



CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Stock Code: 31)

A large, colorful graphic for the 2020 Interim Report. It features a central white circle with a blue and red swoosh. The year '2020' is written in large, blue, 3D-style numbers. Below it, the words 'Interim Report' are written in white on a red, curved banner. The graphic is surrounded by various colorful shapes like triangles, squares, and circles, and a trail of small yellow and orange squares leading from the top left.

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr Liu Meixuan (*Chairman*)  
Mr Jin Xuesheng (*President*)

#### Non-Executive Directors

Mr Luo Zhenbang (*Independent*)  
Ms Leung Sau Fan, Sylvia  
(*Independent*)  
Mr Wang Xiaojun (*Independent*)  
Mr Liu Xudong  
Mr Hua Chongzhi  
(*appointed on 16 April 2020*)  
Mr Mao Yijin  
Mr Xu Liangwei  
(*retired on 16 April 2020*)

### 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 Hua Chongzhi  
(*appointed on 16 April 2020*)  
Mr Xu Liangwei  
(*retired on 16 April 2020*)

### NOMINATION COMMITTEE

Mr Liu Meixuan (*Chairman*)  
Mr Luo Zhenbang  
Ms Leung Sau Fan, Sylvia  
Mr Wang Xiaojun  
Mr Liu Xudong  
(*appointed on 16 April 2020*)  
Mr Xu Liangwei  
(*retired on 16 April 2020*)

### COMPANY SECRETARY

Mr Chan Ka Kin, Ken

### AUDITOR

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
*Registered Public Interest Entity*  
*Auditor*

### 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](mailto:public@casil-group.com)  
Website: <http://www.casil-group.com>

\* This PRC entity does not have an English name, the English name sets out in this Interim Report is for identification purpose only.

## BUSINESS REVIEW

### OVERVIEW

For the six months ended 30 June 2020, the Company and its subsidiaries reported an unaudited revenue of HK\$1,506,717,000, representing a decrease of 8.62% as compared with that of HK\$1,648,820,000 for the same period of 2019. Profit for the period was HK\$147,194,000, representing a decrease of 18.64% as compared with that of HK\$180,912,000 for the same period of 2019. Profit attributable to the shareholders was HK\$116,472,000, representing a decrease of 7.34% as compared with that of HK\$125,697,000 for the same period of 2019. Basic earnings per share attributable to shareholders was HK3.78 cents (first half of 2019: HK4.07 cents).

In the first half of 2020, under the impact of novel coronavirus pandemic, the Company's revenue dropped as compared to the same period last year. Measures had been taken by the Company to actively explore market and strictly control costs, and the overall profit performance was not ideal under such a tough and difficult operating environment, as well as the factors such as the impairment of investment properties, provisions and so on. The Board of Directors decided not to distribute any interim dividend after taking into account the capital needs for the Company's future development.

In response to the novel coronavirus pandemic, the Company adopted various anti-epidemic measures in a timely manner to protect employees at work from infection. The hi-tech manufacturing business resumed work and production in an orderly manner shortly after the Chinese New Year, and operations for production resumed to normal position in the second quarter. In addition, besides factors such as the enhancement of environmental protection standard, the increase in production costs, and the drastic fluctuation of exchange rates, the pandemic also affected the marketing and logistics as well as the rent and price of investment properties, which made the hi-tech manufacturing business exposed to various difficulties and challenges, the fair values of its investment properties were also affected. For the six months ended 30 June 2020, the hi-tech manufacturing business recorded a revenue of HK\$1,297,507,000, representing a decrease of 8.57% as compared with that of HK\$1,419,146,000 for the same period of 2019, and, as a result of the change in fair value of industrial properties, the operating profit decreased to HK\$63,815,000, representing a decrease of 27.69% as compared with that of HK\$88,256,000 for the same period of 2019.

## Business Review

In the first half of 2020, business sectors such as the plastic injection moulding, intelligent chargers and liquid crystal display were affected by factors such as the novel coronavirus pandemic, Sino-US trade disputes and the slowdown of global economy, which impacted the business operations in varying degrees. As such, both revenue and operating profit were decreased. The printed circuit board business, driven by the active development of domestic market, has gradually achieved results in recent years, which made the results relatively outstanding. Its operating profit grew more than 3.5 times as compared to the same period of last year, and offset the decline in performance of other business sectors.

In order to expedite the adjustment of production capacity layout, and cope with the influence of factors such as the business relocation of major customers and the Sino-US trade friction, the plastic product business, based on development needs, develops a new production base in Vietnam with an aim to lay a foundation for the exploration of overseas markets in future. In January 2020, Chee Yuen Electronic Technology (Vietnam) Co., Ltd. ("CY Vietnam") has been incorporated in Vietnam and becomes an indirect wholly-owned subsidiary of the Company, which mainly engages in the production and processing of various electronic products and plastic products. In April 2020, CY Vietnam entered into the rental agreement for land and main contractor contract in relation to the construction project, pursuant to which CY Vietnam rented a piece of land with a site area of approximately 52,000 sq.m. in Haiphong, Vietnam, on which the construction of plant is expected to complete before the end of 2020.

In the first half of 2020, Shenzhen Aerospace Hi-Tech Investment Management Company Limited\* (深圳市航天高科投資管理有限公司) ("Shenzhen Aerospace") and its wholly-owned subsidiary, responsible for the management of Shenzhen Aerospace Science & Technology Plaza, contributed stable incomes and profit to the Company and recorded a total revenue of HK\$204,443,000 (first half of 2019: HK\$213,987,000) and a segment profit of HK\$117,289,000 (first half of 2019: HK\$233,012,000). The pandemic also affected the rents and property prices in Nanshan District which, in return, affect to the fair value of investment properties in Shenzhen Aerospace Science & Technology Plaza. The operating profit would have been HK\$176,005,000 (first half of 2019: HK\$184,591,000) if the effect of the fair value of the investment property was excluded. As at 30 June 2020, the valuation of Shenzhen Aerospace Science & Technology Plaza was approximately RMB7,718,700,000 (30 June 2019: RMB7,734,000,000).

## Business Review

Following the return of all project investment fund and related expenses to the Company's joint venture Hainan Aerospace Investment Management Company Limited\* (海南航天投資管理有限公司) ("Hainan Aerospace") by the Municipal Government of Wenchang in December 2019, Hainan Aerospace completed the withdrawal of the land development project in the Complex Zone of the Launching Site in Hainan. For the first half of 2020, profit of Hainan Aerospace attributable to the Company was approximately HK\$8,186,000, representing a turning of profit from a loss as compared with the loss of HK\$2,338,000 for the same period of 2019. As at 30 June 2020, the carrying amount of Company's interest in Hainan Aerospace was approximately HK\$626,608,000 (30 June 2019: HK\$643,713,000).

