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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 2017

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 2017 together with the comparative figures of the same period in 2016 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended	
		30.6.2017	30.6.2016
		(Unaudited)	(Unaudited)
	NOTES	HK\$'000	HK\$'000
Turnover	3	1,675,180	1,282,248
Cost of sales		(1,191,586)	(1,007,394)
Gross profit		483,594	274,854
Other gains and losses	4	(11,214)	(9,850)
Other income	4	29,651	17,676
Selling and distribution expenses		(29,974)	(24,301)
Administrative expenses		(189,691)	(168,963)
Fair value changes of investment properties		105,907	1,306,763
Finance costs		(27,806)	(15,809)
Share of results of associates		1,105	(789)
Share of results of joint ventures		(6,529)	(2,627)
Profit before taxation	5	355,043	1,376,954
Taxation	6	(86,657)	(387,984)
Profit for the period		268,386	988,970
Profit for the period attributable to:			
Owners of the Company		201,323	619,989
Non-controlling interests		67,063	368,981
		268,386	988,970

	NOTE	Six months ended	
		30.6.2017 (Unaudited) HK6.53 cents	30.6.2016 (Unaudited) HK20.10 cents
Basic earnings per share	7		

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended	
	30.6.2017 (Unaudited) HK\$'000	30.6.2016 (Unaudited) HK\$'000
Profit for the period	268,386	988,970
Other comprehensive income (expense):		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translating foreign operations		
- subsidiaries	225,367	(69,768)
- associates	4,392	(1,686)
- joint ventures	22,303	(9,657)
Other comprehensive income (expense) for the period	252,062	(81,111)
Total comprehensive income for the period	520,448	907,859
Total comprehensive income attributable to:		
Owners of the Company	389,546	561,603
Non-controlling interests	130,902	346,256
	520,448	907,859

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2017

	<i>NOTES</i>	30.6.2017 (Unaudited) HK\$'000	31.12.2016 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment		995,190	953,527
Prepaid lease payments		97,787	94,711
Investment properties		8,890,960	8,492,873
Interests in associates		131,782	126,285
Interests in joint ventures		727,877	712,103
Deposits paid for property, plant and equipment		31,014	22,766
Other long term assets		75,351	33,108
Loan to a joint venture		—	27,778
		10,949,961	10,463,151
Current assets			
Inventories		335,504	262,021
Trade and other receivables	9	1,072,080	873,050
Prepaid lease payments		4,176	4,234
Amount due from a related party		16	16
Financial assets at fair value through profit or loss		20,133	25,675
Pledged bank deposits		10,608	6,158
Short-term bank deposits		98,226	—
Bank balances and cash		962,438	1,150,271
		2,503,181	2,321,425
Current liabilities			
Trade and other payables	10	1,532,615	1,545,965
Taxation payable		75,755	58,347
Bank and other borrowings		32,184	31,111
Loan from a controlling shareholder		574,713	—
Other loan		8,238	7,963
		2,223,505	1,643,386
Net current assets		279,676	678,039
Total assets less current liabilities		11,229,637	11,141,190

	30.6.2017 (Unaudited) HK\$'000	31.12.2016 (Audited) HK\$'000
Non-current liabilities		
Loan from a controlling shareholder	—	555,556
Loan from a related party	613,908	565,667
Deferred taxation	2,181,847	2,044,833
	<u>2,795,755</u>	<u>3,166,056</u>
	<u>8,433,882</u>	<u>7,975,134</u>
Capital and reserves		
Share capital	1,154,511	1,154,511
Reserves	5,363,493	5,035,647
Equity attributable to owners of the Company	6,518,004	6,190,158
Non-controlling interests	1,915,878	1,784,976
	<u>8,433,882</u>	<u>7,975,134</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

1. BASIS OF PREPARATION

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

The financial information relating to the year ended 31 December 2016 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

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 mandatorily effective for the current interim period:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRSs	Amendments to HKFRS 12 included in Annual improvements to HKFRSs 2014 - 2016 cycle

Amendments to HKAS 7 "Disclosure initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The adoption will result in relevant disclosures in the Group's annual consolidated financial statements for the year ended 31 December 2017.

