	308,389	20,296
Industrial property investment	7,483	10,783	18,266	11,155
	1,253,003	36,843	1,289,846	133,160
New Material Business				
Polyimide films manufacturing (Note)	3,304	—	3,304	(1,836)
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	—	—	—	30,489
Land development in Hainan Launching Site Complex Zone (Note)	—	—	—	(190)
Internet of Things	3,928	—	3,928	(8,248)
	3,928	—	3,928	22,051
Reportable segment total	1,260,235	36,843	1,297,078	153,375
Elimination	—	(36,843)	(36,843)	—
Other Business	1,648	—	1,648	6,285
	1,261,883	—	1,261,883	159,660
Unallocated corporate income				30,723
Unallocated corporate expenses				(57,026)
				133,357
Gain on deemed disposal of a subsidiary				9,583
Share of results of associates				(210)
Share of results of a joint venture				1,282
Finance costs				(17,989)
				126,023
Less: Profit for the period from discontinued operations				(7,812)
Profit before taxation from continuing operations				118,211



3. SEGMENT INFORMATION *(continued)*

- (a) An analysis of the Group's turnover and results by reportable segments is as follows: *(continued)*

For the six months ended 30 June 2014 *(continued)*

Note: The polyimide films manufacturing is held by Shenzhen Rayitek Hi-tech Film Company Limited ("Shenzhen Rayitek"), which became an associate of the Group as a result of deemed disposal during the current period as detailed in note 15. The land development in Hainan Launching Site Complex Zone is held by Hainan Aerospace Investment Management Company Limited ("Hainan Aerospace"), which became a joint venture of the Group as a result of deemed disposal during the period ended 30 June 2013 as detailed in note 15. The President continuously reviews these segments information for the purpose of resources allocation and performance assessment. Thus, there is no change in the segment information reported to the President.



3. SEGMENT INFORMATION *(continued)*

- (a) An analysis of the Group's turnover and results by reportable segments is as follows: *(continued)*

For the six months ended 30 June 2013

	Turnover			Segment results HK\$'000
	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	
Hi-Tech Manufacturing Business				
Plastic products	417,246	33,299	450,545	30,971
Liquid crystal display	158,949	—	158,949	7,289
Printed circuit boards	257,030	—	257,030	50,805
Intelligent chargers	314,786	—	314,786	19,889
Industrial property investment	7,380	10,227	17,607	9,605
	1,155,391	43,526	1,198,917	118,559
New Material Business				
Polyimide films manufacturing	31,531	—	31,531	36
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	—	—	—	211,861
Land development in Hainan Launching Site Complex Zone	—	—	—	(1,722)
Internet of Things	—	—	—	(12,634)
	—	—	—	197,505
Reportable segment total	1,186,922	43,526	1,230,448	316,100
Elimination	—	(43,526)	(43,526)	—
Other Business	797	—	797	2,532
	1,187,719	—	1,187,719	318,632
Unallocated corporate income				27,040
Unallocated corporate expenses				(55,527)
				290,145
Gain on disposal of available-for-sale investments				120,918
Gain on deemed disposal of subsidiaries				112,912
Share of results of associates				361
Share of results of a joint venture				829
Finance costs				(11,519)
				513,646
Less: Profit for the period from discontinued operations				(108,394)
Profit before taxation from continuing operations				405,252



3. SEGMENT INFORMATION *(continued)*

- (a) An analysis of the Group's turnover and results by reportable segments is as follows: *(continued)*

Segment results represent the profit earned/loss incurred by each segment without allocations of interest income, changes in fair value of financial assets at fair value through profit or loss, gain on deemed disposal of subsidiaries, share of results of a joint venture and associates, interest expenses and other corporate income and corporate expenses. Share of loss of certain joint ventures of HK\$190,000 (1.1.2013 to 30.6.2013: Profit of HK\$205,000) and share of loss of an associate of HK\$569,000 (1.1.2013 to 30.6.2013: nil) were allocated to reportable and operating segments. This is the measure reported to the President for the purpose of resources allocation and performance assessment.