Taking into account the needs of business development, Aerospace Digitnexus Information Technology (Shenzhen) Limited\* (航天數聯信息技術(深圳)有限公司) ("Aerospace Digitnexus") strengthened the equity base and assisted the company's further development by introducing new investors. On 20 April 2020, Aerospace Digitnexus entered into the capital increase agreement with two new investors, pursuant to which the two new investors shall acquire approximately 28.157% and 27.304% of the enlarged equity interest at the consideration of RMB33,000,000 and RMB32,000,000 in cash, respectively. Upon the completion of capital increase, the Company's interest in Aerospace Digitnexus decreased to 32.125% from 72.128% and Aerospace Digitnexus ceased to be an indirect subsidiary of the Company and the financial results of Aerospace Digitnexus will not be consolidated into the Company and its subsidiaries' financial statements. The Company recorded a gain from a deemed disposal of Aerospace Digitnexus of approximately HK\$54,075,000.

## PROSPECTS

Looking into the second half of the year, the global economic outlook is not optimistic. Factors such as repeated outbreaks of the novel coronavirus, US cancellation of preferential treatment status for Hong Kong, continued geopolitical disputes, and US presidential election will bring uncertainty and further impact on economic development. The industrial enterprises of the Company, which are mainly export oriented and have production bases in the mainland, will inevitably suffer a major economic shock. The industrial enterprises will make every effort to explore new markets, expand the scale of production automation, devote further efforts in the research and development of core technologies, improve technological skills, and strengthen market competitiveness. On the other hand, Shenzhen Aerospace will commit itself to improve the property management standard of Shenzhen Aerospace Science & Technology Plaza and provide tenants with quality services.

2020 is the last year of the “13th Five-Year Plan”. The Company will complete various tasks unswervingly and firmly to ensure the successful conclusion of the “13th Five-Year Plan”. At the same time, the Company will formulate the “14th Five-Year Plan”, consolidate the foundation comprehensively, respond to various challenges with firm confidence, and strive to seek breakthroughs in developing new businesses, so as to write a new chapter for the next five years and longer-term development of the Company.

## Business Review

**APPRECIATION**

The Board would like to extend its praised gratitude to Mr Xu Liangwei for his contributions to the Company during his tenure of services and extend a warm welcome to Mr Hua Chongzhi in joining the Board.

On behalf of the Board, I express my profound gratitude to all the staff for their dedication, loyal services and invaluable contributions, especially those who stuck to their posts with unremitting efforts during the difficult time under the ongoing novel coronavirus pandemic. 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,

**Liu Meixuan**

*Chairman & Executive Director*

Hong Kong, 27 August 2020

## MANAGEMENT DISCUSSION AND ANALYSIS

### RESULTS PERFORMANCE

The unaudited revenue of the Company and its subsidiaries for the six months ended 30 June 2020 was HK\$1,506,717,000, representing a decrease of 8.62% as compared with that of HK\$1,648,820,000 for the same period of 2019. Profit for the period was HK\$147,194,000, representing a decrease of 18.64% as compared with that of HK\$180,912,000 for the same period of 2019.

### PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Profit attributable to shareholders of the Company for the current period was HK\$116,472,000, representing a decrease of 7.34% as compared with that of HK\$125,697,000 for the same period of 2019.

The decrease in revenue was mainly due to the novel coronavirus pandemic that postponed the resumption of work and production, leading to a decrease in revenue, whereas the decrease in profits attributable to shareholders was mainly due to a decrease in the change in fair value of investment properties during the period, which offset the gain on deemed disposal of subsidiaries.

Based on the issued share of 3,085,022,000 shares during the period, the basic earnings per share was HK3.78 cents, representing a decrease of 7.13% as compared with that of HK4.07 cents for the same period of 2019.

### DIVIDENDS

The Board decided not to distribute an interim dividend for 2020.

The distribution of 2019 final dividend of HK2 cents per share was approved by shareholders at the Annual General Meeting in June 2020 and warrants of which were dispatched to all shareholders on 21 July 2020.



## Management Discussion and Analysis

## RESULTS OF CORE BUSINESSES

The core businesses of the Company and its subsidiaries are hi-tech manufacturing, and the operations of Shenzhen Aerospace Science & Technology Plaza.

The revenue of the hi-tech manufacturing is the main source of the Company's revenue that contributes a significant profit and cash flow. In recent years, the Company has gradually developed other new businesses. With the completion of Shenzhen Aerospace Science & Technology Plaza and that being turned into asset management, it brings in constant rental revenue, achieves new development goal of the Company and relatively minimizes the Company's individual business risk.

### Hi-tech manufacturing

The revenue of the hi-tech manufacturing business for the six months ended 30 June 2020 was HK\$1,297,507,000, representing a decrease of 8.57% as compared with the same period of 2019 and operating profit was HK\$63,815,000, representing a decrease of 27.69% as compared with the same period of 2019. The results of the hi-tech manufacturing business are shown below:

	Turnover (HK\$'000)			Operating Profit (HK\$'000)		
	First half of 2020	First half of 2019	Changes (%)	First half of 2020	First half of 2019	Changes (%)
Plastic Products	420,358	523,271	(19.67)	8,283	18,697	(55.70)
Printed Circuit Boards	435,830	370,628	17.59	34,371	7,617	351.24
Intelligent Chargers	131,847	185,621	(28.97)	3,128	4,989	(37.30)
Liquid Crystal Display	302,949	332,764	(8.96)	22,317	28,010	(20.32)
Industrial Property Investment	6,523	6,862	(4.94)	(4,284)	28,943	(114.80)
<b>Total</b>	<b>1,297,507</b>	<b>1,419,146</b>	<b>(8.57)</b>	<b>63,815</b>	<b>88,256</b>	<b>(27.69)</b>

## Management Discussion and Analysis

In the first half of 2020, in response to the outbreak of novel coronavirus, the rapid decline in aggregate demand greatly reduced consumption activities. Governments around the world successively implemented measures to lockdown, which further brought consumer activities into a standstill. On the other hand, many industries' supply chains were affected by labour, logistics and the supply of raw materials and that prevented many products from being launched in the market, cross-border tradings decreased substantially, and the global economy was greatly affected. At the same time, the hi-tech manufacturing business, having been facing fierce market competition, was further hit by the pandemic, the overall business in the first quarter was greatly affected as well. Most of the businesses still rose fortunately albeit difficulties in the second quarter, of which the sales orders of the Printed Circuit Boards business increased and hence the turnover and profit increased accordingly as compared with the same period of 2019, whereas the other businesses delayed the resumption of their productions as a result of the outbreak, and hence the turnover and profit decreased as compared with the same period of 2019.

In order to strengthen market competitiveness, enlarge business scale and expand overseas markets, the Company's subsidiary whose main business is injection molding products, Chee Yuen Industrial Company Limited, established a wholly-owned subsidiary in Vietnam in January 2020. In April 2020, the subsidiary leased a piece of land with an area of approximately 52,000 square meters in Haiphong, Vietnam. It is currently under construction a four-storey factory building and plans to install multiple production lines to manufacture plastics, molds, hardware, electronic products, etc. and strive to be in full operation before the end of 2020. Details of which please refer to the Company's announcement dated 16 April 2020.