The application of the above amendments to HKFRSs in the current interim period has had no material impact on the amounts and/or disclosures reported 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 ("CODM") of the Group, that are used to make strategic decisions. In prior year, there were 10 reportable and operating segments, namely Hi-Tech Manufacturing Business (including plastic products, liquid crystal display, printed circuit boards, intelligent chargers and industrial property investment), New Material Business (including polyimide films manufacturing), Aerospace Service (including property investment in Shenzhen Aerospace Science & Technology Plaza, land development in Hainan Launching Site Complex Zone, Internet of Things and Cross-border e-commerce) which represent the major industries in which the Group is engaged. During the period, the CODM reassessed the current business segments by reference to future development strategy of the Group. Financial information in relation to polyimide films manufacturing and land development in Hainan Launching Site Complex Zone are not separately reported as they are no longer a reportable and operating segment of the Group. Comparative figures have been restated to comply with the current period's presentation.

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

For the six months ended 30 June 2017

	Turnover			Segment results
	External sales	Inter-segment sales	Total	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hi-Tech Manufacturing Business				
Plastic products	588,762	23,181	611,943	37,773
Liquid crystal display	288,239	52	288,291	22,725
Printed circuit boards	357,095	—	357,095	50,002
Intelligent chargers	208,402	763	209,165	16,811
Industrial property investment	7,801	9,487	17,288	10,013
	<u>1,450,299</u>	<u>33,483</u>	<u>1,483,782</u>	<u>137,324</u>
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	191,408	402	191,810	270,805
Internet of Things	2	—	2	(1,252)
Cross-border e-commerce	28,487	—	28,487	(3,378)
	<u>219,897</u>	<u>402</u>	<u>220,299</u>	<u>266,175</u>
Reportable segment total	<u>1,670,196</u>	<u>33,885</u>	<u>1,704,081</u>	<u>403,499</u>
Elimination	—	(33,885)	(33,885)	—
Other Business	4,984	—	4,984	3,530
	<u>1,675,180</u>	<u>—</u>	<u>1,675,180</u>	<u>407,029</u>
Unallocated corporate income				18,522
Unallocated corporate expenses				(37,278)
				<u>388,273</u>
Share of results of associates				1,105
Share of results of joint ventures				(6,529)
Finance costs				(27,806)
Profit before taxation				<u>355,043</u>

For the six months ended 30 June 2016

	Turnover			Segment results HK\$'000
	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	
Hi-Tech Manufacturing Business				
Plastic products	536,101	21,129	557,230	36,579
Liquid crystal display	215,095	60	215,155	17,177
Printed circuit boards	310,002	—	310,002	58,051
Intelligent chargers	189,612	—	189,612	7,149
Industrial property investment	7,411	10,366	17,777	5,896
	<u>1,258,221</u>	<u>31,555</u>	<u>1,289,776</u>	<u>124,852</u>
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	—	—	—	1,292,944
Internet of Things	4,946	—	4,946	(1,474)
Cross-border e-commerce	17,803	—	17,803	(1,534)
	<u>22,749</u>	<u>—</u>	<u>22,749</u>	<u>1,289,936</u>
Reportable segment total	1,280,970	31,555	1,312,525	1,414,788
Elimination	—	(31,555)	(31,555)	—
Other Business	1,278	—	1,278	2,397
	<u>1,282,248</u>	<u>—</u>	<u>1,282,248</u>	<u>1,417,185</u>
Unallocated corporate income				22,926
Unallocated corporate expenses				(43,932)
				<u>1,396,179</u>
Share of results of associates				(789)
Share of results of joint ventures				(2,627)
Finance costs				(15,809)
Profit before taxation				<u>1,376,954</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, share of results of joint ventures and associates, interest expenses and other corporate income and corporate expenses.

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

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2017 HK\$'000	30.6.2016 HK\$'000
The Group's other income mainly comprises:		
Bank interest income	<u>7,748</u>	<u>13,929</u>
The Group's other gains and losses mainly comprise:		
Net (loss) gain from change in fair value of financial assets at fair value through profit or loss	(5,542)	6,385
Net exchange loss	<u>(5,625)</u>	<u>(16,367)</u>

5. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2017	30.6.2016
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Amortisation of prepaid lease payments	1,742	1,120
Depreciation of property, plant and equipment	<u>49,807</u>	<u>51,508</u>

