



CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Stock Code: 31)

2016

INTERIM REPORT



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr Li Hongjun (*President*)

Mr Jin Xuesheng

Non-Executive Directors

Mr Zhang Jianheng (*Chairman*)

Mr Luo Zhenbang (*Independent*)

Ms Leung Sau Fan, Sylvia (*Independent*)

Mr Wang Xiaojun (*Independent*)

Mr Chen Xuechuan

Mr Shi Weiguo

AUDIT COMMITTEE

Mr Luo Zhenbang (*Chairman*)

Ms Leung Sau Fan, Sylvia

Mr Shi Weiguo

REMUNERATION COMMITTEE

Ms Leung Sau Fan, Sylvia (*Chairman*)

Mr Wang Xiaojun

Mr Chen Xuechuan

NOMINATION COMMITTEE

Mr Zhang Jianheng (*Chairman*)

Mr Luo Zhenbang

Ms Leung Sau Fan, Sylvia

Mr Wang Xiaojun

Mr Chen Xuechuan

COMPANY SECRETARY

Mr Chan Ka Kin, Ken

AUDITOR

Deloitte Touche Tohmatsu

SHARE REGISTRAR

Tricor Standard Limited

LEGAL COUNSEL

Reed Smith Richards Butler

PRINCIPAL BANKS & FINANCIAL INSTITUTIONS

Bank of China (Hong Kong) Limited

Aerospace Science & Technology

Finance Company Limited*

(航天科技財務有限責任公司)

Industrial and Commercial Bank of

China Limited

Bank of China Limited

REGISTERED OFFICE

Room 1103-1107A, One Harbourfront

18 Tak Fung Street, Hung Hom

Kowloon, Hong Kong

Tel: (852) 2193 8888

Fax: (852) 2193 8899

E-mail: public@casil-group.com

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

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

BUSINESS REVIEW

OVERVIEW

For the six months ended 30 June 2016, the Company and its subsidiaries reported an unaudited turnover of HK\$1,282,248,000, representing an increase of 3.85% as compared with that of HK\$1,234,720,000 for the same period of 2015. Profit for the period was HK\$988,970,000, representing an increase of 56.90% as compared with that of HK\$630,313,000 for the same period of 2015. Profit attributable to the shareholders was HK\$619,989,000, representing an increase of 51.29% as compared with that of HK\$409,793,000 for the same period of 2015. Basic earnings per share attributable to the shareholders were HK20.10 cents, representing an increase of HK6.82 cents as compared with that of HK13.28 cents for the same period of 2015.

The advanced economies have not cast off the weakness resulting from the financial crisis while developing economies were affected by factors such as global economic uncertainties, possible rate hike in the U.S. and strong U.S. dollar, coupled with the uncertainties brought about by Brexit. Slow growth or even downtrend of the global economy was expected in the near term, which may affect the performance of local economy in Hong Kong. The economy of mainland China continued to slow down due to the weakness in the external environment and adjustment of its internal structure. However, increased investments in hi-tech industries and equipment manufacturing as well as the service sector were expected to give a boost to the general economy of mainland China.

Given such factors as global economic uncertainties, volatile financial markets worldwide, weakness in foreign trade, contraction of tourism and retail industries as well as correction of the residential market, economic growth in Hong Kong encountered major restraint in the first half of the year. Turnover of the Company increased slightly as compared with the same period of last year, and gross profit margin increased to 21.44% as compared with that of 19.68% for the same period of last year. Overall profit of the Company posted a relatively large increase as compared with the same period of last year, due to the increase in fair value of investment properties. Taking into consideration the Company's development and cash flow position as a whole, the Board decided not to distribute any interim dividend.