Inter-segment sales are charged at cost-plus basis.



3. SEGMENT INFORMATION *(continued)*

(b) The following is an analysis of the Group's assets and liabilities by reportable segments:

	30.06.2014 HK\$'000	31.12.2013 HK\$'000
Segment assets		
Hi-Tech Manufacturing Business		
Plastic products	617,752	618,934
Liquid crystal display	385,327	285,713
Printed circuit boards	378,370	358,769
Intelligent chargers	294,425	322,477
Industrial property investment	261,061	256,870
	1,936,935	1,842,763
New Material Business		
Polyimide films manufacturing	176,166	327,779
Aerospace Service		
Property investment in Shenzhen Aerospace Science & Technology Plaza	3,531,064	3,428,083
Land development in Hainan Launching Site Complex Zone	761,851	781,525
Internet of Things	52,239	52,474
	4,345,154	4,262,082
Total assets for reportable segments	6,458,255	6,432,624
Other Business	133,344	129,364
Available-for-sale investments	29,000	29,000
Interests in a joint venture	66,011	65,058
Interests in associates	14,130	14,702
Unallocated assets	1,950,812	2,016,432
Consolidated assets	8,651,552	8,687,180



3. SEGMENT INFORMATION *(continued)*

- (b) The following is an analysis of the Group's assets and liabilities by reportable segments: *(continued)*

	30.06.2014 HK\$'000	31.12.2013 HK\$'000
Segment liabilities		
Hi-Tech Manufacturing Business		
Plastic products	178,329	176,141
Liquid crystal display	124,884	52,464
Printed circuit boards	126,041	102,830
Intelligent chargers	144,671	155,035
Industrial property investment	11,809	15,012
	585,734	501,482
New Material Business		
Polyimide films manufacturing	—	22,908
Aerospace Service		
Property investment in Shenzhen		
Aerospace Science & Technology		
Plaza	101,961	176,964
Internet of Things	22,331	17,925
	124,292	194,889
Total liabilities for reportable segments	710,026	719,279
Other Business	1,221	1,290
Unallocated liabilities	2,437,366	2,399,885
Consolidated liabilities	3,148,613	3,120,454



3. SEGMENT INFORMATION *(continued)*

- (b) The following is an analysis of the Group's assets and liabilities by reportable segments: *(continued)*

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than bank balances and cash, short-term bank deposit, pledged bank deposits, financial assets at fair value through profit or loss, taxation recoverable and the other unallocated assets; and
- all liabilities are allocated to operating segments other than taxation payable, deferred taxation, other loan, bank and other borrowings, loan from a major shareholder and the other unallocated liabilities.



4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
Continuing operations		
The Group's other income mainly comprises:		
Bank interest income	28,411	11,847
The Group's other gains and losses mainly comprise:		
Loss from change in fair value of financial assets at fair value through profit or loss	(6,794)	(23,458)
Net exchange (loss) gain	(25,243)	5,011
Discontinued operations		
The Group's other income mainly comprises:		
Bank interest income	—	467
The Group's other gains and losses mainly comprise:		
Net exchange loss	(5)	(31)



5. FINANCE COSTS

	Six months ended	
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
Continuing operations		
Interest on bank and other borrowings wholly repayable within five years	39,953	17,228
Less: Amount capitalised to investment properties under construction	(22,468)	(8,391)
	17,485	8,837
Discontinued operations		
Interest on bank and other borrowings wholly repayable within five years	504	2,682



6. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
Continuing operations		
Profit before taxation has been arrived at after charging:		
Amortisation of prepaid lease payments	1,244	1,277
Amortisation of intangible assets (included in cost of sales)	4,426	3,409
Depreciation of property, plant and equipment	47,065	53,256
<hr/>		
Discontinued operations		
Profit before taxation has been arrived at after charging:		
Amortisation of prepaid lease payments	60	355
Amortisation of intangible assets (included in cost of sales)	574	3,352
Depreciation of property, plant and equipment	869	5,765
<hr/>		



