

INTERIM  
REPORT  
2015



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

### 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

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18 Tak Fung Street, Hung Hom

Kowloon, Hong Kong

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Fax: (852) 2193 8899

E-mail: [public@casil-group.com](mailto:public@casil-group.com)

Website: <http://www.casil-group.com>

\* 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

### 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 economy in mainland China continued to slow down while core economic indicators, such as the growth rate 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, and 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 more 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 zone of the Complex Zone of the Launching Site in Hainan Province were delayed. The business of internet of things 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 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 the land use rights, were valued at approximately HK\$5,359,551,000.

The construction of the resettlement zone 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 total 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 zone was dragged in light of the dispute in some land ownerships 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 zone. 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 plan and design of the initial phase of the aerospace theme park project, the detailed proposal on implementation 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, building 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 the 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 the overseas demand can hardly see any significant improvement; the economy in Hong Kong will remain a 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 automation in the 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.



The construction of Shenzhen Aerospace Science & Technology Plaza is expected to complete during the second half of the year. 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 represents 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 significantly mark the Company’s development in the 13th Five Year Plan (“FYP”).

Hainan Aerospace will attempt to complete the construction of the resettlement zone during the year and preliminarily meet the relocation conditions for local residents. Following the construction of the resettlement zone 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 necessary financing arrangements for the construction of the resettlement zone. Meanwhile, the Company will closely coordinate with the other shareholders of Hainan Aerospace to continue to obtain respective support from China Aerospace and the Hainan Provincial Government to push forward the construction of the resettlement zone 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 finance for the development of 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.

### **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 rendered support to the Company's development all along.

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

Hong Kong, 25 August 2015



## 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>	9,572,387	11.12

The increase in non-current assets was mainly due to an increase in the input of construction cost 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>	3,641,569	12.76

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 (%)	<b>19.68</b>	21.75
Return on Net Assets (%)	<b>9.65</b>	1.71

	30 June 2015	31 December 2014
Assets-Liabilities Ratio (%)	<b>38.60</b>	38.04
Current Ratio	<b>2.75</b>	2.64
Quick Ratio	<b>2.47</b>	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.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2015, the register of substantial shareholders maintained pursuant to Part XV of the Securities & Futures Ordinance recorded that 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	1,183,598,636	38.37%
Jetcote Investments Limited	Beneficial owner	Yes	131,837,011	4.27%
	Interests in controlled corporation	No	1,051,761,625	34.10%
			<hr/> 1,183,598,636	<hr/> 38.37%
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 and Sin King Enterprises Company Limited 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 had 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 2015.

## 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 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 2015, 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.

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 had 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**

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, 25 August 2015

## 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 19 to 52, which comprise the condensed consolidated statement of financial position as of 30 June 2015 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.

## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

### 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

25 August 2015

## 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	<b>1,234,720</b>	1,258,579
Cost of sales		<b>(991,674)</b>	(984,835)
Gross profit		<b>243,046</b>	273,744
Other gains and losses	4	<b>(5,846)</b>	(33,311)
Other income	4	<b>41,231</b>	33,676
Gain on disposal of an associate		<b>3,716</b>	—
Selling and distribution expenses		<b>(18,628)</b>	(22,588)
Administrative expenses		<b>(156,644)</b>	(163,949)
Fair value changes of investment properties		<b>913,956</b>	47,811
Finance costs	5	<b>(16,769)</b>	(17,485)
Share of results of joint ventures		<b>(2,842)</b>	1,092
Share of results of associates		<b>(472)</b>	(779)
Profit before taxation	6	<b>1,000,748</b>	118,211
Taxation	7	<b>(370,435)</b>	(31,688)
Profit for the period from continuing operations		<b>630,313</b>	86,523
<b>DISCONTINUED OPERATIONS</b>			
Profit for the period from discontinued operations	15	—	7,812
Profit for the period		<b>630,313</b>	94,335

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

For the six months ended 30 June 2015

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

# 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> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>30.6.2014</b> <b>(Unaudited)</b> <b>HK\$'000</b>
Profit for the period	<b>630,313</b>	94,335
Other comprehensive income (expense):		
<b>Items that may be reclassified</b>		
<b>subsequently to profit or loss</b>		
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