BUSINESS REVIEW

In the first half of the year, given the sluggish recovery in European and the U.S. economies as well as uncertainties and slower growth of the industry, sales revenue of hi-tech manufacturing businesses remained stable overall. However, keen competition in the market and higher costs of labour, environmental protection and energy dealt a blow to the profitability of hi-tech manufacturing. Among those hi-tech manufacturing businesses, printed circuit board (“PCB”) performed well on the growth of flexible PCB and surface mount technology business. Moulds and electroplating operations under plastic business also posted some increments. Intelligent chargers and liquid crystal display (“LCD”) ran into difficulties due to the adjustments of major customers’ marketing strategies. For the six months ended 30 June 2016, hi-tech manufacturing businesses recorded a turnover of HK\$1,258,221,000, representing an increase of 2.03% as compared with that of HK\$1,233,234,000 for the same period of 2015, and realised an operating profit of HK\$124,852,000, representing an increase of 2.95% as compared with that of HK\$121,270,000 for the same period of 2015.

Shenzhen Aerospace Technology Investment Company Limited* (深圳市航天高科技投資管理有限公司) (“Shenzhen Aerospace”) completed the inspection works of Shenzhen Aerospace Science & Technology Plaza. After project delivery in the beginning of the year, Shenzhen Aerospace Technology Property Management Company Limited* (深圳市航天高科技物業管理有限公司), a subsidiary of Shenzhen Aerospace, took over to manage the Plaza. Whole leasing of office space and commercial podium by Shenzhen Aerospace were under way. As at 30 June 2016, Shenzhen Aerospace Science & Technology Plaza was valued at approximately HK\$8,354,312,000.

The construction of the resettlement zone of Complex Zone of the Launching Site in Hainan Province includes resettlement houses, municipal projects, landscaping and ancillary facilities such as housing for the elderly, schools, post offices and hospitals, with a total gross floor area of approximately 186,000 square metres. The resettlement zone is planned to accommodate 134 resettlement houses with 960 households, 34 public and commercial ancillary buildings and 23 municipal roads. As at 30 June 2016, Hainan Aerospace Investment Management Company Limited* (海南航天投資管理有限公司) completed the preliminary inspection of 88 resettlement houses with 614 households in aggregate and was decorating 46 of

them with 346 households, 31 public and commercial ancillary buildings were topped out, 50% of landscaping works were done and 21 roads commenced construction with 16 finished.

Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術(深圳)有限公司) (“Aerospace Digitnexus”) made steady progress in launching its cross-border parcel mail operation. Aerospace Digitnexus cooperated with Kaiping Post to develop a cross-border e-commerce public service platform in Kaiping, in which Kaiping Cross-border E-commerce Express Mail Sorting and Clearance Centre* (開平市跨境電子商務快件分揀清關中心) commenced operations in April 2016. Furthermore, Aerospace Digitnexus collaborated with the international parcel mail branch of Shenzhen Post to export small parcels to overseas markets, major export destinations at present are Europe, the U.S., Australia and Russia. In July 2016, the Company completed a capital injection of a sum of Hong Kong dollars in equivalent to RMB20,000,000 to Aerospace Digitnexus and introduced Shenzhen Yuan Heng Fu Bang Investment Partnership Enterprise* (深圳市元亨富邦投資合夥企業) (“Yuan Heng Fu Bang”), who is experienced in e-commerce logistics, to become a strategic partner by investing a sum of Hong Kong dollars in equivalent to RMB25,000,000 in Aerospace Digitnexus. Upon completion of the capital increase and injection, Aerospace Digitnexus was owned as to 72.128% and 27.872% by the Company and Yuan Heng Fu Bang, respectively. It is believed that the capital increase and injection will facilitate the entering of e-commerce logistics market by Aerospace Digitnexus and reduce its liabilities, paving the way for further development.

PROSPECTS

Looking into the second half of the year, the global economy is expected to maintain a low growth. Being affected by factors as weakness in foreign trade and tourism, it is forecasted that an obvious economic growth could hardly be seen in Hong Kong.