6. TAXATION

	Six months ended	
	30.6.2017	30.6.2016
	HK\$'000	HK\$'000
Current tax		
Hong Kong Profits Tax	7,165	4,747
PRC Enterprise Income Tax	<u>14,640</u>	<u>12,340</u>
	<u>21,805</u>	<u>17,087</u>
Deferred tax charge	<u>64,852</u>	<u>370,897</u>
Income tax charge	<u>86,657</u>	<u>387,984</u>

Hong Kong Profits Tax and Enterprise Income Tax of the People's Republic of China (the "PRC") have been calculated at 16.5% and 25%, respectively, of the estimated assessable profits 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	
	30.6.2017	30.6.2016
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	<u>201,323</u>	<u>619,989</u>
	<u>30.6.2017</u>	<u>30.6.2016</u>
	<u>'000</u>	<u>'000</u>
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	<u>3,085,022</u>	<u>3,085,022</u>

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

8. DIVIDEND

2016 final dividend of HK2 cents (1.1.2016 to 30.6.2016: 2015 final dividend of HK1 cent) per share amounting to HK\$61,700,000 (1.1.2016 to 30.6.2016: HK\$30,850,000) was declared 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 2017, included in trade and other receivables are trade receivables of HK\$786,995,000 (31.12.2016: HK\$718,121,000). The Group allows an average credit period of 90 days to its trade customers.

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

	30.6.2017 <i>HK\$'000</i>	31.12.2016 <i>HK\$'000</i>
Within 90 days	738,899	687,412
Between 91 - 180 days	31,554	30,377
Between 181 - 365 days	16,542	332
	786,995	718,121

10. TRADE AND OTHER PAYABLES

	30.6.2017 <i>HK\$'000</i>	31.12.2016 <i>HK\$'000</i>
Trade payables	427,916	414,874
Accrued charges	128,868	154,329
Receipt in advance	103,414	105,839
Other payables	872,417	870,923
	1,532,615	1,545,965

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

	30.6.2017 <i>HK\$'000</i>	31.12.2016 <i>HK\$'000</i>
Within 90 days	368,681	330,524
Between 91 - 180 days	1,671	31,004
Between 181 - 365 days	51,897	47,573
Over 1 year	5,667	5,773
	427,916	414,874

BUSINESS REVIEW

OVERVIEW

For the six months ended 30 June 2017, the Company and its subsidiaries reported an unaudited turnover of HK\$1,675,180,000, representing an increase of 30.64% as compared with that of HK\$1,282,248,000 for the same period of 2016. Profit for the period was HK\$268,386,000, representing a decrease of 72.86% as compared with that of HK\$988,970,000 for the same period of 2016. Profit attributable to the shareholders was HK\$201,323,000, representing a decrease of 67.53% as compared with that of HK\$619,989,000 for the same period of 2016. Basic earnings per share attributable to the shareholders was HK6.53 cents, representing a decrease as compared with that of HK20.10 cents for the same period of 2016.

In the first half of the year, the world's major economies such as the U.S., China and Europe stabilised with moderate recovery in business and consumer confidence, while the economy in Hong Kong improved gradually with its prospect becoming optimistic. Turnover of the Company grew satisfactorily, the overall gross profit margin for the period rose from 21.44% for the same period of last year to 28.87%, mainly brought up by newly recorded rental income. Following the completion of Shenzhen Aerospace Science & Technology Plaza, an investment property of the Company, in the first half of 2016, its potential value had been realised and reflected in the fair value during that period. After that, the impact of fair value changes of investment properties on profit attributable to the shareholders of the Company will be reduced accordingly. In the first half of 2017, the fair value of Shenzhen Aerospace Science & Technology Plaza was similar to that of the end of last year, and the Company did not record another huge fair value gain in investment properties and its related deferred tax, profit attributable to the shareholders decreased significantly as compared with that of the same period of last year. Save for the effect of fair value change in investment properties, profit attributable to the shareholders of the Company for the first half of 2017 was HK\$183,517,000, representing an actual increase of 222% from the same period of last year, which reflected the contributions from the growth of hi-tech manufacturing business and the new rental income of Shenzhen Aerospace Science & Technology Plaza. Taking into consideration the Company's development and cash flow position as a whole, the Board decided not to distribute any interim dividend.

