



CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Stock Code: 31)

2017 INTERIM REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr Li Hongjun (*President*)
Mr Jin Xuesheng

Non-Executive Directors

Mr Gong Bo (*Chairman*)
(*appointed on 24 February 2017*)
Mr Luo Zhenbang (*Independent*)
Ms Leung Sau Fan, Sylvia (*Independent*)
Mr Wang Xiaojun (*Independent*)
Mr Mao Yijin
Mr Xu Liangwei
Mr Zhang Jianheng (*Chairman*)
(*resigned on 24 February 2017*)

AUDIT COMMITTEE

Mr Luo Zhenbang (*Chairman*)
Ms Leung Sau Fan, Sylvia
Mr Mao Yijin

REMUNERATION COMMITTEE

Ms Leung Sau Fan, Sylvia (*Chairman*)
Mr Wang Xiaojun
Mr Xu Liangwei

NOMINATION COMMITTEE

Mr Gong Bo (*Chairman*)
(*appointed on 24 February 2017*)
Mr Luo Zhenbang
Ms Leung Sau Fan, Sylvia
Mr Wang Xiaojun
Mr Xu Liangwei
Mr Zhang Jianheng (*Chairman*)
(*resigned on 24 February 2017*)

COMPANY SECRETARY

Mr Chan Ka Kin, Ken

AUDITOR

Deloitte Touche Tohmatsu

SHARE REGISTRAR

Tricor Standard Limited

LEGAL COUNSEL

Reed Smith Richards Butler

PRINCIPAL BANK & FINANCIAL INSTITUTION

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

REGISTERED OFFICE

Room 1103-1107A, One Harbourfront
18 Tak Fung Street, Hung Hom
Kowloon, Hong Kong
Tel: (852) 2193 8888
Fax: (852) 2193 8899
E-mail: 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 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 of 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 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.

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. 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

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 investment properties, 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 application 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 business 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, 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 its continuous and stable growth.

The Complex Zone of the Launching Site in Hainan

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 to 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.

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 2017

OTHER DISCLOSURES

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, 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%
			1,183,598,636	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 2017.

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 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 2017, 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 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 Gong 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 for the execution of the Company's policy.

DISCLOSURE UNDER RULE 13.51B(1) OF THE LISTING RULES

Update on Director's information since the date of the Annual Report 2016, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

Ms Leung Sau Fan, Sylvia, aged 53, is an Independent Non-Executive Director of the Company. Ms Leung holds a bachelor's degree of arts in accountancy from City University of Hong Kong and had studied as an external student and passed the approved examinations and obtained a bachelor of laws degree from the University of London. She is an associate of The Hong Kong Institute of Chartered Secretaries. Ms Leung is currently an independent non-executive director of both Poly Property Group Co., Limited (stock code: 119) and Prosper Construction Holdings Limited (stock code: 6816), shares of both are listed on The Stock Exchange of Hong Kong Limited, and is also a director of Celestial Capital Limited, a company licensed to conduct, among others, type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance. She has over 20 years of experience in company secretarial and corporate finance advisory. She was appointed as an Independent Non-Executive Director of the Company in March 2012.

STATEMENT OF COMPLIANCE

The financial information relating to the year ended 31 December 2016 that is included in the 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.

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 22 to 48, which comprise the condensed consolidated statement of financial position as of 30 June 2017 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 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 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	NOTES	Six months ended	
		30.6.2017 (Unaudited) HK\$'000	30.6.2016 (Unaudited) 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	5	(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	6	355,043	1,376,954
Taxation	7	(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
Basic earnings per share	8	HK6.53 cents	HK20.10 cents