Hi-tech manufacturing businesses of the Company will endeavor to create the conditions required for business upgrade and transformation by speeding up technological innovation and manufacturing specialization, as well as putting more effort in developing the domestic market in mainland China. Major construction works of the new high-density PCB factory were completed in the first half of the

year. The whole construction is expected to complete this year and commence production in the next to become a new growing area. The new electroplating factory at Boluo, Huizhou will be equipped with new production lines in due course in order to tap into the auto parts market. Intelligent charger business will look to the establishment of a research centre to speed up the development of the core technologies of battery products, realising the vertical development from low-power battery products to medium-power ones and broadening its market. LCD business will focus on exploring potential customers overseas and enhancing sales capability.

In the second half of the year, Shenzhen Aerospace will strive to finish the whole leasing of office space and commercial podium of Shenzhen Aerospace Science & Technology Plaza, final settlement and audit, and re-financing arrangements. It is anticipated that Shenzhen Aerospace Science & Technology Plaza will bring in a new stable income source to the Company.

The development of the Complex Zone of the Launching Site in Hainan Province will be continued to look for the support from China Aerospace Science & Technology Corporation and the government of Hainan Province aggressively, and the Company will closely monitor the progress of the project and abide by the principles of stringent risk control.

Aerospace Digitnexus has established cross-border e-commerce logistics as its major business direction. In the long term, Aerospace Digitnexus will continue to cooperate with China Post and international logistics companies to consummate the cross-border export channel. It intends to enhance its cross-border import and export services by setting up clearance centres and bonded warehouses, while establish strategic relationships with up and downstream cross-border e-commerce players and rely on the company's internet of things intelligent platform as foundation to build a cross-border e-commerce integrated services platform, so as to provide cross-border e-commerce players with professional services such as efficient and convenient clearance, warehousing and logistics, with the aim of becoming a supply chain logistics provider in the cross-border e-commerce sector. In addition, Aerospace Digitnexus will continue to develop and implement the next-generation intelligent warehouse system based on its existing intelligent warehouse operation to offer customers with services of even better quality.

APPRECIATION

I hereby express my profound gratitude to my fellow Directors and all staff of the Company for their dedication, loyal services and invaluable contributions during the past year. Grateful thanks are also due to shareholders, bankers, business partners and members of the community who have supported the Company's development all along.

By order of the Board,
Zhang Jianheng
Chairman

Hong Kong, 23 August 2016

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS PERFORMANCE

The unaudited turnover of the Company and the subsidiaries for the six months ended 30 June 2016 was HK\$1,282,248,000, representing an increase of 3.85% as compared with that of HK\$1,234,720,000 for the same period of 2015. The profit for the period was HK\$988,970,000, representing an increase of 56.90% as compared with that of HK\$630,313,000 for the same period of 2015.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Profit attributable to shareholders of the Company was HK\$619,989,000, representing an increase of 51.29% as compared with that of HK\$409,793,000 for the same period of 2015. Both the turnover and the profits of the major businesses increased and the fair value of investment properties increased substantially, hence, the profit attributable to equity holders of the Company substantially increased as compared to the same period of 2015.

Based on the issued share capital of 3,085,022,000 shares during the period, the basic earnings per share was HK20.10 cents, representing an increase of 51.36% as compared with that of HK13.28 cents for the same period of 2015.

DIVIDENDS

The Board decided not to distribute an interim dividend for 2016.

The distribution of 2015 final dividend of HK1 cent per share was approved by shareholders at the Annual General Meeting in May 2016 and warrants of which were dispatched to all shareholders on 22 June 2016.

RESULTS OF CORE BUSINESSES

Core businesses of the Company and the subsidiaries are hi-tech manufacturing and aerospace services.

The turnover of the hi-tech manufacturing is the main source of the Company's turnover and that contributes a significant profit and cash flow. This enables the Company to fulfill gradual development of the business of aerospace services and other new businesses such as science and technology, tourism and culture driven real estate business, so as to achieve the Company's new development target and minimize individual business risk.