7. TAXATION

	Six months ended	
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
Continuing operations		
Current tax:		
Hong Kong Profits Tax	3,883	4,866
PRC Enterprise Income Tax	12,617	9,922
	16,500	14,788
Deferred tax	15,188	78,035
Income tax charge	31,688	92,823

Hong Kong Profits Tax and PRC Enterprise Income Tax have been calculated at 16.5% and 25% respectively of the estimated assessable profit for the periods under review other than certain subsidiaries in the PRC that are entitled to High and New Technology Enterprise status of which the applicable income tax rate is 15%.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.



8. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
From continuing operations and discontinued operations		
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	87,933	369,437
	30.6.2014	30.6.2013
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	3,085,022	3,085,022



8. EARNINGS PER SHARE *(continued)*

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data: *(continued)*

	Six months ended	
	30.6.2014	30.6.2013
	HK\$'000	HK\$'000
From continuing operations		
Profit for the period attributable to owners of the Company	87,933	369,437
Less: Profit for the period from the discontinued operations attributable to the owners of the Company	(8,808)	(111,225)
<hr/>		
Earnings for the purpose of basic earnings per share from the continuing operations	79,125	258,212

The denominators used are the same as those detailed above for both basic earnings per share.



8. EARNINGS PER SHARE *(continued)*

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data: *(continued)*

From discontinued operations

Basic earnings per share for the discontinued operations is HK0.29 cents per share (1.1.2013 to 30.6.2013: Profit of HK3.61 cents per share) based on the profit for the period from the discontinued operations of HK\$8,808,000 (1.1.2013 to 30.6.2013: Profit of HK\$111,225,000) and the denominators detailed above for basic earnings per share.

No diluted earnings per share is presented as there were no potential dilutive shares in issue for both periods.

9. DIVIDEND

2013 final dividend of HK1 cent (1.1.2013 to 30.6.2013: 2012 final dividend of HK1 cent) per share amounting to HK\$30,850,000 (1.1.2013 to 30.6.2013: HK\$30,850,000) was paid by the Company during the period. The directors do not recommend payment of an interim dividend for the interim period.



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

During the period, the Group spent approximately HK\$52,694,000 (1.1.2013 to 30.6.2013: HK\$31,545,000) and HK\$185,268,000 (1.1.2013 to 30.6.2013: HK\$183,287,000) on acquisition of property, plant and equipment and additions of investment properties under construction respectively.

The fair values of the Group's investment properties at 30 June 2014 and 31 December 2013 have been arrived at on the basis of valuations carried out on that date by Jones Lang LaSalle Corporate Appraisal & Advisory Limited ("Jones Lang") for properties situated in Hong Kong, Knight Frank Petty Limited ("Knight Frank") for properties situated in the PRC and Atkinson Appraisal Consultants Limited ("Atkinson") for properties situated overseas. Jones Lang, Knight Frank and Atkinson are independent qualified professional valuers not connected with the Group and are members of the Institute of Valuers. The valuation of completed investment properties of HK\$392,688,000 (31.12.2013: HK\$384,269,000) was arrived at by reference to market evidence of transaction prices for similar properties. The valuation of investment properties under construction of HK\$3,491,272,000 (31.12.2013: HK\$3,361,893,000) was arrived at by reference to market evidence of transaction prices for similar completed properties and by capitalisation of income potential of the properties, on the basis that the properties will be developed and completed in accordance with the Group's latest development proposals, after taking into account of the estimated construction costs to completion to reflect the quality of the completed development, development profits and the restrictions imposed on the proposed development properties to lease or to sell to the third parties. The resulting increase in fair value of investment properties of HK\$47,811,000 (1.1.2013 to 30.6.2013: HK\$225,783,000) has been recognised directly in the condensed consolidated statement of profit or loss.



