

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 31)

### ANNOUNCEMENT OF INTERIM RESULTS 2015

The Board of Directors (the “Board”) of China Aerospace International Holdings Limited (the “Company”) announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2015 together with the comparative figures of the same period in 2014 as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

	NOTES	Six months ended	
		30.6.2015 (Unaudited) HK\$'000	30.6.2014 (Unaudited) HK\$'000
<b>CONTINUING OPERATIONS</b>			
Turnover	3	1,234,720	1,258,579
Cost of sales		(991,674)	(984,835)
Gross profit		243,046	273,744
Other gains and losses	4	(5,846)	(33,311)
Other income	4	41,231	33,676
Gain on disposal of an associate		3,716	—
Selling and distribution expenses		(18,628)	(22,588)
Administrative expenses		(156,644)	(163,949)
Fair value changes of investment properties		913,956	47,811
Finance costs		(16,769)	(17,485)
Share of results of joint ventures		(2,842)	1,092
Share of results of associates		(472)	(779)
Profit before taxation	5	1,000,748	118,211
Taxation	6	(370,435)	(31,688)
Profit for the period from continuing operations		630,313	86,523
<b>DISCONTINUED OPERATIONS</b>			
Profit for the period from discontinued operations		—	7,812
Profit for the period		630,313	94,335

		<b>Six months ended</b>	
		<b>30.6.2015</b>	30.6.2014
		<b>(Unaudited)</b>	(Unaudited)
	<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period attributable to owners of the Company:			
From continuing operations		<b>409,793</b>	79,125
From discontinued operations		—	8,808
		<u><b>409,793</b></u>	<u>87,933</u>
Profit (loss) for the period attributable to non-controlling interests:			
From continuing operations		<b>220,520</b>	7,398
From discontinued operations		—	(996)
		<u><b>220,520</b></u>	<u>6,402</u>
		<u><b>630,313</b></u>	<u>94,335</u>
Earnings per share	7		
From continuing and discontinued operations - basic		<u><b>HK13.28 cents</b></u>	<u>HK2.85 cents</u>
From continuing operations - basic		<u><b>HK13.28 cents</b></u>	<u>HK2.56 cents</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30 JUNE 2015*

	<b>Six months ended</b>	
	<b>30.6.2015</b>	30.6.2014
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	HK\$'000
Profit for the period	<b>630,313</b>	94,335
Other comprehensive income (expense):		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translating foreign operations	<b>(578)</b>	(78,940)
Share of exchange reserve of joint ventures	<b>790</b>	(19,813)
Share of exchange reserve of associates	<b>237</b>	(4,868)
Reclassification adjustments for non-controlling interests upon deemed disposal of a subsidiary	—	(24,390)
Reclassification adjustments for the cumulative exchange differences upon deemed disposal of foreign operations	—	739
Other comprehensive income (expense) for the period	<b>449</b>	(127,272)
Total comprehensive income (expense) for the period	<b>630,762</b>	(32,937)
Total comprehensive income (expense) attributable to:		
Owners of the Company	<b>409,911</b>	6,139
Non-controlling interests	<b>220,851</b>	(39,076)
	<b>630,762</b>	(32,937)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2015**