Hi-tech manufacturing

In the first half of 2016, global macroeconomic downturn and sluggish demands both at home and abroad had resulted in continuous depreciation of various foreign currencies by major countries to promote export. Meanwhile, the manufacturing industry in the mainland China witnessed an obvious accelerated slowdown and continuous rise in labour costs. Manufacturers therefore experienced excess capacities and extremely intense price competition. Under such circumstances, certain businesses under hi-tech manufacturing was also affected significantly with a decrease in orders or the need to offer discounts to retain customers, which led to a decrease in profits. Further, the technological development cannot follow the pace of market needs resulting from rapid market changes and cannot enhance the products' quality on time. Some customers even shifted the manufacturing of OEM products back to their homelands or other regions, making market development extremely difficult.

The turnover of the hi-tech manufacturing businesses for the six months ended 30 June 2016 was HK\$1,258,221,000, representing an increase of 2.03% as compared with the same period of last year; the operating profit was HK\$124,852,000, representing an increase of 2.95% as compared with the same period of last year. The results of the hi-tech manufacturing business are shown below:

	Turnover (HK\$'000)			Operating Profit (HK\$'000)		
	First half of 2016	First half of 2015	Changes (%)	First half of 2016	First half of 2015	Changes (%)
Plastic Products	536,101	463,556	15.65	36,579	36,068	1.42
Printed Circuit Boards	310,002	252,987	22.54	58,051	48,212	20.41
Intelligent Chargers	189,612	271,735	(30.22)	7,149	14,470	(50.59)
Liquid Crystal Display	215,095	237,674	(9.50)	17,177	13,742	25.00
Industrial Property Investment	7,411	7,282	1.77	5,896	8,778	(32.83)
Total	1,258,221	1,233,234	2.03	124,852	121,270	2.95

Looking forward to the second half of 2016, the competition in the electronic information industry will remain intense. The hi-tech manufacturing strives to explore markets of high end products, continue to put effort in the research and development of new products and market development, raise automation in production, expand in scale and capacity of production, and in the meantime, strives to reduce inventory and receivables, establishes and reaches the target of market diversification soon so as to maintain stable business and sustained development, explores business by ways of merger and acquisition or cooperation etc., in order to ensure a continuous and stable growth of the hi-tech manufacturing.

The Complex Zone of the Launching Site in Hainan Province

In the first half of 2016, the loss of Hainan Aerospace Investment Management Company Limited* (海南航天投資管理有限公司) ("Hainan Aerospace"), a joint venture of the Company, attributable to the Company amounted to HK\$2,461,000. In the second half of 2016, the development of the Complex Zone of the Launching Site in Hainan Province will be continued to look for the support from China

Aerospace Science & Technology Corporation and the government of Hainan Province aggressively, and the Company will closely monitor the progress of the project and abide by the principles of stringent risk control.

On 1 July 2016, 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 loan agreement with Hainan Aerospace. Pursuant to which New Century will provide a loan, with a maturity on 30 June 2018, in the sum of RMB45,000,000 to Hainan Aerospace for its working capital. Hainan Aerospace is a connected person of the Company, and the entering into the loan agreement between New Century and Hainan Aerospace constituted a continuing connected transaction of the Company. Detail of which please refer the Company’s announcement published on 4 July 2016.

Shenzhen Aerospace Science & Technology Plaza

In the first half of 2016, Shenzhen Aerospace Technology Investment Company Limited* (深圳市航天高科投資管理有限公司) (“Shenzhen Aerospace”) completed the inspections and improvements of Shenzhen Aerospace Science & Technology Plaza, and launched business promotion and leasing. Shenzhen Aerospace Technology Property Management Company Limited* (深圳市航天高科物業管理有限公司), its wholly-owned subsidiary, had taken over and commenced the property management of Shenzhen Aerospace Science & Technology Plaza on 1 January 2016. In the second half of 2016, Shenzhen Aerospace will step up those remaining decorations and commence business promotion and leasing as soon as possible, so as to strive for the rental income of Shenzhen Aerospace Science & Technology Plaza, contributing to the Company’s results as early as possible.

Shenzhen Aerospace recorded a fair value gain of investment property of HK\$1,302,853,000 in the first half of 2016. As at 30 June 2016, Shenzhen Aerospace Science & Technology Plaza was valued at approximately HK\$8,354,312,000.