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

	NOTES	30.6.2017 (Unaudited) HK\$'000	31.12.2016 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	10	995,190	953,527
Prepaid lease payments		97,787	94,711
Investment properties	10	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	18(b)(v)	—	27,778
		10,949,961	10,463,151
Current assets			
Inventories		335,504	262,021
Trade and other receivables	11	1,072,080	873,050
Prepaid lease payments		4,176	4,234
Amount due from a related party	18(b) (ii)&(iii)	16	16
Financial assets at fair value through profit or loss	17	20,133	25,675
Pledged bank deposits		10,608	6,158
Short-term bank deposits	12	98,226	—
Bank balances and cash		962,438	1,150,271
		2,503,181	2,321,425

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2017

	NOTES	30.6.2017 (Unaudited) HK\$'000	31.12.2016 (Audited) HK\$'000
Current liabilities			
Trade and other payables	13	1,532,615	1,545,965
Taxation payable		75,755	58,347
Bank and other borrowings	14	32,184	31,111
Loan from a controlling shareholder	18(b)(iv)	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
Non-current liabilities			
Loan from a controlling shareholder	18(b)(iv)	—	555,556
Loan from a related party	18(b)(vi)	613,908	565,667
Deferred taxation		2,181,847	2,044,833
		2,795,755	3,166,056
		8,433,882	7,975,134
Capital and reserves			
Share capital	15	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
		8,433,882	7,975,134

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company									
	Share capital HK\$'000	Special capital reserve HK\$'000	General reserve HK\$'000	Translation reserve HK\$'000	Property revaluation reserve HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2017 (audited)	1,154,511	14,044	23,916	(291,509)	11,010	43,925	5,234,261	6,190,158	1,784,976	7,975,134
Profit for the period	-	-	-	-	-	-	201,323	201,323	67,063	268,386
Exchange difference arising on translating foreign operations										
– subsidiaries	-	-	-	161,528	-	-	-	161,528	63,839	225,367
– associates	-	-	-	4,392	-	-	-	4,392	-	4,392
– joint ventures	-	-	-	22,303	-	-	-	22,303	-	22,303
Total comprehensive income for the period	-	-	-	188,223	-	-	201,323	389,546	130,902	520,448
Dividend recognised as distribution (note 9)	-	-	-	-	-	-	(61,700)	(61,700)	-	(61,700)
At 30 June 2017 (unaudited)	1,154,511	14,044	23,916	(103,286)	11,010	43,925	5,373,884	6,518,004	1,915,878	8,433,882
At 1 January 2016 (audited)	1,154,511	14,044	23,916	18,977	11,010	14,309	4,469,003	5,705,770	1,497,492	7,203,262
Profit for the period	-	-	-	-	-	-	619,989	619,989	368,981	988,970
Exchange difference arising on translating foreign operations										
– subsidiaries	-	-	-	(47,043)	-	-	-	(47,043)	(22,725)	(69,768)
– associates	-	-	-	(1,686)	-	-	-	(1,686)	-	(1,686)
– joint ventures	-	-	-	(9,657)	-	-	-	(9,657)	-	(9,657)
Total comprehensive (expense) income for the period	-	-	-	(58,386)	-	-	619,989	561,603	346,256	907,859
Dividend recognised as distribution (note 9)	-	-	-	-	-	-	(30,850)	(30,850)	-	(30,850)
At 30 June 2016 (unaudited)	1,154,511	14,044	23,916	(39,409)	11,010	14,309	5,058,142	6,236,523	1,843,748	8,080,271

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	Six months ended	
	30.6.2017 (Unaudited) HK\$'000	30.6.2016 (Unaudited) HK\$'000
Net cash from operating activities	39,786	100,670
Net cash used in investing activities		
Placement of short-term bank deposits	(98,231)	—
Payment for additions of investment properties	(58,364)	(8,099)
Purchase of property, plant and equipment	(45,557)	(130,248)
Deposits paid for acquisition of property, plant and equipment	(29,653)	(40,354)
Placement of pledged bank deposits	(4,419)	(33,732)
Repayment from a joint venture	27,778	—
Proceeds from disposal of property, plant and equipment	2,065	294
Withdrawal of pledged bank deposits	322	36,035
Other investing cash flows	9,073	43,067
	(196,986)	(133,037)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2017