	<i>NOTES</i>	<b>30.6.2015</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31.12.2014 (Audited) HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>756,968</b>	762,104
Prepaid lease payments		<b>104,714</b>	106,238
Investment properties		<b>5,699,803</b>	4,595,088
Intangible assets		<b>17,472</b>	23,415
Interests in associates		<b>190,853</b>	191,088
Interests in joint ventures		<b>824,881</b>	826,933
Available-for-sale investments		<b>29,000</b>	29,000
Deposits paid for construction costs of investment properties under construction		<b>4,714</b>	16,411
Deposits paid for acquisition of intangible assets and property, plant and equipment		<b>20,166</b>	11,243
		<b>7,648,571</b>	6,561,520
<b>Current assets</b>			
Inventories		<b>304,338</b>	257,703
Trade and other receivables	9	<b>576,519</b>	702,433
Prepaid lease payments		<b>4,069</b>	4,064
Amount due from a related party		<b>15</b>	124,579
Financial assets at fair value through profit or loss		<b>35,781</b>	39,624
Pledged bank deposits		<b>25,742</b>	33,428
Short-term bank deposits		<b>67</b>	123,118
Bank balances and cash		<b>2,041,942</b>	1,725,918
		<b>2,988,473</b>	3,010,867
<b>Current liabilities</b>			
Trade and other payables	10	<b>983,132</b>	1,014,845
Amount due to an associate		—	1,050
Taxation payable		<b>73,395</b>	78,532
Bank and other borrowings		<b>21,223</b>	37,406
Other loan		<b>8,948</b>	8,936
		<b>1,086,698</b>	1,140,769
<b>Net current assets</b>		<b>1,901,775</b>	1,870,098
<b>Total assets less current liabilities</b>		<b>9,550,346</b>	8,431,618

	<b>30.6.2015</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31.12.2014 <b>(Audited)</b> <b>HK\$'000</b>
<b>Non-current liabilities</b>		
Loan from a major shareholder	<b>624,220</b>	623,441
Bank and other borrowings	<b>1,252,809</b>	1,088,529
Deferred taxation	<b>1,142,587</b>	788,830
	<b>3,019,616</b>	2,500,800
	<b>6,530,730</b>	5,930,818
<b>Capital and reserves</b>		
Share capital	<b>1,154,511</b>	1,154,511
Reserves	<b>4,216,785</b>	3,837,724
<b>Equity attributable to owners of the Company</b>		
<b>Non-controlling interests</b>	<b>5,371,296</b>	4,992,235
	<b>1,159,434</b>	938,583
	<b>6,530,730</b>	5,930,818

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
*FOR THE SIX MONTHS ENDED 30 JUNE 2015*

**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. PRINCIPAL 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 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following 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 HKAS 19  
Amendments to HKFRSs  
Amendments to HKFRSs

Defined benefit plans: Employee contributions  
Annual improvements to HKFRSs 2010 - 2012 cycle  
Annual improvements to HKFRSs 2011 - 2013 cycle

The application of the above 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 (1.1.2014 to 30.6.2014: 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.

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

#### For the six months ended 30 June 2015

	Turnover			Segment results HK\$'000
	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	
Hi-Tech Manufacturing Business				
Plastic products	463,556	23,329	486,885	36,068
Liquid crystal display	237,674	105	237,779	13,742
Printed circuit boards	252,987	—	252,987	48,212
Intelligent chargers	271,735	920	272,655	14,470
Industrial property investment	7,282	10,577	17,859	8,778
	<u>1,233,234</u>	<u>34,931</u>	<u>1,268,165</u>	<u>121,270</u>
New Material Business				
Polyimide films manufacturing (Note)	—	—	—	(25)
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	—	—	—	902,574
Land development in Hainan Launching Site Complex Zone (Note)	—	—	—	(3,172)
Internet of Things	142	—	142	(10,783)
	<u>142</u>	<u>—</u>	<u>142</u>	<u>888,619</u>
Reportable segment total	1,233,376	34,931	1,268,307	1,009,864
Elimination	—	(34,931)	(34,931)	—
Other Business	1,344	—	1,344	2,391
	<u>1,234,720</u>	<u>—</u>	<u>1,234,720</u>	1,012,255
Unallocated corporate income				36,696
Unallocated corporate expenses				(35,033)
				<u>1,013,918</u>
Gain on disposal of an associate				3,716
Share of results of associates				(447)
Share of results of a joint venture				330
Finance costs				(16,769)
Profit before taxation from continuing operations				<u>1,000,748</u>

Note: The polyimide films manufacturing is held by Shenzhen Rayitek Hi-tech Film Company Limited, which became an associate of the Group as a result of deemed disposal during the period ended 30 June 2014. The land development in Hainan Launching Site Complex Zone is held by Hainan Aerospace Investment Management Company Limited, which became a joint venture of the Group as a result of deemed disposal. The President continuously reviews these segment information for the purpose of resources allocation and performance assessment. Thus, there is no change in the segment information reported to the President.

