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CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 31)

ANNOUNCEMENT OF INTERIM RESULTS 2020

The Board of Directors (the “Board”) of China Aerospace International Holdings Limited (the “Company”) announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2020 together with the comparative figures of the same period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

		Six months ended	
		30.6.2020	30.6.2019
		(Unaudited)	(Unaudited)
<i>NOTE</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period attributable to:			
Owners of the Company		116,472	125,697
Non-controlling interests		30,722	55,215
		<u>147,194</u>	<u>180,912</u>
Basic earnings per share	7	<u>HK3.78 cents</u>	<u>HK4.07 cents</u>

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	30.6.2019
		(Unaudited)	(Unaudited)
		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period		<u>147,194</u>	<u>180,912</u>
Other comprehensive expense:			
<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		<u>(146,230)</u>	<u>(11,403)</u>
Total comprehensive income for the period		<u>964</u>	<u>169,509</u>
Total comprehensive income (expenses) for the period attributable to:			
Owners of the Company		7,781	117,152
Non-controlling interests		(6,817)	52,357
		<u>964</u>	<u>169,509</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*AT 30 JUNE 2020*

		30.6.2020	31.12.2019
		(Unaudited)	(Audited)
	<i>NOTES</i>	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		1,033,743	1,066,677
Right-of-use assets		170,333	190,910
Investment properties		8,885,337	9,110,037
Interests in associates		208,851	199,546
Interests in joint ventures		693,255	697,923
Deposits paid for property, plant and equipment		18,035	6,387
Long-term assets	9	448,544	384,675
		<u>11,458,098</u>	<u>11,656,155</u>
Current assets			
Inventories		403,801	361,391
Trade and other receivables	9	1,070,815	1,245,705
Amount due from a related party		149	16
Financial assets at fair value through profit or loss		6,899	5,787
Pledged bank deposits		43,298	41,272
Short-term bank deposits		199,333	123,389
Bank balances and cash		1,210,485	1,271,556
		<u>2,934,780</u>	<u>3,049,116</u>
Current liabilities			
Trade and other payables	10	1,083,083	1,248,333
Contract liabilities		40,946	38,569
Leases liabilities		30,143	29,330
Taxation payable		51,728	45,444
Other loan		7,850	7,990
		<u>1,213,750</u>	<u>1,369,666</u>
Net current assets		<u>1,721,030</u>	<u>1,679,450</u>
Total assets less current liabilities		<u>13,179,128</u>	<u>13,335,605</u>

	30.6.2020 (Unaudited) HK\$'000	31.12.2019 (Audited) HK\$'000
Non-current liabilities		
Lease liabilities	62,758	79,895
Loan from a controlling shareholder	547,645	557,414
Loan from a related party	864,294	879,710
Deferred taxation	<u>2,378,503</u>	<u>2,437,600</u>
	<u>3,853,200</u>	<u>3,954,619</u>
	<u>9,325,928</u>	<u>9,380,986</u>
Capital and reserves		
Share capital	1,154,511	1,154,511
Reserves	<u>6,031,302</u>	<u>6,091,281</u>
Equity attributable to owners of the Company	<u>7,185,813</u>	<u>7,245,792</u>
Non-controlling interests	<u>2,140,115</u>	<u>2,135,194</u>
	<u>9,325,928</u>	<u>9,380,986</u>

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 ("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 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.

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.

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and a number of 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.

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.

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".

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)
	<u>1,297,507</u>	<u>31,043</u>	<u>1,328,550</u>	<u>63,815</u>
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)
	<u>204,592</u>	<u>2,318</u>	<u>206,910</u>	<u>116,748</u>
Operating and reportable segment total	<u>1,502,099</u>	<u>33,361</u>	<u>1,535,460</u>	<u>180,563</u>
Elimination	—	(33,361)	(33,361)	—
Other Business	4,618	—	4,618	1,887
	<u>1,506,717</u>	<u>—</u>	<u>1,506,717</u>	<u>182,450</u>
Unallocated corporate income				11,339
Unallocated corporate expenses				(62,860)
				<u>130,929</u>
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				<u>161,862</u>

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
	<u>1,419,146</u>	<u>34,693</u>	<u>1,453,839</u>	<u>88,256</u>
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)
	<u>218,003</u>	<u>2,918</u>	<u>220,921</u>	<u>222,666</u>
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
	<u>1,648,820</u>	<u>—</u>	<u>1,648,820</u>	322,941
Unallocated corporate income				13,704
Unallocated corporate expenses				(61,046)
				<u>275,599</u>
Share of results of associates				1,185
Share of results of joint ventures				(1,970)
Finance costs				(37,829)
Profit before taxation				<u>236,985</u>

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. 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.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
The Group's other income comprises:		
Bank interest income	9,721	5,355
Sales of scrap materials	<u>8,631</u>	<u>4,554</u>

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	<u>(6,284)</u>	<u>366</u>

5. 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	<u>16,123</u>	<u>16,294</u>

6. TAXATION

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
Current tax		
Hong Kong Profits Tax	3,941	5,248
People's Republic of China ("PRC") Enterprise Income Tax	<u>27,642</u>	<u>6,520</u>
	31,583	11,768
Deferred tax (credit) charge	<u>(16,915)</u>	<u>44,305</u>
	<u>14,668</u>	<u>56,073</u>

Hong Kong Profits Tax and Enterprise Income Tax of the PRC have been calculated at 16.5% and 25%, respectively, of the estimated assessable profits for the periods under review other than certain subsidiaries in the PRC that are entitled to High and New Technology Enterprise status of which the applicable income tax rate is 15%.

7. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2020	30.6.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Earnings		
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	<u>116,472</u>	<u>125,697</u>
	30.6.2020	30.6.2019
	<i>'000</i>	<i>'000</i>
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	<u>3,085,022</u>	<u>3,085,022</u>

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

8. DIVIDEND

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.

9. 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:

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

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.

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 <i>HK\$'000</i>	31.12.2019 <i>HK\$'000</i>
Within 90 days	32,856	12,348
Between 91 - 180 days	36,466	15,207
	69,322	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.

10. TRADE AND OTHER PAYABLES

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

	30.6.2020 <i>HK\$'000</i>	31.12.2019 <i>HK\$'000</i>
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
	444,116	474,406

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. Effective 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 prevention 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 fair value 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.

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 change in 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).

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.

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 capital 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.

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 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)
Total	1,297,507	1,419,146	(8.57)	63,815	88,256	(27.69)

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.

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.

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

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

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 as at 31 December 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 of the Company 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)

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

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

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

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 HK\$156,221,000, mainly for the acquisition of 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.

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.

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 2020.

CORPORATE GOVERNANCE

For the six months ended 30 June 2020, 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.

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 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.

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 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 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 its 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 Hong Kong Companies Ordinance (Cap. 622) 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.

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 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.

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.

I hereby express my profound gratitude to my fellow Directors and all staff of the Company 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

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

Executive Directors

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

Non-Executive Directors

Mr Liu Xudong
Mr Hua Chongzhi
Mr Mao Yijin

Independent Non-Executive Directors

Mr Luo Zhenbang
Ms Leung Sau Fan, Sylvia
Mr Wang Xiaojun

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