	NOTES	30.6.2015 (Unaudited) HK\$'000	31.12.2014 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	10	756,968	762,104
Prepaid lease payments		104,714	106,238
Investment properties	10	5,699,803	4,595,088
Intangible assets		17,472	23,415
Interests in associates		190,853	191,088
Interests in joint ventures		824,881	826,933
Available-for-sale investments		29,000	29,000
Deposits paid for construction costs of investment properties under construction		4,714	16,411
Deposits paid for acquisition of intangible assets and property, plant and equipment		20,166	11,243
		<b>7,648,571</b>	6,561,520
Current assets			
Inventories		304,338	257,703
Trade and other receivables	11	576,519	702,433
Prepaid lease payments		4,069	4,064
Amount due from a related party		15	124,579
Financial assets at fair value through profit or loss		35,781	39,624
Pledged bank deposits		25,742	33,428
Short-term bank deposits		67	123,118
Bank balances and cash		2,041,942	1,725,918
		<b>2,988,473</b>	3,010,867

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

At 30 June 2015



	NOTES	30.6.2015 (Unaudited) HK\$'000	31.12.2014 (Audited) HK\$'000
Current liabilities			
Trade and other payables	12	983,132	1,014,845
Amount due to an associate		—	1,050
Taxation payable		73,395	78,532
Bank and other borrowings	13	21,223	37,406
Other loan		8,948	8,936
		<b>1,086,698</b>	1,140,769
Net current assets		<b>1,901,775</b>	1,870,098
Total assets less current liabilities		<b>9,550,346</b>	8,431,618
Non-current liabilities			
Loan from a major shareholder	18(a)(iii)	624,220	623,441
Bank and other borrowings	13	1,252,809	1,088,529
Deferred taxation		1,142,587	788,830
		<b>3,019,616</b>	2,500,800
		<b>6,530,730</b>	5,930,818
Capital and reserves			
Share capital	14	1,154,511	1,154,511
Reserves		4,216,785	3,837,724
Equity attributable to owners of the Company		<b>5,371,296</b>	4,992,235
Non-controlling interests		<b>1,159,434</b>	938,583
		<b>6,530,730</b>	5,930,818

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015

	Attributable to owners of the Company										Attributable to non-controlling interests		Total
	Share capital	Share premium	Special capital reserve	General reserve	Translation reserve	Property revaluation reserve	Capital reserve	Capital redemption reserve	Retained profits	Sub-total	interests		
	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	
At 1 January 2015 (audited)	1,154,511	-	14,044	23,916	259,288	11,010	14,309	-	3,515,157	4,992,235	938,583	5,930,818	
Profit for the period	-	-	-	-	-	-	-	-	409,793	409,793	220,520	630,313	
Exchange difference arising on translating foreign operations	-	-	-	-	(909)	-	-	-	-	(909)	331	(578)	
Share of exchange reserve of joint ventures	-	-	-	-	790	-	-	-	-	790	-	790	
Share of exchange reserve of associates	-	-	-	-	237	-	-	-	-	237	-	237	
Total comprehensive income for the period	-	-	-	-	118	-	-	-	409,793	409,911	220,851	630,762	
Dividend recognised as distribution	-	-	-	-	-	-	-	-	(30,850)	(30,850)	-	(30,850)	
At 30 June 2015 (unaudited)	1,154,511	-	14,044	23,916	259,406	11,010	14,309	-	3,894,100	5,371,296	1,159,434	6,530,730	