Internet of Things and Cross-border E-commerce Logistics

In the first half of 2016, Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術(深圳)有限公司) (“Aerospace Digitnexus”) recorded a turnover of HK\$22,749,000 and an operating loss of HK\$3,008,000. During the

period, except for continued to maintain and complete the prevailing projects of internet of things, Aerospace Digitnexus completed the establishment of a sorting and customs clearance centre in Kaiping and commenced its operations, and continued to develop an e-commerce logistics service platform. In the second half of 2016, Aerospace Digitnexus will continue to put effort in optimizing its product techniques, and doing well on the development in cold-chain logistics warehouse management while it will develop related business of cross-border e-commerce logistics and e-commerce logistics service platform, and solve the instability of customers' demand and adjust the business direction of cross-border e-commerce so as to comply with the relevant policies, in order to strive to realize profit as soon as possible.

The Company, through its direct wholly-owned subsidiary, Digilink Systems Limited, increased capital in its direct wholly-owned subsidiary, Aerospace Digitnexus, a sum of Hong Kong dollars in equivalent to RMB20,000,000, whereas Shenzhen Yuan Heng Fu Bang Investment Partnership Enterprise* (深圳市元亨富邦投資合伙企业) ("Yuan Heng Fu Bang"), an independent third party, invested a sum of Hong Kong dollars in equivalent to RMB25,000,000 in Aerospace Digitnexus, and all the procedures are completed. The Company's indirect interest in Aerospace Digitnexus is reduced from 100% to 72.128%, and that of Yuan Heng Fu Bang is 27.872%. Detail of which please refer to the Company's announcement published on 20 July 2016.

ASSETS

(HK\$'000)	30 June 2016	31 December 2015	Changes (%)
Non-Current Assets	10,583,557	8,981,919	17.83
Current Assets	2,934,712	2,993,724	(1.97)
Total Assets	13,518,269	11,975,643	12.88

The increase in non-current assets was mainly due to an increase in the input of construction cost and the fair value of investment properties.

The equity attributable to shareholders of the Company was HK\$6,236,523,000, representing an increase of 9.30% as compared with that of HK\$5,705,770,000 as at 31 December 2015. 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\$2.02.

As at 30 June 2016, a cash deposit of the Company and the subsidiaries of HK\$33,300,000 had been pledged to banks to obtain credit facilities, and Shenzhen Aerospace had obtained a syndicated loan by securing the investment properties at value of RMB7,168,000,000 to a syndicate comprising banks and a financial institution.

LIABILITIES

(HK\$'000)	30 June 2016	31 December 2015	Changes (%)
Non-Current Liabilities	2,615,116	2,278,002	14.80
Current Liabilities	2,822,882	2,494,379	13.17
Total Liabilities	5,437,998	4,772,381	13.95

The increase in non-current liabilities was mainly due to the increase of deferred tax, whereas the increase in current liabilities was mainly due to the payables incurred for the contractors on the completed investment properties. As at 30 June 2016, the Company and the subsidiaries had bank and other borrowings of HK\$1,948,835,000.

Shenzhen Aerospace entered into a syndicated loan agreement of RMB1,500,000,000 with a syndicate of financial institutions in 2011 for the payment of construction costs of Shenzhen Aerospace Science & Technology Plaza. As at 30 June 2016, Shenzhen Aerospace had drawn down the loan in the amount of RMB1,144,100,000.

OPERATING EXPENSES

The administrative expenses of the Company and the subsidiaries in the first half of 2016 were HK\$168,963,000, representing an increase of 7.86% as compared with the same period last year. The finance costs amounted to HK\$48,305,000, of which HK\$32,496,000 had been capitalized and recorded as the construction cost of Shenzhen Aerospace Science & Technology Plaza.

CONTINGENT LIABILITIES

As at 30 June 2016, the Company and the subsidiaries did not have any other material contingent liabilities.