In the first half of 2020, the Company established a research and development academy, which is to focus on new infrastructure and develop high tech industries as well as the outline of long-term development plans. The Company also requires all industrial enterprises to strengthen their research and development team, introduce industry experts and academics to carry out project's research and development, and provide support for the development of advanced manufacturing.

## Management Discussion and Analysis

Looking forward to the second half of 2020, the novel coronavirus pandemic will remain severe. There exist a lot of uncertain factors, and the aggregate demand will be difficult to recover in a short period of time. The global economy and the electronic information technology industry are also not optimistic. Cut-throat marketing strategies will be adopted fiercely and corporate profits will be negatively affected significantly. At this difficult time, the hi-tech manufacturing business still needs to work hard to open up the mainland China and other overseas markets, tries its best to reduce inventory and accounts receivable, maintains business stability and continuous development; at the same time it will continue to develop high-end products and research and development of new technologies, improve production automation, maintain production scale and capacity to reverse the downward trend of business.

### **Shenzhen Aerospace Science & Technology Plaza**

In the first half of 2020, the rental income of Shenzhen Aerospace Science & Technology Plaza under Shenzhen Aerospace Technology Investment Company Limited\* (深圳市航天高科技投資管理有限公司) (“Shenzhen Aerospace”) brought a consistent and constant revenue to the Company. However, the receipts of rent and management fees and the fair value of investment properties were affected under the impact of the pandemic. Shenzhen Aerospace and Shenzhen Aerospace Technology Property Management Company Limited\* (深圳市航天高科技物業管理有限公司) (“Shenzhen Property Management”), a wholly owned subsidiary of Shenzhen Aerospace responsible for the management of Shenzhen Aerospace Science & Technology Plaza, recorded a total revenue of HK\$204,443,000 (first half of 2019: HK\$213,987,000) and a segment profit of HK\$117,289,000 (first half of 2019: HK\$233,012,000).

As at 30 June 2020, Shenzhen Aerospace Science & Technology Plaza was valued at approximately RMB7,718,700,000 (30 June 2019: RMB7,734,000,000).

In the second half of 2020, Shenzhen Property Management will continue to do better in property management, paying special attention to the continued anti-epidemic measures and safety management and take effective measures so as to improve the quality of property services, enhance the satisfaction and praise of tenants, as well as attract more new tenants.

## Management Discussion and Analysis

**Internet of things application and cross-border e-commerce logistics**

The performance of Aerospace Digitnexus Information Technology (Shenzhen) Limited\* (航天數聯信息技術(深圳)有限公司) (“Aerospace Digitnexus”) was not ideal for the time being, it did not form a unique competitive advantage. In April 2020, two investors, through a public bidding, subscribed the registered capital of Aerospace Digitnexus in a total of RMB65,000,000. Upon the completion of the subscription, the indirect shareholding of the Company in Aerospace Digitnexus was reduced from 72.128% to 32.125%, Aerospace Digitnexus is no longer an indirect subsidiary of the Company. The Company recorded a gain from a deemed disposal of Aerospace Digitnexus of approximately HK\$54,075,000. Details of which please refer to the Company’s announcements dated 20 April 2020 and 24 April 2020.

From 1 January 2020 to the signing of capital increase agreement on 20 April 2020, a revenue of HK\$149,000 was recorded by Aerospace Digitnexus and its subsidiary (first half of 2019: HK\$4,016,000), whereas an operating loss of HK\$541,000 was made (first half of 2019: loss of HK\$10,346,000).

In the second half of 2020, the Company will prudently discuss with other shareholders of Aerospace Digitnexus in relation to the direction of future development, whereas Aerospace Digitnexus should strive to improve its business model, elevate efficiency and reduce losses as soon as possible.

**ASSETS**

<b>(HK\$'000)</b>	<b>30 June 2020</b>	31 December 2019	Changes (%)
Non-Current Assets	<b>11,458,098</b>	11,656,155	(1.70)
Current Assets	<b>2,934,780</b>	3,049,116	(3.75)
<b>Total Assets</b>	<b>14,392,878</b>	14,705,271	(2.12)

## Management Discussion and Analysis

The decrease in non-current assets was mainly due to a decrease in the valuation of the investment properties, while the decrease in current assets was mainly due to a decrease in trade and other receivables. The equity attributable to shareholders of the Company was HK\$7,185,813,000, representing a decrease of 0.83% as compared with that of HK\$7,245,792,000 at the end of 2019. The equity attributable to shareholders decreased in the current period as compared with the end of last year, which was mainly due to the increase in exchange differences arising from the conversion of assets and liabilities denominated in RMB during the period, and hence increased the translation reserve debit and thereby reduced the equity attributable to shareholders. Based on the issued share capital of 3,085,022,000 shares during the period, the net assets per share attributable to shareholders was HK\$2.33.

As at 30 June 2020, a cash deposit of HK\$43,298,000 and bills receivable of HK\$121,994,000 of the Company and the subsidiaries had been pledged to banks to obtain credit facilities. Property right certificates at an approximate value of RMB1,900,000,000 of Shenzhen Aerospace Science & Technology Plaza were mortgaged by Shenzhen Aerospace to Aerospace Science & Technology Finance Company Limited\* (航天科技財務有限責任公司) as a guarantee of repayment of a 12-year term loan in the amount of RMB1,300,000,000. Details of which please refer to the Company's announcement published on 30 August 2016.

## LIABILITIES

(HK\$'000)	30 June 2020	31 December 2019	Changes (%)
Non-Current Liabilities	3,853,200	3,954,619	(2.56)
Current Liabilities	1,213,750	1,369,666	(11.38)
Total Liabilities	5,066,950	5,324,285	(4.83)

## Management Discussion and Analysis

The decrease in non-current liabilities was mainly due to a decrease in deferred tax liabilities whereas the decrease in current liabilities were mainly due to a decrease in trade and other payables. As at 30 June 2020, the Company and its subsidiaries had other borrowings of HK\$1,411,939,000.

## OPERATING EXPENSES

The administrative expenses of the Company and its subsidiaries in the first half of 2020 were HK\$161,315,000, which is more or less the same to the same period of 2019. The finance costs amounted to HK\$35,742,000.

## CONTINGENT LIABILITIES

As at 30 June 2020, the Company and its subsidiaries did not have any material contingent liabilities.

## FINANCIAL RATIOS

	<b>First half of 2020</b>	First half of 2019
Gross Profit Margin	<b>29.22%</b>	26.69%
Return on Net Assets	<b>1.58%</b>	1.94%

	<b>30 June 2020</b>	31 December 2019
Assets-Liabilities Ratio	<b>35.20%</b>	36.21%
Current Ratio	<b>2.42</b>	2.23
Quick Ratio	<b>2.09</b>	1.96

## Management Discussion and Analysis

### LIQUIDITY

The source of funds of the Company and its subsidiaries mainly relies on internal resources and facilities from bank and financial institution. As at 30 June 2020, the free cash and bank balance amounted to HK\$1,409,818,000, the majority of which were in Hong Kong Dollars and Renminbi.