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2015



	NOTE	Six months ended	
		30.6.2015 (Unaudited) HK\$'000	30.6.2014 (Unaudited) HK\$'000
Net cash from (used in) operating activities		<b>63,605</b>	(20,783)
Net cash from (used in) investing activities			
Additions of investment properties		<b>(136,661)</b>	(137,345)
Purchase of property, plant and equipment		<b>(49,375)</b>	(52,694)
Placement of pledged bank deposit		<b>(25,742)</b>	(27,038)
Deposits paid for acquisition of intangible assets and property, plant and equipment		<b>(8,904)</b>	(37,692)
Fixed deposits placed with banks		<b>(72)</b>	(25,235)
Withdrawal of deposits with a related party		<b>124,564</b>	—
Withdrawal of fixed deposits placed with banks		<b>123,118</b>	137,126
Proceeds on disposal of investment properties		<b>108,933</b>	—
Withdrawal of pledged bank deposit		<b>33,460</b>	20,075
Proceeds on disposal of interest in an associate		<b>2,666</b>	—
Proceeds on disposal of property, plant and equipment		<b>1,957</b>	—
Cash inflow on deemed disposal of a subsidiary, net of cash and cash equivalents disposed of	15	<b>—</b>	27,965
Other investing cash flows		<b>33,650</b>	18,457
		<b>207,594</b>	(76,381)

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

For the six months ended 30 June 2015

	Six months ended	
	30.6.2015 (Unaudited) HK\$'000	30.6.2014 (Unaudited) HK\$'000
Net cash from financing activities		
New bank and other borrowings raised	<b>180,174</b>	286,061
Other financing cash flows	<b>(68,175)</b>	(31,971)
Repayment of bank and other borrowings	<b>(33,666)</b>	(49,872)
Dividend paid	<b>(30,803)</b>	(30,794)
	<b>47,530</b>	173,424
Net increase in cash and cash equivalents	<b>318,729</b>	76,260
Cash and cash equivalents at 1 January	<b>1,725,918</b>	1,768,008
Effect of foreign exchange rate changes	<b>(2,705)</b>	(32,374)
Cash and cash equivalents at 30 June, represented by bank balances and cash	<b>2,041,942</b>	1,811,894



# 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. 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 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	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	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.



### 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 2015

	Turnover			Segment results HK\$'000
	External sales	Inter-segment sales	Total	
	HK\$'000	HK\$'000	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
	<b>1,233,234</b>	<b>34,931</b>	<b>1,268,165</b>	<b>121,270</b>
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)
	<b>142</b>	<b>—</b>	<b>142</b>	<b>888,619</b>
Reportable segment total	<b>1,233,376</b>	<b>34,931</b>	<b>1,268,307</b>	<b>1,009,864</b>
Elimination	—	(34,931)	(34,931)	—
Other Business	1,344	—	1,344	2,391
	<b>1,234,720</b>	<b>—</b>	<b>1,234,720</b>	<b>1,012,255</b>
Unallocated corporate income				36,696
Unallocated corporate expenses				(35,033)
				<b>1,013,918</b>
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				<b>1,000,748</b>

### 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 2015** *(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 period ended 30 June 2014 as detailed in note 15. 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.



### 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

	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
	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)*

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 purposes of resource 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:

	30.6.2015 HK\$'000	31.12.2014 HK\$'000
<b>Segment assets</b>		
Hi-Tech Manufacturing Business		
Plastic products	688,094	611,373
Liquid crystal display	369,317	373,217
Printed circuit boards	389,227	410,550
Intelligent chargers	258,885	277,715
Industrial property investment	278,655	274,694
	<b>1,984,178</b>	1,947,549
New Material Business		
Polyimide films manufacturing	177,098	176,902
Aerospace Service		
Property investment in Shenzhen Aerospace Science & Technology Plaza	5,366,185	4,280,155
Land development in Hainan Launching Site Complex Zone	758,123	760,351
Internet of Things	44,822	44,687
	<b>6,169,130</b>	5,085,193
Total assets for reportable segments	<b>8,330,406</b>	7,209,644
Other Business	63,320	62,190
Available-for-sale investments	29,000	29,000
Interests in a joint venture	66,758	66,582
Interests in associates	13,755	14,186
Unallocated assets	2,133,805	2,190,785
Consolidated assets	<b>10,637,044</b>	9,572,387