**For the six months ended 30 June 2014**

	Turnover			Segment results HK\$'000
	External sales HK\$'000	Inter-segment sales HK\$'000	Total 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
	<u>1,253,003</u>	<u>36,843</u>	<u>1,289,846</u>	<u>133,160</u>
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)
	<u>3,928</u>	<u>—</u>	<u>3,928</u>	<u>22,051</u>
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
	<u>1,261,883</u>	<u>—</u>	<u>1,261,883</u>	159,660
Unallocated corporate income				30,723
Unallocated corporate expenses				<u>(57,026)</u>
				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				<u>(17,989)</u>
				126,023
Less: Profit for the period from discontinued operations				<u>(7,812)</u>
Profit before taxation from continuing operations				<u>118,211</u>

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 disposal of an associate, gain on deemed disposal of a subsidiary, 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\$3,172,000 (1.1.2014 to 30.6.2014: HK\$190,000) and share of loss of an associate of HK\$25,000 (1.1.2014 to 30.6.2014: HK\$569,000) 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.

#### 4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2015	30.6.2014
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
The Group's other income mainly comprises:		
Bank interest income	33,650	28,411
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	(3,843)	(6,794)
Net exchange loss	(1,914)	(25,243)
<b>Discontinued operations</b>		
The Group's other gains and losses mainly comprise:		
Net exchange loss	—	(5)

#### 5. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2015	30.6.2014
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
Profit before taxation has been arrived at after charging:		
Amortisation of prepaid lease payments	1,707	1,244
Amortisation of intangible assets (included in cost of sales)	5,965	4,426
Depreciation of property, plant and equipment	53,414	47,065
<b>Discontinued operations</b>		
Profit before taxation has been arrived at after charging:		
Amortisation of prepaid lease payments	—	60
Amortisation of intangible assets (included in cost of sales)	—	574
Depreciation of property, plant and equipment	—	869



## 6. TAXATION

	Six months ended	
	30.6.2015 <i>HK\$'000</i>	30.6.2014 <i>HK\$'000</i>
<b>Continuing operations</b>		
Current tax		
Hong Kong Profits Tax	6,540	3,883
PRC Enterprise Income Tax	11,549	12,617
	<u>18,089</u>	<u>16,500</u>
Deferred tax charge	352,346	15,188
Income tax charge	<u>370,435</u>	<u>31,688</u>

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%.

## 7. 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	
	30.6.2015 <i>HK\$'000</i>	30.6.2014 <i>HK\$'000</i>
<b>From continuing operations and discontinued operations</b>		
<b>Earnings</b>		
Profit for the period attributable to the owners of the Company for the purposes of basic earnings per share	<u>409,793</u>	<u>87,933</u>
	30.6.2015 '000	30.6.2014 '000
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>3,085,022</u>	<u>3,085,022</u>
	Six months ended	
	30.6.2015 <i>HK\$'000</i>	30.6.2014 <i>HK\$'000</i>
<b>From continuing operations</b>		
Profit for the period attributable to the owners of the Company	409,793	87,933
Less: Profit for the period from the discontinued operations attributable to the owners of the Company	<u>—</u>	<u>(8,808)</u>
Earnings for the purpose of basic earnings per share from the continuing operations	<u>409,793</u>	<u>79,125</u>

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

### From discontinued operations

Basic earnings per share for the discontinued operations is HKnil cents per share (1.1.2014 to 30.6.2014: Profit of HK0.29 cents per share) based on the profit for the period from the discontinued operations of HK\$nil (1.1.2014 to 30.6.2014: Profit of HK\$8,808,000) 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.

## 8. DIVIDEND

2014 final dividend of HK1 cent (1.1.2014 to 30.6.2014: 2013 final dividend of HK1 cent) per share amounting to HK\$30,850,000 (1.1.2014 to 30.6.2014: 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.