BUSINESS REVIEW

In the first half of the year, in the face of keen market competition, revenue of hi-tech manufacturing business increased steadily from the same period of last year through continuous optimisation of product structure, strengthened market expansion effort and gradual increases in production capacity and degree of automation. However, the rises in material and labour costs posed considerable pressure on the profitability. For the six months ended 30 June 2017, hi-tech manufacturing business recorded a turnover of HK\$1,450,299,000, representing an increase of 15.27% as compared with that of HK\$1,258,221,000 for the same period of 2016, and realised an operating profit of HK\$137,324,000, representing an increase of 9.99% as compared with that of HK\$124,852,000 for the same period of 2016.

The effort in expanding the plastic products business in the mainland market became noticeable. Increasing orders from new mainland customers and mass production offset the impact of decreasing orders from some overseas customers due to their relocation of production sites. The plastic products business expanded from solely office equipment segment to markets such as audio, water purifiers, auto parts and accessories, and achieved satisfactory results in the first half of the year. The electroplating business'

surface ring line was put into full operation. As the technique and quality have been approaching maturity, product range was expanded to vehicle accessories and household appliances, leading to a faster development in the business. Sales of intelligent charger business grew as compared with that of the same period of last year, due to the introduction of new customers as well as the commencement of mass production of new products and new models from existing customers.

Sales of the printed circuit board (“PCB”) business increased when compared with that of last year as production capacity expanded gradually. Due to customers’ request for price cut, product structure adjustment, higher material cost and operational expenses, profitability was impaired considerably. In the first half of the year, the liquid crystal display (“LCD”) business obtained ideal orders from its major customers and sales of LCD modules and COG modules increased substantially as compared with those for the same period of last year, bringing a rise in profits for such businesses.

In the first half of the year, Shenzhen Aerospace Technology Investment Company Limited* (深圳市航天高科投資管理有限公司) (“Shenzhen Aerospace”) and its wholly-owned subsidiary, Shenzhen Aerospace Technology Property Management Company Limited* (深圳市航天高科物業管理有限公司), recorded a total turnover of HK\$191,408,000, a segment profit of HK\$270,805,000, and an operating profit, net of the effect of fair value of investment properties, of HK\$174,138,000. Progress in leasing was ideal and tenants are mainly hi-tech and financial corporations. As at 30 June 2017, Shenzhen Aerospace Science & Technology Plaza was valued at approximately RMB7,432,000,000.

Factors such as the austerity measures, changes in government compensation standard and substantial increase in construction cost in recent years imposed uncertainties to the continuous development of the Complex Zone of the Launching Site in Hainan by Hainan Aerospace Investment Management Company Limited* (海南航天投資管理有限公司) (“Hainan Aerospace”), a joint venture of the Company. On 23 June 2017, Hainan Aerospace and the Municipal Government of Wenchang (“Municipal Government of Wenchang”) reached an agreement (“Settlement Agreement”) to dismiss the Land Development Agreement of the Complex Zone of the Launching Site in Hainan entered into on 20 August 2008. Pursuant to which, the Municipal Government of Wenchang will take over the resettlement zone project of the Complex Zone and return the project funds to Hainan Aerospace based on the audited amount of RMB1,333,808,100. Among this, the Municipal Government of Wenchang already paid a sum of RMB290,000,000 and undertook to return the remaining part in full to Hainan Aerospace in the form of assets of equivalent value or in cash before 31 December 2019. With the strong support from China Aerospace Science & Technology Corporation and the Provincial Government of Hainan, it is believed that Hainan Aerospace and the Municipal Government of Wenchang will complete the handover procedure smoothly. Please refer to the announcements published by the Company on 8 March 2017 and 23 June 2017 for details.

The capital contributed by the Company to Hainan Aerospace amounted to RMB600,000,000. As at 30 June 2017, the equity of Hainan Aerospace attributable to the Company was approximately HK\$661,228,000. For the first half of the year, loss of Hainan Aerospace attributable to the Company was approximately HK\$7,038,000. At present, Hainan Aerospace has settled all bank and shareholders’ borrowings and closed the jointly controlled account as agreed in the Settlement Agreement. The transfer of project information is expected to complete soon.

Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術(深圳)有限公司) (“Aerospace Digitnexus”), primarily engaging in cross-border e-commerce logistics business, was affected by factors such as customs policy adjustment and intense industry competition, parcel import business did not perform as expected. For the six months ended 30 June 2017, turnover of Aerospace Digitnexus amounted to HK\$28,489,000, representing an increase of 25.23% as compared with that of HK\$22,749,000 for the same period of 2016; operating loss was HK\$4,630,000, representing an increase of 53.92% as compared with operating loss of HK\$3,008,000 for the same period of 2016. Aerospace Digitnexus has worked out four major strategic directions, namely automated warehousing, internet of things application, industrial automation system integration and cross-border e-commerce integrated trading platform. Recently, Aerospace Digitnexus is actively exploring B2C business and forming strategic alliance with domestic and overseas logistics operators, which are conducive to the development of its cross-border e-commerce logistics business.

PROSPECTS

Looking into the second half of the year, the global economy is expected to continue to grow steadily, but uncertainties such as geopolitical risk, outlook of commodity prices, fluctuations in interest rates and currencies could give rise to changes in the global financial environment and economy. The Company will remain vigilant, strengthen its inherent abilities and be prepared for any contingencies. Hi-tech manufacturing business will expedite the development of overseas markets, enhance technological innovation, degree of automation and specialised production capabilities, with the aim of shifting to high value-added business segments and thus business transformation. Plastic products business will make use of its mould development capabilities to widen its business platform and drive business growth; electroplating business will expand into the auto and other sectors; battery business will endeavour to explore other new products for business growth. Intelligent charger business will capitalise on its existing customer base and build a research and development platform to realise upgrade and transformation of battery products. PCB business will expedite the development of high density PCB application to fully realise the economic benefits of new production lines. LCD business will put more effort into the development of automated and intelligent manufacturing to enhance its market competitiveness.

In the second half of the year, more new tenants are expected to move in Shenzhen Aerospace Science & Technology Plaza, and Shenzhen Aerospace will commit itself to improve the property management standard and provide tenants with quality services.

Aerospace Digitnexus will actively explore B2C business and form strategic alliance with domestic and overseas logistics operators for market expansion while enlarging the volume of parcel export business.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS PERFORMANCE

The unaudited turnover of the Company and the subsidiaries for the six months ended 30 June 2017 was HK\$1,675,180,000, representing an increase of 30.64% as compared with that of HK\$1,282,248,000 for the same period of 2016. Profit for the period was HK\$268,386,000, representing a decrease of 72.86% as compared with that of HK\$988,970,000 for the same period of 2016.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Profit attributable to shareholders of the Company for the current period was HK\$201,323,000, representing a decrease of 67.53% as compared with that of HK\$619,989,000 for the same period of 2016. Based on

the issued share capital of 3,085,022,000 shares during the period, the basic earnings per share was HK6.53 cents, representing a decrease of 67.51% as compared with that of HK20.10 cents for the same period of 2016.

Turnover of the major businesses of the Company recorded a growth while its profits posted a decrease. The reason was due to the completion of Shenzhen Aerospace Science & Technology Plaza in mid-2016, resulting in the simultaneous release of developer's profits. Hence, a huge fair value gain in investment properties was recorded, leading to a substantial increase in the profit attributable to the shareholders for the same period of last year. The change in fair value gain of investment properties decreased significantly during the first half of 2017, resulting in a substantial decrease in the profit attributable to equity holders of the Company as compared to the same period of 2016.

DIVIDENDS

The Board decided not to distribute an interim dividend for 2017.

The distribution of 2016 final dividend of HK2 cents per share was approved by shareholders at the Annual General Meeting in May 2017 and warrants of which were dispatched to all shareholders on 28 June 2017.

RESULTS OF CORE BUSINESSES

The core businesses of the Company and the subsidiaries are hi-tech manufacturing, internet of things and cross border e-commerce logistics, and the operations of Shenzhen Aerospace Science & Technology Plaza.

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. In recent years, the Company gradually developed other new businesses, such as having turned the property construction of Shenzhen Aerospace Science & Technology Plaza into asset management, so as to achieve the Company's new development target and minimize single business risk.