### 3. SEGMENT INFORMATION *(continued)*

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

	30.6.2015 HK\$'000	31.12.2014 HK\$'000
<b>Segment liabilities</b>		
Hi-Tech Manufacturing Business		
Plastic products	199,774	197,772
Liquid crystal display	93,566	82,518
Printed circuit boards	100,018	121,071
Intelligent chargers	130,073	131,995
Industrial property investment	9,106	12,245
	<b>532,537</b>	545,601
Aerospace Service		
Property investment in Shenzhen Aerospace Science & Technology Plaza	200,185	188,733
Internet of Things	11,328	6,932
	<b>211,513</b>	195,665
Total liabilities for reportable segments	<b>744,050</b>	741,266
Other Business	1,199	1,382
Unallocated liabilities	<b>3,361,065</b>	2,898,921
Consolidated liabilities	<b>4,106,314</b>	3,641,569



### 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 deposits, pledged bank deposits, financial assets at fair value through profit or loss 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

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



## 5. FINANCE COSTS

	Six months ended	
	30.6.2015 HK\$'000	30.6.2014 HK\$'000
<b>Continuing operations</b>		
Interest on bank and other borrowings wholly repayable within five years	52,193	39,953
Less: Amount capitalised to investment properties under construction	(35,424)	(22,468)
	<b>16,769</b>	<b>17,485</b>
<b>Discontinued operations</b>		
Interest on bank and other borrowings wholly repayable within five years	—	504

## 6. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2015 HK\$'000	30.6.2014 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



## 7. TAXATION

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

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%.

## 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:

	<b>Six months ended</b>	
	<b>30.6.2015</b>	<b>30.6.2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>From continuing operations and discontinued operations</b>		
<b>Earnings</b>		
Profit for the period attributable to owners of the Company for the purposes of basic earnings per share	<b>409,793</b>	87,933
	<b>30.6.2015</b>	<b>30.6.2014</b>
	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>3,085,022</b>	3,085,022



## 8. EARNINGS PER SHARE *(continued)*

	<b>Six months ended</b>	
	<b>30.6.2015</b>	30.6.2014
	<b>HK\$'000</b>	HK\$'000
<b>From continuing operations</b>		
Profit for the period attributable to owners of the Company	<b>409,793</b>	87,933
Less: Profit for the period from the discontinued operations attributable to owners of the Company	—	(8,808)
<hr/>		
Earnings for the purpose of basic earnings per share from the continuing operations	<b>409,793</b>	79,125

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.

## 9. 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.

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

During the period, the Group spent approximately HK\$49,375,000 (1.1.2014 to 30.6.2014: HK\$52,694,000) and HK\$183,788,000 (1.1.2014 to 30.6.2014: HK\$185,268,000) 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 2015 and 31 December 2014 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 and Knight Frank Petty Limited ("Knight Frank") for properties situated in the PRC. Jones Lang and Knight Frank 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\$340,252,000 (31.12.2014: HK\$333,244,000) was arrived at by reference to market evidence of transaction prices for similar properties. The valuation of investment properties under construction of HK\$5,359,551,000 (31.12.2014: HK\$4,261,844,000) 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\$913,956,000 (1.1.2014 to 30.6.2014: HK\$47,811,000) has been recognised directly in the condensed consolidated statement of profit or loss.



## 11. 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>	31.12.2014
	<b>HK\$'000</b>	HK\$'000
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

## 12. TRADE AND OTHER PAYABLES

	<b>30.6.2015</b>	31.12.2014
	<b>HK\$'000</b>	HK\$'000
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

Other payables included an amount of HK\$54,000,000 (31.12.2014: 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\$200,107,000 (31.12.2014: HK\$184,022,000).

## 12. TRADE AND OTHER PAYABLES *(continued)*

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>	31.12.2014
	<b>HK\$'000</b>	HK\$'000
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

## 13. BANK AND OTHER BORROWINGS

During the period, the Group obtained new bank and other borrowings in the amount of approximately HK\$180,174,000 (1.1.2014 to 30.6.2014: HK\$286,061,000). The new bank borrowings bear interest at variable market rates ranging from 4.58% to 6.00% (1.1.2014 to 30.6.2014: 5.88% to 6.40%) per annum and are repayable within 1 to 2 years.