11. TRADE AND OTHER RECEIVABLES

At 30 June 2014, included in trade and other receivables are trade receivables of HK\$532,486,000 (31.12.2013: HK\$550,681,000). The Group allows an average credit period of 90 days to its trade customers.

The following is an aged analysis of trade receivables presented based on invoice date, which approximated the revenue recognition date, at the end of the reporting period:

	30.6.2014	31.12.2013
	HK\$'000	HK\$'000
Within 90 days	516,973	509,999
Between 91–180 days	9,432	34,396
Between 181–365 days	377	6,286
Between 1 to 2 years	5,704	—
	532,486	550,681



12. TRADE AND OTHER PAYABLES

	30.6.2014 HK\$'000	31.12.2013 HK\$'000
Trade payables	339,689	304,016
Accrued charges	132,181	133,738
Receipt in advance	47,208	92,298
Other payables	410,822	473,079
	929,900	1,003,131

Other payables included an amount of HK\$54,000,000 (31.12.2013: HK\$54,000,000) received from a third party on behalf of China Aerospace Science & Technology Corporation ("CASC"), a major shareholder of the Company and payables to contractors for investment properties under development of HK\$101,479,000 (31.12.2013: HK\$171,587,000).

The following is an aged analysis of trade payables based on invoice date at the end of the reporting period:

	30.6.2014 HK\$'000	31.12.2013 HK\$'000
Within 90 days	331,068	296,335
Between 91–180 days	3,944	2,653
Between 181–365 days	136	924
Over 1 year	4,541	4,104
	339,689	304,016



13. BANK AND OTHER BORROWINGS

During the period, the Group obtained new bank borrowings in the amount of approximately HK\$286,061,000 (1.1.2013 to 30.6.2013: HK\$210,697,000). The new bank borrowings bear interest at variable market rates ranging from 5.88% to 6.40% (1.1.2013 to 30.6.2013: 5.60% to 6.40%) and are repayable within 1 to 3 years.

During the period ended 30 June 2013, the Group obtained other borrowings in an amount of approximately HK\$75,853,000 from 航天科技財務有限責任公司 (“Aerospace Finance”).

14. SHARE CAPITAL

Authorised, issued and fully paid share capital

	Number of shares '000	Share capital HK\$'000
Authorised:		
At 1 January 2014		
Ordinary shares of HK\$0.10 each	100,000,000	10,000,000
At 30 June 2014	Note	Note
Issued and fully paid:		
At 1 January 2014		
Ordinary shares of HK\$0.10 each	3,085,022	308,502
Transfer from share premium and capital redemption reserve upon abolition of par value	—	846,009
At 30 June 2014		
Ordinary shares with no par value	3,085,022	1,154,511

Note: Under the Hong Kong Companies Ordinance (Cap. 622), with effect from 3 March 2014, the concept of authorised share capital no longer exists and the Company's shares no longer have a par value. There is no impact on the number of shares in issue or the relative entitlement of any of the shareholders as a result of this transition.



15. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)

Shenzhen Rayitek

On 19 December 2013, the Group entered into a capital increment agreement with several existing and strategic investors in which the registered capital of Shenzhen Rayitek would be increased from RMB30,000,000 to RMB98,442,972. The Group, through its wholly-owned subsidiary, CASIL New Century Technology Development (Shenzhen) Company Limited (“New Century”), agreed to subscribe for registered capital of RMB25,583,059.

The transaction was completed on 21 January 2014. The equity interests held by the Group in Shenzhen Rayitek decreased from 55% to 42.75%. Shenzhen Rayitek ceased to be a subsidiary of the Company and represented the entire segment of “Polyimide films manufacturing” under “New Material Business”. Accordingly, the operation of Shenzhen Rayitek is presented as discontinued operations for the period ended 30 June 2014. Shenzhen Rayitek became an associate of the Company, and is accounted for in the condensed consolidated financial statements using equity-accounting method since 21 January 2014.



15. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS) (continued)

Shenzhen Rayitek (continued)

The profit (loss) from the discontinued operations for the current and preceding interim periods are analysed as follows:

	Six months ended	
	30.6.2014 HK\$'000	30.6.2013 HK\$'000
Turnover	3,304	31,531
Cost of sales	(3,041)	(25,139)
Bank interest income	—	55
Other gains and losses	(5)	80
Selling and distribution expenses	(459)	(1,753)
Administrative expenses	(1,066)	(4,683)
Finance costs	(504)	(2,682)
Gain on deemed disposal of a subsidiary	9,583	—
Profit (loss) for the period	7,812	(2,591)
Profit (loss) for the period attributable to:		
Owners of the Company	8,808	240
Non-controlling interests	(996)	(2,831)
	7,812	(2,591)



15. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS) (continued)

Shenzhen Rayitek (continued)

The major classes of assets and liabilities of Shenzhen Rayitek as at the date of disposal are as follows:

	HK\$'000
Property, plant and equipment	166,784
Prepaid lease payments	41,137
Deposits paid for acquisition of intangible assets and property, plant and equipment	18,121
Intangible assets	47,846
Bank balances and cash	320,697
Trade and other receivables	60,270
Inventories	8,955
Amount due from a related party	107
Amount due to the Group	(134,426)
Trade and other payables	(21,201)
Bank loans	(16,624)
Loan from a related party	(76,726)
Deferred taxation	(18,627)
Net assets disposed of	396,313
Gain on the deemed disposal	
Fair value of the equity interest retained in Shenzhen Rayitek	181,241
Net assets disposed of	(396,313)
Goodwill on acquisition, net of impairment loss	(13,232)
Non-controlling interests	24,390
Contribution from new investors	214,236
Exchange differences arising on translation released	(739)
	9,583



15. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS) *(continued)*

Hainan Aerospace

On 5 November 2012, the Group entered into a subscription agreement with Hainan Expressway Co., Ltd. (“海南高速公路股份有限公司”) (“Hainan Expressway”) and China Great Wall Industry Corporation (“中國長城工業集團有限公司”) (“China Great Wall”), pursuant to which Hainan Expressway and China Great Wall would conditionally subscribe for 50% of enlarged equity interests in aggregate in Hainan Aerospace, a wholly-owned subsidiary of the Company before such subscription which is engaged in a Land Development Project in Hainan, at an amount of RMB312,720,000 (equivalent to approximately HK\$388,955,000) by each of Hainan Expressway and China Great Wall. China Great Wall is an indirect wholly-owned subsidiary of CASC.

On 19 March 2013, the above transaction was completed. Hainan Aerospace was ceased to be a subsidiary of the Company and represented the entire segment of “Land development in Hainan Launching Site Complex Zone” under “Aerospace Service”. Accordingly, the operation of Hainan Aerospace is presented as discontinued operations for the period ended 30 June 2013. Hainan Aerospace became a 50% joint venture of the Company, and is accounted for in the condensed consolidated financial statements using equity-accounting method since 19 March 2013.



15. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS) *(continued)*

Hainan Aerospace *(continued)*

The profit from the discontinued operations for the preceding interim period is analysed as follows:

	Six months ended 30.6.2013 HK\$'000
Other gains and losses	(11)
Bank interest income	412
Administrative expenses	(2,328)
Gain on deemed disposal of subsidiaries	112,912
<hr/>	
Profit for the period attributable to owners of the Company	110,985



15. DISPOSAL OF SUBSIDIARIES (DISCONTINUED OPERATIONS)

(continued)

Hainan Aerospace *(continued)*

The major classes of assets and liabilities of Hainan Aerospace as at the date of disposal are as follows:

	HK\$'000
Property, plant and equipment	23,051
Land development expenditure	689,811
Pledged bank deposits	85,000
Bank balances and cash	80,371
Other assets	793
Amount due to the Group	(123,134)
Bank borrowings	(55,971)
Other liabilities	(1,876)
Net assets disposed of	698,045
Gain on the deemed disposal	
Fair value of the equity interest retained in	
Hainan Aerospace	761,294
Net assets disposed of	(698,045)
Exchange differences arising on translation released	49,663
	112,912



16. COMMITMENTS

	30.6.2014 HK\$'000	31.12.2013 HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— acquisition of property, plant and equipment	58,529	36,246
— properties under construction	526,591	624,694
	585,120	660,940
Capital expenditure authorised but not contracted for:		
— properties under construction	318,881	526,838

In addition, at 30 June 2014, a joint venture has committed in an investment for the Land Development Project amounting to RMB218,451,000 (equivalent to approximately HK\$272,383,000) (31.12.2013: RMB299,920,000 (equivalent to approximately HK\$383,529,000)).



17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The fair value of financial assets with standard terms and conditions and traded in active liquid markets is determined with reference to quoted market bid prices.

At 30 June 2014, the Group's financial assets at fair value through profit or loss which are stated at fair value include equity securities listed on The Stock Exchange of Hong Kong Limited amounting to HK\$43,443,000 and equity securities listed on The Shenzhen Stock Exchange and The Shanghai Stock Exchange of HK\$1,006,000.

The classification of the Group's financial assets (i.e. financial assets at fair value through profit or loss) at 30 June 2014 using the fair value hierarchy is Level 1. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities. The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.



18. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in notes 12, 13 and 15 and in the condensed consolidated statement of financial position, the Group entered into the following related party transactions:

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled or significantly influenced by the PRC government (hereinafter collectively referred to as “government-related entities”). The Company’s substantial shareholder with significant influence over the Group, CASC, is a state-owned enterprise under the direct supervision of the State Council of the PRC. During the period, except as disclosed below, the Group did not have any individually significant transactions with government-related entities in its ordinary and usual course of business.

(a) Transactions with the CASC Group

- (i) During the year ended 31 December 2013, the Group renewed a loan facility with Aerospace Finance for an amount of RMB60,000,000 (equivalent to approximately HK\$76,726,000) for a period of one year. The loan was disposed of upon deemed disposal of interests in a subsidiary as detailed in note 15. The interest paid to Aerospace Finance during the period amounting to HK\$396,000 (1.1.2013 to 30.6.2013: HK\$2,251,000).
- (ii) During the period ended 30 June 2012, the Group entered into electronic commercial service agreements (the “Agreement”) with 航天新商務信息科技有限公司 (the “Associate”) for an amount of RMB300,000 per year for a period of five years commencing from the date of the Agreement.



18. RELATED PARTY TRANSACTIONS *(continued)*

(a) Transactions with the CASC Group *(continued)*

- (iii) During the year ended 31 December 2013, the Group entered into a long-term loan agreement with CASC for an amount of RMB500,000,000 (equivalent to approximately HK\$639,386,000) (At 30 June 2014: Loan amount of RMB500,000,000 (equivalent to approximately HK\$623,441,000)) for a period of five years from the first drawdown date. The interest incurred to CASC during the period ended 30 June 2014 amounting to HK\$16,417,000 (1.1.2013 to 30.6.2013: HK\$8,349,000).
- (iv) During the period ended 30 June 2011, the Group entered into a facility ("Facility") with a syndicate of financial institutions including Aerospace Finance, a subsidiary of CASC, and certain government-related banks (together "Finance Syndicate") for a bank guarantee of up to RMB150,000,000 and advances of RMB1,350,000,000 for the construction of Shenzhen Aerospace Science & Technology Plaza ("Aerospace Plaza") for a period of 5 years from the first drawdown date. The land use right of Aerospace Plaza has been mortgaged in favour of the Finance Syndicate as security. At 30 June 2014, the Group has drawn down RMB648,000,000 (equivalent to approximately HK\$807,980,000) (At 31 December 2013: RMB469,300,000 (equivalent to approximately HK\$600,128,000)). The interest paid to loans drawn from the Facility in the current period amounting to HK\$22,468,000 (1.1.2013 to 30.6.2013: HK\$8,391,000).
- (v) During the period ended 30 June 2013, China Great Wall, an indirect wholly-owned subsidiary of CASC, injected RMB312,720,000 to Hainan Aerospace as a result of share subscription as detailed in note 15.