Hi-tech manufacturing

In the first half of 2017, the global economy became stable gradually but still had various risks and challenges. Under situation of sluggish macroeconomic growth, China's economy was encountering relatively strong downturn pressure with continuous slowdown in the growth of consumer electronics industry. While experiencing severe operating environment and intense market competition, together with the pressure of rise in materials and labour costs in comparing with last year, the hi-tech manufacturing managed to improve results performance through strengthening investment in technology innovation and production automation, introducing advanced equipments in raising productivity and quality, controlling costs and undergoing business transformation, and consistently improving product structure which to a certain extent alleviated some unfavourable factors. Within which, the construction of high precision PCB factory was completed. Besides, equipments were brought in and trial production was finished as of the end of last year, productivity is expected to be raised in second half of 2017. The business of intelligent chargers developed medium power battery products while the business of plastic products renewed equipments and expanded the electroplating products in vehicle accessories and household appliances, and LCD business will strengthen its effort in promoting production automation.

The turnover of the hi-tech manufacturing businesses for the six months ended 30 June 2017 was HK\$1,450,299,000, representing an increase of 15.27% as compared with the same period of last year; operating profit was HK\$137,324,000, representing an increase of 9.99% as compared with the same period of last year. The results of the hi-tech manufacturing business are shown below:

	Turnover (HK\$'000)			Operating Profit (HK\$'000)		
	First half of 2017	First half of 2016	Changes (%)	First half of 2017	First half of 2016	Changes (%)
Plastic Products	588,762	536,101	9.82	37,773	36,579	3.26
Printed Circuit Boards	357,095	310,002	15.19	50,002	58,051	(13.87)
Intelligent Chargers	208,402	189,612	9.91	16,811	7,149	135.15
Liquid Crystal Display	288,239	215,095	34.01	22,725	17,177	32.30
Industrial Property Investment	7,801	7,411	5.26	10,013	5,896	69.83
Total	1,450,299	1,258,221	15.27	137,324	124,852	9.99

Looking forward to the second half of 2017, the competition in the electronic information industry will remain intense. The hi-tech manufacturing strives to explore markets of high end products, 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 appropriately, and in the meantime, strives to reduce inventory and receivables, establish and reach the target of market diversification as soon as possible so as to maintain stable business and sustained development, explore businesses by ways of merger and acquisition or cooperation etc., in order to ensure a continuous and stable growth of the hi-tech manufacturing.

The Complex Zone of the Launching Site in Hainan Province

Hainan Aerospace Investment Management Company Limited*(海南航天投資管理有限公司)(“Hainan Aerospace”), a joint venture of the Company, had decided to withdraw from the land development project of the Complex Zone of the Launching Site in Hainan as a result of, including but not limited to, the austerity measures, the changes in government compensation standard, the substantial increase in construction costs and so on in recent years which may bring to Hainan Aerospace a stability risk on the continuity of development. On 23 June 2017, Hainan Aerospace entered into a Settlement Agreement to the Land Development Agreement of the Complex Zone of the Launching Site in Hainan with the Municipal Government of Wenchang, pursuant to which both parties agreed to release the Land Development Agreement of the Complex Zone of the Launching Site in Hainan, their rights and obligations under which will be terminated accordingly. Details of which please refer the Company’s announcements published on 8 March 2017 and 23 June 2017.

Thereafter, Hainan Aerospace will continue to work with the Municipal Government of Wenchang in completing the subsequent works as soon as possible.

Shenzhen Aerospace Science & Technology Plaza

In the first half of 2017, the work of Shenzhen Aerospace Technology Investment Company Limited* (深圳市航天高科投資管理有限公司) (“Shenzhen Aerospace”) had changed from property construction to asset management and that together with its wholly-owned subsidiary, Shenzhen Aerospace Technology Property Management Company Limited* (深圳市航天高科物業管理有限公司), recorded a turnover of HK\$191,408,000 and a segment profit of HK\$270,805,000.

As at 30 June 2017, Shenzhen Aerospace Science & Technology Plaza was valued at approximately RMB7,432,000,000.

Internet of Things and Cross-border E-commerce Logistics

In the first half of 2017, Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術(深圳)有限公司) (“Aerospace Digitnexus”) recorded a turnover of HK\$28,489,000 and an operating loss of HK\$4,630,000. During the period, besides continuing to maintain and complete the prevailing projects of internet of things, Aerospace Digitnexus also completed the establishment of a sorting

and customs clearance centre in Kaiping and commenced its operations, and continued to develop an e-commerce logistics service platform. In the second half of 2017, Aerospace Digitnexus will continue to optimize its product techniques, and work hard in cold-chain logistics warehouse management, etc. while integrating with mature products in the market and form market influence speedily in order to strive to realize profit as soon as possible.