## 14. SHARE CAPITAL

**Issued and fully paid share capital**

	<b>Number of shares '000</b>	<b>Share capital HK\$'000</b>
Issued and fully paid:		
At 1 January 2015 and 30 June 2015		
Ordinary shares with no par value	3,085,022	1,154,511



## 15. DISPOSAL OF A SUBSIDIARY (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, 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 A SUBSIDIARY (DISCONTINUED OPERATIONS) (continued)

The profit (loss) from the discontinued operation for the preceding interim period is analysed as follows:

	Six months ended 30.6.2014 HK\$'000
Turnover	3,304
Cost of sales	(3,041)
Other gains and losses	(5)
Selling and distribution expenses	(459)
Administrative expenses	(1,066)
Finance costs	(504)
Gain on deemed disposal of a subsidiary	9,583
<b>Profit for the period</b>	<b>7,812</b>
Profit (loss) for the period attributable to:	
Owners of the Company	8,808
Non-controlling interests	(996)
	<b>7,812</b>



## 15. DISPOSAL OF A SUBSIDIARY (DISCONTINUED OPERATIONS)

*(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)
<b>Net assets disposed of</b>	<b>396,313</b>
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)
	<b>9,583</b>

## 16. COMMITMENTS

	<b>30.6.2015</b>	31.12.2014
	<b>HK\$'000</b>	HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— acquisition of property, plant and equipment	<b>158,744</b>	24,168
— properties under construction	<b>175,665</b>	211,070
	<b>334,409</b>	235,238
Capital expenditure authorised but not contracted for:		
— acquisition of property, plant and equipment	—	33,361
— properties under construction	<b>182,624</b>	309,053
	<b>182,624</b>	342,414

In addition, at 30 June 2015, a joint venture has committed in an investment for the land development in Hainan Launching Site Complex Zone amounting to RMB6,143,000 (equivalent to approximately HK\$7,669,000) (31.12.2014: RMB137,886,000 (equivalent to approximately HK\$171,928,000)).



## 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 2015, 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 amounted to HK\$35,781,000 (31.12.2014: HK\$39,621,000) and equity securities listed on The Shenzhen Stock Exchange and The Shanghai Stock Exchange of nil (31.12.2014: HK\$3,000).

The classification of the Group's financial assets (i.e. financial assets at fair value through profit or loss) at 30 June 2015 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 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.

## 18. RELATED PARTY TRANSACTIONS *(continued)*

### (a) Transactions with the CASC Group

- (i) During the year ended 31 December 2013, the Group renewed a loan facility with 航天科技財務有限責任公司 (“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 nil (1.1.2014 to 30.6.2014: HK\$396,000).
- (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.
- (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 for a period of 5 years from the first drawdown date. As at 30 June 2015, the Group has drawn down RMB500,000,000 (equivalent to approximately HK\$624,220,000) (31.12.2014: RMB500,000,000 (equivalent to approximately HK\$623,441,000)). The interest incurred to CASC during the period ended 30 June 2015 amounting to HK\$15,673,000 (1.1.2014 to 30.6.2014: HK\$16,417,000).



## 18. RELATED PARTY TRANSACTIONS *(continued)*

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

- (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. As at 30 June 2015, the Group has drawn down RMB1,003,500,000 (equivalent to approximately HK\$1,252,809,000) (31.12.2014: RMB873,000,000 (equivalent to approximately HK\$1,088,529,000)). The interest paid to loans drawn from the Facility in the current period amounting to HK\$35,424,000 (1.1.2014 to 30.6.2014: HK\$22,468,000).
- (v) 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 agreements. As at 30 June 2015, such deposits placed by the Group amounted to RMB12,000 (equivalent to approximately HK\$15,000) (31.12.2014: RMB99,912,000 (equivalent to approximately HK\$124,579,000)) and was included in amount due from a related party.

## 18. RELATED PARTY TRANSACTIONS *(continued)*

### (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, 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\$4,069,000 (1.1.2014 to 30.6.2014: HK\$6,928,000).

## 19. PLEDGE OF ASSETS

At 30 June 2015, bank deposits of HK\$25,742,000 (31.12.2014: HK\$33,428,000) and investment properties with an aggregate carrying amount of HK\$5,359,551,000 (31.12.2014: HK\$4,261,844,000) were pledged to banks to secure general banking facilities and loan facilities granted to the Group.