### CAPITAL EXPENDITURE

As at 30 June 2020, the capital commitments of the Company and its subsidiaries contracted for but not provided in the condensed consolidated financial statements was approximately HK\$156,221,000, mainly for the capital expenditure of acquiring fixed assets.

### FINANCIAL RISKS

The Company and its 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

In the first half of 2020, under the premise of attaching great importance to the health of employees, the Company and its subsidiaries had taken certain anti-epidemic measures, including requiring employees to actively declare travel records, allowing flexible commuting and lunch time, free distribution of masks and disinfecting alcohol, arranging employees to participate in anti-epidemic training seminars, reducing physical meetings by means of video conferences, work from home etc., which let employees gaining a deep understanding of the transmission routes and anti-epidemic measures of the novel coronavirus. These help to protect the health of employees and their family members from infection and avoid infecting other colleagues which in turn affect the daily operation of the companies. In the second half of 2020, the novel coronavirus infections persist, the Company and its subsidiaries will continue to take appropriate and strict anti-epidemic measures to stop its spreading.

## Management Discussion and Analysis

The remuneration policy of the Company and its subsidiaries is based on the employee's qualifications, experience and performance on the job, with reference to the current market situation. The Company and its 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 2020, the Company and its subsidiaries had a total of approximately 6,840 employees based in the mainland and Hong Kong respectively.

## APPRECIATION

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

By order of the Board,

**Jin Xuesheng**

*Executive Director & President*

Hong Kong, 27 August 2020



## OTHER DISCLOSURES

### THE INTERESTS OF SUBSTANTIAL SHAREHOLDERS

As at 30 June 2020, 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%
Burhill Company Limited	Beneficial owner	Yes	1,183,598,636	38.37%

Note: Burhill Company Limited is a wholly-owned subsidiary of China Aerospace Science & Technology Corporation, the shares held by it 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 of the Company as at 30 June 2020.

### 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 any of its subsidiaries during the first half of 2020.

### CORPORATE GOVERNANCE

For the six months ended 30 June 2020, the Company complied throughout the period with the code 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 2020, 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 the Company and any of its subsidiaries.

## 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 to trade the securities of the Company. Having made specific enquiry to the Directors and in accordance with information provided, all the Directors have complied with the provisions under the Model Code in the first half of 2020.

As at 30 June 2020, save for Mr Liu Xudong, Mr Hua Chongzhi and Mr Mao Yijin, the Directors of the Company, are the officers of the substantial shareholder China Aerospace Science & Technology Corporation's academy and 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.

## Other Disclosures

The Audit Committee of the Company reviewed, discussed and approved the unaudited condensed consolidated financial statements for the six months ended 30 June 2020 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 Non-Executive Directors, Mr Hua Chongzhi (appointed on 16 April 2020) and Mr Xu Liangwei (retired on 16 April 2020). 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 results of the Company, the individual performance and the comparable market information.

## NOMINATION COMMITTEE

The Nomination Committee of the Company has a membership comprising an Executive Director, Mr Liu Meixuan (Chairman), Non-Executive Directors, Mr Liu Xudong (appointed on 16 April 2020) and Mr Xu Liangwei (retired on 16 April 2020), 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 the Board's composition for the execution of the Company's policy.

## STATEMENT OF COMPLIANCE

The financial information relating to the year ended 31 December 2019 that is included in the Interim Report 2020 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:

## Other Disclosures

The Company has delivered the financial statements for the year ended 31 December 2019 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.

## CONNECTED TRANSACTION AND EVENT AFTER THE REPORTING PERIOD

On 30 July 2020, CASIL New Century Technology Development (Shenzhen) Company Limited\* (航科新世紀科技發展(深圳)有限公司) ("New Century"), a wholly-owned subsidiary of the Company, entered into a capital increase agreement with connected parties, pursuant to which New Century will subscribe for the registered share capital of RMB10,000,000 of Aerospace New Business Information Technology Co., Ltd.\* (航天新商務信息科技有限公司) ("New Business") at a consideration of RMB10,820,000. Upon completion of the subscription, New Century's interest in New Business will be slightly diluted from 16.13% to 15.15%. Details of which please refer to the Company's announcements dated 30 July 2020 and 31 July 2020.

## 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 54, which comprise the condensed consolidated statement of financial position as of 30 June 2020 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

**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

27 August 2020

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

	NOTES	Six months ended	
		30.6.2020 HK\$'000 (Unaudited)	30.6.2019 HK\$'000 (Unaudited)
Revenue	3	<b>1,506,717</b>	1,648,820
Cost of sales		<b>(1,066,508)</b>	(1,208,788)
Gross profit		<b>440,209</b>	440,032
Other income	4	<b>25,134</b>	20,640
Other gains and losses	4	<b>(4,995)</b>	(26,749)
Gain on deemed disposal of subsidiaries	16	<b>54,075</b>	—
Selling and distribution expenses		<b>(20,422)</b>	(24,233)
Administrative expenses		<b>(161,315)</b>	(161,157)
Research and development expenses		<b>(48,509)</b>	(43,226)
Fair value changes of investment properties		<b>(68,417)</b>	74,215
Impairment losses under expected credit loss model, net of reversal		<b>(30,756)</b>	(3,923)
Finance costs	5	<b>(35,742)</b>	(37,829)
Share of results of associates		<b>6,081</b>	1,185
Share of results of joint ventures		<b>6,519</b>	(1,970)
Profit before taxation	6	<b>161,862</b>	236,985
Taxation	7	<b>(14,668)</b>	(56,073)
Profit for the period		<b>147,194</b>	180,912
Profit for the period attributable to:			
Owners of the Company		<b>116,472</b>	125,697
Non-controlling interests		<b>30,722</b>	55,215
		<b>147,194</b>	180,912
Basic earnings per share	8	<b>HK3.78 cents</b>	HK4.07 cents

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

For the six months ended 30 June 2020

	Six months ended	
	30.6.2020 HK\$'000 (Unaudited)	30.6.2019 HK\$'000 (Unaudited)
Profit for the period	147,194	180,912
<b>Other comprehensive expense:</b> <i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translating foreign operations		
– subsidiaries	(131,506)	(10,396)
– associates	(3,537)	(235)
– joint ventures	(11,187)	(772)
Other comprehensive expense for the period	(146,230)	(11,403)
Total comprehensive income for the period	964	169,509
Total comprehensive income (expenses) for the period attributable to:		
Owners of the Company	7,781	117,152
Non-controlling interests	(6,817)	52,357
	964	169,509