18. RELATED PARTY TRANSACTIONS *(continued)*

(a) Transactions with the CASC Group *(continued)*

- (vi) During the year ended 31 December 2013, the Group entered into an agreement with Aerospace Finance, pursuant to which Aerospace Finance shall provide deposit services and settlement services to the Group which allow the Group to make deposits or withdrawals through the RMB deposit accounts with Aerospace Finance, subject to the condition that the maximum daily outstanding balance of all deposits placed by the Group shall not be more than RMB100,000,000 in aggregate within three years from the date of the agreement. At 30 June 2014, such deposits placed by the Group amounted to RMB6,016,000 (equivalent to approximately HK\$7,502,000) (At 31 December 2013: RMB6,914,000 (equivalent to approximately HK\$8,841,000)) and was included in amount due from a related party.

(b) Transactions/balances with other government-related entities in the PRC

Apart from the transactions with CASC Group which have been disclosed above, the Group also conducts business with other government-related entities.

The Group has certain deposits placements, borrowings and other general banking facilities, with certain banks which are government-related entities in its ordinary course of business. Other than the substantial amount of bank balances, bank and other borrowings (note 13), the Facility (note 18(a)) with these banks, transactions with other government-related entities are individually insignificant.

- (c) During the period, the emoluments of key management personnel were HK\$6,928,000 (1.1.2013 to 30.6.2013: HK\$7,347,000).



19. PLEDGE OF ASSETS

At 30 June 2014, bank deposits of HK\$26,363,000 (31.12.2013: HK\$20,075,000), plant and equipment of HK\$nil (31.12.2013: HK\$99,228,000), land use right of HK\$nil (31.12.2013: HK\$16,950,000) and investment properties with an aggregate carrying amount of HK\$3,491,272,000 (31.12.2013: HK\$3,361,893,000) were pledged to banks to secure general banking facilities and loan facilities granted to the Group.

20. EVENTS AFTER THE REPORTING PERIOD

On 22 July 2014, Digilink Systems Limited (“Digilink”), a wholly-owned subsidiary of the Company, together with the Company entered into the Subscription Agreement with Brilliant (Hong Kong) Investment Limited and Amber Treasure Global Limited. Pursuant to the Subscription Agreement, Brilliant (Hong Kong) Investment Limited will subscribe for 46,567,593 shares of Digilink at the consideration of HK\$50,000,000 and Amber Treasure Global Limited will subscribe for 37,248,322 shares of Digilink at the consideration of HK\$40,000,000. Upon the completion of the subscription, the shareholding of the Company in Digilink will decrease to 41.72%. Details of which is disclosed in the Company’s announcement dated 22 July 2014.

On 30 July 2014 (Canadian time), Vanbao Development (Canada) Ltd., a non wholly-owned subsidiary of the Company, as Vendor, and Cressey Projects Corporation, as Purchaser, has entered into a sales and purchase agreement following a public tender of a property. The consideration for the property is CAD19,200,000 (equivalent to approximately HK\$138,508,800). The transaction is expected to be completed on the later of 45 days following the satisfaction of the Purchaser’s conditions or 60 days following the satisfaction of the Vendor’s conditions. Details of which is disclosed in the Company’s announcement dated 31 July 2014.