FINANCIAL RATIOS

	First half of 2016	First half of 2015
Gross Profit Margin	21.44%	19.68%
Return on Net Assets	12.24%	9.65%

	30 June 2016	31 December 2015
Assets-Liabilities Ratio	40.23%	39.85%
Current Ratio	1.04	1.20
Quick Ratio	0.94	1.10

LIQUIDITY

The source of funds of the Company and the subsidiaries mainly relies on internal resources, banking facilities and short term deposits. As at 30 June 2016, the free cash and bank balance amounted to HK\$1,963,986,000, the majority of which were in Hong Kong Dollars and Renminbi.

CAPITAL EXPENDITURE AND INVESTMENT COMMITMENT

As at 30 June 2016, the capital commitments of the Company and the relevant subsidiaries contracted for but not provided in the condensed consolidated financial statements was HK\$131,455,000, mainly for the acquisition of fixed assets.

FINANCIAL RISKS

The Company and the subsidiaries review the cash flow and financial position periodically and do not presently engage into any financial instruments or derivatives to hedge the exchange and the interest rate risks.

HUMAN RESOURCES AND REMUNERATION POLICIES

The remuneration policy of the Company and the subsidiaries is based on the employee's qualifications, experience and performance on the job, with reference to the current market situation. The Company and the subsidiaries will continue to upgrade the level of human resources management and strictly implement the performance-based appraisal system, in order to motivate employees to make continuous improvement in their individual performance and contributions to the Company.

As at 30 June 2016, the Company and the subsidiaries had a total of approximately 6,700 employees based in the mainland and Hong Kong respectively.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, the register of substantial shareholders maintained pursuant to Part XV of the Securities & Futures Ordinance recorded that the following shareholders had declared their interests as having 5% or more of the issued share capital of the Company:

Name	Capacity	Direct interest (Yes/No)	Number of shares interested (Long Position)	Percentage of issued share capital
China Aerospace Science & Technology Corporation	Interests in controlled corporation	No	1,183,598,636	38.37%
Jetcote Investments Limited	Beneficial owner	Yes	131,837,011	4.27%
	Interests in controlled corporation)	No	1,051,761,625	34.10%
			1,183,598,636	38.37%
Burhill Company Limited	Beneficial owner	Yes	579,834,136	18.80%
Sin King Enterprises Company Limited	Beneficial owner	Yes	471,927,489	15.30%

Note: Jetcote Investments Limited, Burhill Company Limited and Sin King Enterprises Company Limited are subsidiaries of China Aerospace Science & Technology Corporation, the shares held by them form the total number of shares in which China Aerospace Science & Technology Corporation was deemed interested.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital or underlying shares of the Company as at 30 June 2016.

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 2016.

CORPORATE GOVERNANCE

For the six months ended 30 June 2016, the Company complied throughout the period with the provisions of the *Corporate Governance Code and Corporate Governance Report* as set out in Appendix 14 of the Listing Rules.

LITIGATION

As at 30 June 2016, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and, so far as the Directors were aware of, no litigation or arbitration or claim of material importance was pending or threatened by or against any member of the Company.

DIRECTORS' AND EXECUTIVE'S INTERESTS IN SHARES

The Company had adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 of the Listing Rules as the required standard for the Directors of the Company to trade the securities of the Company. Having made specific enquiry to all the Directors of the Company and in accordance with information provided, all the Directors have complied with the provisions under the Model Code.

As at 30 June 2016, save for Mr Zhang Jianheng, Mr Chen Xuechuan and Mr Shi Weiguo, the Directors of the Company, are the officers of China Aerospace Science & Technology Corporation, the substantial shareholder of the Company, none of the directors, chief executives or their associates had any beneficial or non-beneficial interests 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 currently has a membership comprising two Independent Non-Executive Directors, Mr Luo Zhenbang (Chairman) and Ms Leung Sau Fan, Sylvia, and a Non-Executive Director, Mr Shi Weiguo. The major responsibilities of the Audit Committee include serving as a focal point for communication between the Directors and external auditors in reviewing the Company's financial information as well as overseeing the Company's financial reporting system, 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 2016 that had been reviewed by the auditor, Deloitte Touche Tohmatsu.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company currently has a membership comprising two Independent Non-Executive Directors, Ms Leung Sau Fan, Sylvia (Chairman) and Mr Wang Xiaojun, and a Non-Executive Director, Mr Chen Xuechuan. The Remuneration Committee takes the role of advisory and proposes to the Board on the emoluments of the Directors and senior management with regard to the operating results of the Company, the individual performance and the comparable market information.