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	NOTES	30.6.2020 HK\$'000 (Unaudited)	31.12.2019 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	<b>1,033,743</b>	1,066,677
Right-of-use assets		<b>170,333</b>	190,910
Investment properties	10	<b>8,885,337</b>	9,110,037
Interests in associates		<b>208,851</b>	199,546
Interests in joint ventures		<b>693,255</b>	697,923
Deposits paid for property, plant and equipment		<b>18,035</b>	6,387
Long-term assets	11	<b>448,544</b>	384,675
		<b>11,458,098</b>	11,656,155
<b>Current assets</b>			
Inventories		<b>403,801</b>	361,391
Trade and other receivables	11	<b>1,070,815</b>	1,245,705
Amount due from a related party		<b>149</b>	16
Financial assets at fair value through profit or loss		<b>6,899</b>	5,787
Pledged bank deposits		<b>43,298</b>	41,272
Short-term bank deposits	13	<b>199,333</b>	123,389
Bank balances and cash		<b>1,210,485</b>	1,271,556
		<b>2,934,780</b>	3,049,116

Condensed Consolidated Statement of Financial Position  
At 30 June 2020

	NOTES	30.6.2020 HK\$'000 (Unaudited)	31.12.2019 HK\$'000 (Audited)
Current liabilities			
Trade and other payables	14	1,083,083	1,248,333
Contract liabilities		40,946	38,569
Lease liabilities		30,143	29,330
Taxation payable		51,728	45,444
Other loan		7,850	7,990
		1,213,750	1,369,666
Net current assets		1,721,030	1,679,450
Total assets less current liabilities		13,179,128	13,335,605
Non-current liabilities			
Lease liabilities		62,758	79,895
Loan from a controlling shareholder	19(a)(i)	547,645	557,414
Loan from a related party	19(a)(ii)	864,294	879,710
Deferred taxation		2,378,503	2,437,600
		3,853,200	3,954,619
		9,325,928	9,380,986
Capital and reserves			
Share capital	15	1,154,511	1,154,511
Reserves		6,031,302	6,091,281
Equity attributable to owners of the Company		7,185,813	7,245,792
Non-controlling interests		2,140,115	2,135,194
		9,325,928	9,380,986

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Special capital reserve	General reserve	Translation reserve	Property revaluation reserve	Other reserves	Retained profits	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020 (audited)	1,154,511	14,044	76,647	(299,936)	30,523	44,926	6,225,077	7,245,792	2,135,194	9,380,986
Profit for the period	–	–	–	–	–	–	116,472	116,472	30,722	147,194
Exchange difference arising on translating foreign operations										
– subsidiaries	–	–	–	(93,967)	–	–	–	(93,967)	(37,539)	(131,506)
– associates	–	–	–	(3,537)	–	–	–	(3,537)	–	(3,537)
– joint ventures	–	–	–	(11,187)	–	–	–	(11,187)	–	(11,187)
Total comprehensive (expense) income for the period	–	–	–	(108,691)	–	–	116,472	7,781	(6,817)	964
Deemed disposal of existing subsidiaries (note 16)	–	–	–	(6,060)	–	–	–	(6,060)	11,738	5,678
Dividend recognised as distribution (note 9)	–	–	–	–	–	–	(61,700)	(61,700)	–	(61,700)
At 30 June 2020 (unaudited)	1,154,511	14,044	76,647	(414,687)	30,523	44,926	6,279,849	7,185,813	2,140,115	9,325,928
At 1 January 2019 (audited)	1,154,511	14,044	57,235	(152,970)	30,523	43,925	5,936,989	7,084,257	2,096,110	9,180,367
Profit for the period	–	–	–	–	–	–	125,697	125,697	55,215	180,912
Exchange difference arising on translating foreign operations										
– subsidiaries	–	–	–	(7,538)	–	–	–	(7,538)	(2,858)	(10,396)
– associates	–	–	–	(235)	–	–	–	(235)	–	(235)
– joint ventures	–	–	–	(772)	–	–	–	(772)	–	(772)
Total comprehensive (expense) income for the period	–	–	–	(8,545)	–	–	125,697	117,152	52,357	169,509
Partial disposal of an existing subsidiary	–	–	–	–	–	1,001	–	1,001	5,098	6,099
Dividend recognised as distribution (note 9)	–	–	–	–	–	–	(30,850)	(30,850)	–	(30,850)
Dividend paid to non-controlling interests of a subsidiary	–	–	–	–	–	–	–	–	(18,446)	(18,446)
At 30 June 2019 (unaudited)	1,154,511	14,044	57,235	(161,515)	30,523	44,926	6,031,836	7,171,560	2,135,119	9,306,679

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	NOTE	Six months ended	
		30.6.2020 HK\$'000 (Unaudited)	30.6.2019 HK\$'000 (Unaudited)
Net cash from operating activities		200,294	394,956
Net cash used in investing activities			
Placement of short-term bank deposits		(200,652)	—
Purchase of property, plant and equipment		(95,275)	(89,088)
Cash outflow on deemed disposal of subsidiaries	16	(31,645)	—
Deposits paid for acquisition of property, plant and equipment		(14,288)	(143)
Payment for development costs incurred in respect of investment properties		(6,589)	(13,208)
Placement of pledged bank deposits		(2,767)	(33,854)
Withdrawal of short-term bank deposits		122,029	—
Proceeds from disposal of property, plant and equipment		741	37
Withdrawal of pledged bank deposits		—	6,133
Other investing cash flows		7,700	10,822
		(220,746)	(119,301)

Condensed Consolidated Statement of Cash Flows  
For the six months ended 30 June 2020

	NOTE	Six months ended	
		30.6.2020 HK\$'000 (Unaudited)	30.6.2019 HK\$'000 (Unaudited)
Net cash used in financing activities			
Repayments of lease liabilities		(14,204)	(12,751)
Dividend paid		—	(30,762)
Dividend paid to non-controlling interests of a subsidiary		—	(18,446)
Other financing cash flows		(35,742)	(52,671)
		(49,946)	(114,630)
Net (decrease) increase in cash and cash equivalents		(70,398)	161,025
Cash and cash equivalents at 1 January		1,271,556	958,628
Effect of foreign exchange rate changes		9,327	2,464
Cash and cash equivalents at 30 June, represented by bank balances and cash		1,210,485	1,122,117

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS”) 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 2019 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 2019 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.

Notes to the Condensed Consolidated Financial Statements  
For the six months ended 30 June 2020

## 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, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the preparation of the Group’s annual financial statements for the year ended 31 December 2019.

### **Application of amendments to HKFRSs**

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements  
For the six months ended 30 June 2020

## 2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### 2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

## 3. REVENUE AND SEGMENT INFORMATION

The Group determines its operating and reportable 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. There are 8 operating and reportable segments, namely Hi-Tech Manufacturing Business (including plastic products, liquid crystal display, printed circuit boards, intelligent chargers and industrial property investment) and Aerospace Service (including property investment in Shenzhen Aerospace Science & Technology Plaza, Internet of Things and Cross-border e-commerce) which represent the major industries in which the Group is engaged.