	Six months ended	
	30.6.2017 (Unaudited) HK\$'000	30.6.2016 (Unaudited) HK\$'000
Net cash used in financing activities		
Dividend paid	(38,615)	(30,793)
Loan from a related party	27,778	—
New bank loans raised	—	43,284
Other financing cash flows	(42,043)	(48,305)
	(52,880)	(35,814)
Net decrease in cash and cash equivalents	(210,080)	(68,181)
Cash and cash equivalents at 1 January	1,150,271	2,045,506
Effect of foreign exchange rate changes	22,247	(13,339)
Cash and cash equivalents at 30 June, represented by bank balances and cash	962,438	1,963,986

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

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 ending 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) and 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.

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 2017

	Turnover			Segment results HK\$'000
	External sales	Inter-segment sales	Total	
	HK\$'000	HK\$'000	HK\$'000	
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
	1,450,299	33,483	1,483,782	137,324
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)
	219,897	402	220,299	266,175
Reportable segment total	1,670,196	33,885	1,704,081	403,499
Elimination	—	(33,885)	(33,885)	—
Other Business	4,984	—	4,984	3,530
	1,675,180	—	1,675,180	407,029
Unallocated corporate income				18,522
Unallocated corporate expenses				(37,278)
				388,273
Share of results of associates				1,105
Share of results of joint ventures				(6,529)
Finance costs				(27,806)
Profit before taxation				355,043

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 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
	1,258,221	31,555	1,289,776	124,852
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)
	22,749	—	22,749	1,289,936
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
	1,282,248	—	1,282,248	1,417,185
Unallocated corporate income				22,926
Unallocated corporate expenses				(43,932)
				1,396,179
Share of results of associates				(789)
Share of results of joint ventures				(2,627)
Finance costs				(15,809)
Profit before taxation				1,376,954

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, 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.

3. SEGMENT INFORMATION *(continued)*

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

	30.06.2017 HK\$'000	31.12.2016 HK\$'000
Segment assets		
Hi-Tech Manufacturing Business		
Plastic products	734,469	631,631
Liquid crystal display	390,789	365,669
Printed circuit boards	887,495	831,211
Intelligent chargers	227,087	246,968
Industrial property investment	285,955	273,665
	2,525,795	2,349,144
Aerospace Service		
Property investment in Shenzhen Aerospace Science & Technology Plaza	8,874,053	8,294,693
Internet of Things	8,554	6,860
Cross-border e-commerce	15,309	4,868
	8,897,916	8,306,421
Total assets for reportable segments	11,423,711	10,655,565
Other Business	64,143	66,079
Interests in associates	131,782	126,285
Interests in joint ventures	727,877	712,103
Unallocated assets	1,105,629	1,224,544
Consolidated assets	13,453,142	12,784,576

3. SEGMENT INFORMATION *(continued)*

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

	30.06.2017 HK\$'000	31.12.2016 HK\$'000
Segment liabilities		
Hi-Tech Manufacturing Business		
Plastic products	199,700	213,036
Liquid crystal display	131,721	110,572
Printed circuit boards	265,861	272,795
Intelligent chargers	108,210	91,392
Industrial property investment	8,609	9,101
	714,101	696,896
Aerospace Service		
Property investment in Shenzhen Aerospace Science & Technology Plaza	535,763	575,309
Internet of Things	242	734
Cross-border e-commerce	9,285	3,222
	545,290	579,265
Total liabilities for reportable segments	1,259,391	1,276,161
Other Business	30	1,172
Unallocated liabilities	3,759,839	3,532,109
Consolidated liabilities	5,019,260	4,809,442

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, pledged bank deposits, short-term bank deposits, financial assets at fair value through profit or loss, interests in joint ventures, interests in associates 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 controlling shareholder, loan from a related party and the other unallocated liabilities.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2017	30.6.2016
	HK\$'000	HK\$'000

The Group's other income mainly comprises:

Bank interest income	7,748	13,929
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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	(5,625)	(16,367)

5. FINANCE COSTS

	Six months ended	
	30.6.2017	30.6.2016
	HK\$'000	HK\$'000
Interest on bank and other borrowings	27,806	48,305
Less: Amount capitalised to investment properties under construction	—	(32,496)
	27,806	15,809

6. 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	49,807	51,508

7. 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	14,640	12,340
	21,805	17,087
Deferred tax charge	64,852	370,897
	86,657	387,984

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%.

8. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2017	30.6.2016
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	201,323	619,989

8. EARNINGS PER SHARE *(continued)*

	30.6.2017 '000	30.6.2016 '000
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	3,085,022	3,085,022

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

9. 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.

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

During the period, the Group spent approximately HK\$61,890,000 (1.1.2016 to 30.6.2016: HK\$130,248,000) on acquisition of property, plant and equipment. The Group spent approximately HK\$339,414,000 on additions of investment properties under construction in prior period.

The fair values of the Group's investment properties at 30 June 2017 and 31 December 2016 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\$8,890,960,000 (31.12.2016: HK\$8,492,873,000) was arrived at by reference to market evidence of transaction prices for similar properties and/or by capitalisation of income potential of similar properties. The resulting increase in fair value of investment properties of HK\$105,907,000 (1.1.2016 to 30.6.2016: HK\$1,306,763,000) has been recognised directly in the condensed consolidated statement of profit or loss.

11. 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	31.12.2016
	HK\$'000	HK\$'000
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

Included in the Group's other receivables are current portion of other long term assets of HK\$217,826,000 (31.12.2016: HK\$83,237,000) and value-added tax recoverable of HK\$30,533,000 (31.12.2016: HK\$35,024,000).

12. SHORT-TERM BANK DEPOSITS

At 30 June 2017, short-term bank deposits with original maturity more than three months carry fixed interest ranging from 0.25% to 3.6% per annum.

13. TRADE AND OTHER PAYABLES

	30.6.2017	31.12.2016
	HK\$'000	HK\$'000
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

Other payables included an amount of HK\$54,000,000 (31.12.2016: HK\$54,000,000) received from a third party on behalf of China Aerospace Science & Technology Corporation ("CASC"), a controlling shareholder of the Company, payables to contractors for investment properties of HK\$500,356,000 (31.12.2016: HK\$540,031,000) and dividend payable of HK\$23,210,000 (31.12.2016: HK\$125,000).

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

	30.6.2017	31.12.2016
	HK\$'000	HK\$'000
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

14. BANK AND OTHER BORROWINGS

The Group obtained new bank and other borrowings in the amount of approximately HK\$43,284,000 in prior period. The new bank borrowings bore a market interest rate at 4.75% per annum and was repayable within 1 year.

15. SHARE CAPITAL

	30.6.2017 & 31.12.2016 HK\$'000
Issued and fully paid:	
— 3,085,022,000 ordinary shares with no par value	1,154,511

16. COMMITMENTS

	30.6.2017 HK\$'000	31.12.2016 HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— acquisition of property, plant and equipment	98,891	73,845

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 2017, the Group's financial assets at fair value through profit or loss which are stated at fair value include equity securities listed on The Stock Exchange of Hong Kong Limited amounting to HK\$20,133,000 (31.12.2016: HK\$25,675,000).

The classification of the Group's financial assets (i.e. financial assets at fair value through profit or loss) at 30 June 2017 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 note 13 and in the condensed consolidated statement of financial position, the Group entered into the following significant 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) During the year ended 31 December 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 (“新商務信息”), an associate of the Group, for an amount of RMB300,000 per year for a period of five years commencing from the date of the Agreement. CASC and its subsidiaries also have substantial interests and significant influence over 新商務信息.
- (b) **Transactions with the CASC and its subsidiaries**
- (i) During the period ended 30 June 2011, the Group entered into a facility (“Facility”) with a syndicate of financial institutions including Aerospace Science & Technology Finance Company Limited (“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 five years from the first drawdown date. The land use right of Aerospace Plaza had been mortgaged in favour of the Finance Syndicate as security. The interest paid to loans drawn from the Facility in prior period amounted to HK\$32,496,000 (1.1.2017 to 30.6.2017: nil). The pledged land use right of Aerospace Plaza had been released upon settlement of the loan. The loan was fully settled during the year ended 31 December 2016.

18. RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with the CASC and its subsidiaries *(continued)*

- (ii) During the year ended 31 December 2013, the Group entered into an agreement with Aerospace Finance, pursuant to which Aerospace Finance shall provide deposit services and settlement services to the Group which allow the Group to make deposits or withdrawals through the RMB deposit accounts with Aerospace Finance, subject to the condition that the maximum daily outstanding balance of all deposits placed by the Group shall not be more than RMB100,000,000 in aggregate within three years from the date of the agreement. As at 31 December 2016, such deposits placed by the Group amounted to RMB14,500 (equivalent to approximately HK\$16,000) and were included in amount due from a related party. The agreement was expired during the current period.
- (iii) As at 30 June 2017, deposits placed with Aerospace Finance by the Group amounted to RMB13,900 (equivalent to approximately HK\$16,000) and are included in amount due from a related party.
- (iv) 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 five years from the first drawdown date and is repayable in March 2018. As at 30 June 2017, the Group has drawn down RMB500,000,000 (equivalent to approximately HK\$574,713,000) (31.12.2016: RMB500,000,000 (equivalent to approximately HK\$555,556,000)). The interest incurred to CASC during the period ended 30 June 2017 amounted to HK\$13,966,000 (1.1.2016 to 30.6.2016: HK\$14,922,000).

18. RELATED PARTY TRANSACTIONS *(continued)*

(b) Transactions with the CASC and its subsidiaries *(continued)*

- (v) During the year ended 31 December 2016, the Group entered into a loan agreement with Hainan Aerospace Investment Management Company Limited (“Hainan Aerospace”) for an amount of RMB45,000,000 for a period of two years from the first drawdown date. As at 31 December 2016, Hainan Aerospace has drawn down RMB25,000,000 (equivalent to approximately HK\$27,778,000) (30.6.2017: nil). The interest income from Hainan Aerospace during the period ended 30 June 2017 amounted to RMB364,000 (equivalent to approximately HK\$405,000) (1.1.2016 to 30.6.2016: nil). The loan was early repaid during the current period.
- (vi) During the year ended 31 December 2016, the Group entered into a facility (“New Facility”) with Aerospace Finance, for advances up to RMB1,300,000,000 for a period of 12 years from the first drawdown date. The property ownership certificate(s) of a portion of the Aerospace Plaza with a valuation amount of approximately RMB1,900,000,000 will be subsequently mortgaged in favour of Aerospace Finance after Shenzhen Aerospace Technology Investment Company Limited (“Shenzhen Aerospace”) has obtained the relevant certificate(s). As at 30 June 2017, the Group has drawn down RMB534,100,000 (equivalent to approximately HK\$613,908,000) (31.12.2016: RMB509,100,000 (equivalent to approximately HK\$565,667,000)). The interest paid to loans drawn from the New Facility in the current period amounted to RMB11,809,000 (equivalent to approximately HK\$13,121,000) (1.1.2016 to 30.6.2016: nil).

18. RELATED PARTY TRANSACTIONS *(continued)*

(c) 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 with these banks and certain sales transactions, the remaining transactions with other government-related entities are individually insignificant.

(d) During the period, the emoluments of key management personnel were HK\$1,479,000 (1.1.2016 to 30.6.2016: HK\$1,479,000).

19. PLEDGE OF ASSETS

At 30 June 2017, bank deposits of HK\$10,608,000 (31.12.2016: HK\$6,158,000) were pledged to banks to secure general banking facilities.