ASSETS

(HK\$'000)	30 June 2017	31 December 2016	Changes (%)
Non-Current Assets	10,949,961	10,463,151	4.65
Current Assets	2,503,181	2,321,425	7.83
Total Assets	13,453,142	12,784,576	5.23

The increase in non-current assets was mainly due to an increase in the valuation of investment properties while the increase in current assets was mainly due to an increase both in accrual rental income of rental-free period and inventory. The equity attributable to shareholders of the Company was HK\$6,518,004,000, representing an increase of 5.30% as compared with that of HK\$6,190,158,000 as at 31 December 2016. 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\$2.11.

As at 30 June 2017, a cash deposit of the Company and the subsidiaries of HK\$10,608,000 had been pledged to banks to obtain credit facilities. As to the mortgage of part of Shenzhen Aerospace Science & Technology Plaza at value of approximately RMB1,900,000,000 by Shenzhen Aerospace to Aerospace Finance, it will be performed once the application of property right certificates is completed.

LIABILITIES

(HK\$'000)	30 June 2017	31 December 2016	Changes (%)
Non-Current Liabilities	2,795,755	3,166,056	(11.70)
Current Liabilities	2,223,505	1,643,386	35.30
Total Liabilities	5,019,260	4,809,442	4.36

The decrease in non-current liabilities and the increase in current liabilities were mainly due to the reclassification of a controlling shareholder's loan from non-current liabilities to current liabilities. As at 30 June 2017, the Company and the subsidiaries had bank and other borrowings of HK\$1,220,805,000.

OPERATING EXPENSES

The administrative expenses of the Company and the subsidiaries in the first half of 2017 were HK\$189,691,000, representing an increase of 12.27% as compared with the same period of last year. The finance costs amounted to HK\$27,806,000.

CONTINGENT LIABILITIES

As at 30 June 2017, the Company and the subsidiaries did not have any other material contingent liabilities.

FINANCIAL RATIOS

	First half of 2017	First half of 2016
Gross Profit Margin	28.87%	21.44%
Return on Net Assets	3.18%	12.24%

	30 June 2017	31 December 2016
Assets- Liabilities Ratio	37.31%	37.62%
Current Ratio	1.13	1.41
Quick Ratio	0.97	1.25

LIQUIDITY

The source of funds of the Company and the subsidiaries mainly relies on internal resources and banking facilities. As at 30 June 2017, the free cash and bank balance amounted to HK\$962,438,000, the majority of which were in Hong Kong Dollars and Renminbi.

CAPITAL EXPENDITURE AND INVESTMENT COMMITMENT

As at 30 June 2017, the capital commitments of the Company and the relevant subsidiaries contracted for but not provided in the condensed consolidated financial statements was HK\$98,891,000, mainly for the acquisition of fixed assets.

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 2017, the Company and the subsidiaries had a total of approximately 7,300 employees based in the mainland and Hong Kong respectively.

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 2017.

CORPORATE GOVERNANCE

For the six months ended 30 June 2017, 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 2017, save for Mr Gong Bo, Mr Mao Yijin and Mr Xu Liangwei, the Directors of the Company, are the officers of the substantial shareholder China Aerospace Science & Technology Corporation and its subsidiaries, none of the directors, chief executives or their associates have any beneficial or non-beneficial interests or short positions 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 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 Mao Yijin. 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, risk management 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 2017 that had been reviewed by the auditor, Deloitte Touche Tohmatsu.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company 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 Xu Liangwei. 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 has a membership comprising two Non-Executive Directors, Mr Bong Bo (Chairman) (appointed on 24 February 2017), Mr Zhang Jianheng (Chairman) (resigned on 24 February 2017) and Mr Xu Liangwei, 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 of the Board for the execution of the Company's policy.

STATEMENT OF COMPLIANCE

The financial information relating to the year ended 31 December 2016 that is included in the half-year Interim Report 2017 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further

information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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 period. 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,
Gong Bo
Chairman

Hong Kong, 25 August 2017

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

Executive Directors

Mr Li Hongjun (*President*)

Mr Jin Xuesheng

Non-Executive Directors

Mr Gong Bo (*Chairman*)

Mr Mao Yijin

Mr Xu Liangwei

Independent Non-Executive Directors

Mr Luo Zhenbang

Ms Leung Sau Fan, Sylvia

Mr Wang Xiaojun

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