Other business mainly represents income and expenses relating to certain investment properties and other services. None of these segments met the quantitative thresholds for the reportable segments in both current and prior period. Accordingly, these were grouped in “Others Business”.



Notes to the Condensed Consolidated Financial Statements  
For the six months ended 30 June 2020

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

(a)(i) An analysis of the Group's revenue and results by operating and reportable segments is as follows:

**For the six months ended 30 June 2020**

	Revenue			Segment results HK\$'000
	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	
Hi-Tech Manufacturing Business				
Plastic products	420,358	18,168	438,526	8,283
Liquid crystal display	302,949	803	303,752	22,317
Printed circuit boards	435,830	—	435,830	34,371
Intelligent chargers	131,847	977	132,824	3,128
Industrial property investment	6,523	11,095	17,618	(4,284)
	<b>1,297,507</b>	<b>31,043</b>	<b>1,328,550</b>	<b>63,815</b>
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	204,443	2,318	206,761	117,289
Internet of Things (Note)	149	—	149	(109)
Cross-border e-commerce (Note)	—	—	—	(432)
	<b>204,592</b>	<b>2,318</b>	<b>206,910</b>	<b>116,748</b>
Operating and reportable segment total	<b>1,502,099</b>	<b>33,361</b>	<b>1,535,460</b>	<b>180,563</b>
Elimination	—	(33,361)	(33,361)	—
Other Business	4,618	—	4,618	1,887
	<b>1,506,717</b>	<b>—</b>	<b>1,506,717</b>	<b>182,450</b>
Unallocated corporate income				11,339
Unallocated corporate expenses				(62,860)
				130,929
Share of results of associates				6,081
Share of results of joint ventures				6,519
Finance costs				(35,742)
Gain on deemed disposal of subsidiaries				54,075
Profit before taxation				<b>161,862</b>

Notes to the Condensed Consolidated Financial Statements  
For the six months ended 30 June 2020

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

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

**For the six months ended 30 June 2019**

	Revenue			Segment results HK\$'000
	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	
Hi-Tech Manufacturing Business				
Plastic products	523,271	23,222	546,493	18,697
Liquid crystal display	332,764	—	332,764	28,010
Printed circuit boards	370,628	—	370,628	7,617
Intelligent chargers	185,621	838	186,459	4,989
Industrial property investment	6,862	10,633	17,495	28,943
	1,419,146	34,693	1,453,839	88,256
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	213,987	2,918	216,905	233,012
Internet of Things (Note)	2	—	2	(4,293)
Cross-border e-commerce (Note)	4,014	—	4,014	(6,053)
	218,003	2,918	220,921	222,666
Operating and reportable segment total	1,637,149	37,611	1,674,760	310,922
Elimination	—	(37,611)	(37,611)	—
Other Business	11,671	—	11,671	12,019
	1,648,820	—	1,648,820	322,941
Unallocated corporate income				13,704
Unallocated corporate expenses				(61,046)
				275,599
Share of results of associates				1,185
Share of results of joint ventures				(1,970)
Finance costs				(37,829)
Profit before taxation				236,985

Notes to the Condensed Consolidated Financial Statements  
For the six months ended 30 June 2020

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

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

*Note:* The Internet of Things service and Cross-border e-commerce are held by Aerospace Digitnexus Information Technology (Shenzhen) Limited ("Digitnexus"), which became an associate of the Group as a result of deemed disposal during the current period as detailed in note 16. The CODM continuously reviews these segments information for the purpose of resource allocation and performance assessment. The result of operation upon the deemed disposal is included in share of results of associates.

Segment results represent the profit earned/loss incurred by each segment without allocations of interest income, changes in fair value of financial assets at fair value through profit or loss, gain on deemed disposal of subsidiaries, share of results of joint ventures and associates, interest expenses and other corporate income and corporate expenses.

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

Notes to the Condensed Consolidated Financial Statements  
For the six months ended 30 June 2020

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

(a)(ii) Disaggregation of revenue

**For the six months ended 30 June 2020**

	Timing of revenue recognition		
	A point in time HK\$'000	Over time HK\$'000	Total HK\$'000
Manufacturing of goods (Note)	1,290,985	—	1,290,985
Property management fee	—	40,872	40,872
Logistic services	—	149	149
Others	2,550	—	2,550
Revenue from contracts with customers	1,293,535	41,021	1,334,556
Leases			172,161
Total revenue			1,506,717

Notes to the Condensed Consolidated Financial Statements  
For the six months ended 30 June 2020

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

(a)(ii) Disaggregation of revenue *(continued)*

**For the six months ended 30 June 2019**

	Timing of revenue recognition		
	A point in time HK\$'000	Over time HK\$'000	Total HK\$'000
Manufacturing of goods (Note)	1,412,284	—	1,412,284
Property management fee	—	43,913	43,913
Logistic services	—	4,014	4,014
Others	10,018	—	10,018
Revenue from contracts with customers	1,422,302	47,927	1,470,229
Leases			178,591
Total revenue			1,648,820

Note: Manufacturing of goods represents external sales of plastic products, liquid crystal display, printed circuit boards and intelligent chargers as detailed in above segment information.

### Geographical information

	Revenue from external customers based on the location of operation for the six months ended	
	30.6.2020 HK\$'000	30.6.2019 HK\$'000
Hong Kong	730,696	852,352
People's Republic of China (The "PRC")	603,860	617,877
Revenue from contracts with customers	1,334,556	1,470,229
Leases	172,161	178,591
Total revenue	1,506,717	1,648,820

Notes to the Condensed Consolidated Financial Statements  
For the six months ended 30 June 2020

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

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

	30.6.2020 HK\$'000	31.12.2019 HK\$'000
<b>Segment assets</b>		
Hi-Tech Manufacturing Business		
Plastic products	841,659	926,490
Liquid crystal display	421,375	439,071
Printed circuit boards	984,110	999,648
Intelligent chargers	196,198	208,414
Industrial property investment	363,533	349,320
	<b>2,806,875</b>	2,922,943
Aerospace Service		
Property investment in Shenzhen Aerospace Science & Technology Plaza	9,099,802	9,250,024
Internet of Things	—	311
Cross-border e-commerce	—	295
	<b>9,099,802</b>	9,250,630
Total assets for reportable segments	<b>11,906,677</b>	12,173,573
Other Business	94,633	98,328
Interests in associates	208,851	199,546
Interests in joint ventures	693,255	697,923
Unallocated assets	1,489,462	1,535,901
Consolidated assets	<b>14,392,878</b>	14,705,271

Notes to the Condensed Consolidated Financial Statements  
For the six months ended 30 June 2020

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

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

	30.6.2020 HK\$'000	31.12.2019 HK\$'000
<b>Segment liabilities</b>		
Hi-Tech Manufacturing Business		
Plastic products	290,092	343,544
Liquid crystal display	115,811	113,094
Printed circuit boards	297,647	294,083
Intelligent chargers	82,155	90,753
Industrial property investment	6,256	6,001
	<b>791,961</b>	847,475
Aerospace Service		
Property investment in Shenzhen Aerospace Science & Technology Plaza	86,175	105,271
Internet of Things	—	1,209
Cross-border e-commerce	—	23,246
	<b>86,175</b>	129,726
Total liabilities for reportable segments	<b>878,136</b>	977,201
Unallocated liabilities	<b>4,188,814</b>	4,347,084
Consolidated liabilities	<b>5,066,950</b>	5,324,285

Notes to the Condensed Consolidated Financial Statements  
For the six months ended 30 June 2020

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

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

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

- all assets are allocated to operating and reportable segments other than bank balances and cash, pledged bank deposits, short-term bank deposits, amount due from a related party, 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 and reportable segments other than taxation payable, deferred taxation, other loan, loan from a controlling shareholder, loan from a related party and the other unallocated liabilities.