## 9. TRADE AND OTHER RECEIVABLES

At 30 June 2015, included in trade and other receivables are trade receivables of HK\$494,826,000 (31.12.2014: HK\$504,663,000). 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:

	<b>30.6.2015</b> <i>HK\$'000</i>	31.12.2014 <i>HK\$'000</i>
Within 90 days	<b>467,146</b>	473,349
Between 91 - 180 days	<b>22,937</b>	26,331
Between 181 - 365 days	<b>4,090</b>	4,983
Between 1 to 2 years	<b>653</b>	—
	<b>494,826</b>	504,663

## 10. TRADE AND OTHER PAYABLES

	<b>30.6.2015</b> <i>HK\$'000</i>	31.12.2014 <i>HK\$'000</i>
Trade payables	<b>286,504</b>	305,298
Accrued charges	<b>132,746</b>	160,192
Receipt in advance	<b>78,009</b>	105,664
Other payables	<b>485,873</b>	443,691
	<b>983,132</b>	1,014,845

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

	<b>30.6.2015</b> <i>HK\$'000</i>	31.12.2014 <i>HK\$'000</i>
Within 90 days	<b>271,105</b>	283,135
Between 91 - 180 days	<b>9,099</b>	16,167
Between 181 - 365 days	<b>2,155</b>	1,356
Over 1 year	<b>4,145</b>	4,640
	<b>286,504</b>	305,298

## **BUSINESS REVIEW**

### **OVERVIEW**

For the six months ended 30 June 2015, the Company and its subsidiaries reported an unaudited turnover from continuing operations of HK\$1,234,720,000, representing a decrease of 1.90% as compared with that of HK\$1,258,579,000 for the same period of 2014. Profit for the period was HK\$630,313,000, representing a substantial increase of 568.16% as compared with that of HK\$94,335,000 for the same period of 2014. Profit attributable to the shareholders was HK\$409,793,000, representing an increase of 366.02% as compared with that of HK\$87,933,000 for the same period of 2014. Basic earnings per share attributable to the shareholders were HK13.28 cents, representing an increase of HK10.43 cents as compared with that of HK2.85 cents for the same period of 2014.

In the first half of this year, the global economy was still under recovery while the performance of trading and related investment activities remained sluggish. The domestic economy in mainland China continued to slow down while core economic indicators, such as the growth of national economy, consumer price index, manufacturing purchasing managers' index and investment in fixed assets, remained at low level. On the other hand, the Hong Kong economy maintained a mild growth. The turnover of the Company dropped slightly as compared with the same period of last year, gross profit margin decreased to 19.68% as compared with that of 21.75% for the same period of last year. The overall profit of the Company posted a relatively substantial increase as compared with the same period of last year, due to the increase in fair value of investment properties. Taking into consideration the Company's cashflow position as a whole, the Board decided not to distribute any interim dividend.

### **BUSINESS REVIEW**

In the first half of 2015, the Company's hi-tech manufacturing business was exposed to greater pressure. The construction works of Shenzhen Aerospace Science & Technology Plaza were almost completed while those of resettlement area of the Complex Zone of the Launching Site in Hainan Province were delayed. The business of internet of things has tapped into the new area of cross-border e-commerce logistics business.

In the first half of this year, sealed battery and LCD module under hi-tech manufacturing business recorded a relatively large increase while the sales of intelligent chargers and printed circuit boards saw a large decline, due to the decrease of purchase orders from major customers and of unit price. For the six months ended 30 June 2015, the turnover of the hi-tech manufacturing business amounted to HK\$1,233,234,000, representing a decrease of 1.58% as compared with that of HK\$1,253,003,000 for the same period of 2014, and realised an operating profit of HK\$121,270,000, representing a decrease of 8.93% as compared with that of HK\$133,160,000 for the same period of 2014.