Notes to the Condensed Consolidated Financial Statements  
For the six months ended 30 June 2020

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

	Six months ended	
	30.6.2020 HK\$'000	30.6.2019 HK\$'000
The Group's other income comprises:		
Bank interest income	9,721	5,355
Sales of scrap materials	8,631	4,554
The Group's other gains and losses comprise:		
Net gain from change in fair value of financial assets at fair value through profit or loss	1,112	2,559
Net exchange (loss) gain	(6,284)	366

#### 5. FINANCE COSTS

	Six months ended	
	30.6.2020 HK\$'000	30.6.2019 HK\$'000
Interest on:		
Loans from related parties (Note 19(a))	33,332	34,775
Lease liabilities	2,410	3,054
	<b>35,742</b>	<b>37,829</b>

Notes to the Condensed Consolidated Financial Statements  
For the six months ended 30 June 2020

## 6. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	82,962	84,094
Depreciation of right-of-use assets	16,123	16,294

## 7. TAXATION

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
Current tax		
Hong Kong Profits Tax (Note (i))	3,941	5,248
PRC Enterprise Income Tax (Note (ii))	27,642	6,520
	31,583	11,768
Deferred tax (credit) charge	(16,915)	44,305
	14,668	56,073

Notes to the Condensed Consolidated Financial Statements  
For the six months ended 30 June 2020

## 7. TAXATION *(continued)*

*Notes:*

### (i) HONG KONG PROFIT TAX

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits for the qualifying group entity and at 16.5% on the estimated assessable profits above HK\$2 million.

### (ii) PRC ENTERPRISE INCOME TAX

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. During the six months ended 30 June 2020, certain subsidiaries of the Group operating in the PRC are eligible as High and New Technology Enterprise till the dates ranging from 9 November 2020 to 2 December 2022 and the income tax rate of these subsidiaries is 15%.

According to relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprise engaging in research and development activities are entitled to claim 175% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year.

Notes to the Condensed Consolidated Financial Statements  
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## 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	
	30.6.2020 HK\$'000	30.6.2019 HK\$'000
<b>Earnings</b>		
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	<b>116,472</b>	125,697
	<b>30.6.2020 '000</b>	30.6.2019 '000
<b>Number of shares</b>		
Number of ordinary shares for the purpose of basic earnings per share	<b>3,085,022</b>	3,085,022

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

## 9. DIVIDEND

2019 final dividend of HK2 cents (1.1.2019 to 30.6.2019: 2018 final dividend of HK1 cent) per share amounting to HK\$61,700,000 (1.1.2019 to 30.6.2019: HK\$30,850,000) was declared by the Company during the period. The directors of the Company do not recommend payment of an interim dividend for both interim period.

Notes to the Condensed Consolidated Financial Statements  
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## 10. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of HK\$544,000 (1.1.2019 to 30.6.2019: HK\$108,000) for cash proceeds of HK\$741,000 (1.1.2019 to 30.6.2019: HK\$37,000), resulting in a gain on disposal of HK\$187,000 (1.1.2019 to 30.6.2019: loss on disposal of HK\$71,000).

In addition, during the period, the Group spent approximately HK\$69,237,000 (1.1.2019 to 30.6.2019: HK\$58,908,000) on acquisition of property, plant and equipment.

The fair values of the Group's investment properties at 30 June 2020 and 31 December 2019 have been arrived on the basis of valuations carried out on that date by Jones Lang LaSalle 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 investment properties of HK\$8,885,337,000 (31.12.2019: HK\$9,110,037,000) 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 decrease in fair value of investment properties of HK\$68,417,000 (1.1.2019 to 30.6.2019: increase of HK\$74,215,000) has been recognised directly in the condensed consolidated statement of profit or loss.

Notes to the Condensed Consolidated Financial Statements  
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## 11. TRADE AND OTHER RECEIVABLES AND LONG-TERM ASSETS

The Group allows an average credit period of 30–120 days to its trade receivables arising from contracts with customers.

The following is an aged analysis of trade receivables arising from contracts with customers, net of allowance for credit losses presented based on invoice date, at the end of the reporting period:

	<b>30.6.2020</b> <b>HK\$'000</b>	31.12.2019 HK\$'000
Within 90 days	<b>749,980</b>	851,223
Between 91–180 days	<b>25,396</b>	113,296
Between 181–365 days	<b>—</b>	4,204
	<b>775,376</b>	968,723

Included in the Group's trade receivables arising from contracts with customers is bills received amounting to HK\$135,601,000 (31.12.2019: HK\$166,131,000) which are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

The Group's rental income is based on effective accrued rentals after taking into account of rent free period and progressive rentals which are recorded as unbilled rental receivables. Rental receivables are invoiced to tenants on a monthly basis after the rent free period and are due for settlement upon the issuance of invoices.

Notes to the Condensed Consolidated Financial Statements  
For the six months ended 30 June 2020

## 11. TRADE AND OTHER RECEIVABLES AND LONG-TERM ASSETS (continued)

Rental receivables of the Group HK\$599,721,000 (31.12.2019: HK\$547,660,000) include billed rental receivables of HK\$69,322,000 (31.12.2019: HK\$27,555,000) and unbilled rental receivables of HK\$530,399,000 (31.12.2019: HK\$520,105,000). The following is an aged analysis of billed rental receivables, net of allowance for credit losses, presented based on invoice date at the end of the reporting period:

	30.6.2020 HK\$'000	31.12.2019 HK\$'000
Within 90 days	32,856	12,348
Between 91–180 days	36,466	15,207
	<b>69,322</b>	27,555

Included in the Group's rental receivables as at 30 June 2020 are accrued rental income of HK\$448,544,000 (31.12.2019: HK\$384,675,000) that are expected to be realised after twelve months after the reporting period and are presented as non-current assets under long term assets.

Included in the Group's other receivables at 30 June 2020 is value-added tax recoverable of HK\$49,451,000 (31.12.2019: HK\$45,881,000).

Notes to the Condensed Consolidated Financial Statements  
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## **12. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS MODEL (“ECL”)**

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019.