In the beginning of this year, Shenzhen Aerospace Technology Investment Company Limited\* (深圳市航天高科投資管理有限公司) ("Shenzhen Aerospace") had completed most of the construction of Shenzhen Aerospace Science & Technology Plaza, and commenced all internal fitting works and part of the inspection works. The completion of the construction work and inspection and the leasing of the project were delayed as a result of the delayed construction of surrounding municipal roads, pipe network and the metro construction. To cope with the operations upon the completion of Shenzhen Aerospace Science & Technology Plaza, Shenzhen Aerospace established a wholly-owned company, Shenzhen Aerospace Technology Property Management Company Limited\* (深圳市航天高科物業管理有限公司) responsible for the property management of Shenzhen Aerospace Science & Technology Plaza. As at 30 June 2015, construction in progress of Shenzhen Aerospace Science & Technology Plaza, together with land use rights, were valued at approximately HK\$5,359,551,000.

The construction of the resettlement area of Complex Zone of the Launching Site in Hainan Province includes resettlement houses, municipal projects, landscaping and ancillary facilities such as housing for the elderly, schools, post offices and hospitals, with a gross floor area of approximately 186,000 square metres. There are 134 resettlement houses with 960 households, and 23 municipal roads to be constructed. Currently, over 85% resettlement houses were topped out while the construction of other commercial and common facilities was fully commenced. In the first half of this year, the progress of resettlement area was dragged in light of the dispute in some land ownership and the inadequacy of peripheral municipal facilities. Hainan Aerospace Investment Management Company Limited\* (海南航天投資管理有限公司) (“Hainan Aerospace”) is taking counter-measures to ensure the successful completion of the resettlement area. The introduction of potential investors into Hainan Aerospace is actively on progress. However, the progress lagged behind as scheduled. Hainan Aerospace also completed the conceptual planning and design of the initial phase of the aerospace theme park project, the specific proposal of which is subject to the introduction of professional investors.

Aerospace Digitnexus Information Technology (Shenzhen) Limited\* (航天數聯信息技術(深圳)有限公司) (“Aerospace Digitnexus”) endeavoured to develop businesses in respect of application of internet of things, including supply chain management, intelligent warehouses and corporate management of internet of things. During the first half of the year, Aerospace Digitnexus successively completed the development and implementation of project of internet of things and undertook the projects such as design of information security management system, construction project of system of internet of things and cold-chain logistic project. In addition, Aerospace Digitnexus leveraged the traditional customs clearance and transit business as an area to cooperate with parcel mail branch of Shenzhen of China Post and Mail Express in China Post of Jiangmen, Guangdong, to gradually launch import and export businesses related to cross-border e-commerce logistics.

## **PROSPECTS**

Looking forward to the second half of the year, downside risk in China’s economy should not be ignored; developed economies such as the United States and the Eurozone will maintain a moderate recovery but overseas demand is difficult to see significant improvement; the economy in Hong Kong will remain moderate growth. However, due to factors such as debt crisis in Greece and some European countries, violent fluctuation in the global stock markets, acceleration in RMB internationalization, and the normalization pace of the U.S. monetary policy, more uncertainties will be added to the future economic conditions.

The Company has been exploring high-end product markets and expanding product mix under the hi-tech manufacturing business. Meanwhile, with the gradual improvement in manufacturing automation in hi-tech manufacturing business and the expansion of production scale of new manufacturing base, the impact of salary increase and labour shortage will be mitigated, which will improve the profitability of the hi-tech manufacturing business gradually.

During the second half of the year, the construction of Shenzhen Aerospace Science & Technology Plaza is expected to complete. Shenzhen Aerospace will enhance the ability in property management and market development so as to boost the performance in marketing plans, property leases and sales for Shenzhen Aerospace Science & Technology Plaza. Meanwhile, since the syndicated loan in respect of the construction project will commence to fall due for repayment next year, Shenzhen Aerospace will negotiate with various financial institutions to seek appropriate alternatives in advance. The project of Shenzhen Aerospace Science & Technology Plaza is an achievement made with the support of China Aerospace Science and Technology Corporation (“China Aerospace”) and the great effort that the Company has been put for many years, and it will be an important mark for the Company’s development in the 13th Five Year Plan (“FYP”).

Hainan Aerospace will attempt to complete the construction of the resettlement area during the year and preliminarily meet the relocation conditions for local residents. Following the construction of the resettlement area entering the final stage, Hainan Aerospace is foreseen to face increasing financial pressure and various problems to be arisen from project implementation and management. We believe that, with the support of the shareholders of Hainan Aerospace, it will be successful for Hainan Aerospace to make financing arrangements which are necessary for the construction of the resettlement area. Meanwhile, the

Company will closely coordinate with the other shareholders of Hainan Aerospace to continue to obtain supports from China Aerospace and the Hainan Provincial Government to push forward the construction of the resettlement area and aerospace theme park as well as introduce strategic investors. The Company will closely monitor the progress of the Hainan project, strictly control investment risks and adjust the investment strategies when appropriate in order to cope with the overall development strategies of the Company.

On the basis of the existing businesses, Aerospace Digitnexus will, through cooperation with China Post, launch the import and export businesses in relation to the cross-border e-commerce logistics on the internet of things. The Company and Aerospace Digitnexus will introduce strategic investors aggressively to raise development funding for Aerospace Digitnexus.

In the first half of the year, the Company has commenced to review on the implementation of the 12th FYP and prepared the draft of the 13th FYP. The management of the Company will communicate with China Aerospace in respect of the details of the 13th FYP. Upon the approval of the Board of the Company, the relevant plans will become a new blueprint for the corporate development in order to lay a foundation for the Company to leap forward during the 13th FYP period.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS PERFORMANCE**

The unaudited turnover of the Company and the subsidiaries in the continuing operations for the six months ended 30 June 2015 was HK\$1,234,720,000, representing a decrease of 1.90% as compared with that of HK\$1,258,579,000 for the same period of 2014. The profit for the period was HK\$630,313,000, representing a significant increase of 568.16% as compared with that of HK\$94,335,000 for the same period of 2014.

### **PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY**

Profit attributable to shareholders of the Company was HK\$409,793,000, representing an increase of 366.02% as compared with that of HK\$87,933,000 for the same period of 2014. For the six months ended 30 June 2015, both the turnover and the profit of the Company's major businesses decreased slightly. As the fair value of investment properties increased substantially, hence, the profit attributable to equity holders of the Company substantially increased as compared to the corresponding period in 2014.

Based on the issued share capital of 3,085,022,000 shares during the period, the basic earnings per share was HK13.28 cents, representing an increase of HK10.43 cents as compared with that of HK2.85 cents for the same period of 2014.

### **DIVIDENDS**

The Board decided not to distribute an interim dividend for the year of 2015.

The distribution of 2014 final dividend of HK1 cent per share was approved by shareholders at the annual general meeting held in May 2015, warrants of which were dispatched to all shareholders on 18 June 2015.

### **RESULTS OF CORE BUSINESSES**

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 enables 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

The turnover of the hi-tech manufacturing for the six months ended 30 June 2015 was HK\$1,233,234,000, representing a decrease of 1.58% as compared with the same period of last year; the operating profit was HK\$121,270,000, representing a decrease of 8.93% as compared with the same period of last year. The results of the hi-tech manufacturing are shown below:

	Turnover (HK\$'000)			Operating Profit (HK\$'000)		
	First half of 2015	First half of 2014	Changes (%)	First half of 2015	First half of 2014	Changes (%)
Plastic Products	463,556	404,475	14.61	36,068	35,148	2.62
Printed Circuit Boards	252,987	298,453	(15.23)	48,212	55,555	(13.22)
Intelligent Chargers	271,735	308,389	(11.89)	14,470	20,296	(28.71)
Liquid Crystal Display	237,674	234,203	1.48	13,742	11,006	24.86
Industrial Property Investment	7,282	7,483	(2.69)	8,778	11,155	(21.31)
<b>Total</b>	<b>1,233,234</b>	<b>1,253,003</b>	<b>(1.58)</b>	<b>121,270</b>	<b>133,160</b>	<b>(8.93)</b>

Looking forward to the second half of 2015, the competition in the electronic information industry will remain intense. The Company strives to explore markets of high end products and expand products varieties, continue to put effort in the research and development of new products and market development, raise automation in production, expand in scale and capacity of production, vigorously, explore business by ways of merger and acquisition or cooperation etc., in order to ensure a continuous and stable growth of the hi-tech manufacturing.