During the current interim period, the Group recognised additional impairment losses on financial assets and other items subject to ECL for the specific loss allowance due to the delay payment from these debtors.

## **13. SHORT-TERM BANK DEPOSITS**

At 30 June 2020, short-term bank deposits with original maturity more than three months carry a fixed interest ranging from 0.13% to 2.30% per annum (31.12.2019: ranging from 2.05% to 3.37%).



Notes to the Condensed Consolidated Financial Statements  
For the six months ended 30 June 2020

#### 14. TRADE AND OTHER PAYABLES

	30.6.2020 HK\$'000	31.12.2019 HK\$'000
Trade payables	444,116	474,406
Accrued charges	148,790	190,949
Security deposits from tenants	26,319	29,475
Other payables	463,858	553,503
	<b>1,083,083</b>	1,248,333

Other payables included an amount of HK\$54,000,000 (31.12.2019: HK\$54,000,000) received from a third party on behalf of China Aerospace Science & Technology Corporation ("CASC"), a controlling shareholder of the Company.

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

	30.6.2020 HK\$'000	31.12.2019 HK\$'000
Within 90 days	416,603	427,820
Between 91–180 days	10,226	1,521
Between 181–365 days	3,953	35,658
Over 1 year	13,334	9,407
	<b>444,116</b>	474,406

Notes to the Condensed Consolidated Financial Statements  
For the six months ended 30 June 2020

## 15. SHARE CAPITAL

	30.6.2020 & 31.12.2019 HK\$'000
Issued and fully paid:	
— 3,085,022,000 ordinary shares with no par value	<b>1,154,511</b>

## 16. DISPOSAL OF SUBSIDIARIES

During the current interim period, the Group entered into a capital increment agreement with several existing shareholders and strategic investors in which the registered capital of 航天數聯信息技術(深圳)有限公司 (“Digitnexus”) would be increased from approximately HK\$57,216,000 to approximately HK\$128,460,000. The strategic investors agreed to subscribe for registered capital of HK\$71,244,000 while the existing shareholders of Digitnexus have not made additional contribution.

The transaction was completed on 20 April 2020, on which the Group lost control of Digitnexus. The equity interest held by the Group in Digitnexus decreased from 72.13% to 32.13%. Digitnexus ceased to be a subsidiary of the Company and since the operation of Digitnexus is insignificant to the Group, no discontinued operation for the period ended 30 June 2020 is presented. Digitnexus became an associate of the Company as the Group was regard as having significant influence over Digitnexus, and is accounted for in the condensed consolidated financial statements using equity-accounting method since the date of completion.

Notes to the Condensed Consolidated Financial Statements  
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## 16. DISPOSAL OF SUBSIDIARIES *(continued)*

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

	HK\$'000
Bank balances and cash	31,645
Trade and other payables	(14,034)
Others	641
<b>Net assets disposed of</b>	<b>18,252</b>
Gain on disposal	
Fair value of the equity interest retained in Digitnexus	6,761
Net assets disposed of	(18,252)
Non-controlling interests	(11,738)
Contribution from new investors	71,244
Reclassification of cumulative translation reserve upon deemed disposal of Digitnexus to profit or loss	6,060
	54,075
Cash outflow arising on disposal	
Bank balances and cash disposed of	31,645

The disposal of Digitnexus did not contribute significantly to the Group's cash flows or operating results.

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## 17. COMMITMENTS

	30.6.2020 HK\$'000	31.12.2019 HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— acquisition of property, plant and equipment and right-of-use assets	156,221	16,284

## 18. 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 the 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 2020, the Group's financial assets at fair value through profit or loss which are stated at fair value represent equity securities listed on The Stock Exchange of Hong Kong Limited amounting to HK\$6,899,000 (31.12.2019: HK\$5,787,000).

The classification of the Group's financial assets (i.e. financial assets at fair value through profit or loss) at 30 June 2020 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.

Notes to the Condensed Consolidated Financial Statements  
For the six months ended 30 June 2020

## 19. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in note 14 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.

### (a) Transactions with the CASC and its subsidiaries

- (i) 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. The loan has been renewed during the six months ended 30 June 2019 and is unsecured, bears a fixed interest at 5% per annum and is repayable in March 2023. As at 30 June 2020, the Group has drawn down RMB500,000,000 (equivalent to approximately HK\$547,645,000) (31.12.2019: RMB500,000,000 (equivalent to approximately HK\$557,414,000)). The interest incurred to CASC during the six months ended 30 June 2020 amounted to RMB12,639,000 (equivalent to approximately HK\$13,935,000) (1.1.2019 to 30.6.2019: RMB12,569,000 (equivalent to approximately HK\$14,490,000)).

Notes to the Condensed Consolidated Financial Statements  
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## 19. RELATED PARTY TRANSACTIONS *(continued)*

### (a) Transactions with the CASC and its subsidiaries *(continued)*

- (ii) During the year ended 31 December 2016, the Group entered into a facility (“Facility”) with Aerospace Science & Technology Finance Company Limited (“Aerospace Finance”), for advances up to RMB1,300,000,000 for a period of 12 years from the first drawdown date. The property ownership certificates of a portion of Shenzhen Aerospace Science & Technology Plaza with a valuation amount of approximately RMB1,900,000,000 are mortgaged in favour of Aerospace Finance by Shenzhen Aerospace Technology Investment Company Limited. As at 30 June 2020, the Group has drawn down RMB789,100,000 (equivalent to approximately HK\$864,294,000) (31.12.2019: RMB789,100,000 (equivalent to approximately HK\$879,710,000)). Such loan carries a variable interest rate of 4.4% per annum and the interest paid to loans drawn from the Facility during the period ended 30 June 2020 amounted to RMB17,593,000 (equivalent to approximately HK\$19,397,000 (1.1.2019 to 30.6.2019: RMB17,496,000 (equivalent to approximately HK\$20,171,000))).

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

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

The Group has certain deposits placements, borrowings and other general banking facilities, with certain banks which are government-related entities in its ordinary course of business. Other than the substantial amount of bank balances, the facility with these banks and certain sales transactions, remaining transactions with other government-related entities are individually insignificant.

- (c) During the six months ended 30 June 2020, the emoluments of key management personnel were HK\$1,594,000 (1.1.2019 to 30.6.2019: HK\$1,655,000).

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## 20. PLEDGE OF OR RESTRICTION ON ASSETS

As at 30 June 2020, bank deposits of HK\$43,298,000 (31.12.2019: HK\$41,272,000) and bills receivables of HK\$121,994,000 (31.12.2019: HK\$136,106,000) and investment properties of approximately HK\$2,081,051,000 (31.12.2019: HK\$2,120,963,000) were pledged to banks and Aerospace Finance to secure general banking facilities granted to the Group.

### **Restriction on assets**

In addition, lease liabilities of HK\$92,901,000 (31.12.2019: HK\$109,225,000) are recognised with related right-of-use assets of HK\$88,822,000 (31.12.2019: HK\$106,139,000) as at 30 June 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.