## AEROSPACE SERVICE BUSINESS

### *The Complex Zone of the Launching Site in Hainan Province*

For the first half of 2015, the loss of Hainan Aerospace Investment Management Company Limited\* (海南航天投資管理有限公司) (“Hainan Aerospace”) attributable to the Company amounted to HK\$3,172,000. Looking into the second half of 2015, Hainan Aerospace will strive to complete all construction works of the resettlement zone, align with the government in resettling local residents, aggressively discuss with the government in solving problems arise during development, prepare well in overall project strategy, as well as putting efforts in exploring financing options so as to satisfy its funding needs for the construction works.

### *Shenzhen Aerospace Science & Technology Plaza*

In the first half of 2015, Shenzhen Aerospace Technology Investment Company Limited\* (深圳市航天高科技投資管理有限公司) (“Shenzhen Aerospace”) continued to progress the final stage of construction works of Shenzhen Aerospace Science & Technology Plaza. In the second half of 2015, Shenzhen Aerospace will continue to step up those remaining construction works and decorations, striving for completion of the construction work and inspection as early as possible, and aggressively commence business promotion and leasing etc.. It is expected that the rental income of Shenzhen Aerospace Science & Technology Plaza will contribute to the Company’s results from 2016 onwards.

Shenzhen Aerospace recorded a fair value gain of investment property of HK\$907,235,000 in the first half of 2015. As at 30 June 2015, the property under construction and land use right of Shenzhen Aerospace Science & Technology Plaza was valued at approximately HK\$5,359,551,000.

### *Internet of Things*

In the first half of 2015, the performance of Aerospace Digitnexus Information Technology (Shenzhen) Limited\* (航天數聯信息技術(深圳)有限公司) (“Aerospace Digitnexus”) was not ideal, it realized a turnover of HK\$142,000 and an operating loss of HK\$10,783,000. In the second half of 2015, Aerospace Digitnexus will continue to put effort in optimizing its product techniques, and doing well on the development in cold-chain logistics warehouse management while it will cooperate with China Post Group in developing cross-border e-commerce logistics and related business and strive to realize profit.

On 22 July 2014, the Company, Digilink Systems Limited, 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. Both strategic investors, owing to self reasons, did not fulfil the terms as stated in the Subscription Agreement. Thereby, the Subscription was expired and became void on 31 March 2015. Details of which please refer to the announcements of the Company made on 22 July 2014 and 1 April 2015 respectively.

### ASSETS

(HK\$'000)	30 June 2015	31 December 2014	Changes(%)
Non-Current Assets	<b>7,648,571</b>	6,561,520	16.57
Current Assets	<b>2,988,473</b>	3,010,867	(0.74)
<b>Total Assets</b>	<b>10,637,044</b>	<b>9,572,387</b>	<b>11.12</b>

The increase in non-current assets was mainly due to an increase in construction cost investment and the fair value of investment properties.

The equity attributable to shareholders of the Company was HK\$5,371,296,000, representing an increase of 7.59% as compared with that of HK\$4,992,235,000 as at 31 December 2014. The increase in equity attributable to shareholders of the Company was due to the increase in profits 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\$1.74.

As at 30 June 2015, a cash deposit of the Company and the subsidiaries of HK\$25,742,000 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 RMB4,293,000,000 to a syndicate comprising banks and a financial institution.

### LIABILITIES

(HK\$'000)	30 June 2015	31 December 2014	Changes(%)
Non-Current Liabilities	<b>3,019,616</b>	2,500,800	20.75
Current Liabilities	<b>1,086,698</b>	1,140,769	(4.74)
<b>Total Liabilities</b>	<b>4,106,314</b>	<b>3,641,569</b>	<b>12.76</b>

The increase in non-current liabilities was mainly due to the increase in bank loans and deferred tax, whereas the decrease in current liabilities was mainly due to the decrease in short term bank loans and trade payables. As at 30 June 2015, the Company and the subsidiaries had bank and other borrowings of HK\$1,898,252,000.

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 construction works nearly complete, the payable 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 2015, Shenzhen Aerospace had drawn down the loan in the amount of RMB1,003,500,000.

## OPERATING EXPENSES

The administrative expenses of the Company and the subsidiaries in the first half of 2015 were HK\$156,644,000, representing a decrease of 4.46% as compared with the same period last year. The finance costs amounted to HK\$52,193,000, of which HK\$35,424,000 was capitalized and recorded as the construction cost of Shenzhen Aerospace Science & Technology Plaza.

## CONTINGENT LIABILITIES

As at 30 June 2015, the Company and the subsidiaries did not have any other material contingent liabilities.

## FINANCIAL RATIOS

	First half of 2015	First half of 2014
Gross Profit Margin (%)	19.68	21.75
Return on Net Assets (%)	9.65	1.71

  

	30 June 2015	31 December 2014
Assets- Liabilities Ratio (%)	38.60	38.04
Current Ratio	2.75	2.64
Quick Ratio	2.47	2.41

## LIQUIDITY

The source of funds of the Company and the subsidiaries mainly relies on internal resources, banking facilities and short term fixed deposits. The free cash, bank balance and short-term bank deposits as at 30 June 2015 amounted to HK\$2,042,009,000, the majority of which were in Hong Kong Dollars and Renminbi.

## CAPITAL EXPENDITURE AND INVESTMENT COMMITMENT

As at 30 June 2015, the capital commitments of the Company and the relevant subsidiaries contracted for but not provided in the condensed consolidated financial statements was HK\$334,409,000, mainly for the capital expenditure of the construction of Shenzhen Aerospace Science & Technology Plaza. With the construction works of Shenzhen Aerospace Science & Technology Plaza nearly complete, 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 2015, the Company and the subsidiaries have a total of approximately 6,850 employees based in the mainland China and Hong Kong respectively.

## THE 13<sup>TH</sup> FIVE-YEAR PLAN

In the first half of 2015, the Company and its subsidiaries commenced the drafting work of the next five-year development plan, making clear the development aims and setting up major measures in achieving those targets, so as to bring forth a sustained healthy development of the Company.



## **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 2015.

## **CORPORATE GOVERNANCE**

For the six months ended 30 June 2015, 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.

## **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.

As at 30 June 2015, save for Mr Zhang Jianheng, Mr Chen Xuechuan and Mr Shi Weiguo, the Directors of the Company, are the officers of China Aerospace Science & Technology Corporation, the substantial shareholder of the Company, 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*.

## **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 2015 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 two Non-Executive Directors, Mr Zhang Jianheng (Chairman) and Mr Chen Xuechuan, and three Independent Non-Executive Directors, Mr Luo Zhenbang, Ms Leung Sau Fan, Sylvia and Mr Wang Xiaojun. 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.

## APPRECIATION

I hereby express my profound gratitude to my fellow Directors and all staff of the Company for their dedication, loyal services and invaluable contributions during the past year. Grateful thanks are also due to shareholders, bankers, business partners and members of the community who have supported the Company's development all along.

By order of the Board,  
**Zhang Jianheng**  
Chairman

Hong Kong, 25 August 2015

*At the date of this announcement, the Board of Directors of the Company comprises:*

<b><i>Executive Directors</i></b>	<b><i>Non-Executive Directors</i></b>	<b><i>Independent Non-Executive Directors</i></b>
Mr Li Hongjun ( <i>President</i> )	Mr Zhang Jianheng ( <i>Chairman</i> )	Mr Luo Zhenbang
Mr Jin Xuesheng	Mr Chen Xuechuan	Ms Leung Sau Fan, Sylvia
	Mr Shi Weiguo	Mr Wang Xiaojun

\* *These PRC entities do not have English names, the English names set out herein are for identification purpose only.*