NOMINATION COMMITTEE

The Nomination Committee of the Company currently has a membership comprising two Non-Executive Directors, Mr Zhang Jianheng (Chairman) and Mr Chen Xuechuan, and three Independent Non-Executive Directors, Mr Luo Zhenbang, Ms Leung Sau Fan, Sylvia and Mr Wang Xiaojun. The responsibilities of the Nomination Committee are to review the structure, the number of members and its composition for the execution of the Company's policy.

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

Change in Director's information since the date of the Annual Report 2015, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, is set out below:

Ms Leung Sau Fan, Sylvia, aged 52, is an Independent Non-Executive Director of the Company. Ms Leung holds a bachelor's degree of arts in accountancy from City University of Hong Kong and had passed the approved examinations and obtained a bachelor of laws degree from the University of London. She is an associate of The Hong Kong Institute of Chartered Secretaries. Ms Leung is currently an independent non-executive director of both Poly Property Group Co., Limited (stock code: 119) and Prosper Construction Holdings Limited (stock code: 6816), shares of both are listed on The Stock Exchange of Hong Kong Limited, and is also a director of VC Capital Limited, a company licensed to conduct type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance. She has over 20 years of experience in company secretarial and corporate finance advisory. She was appointed as an Independent Non-Executive Director of the Company in March 2012.

STATEMENT OF COMPLIANCE

The financial information relating to the year ended 31 December 2015 that is included in the half-year Interim Report 2016 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 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.

EVENTS AFTER THE REPORTING PERIOD

On 1 July 2016, 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 loan agreement with Hainan Aerospace Investment Management Company Limited* (海南航天投資管理有限公司) ("Hainan Aerospace"). Pursuant to which New Century will provide a loan, with a maturity on 30 June 2018, in the sum of RMB45,000,000 to Hainan Aerospace for its working capital. Hainan Aerospace is a connected person of the Company, and the entering into the loan agreement between New Century and Hainan Aerospace constituted a continuing connected transaction of the Company. Detail of which please refer the Company's announcement published on 4 July 2016.

The Company through its direct wholly-owned subsidiary, Digilink Systems Limited, increased capital in its direct wholly-owned subsidiary, Aerospace Digitnexus Information Technology (Shenzhen) Limited* (航天數聯信息技術(深圳)有限公司) ("Aerospace Digitnexus"), a sum of Hong Kong dollars in equivalent to RMB20,000,000, whereas Shenzhen Yuan Heng Fu Bang Investment Partnership Enterprise* (深圳市元亨富邦投資合伙企業) ("Yuan Heng Fu Bang"), an independent third party, invested a sum of Hong Kong dollars in equivalent to RMB25,000,000 in Aerospace Digitnexus, and all the procedures are completed. The Company's indirect interest in Aerospace Digitnexus is reduced from 100% to 72.128%, and that of Yuan Heng Fu Bang is 27.872%. Details of which please refer to the announcement of the Company dated 20 July 2016.

APPRECIATION

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

By order of the Board,
Li Hongjun
Executive Director & President

Hong Kong, 23 August 2016

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 23 to 48, which comprise the condensed consolidated statement of financial position as of 30 June 2016 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

23 August 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

	NOTES	Six months ended	
		30.6.2016 (Unaudited) HK\$'000	30.6.2015 (Unaudited) HK\$'000
Turnover	3	1,282,248	1,234,720
Cost of sales		(1,007,394)	(991,674)
Gross profit		274,854	243,046
Other gains and losses	4	(9,850)	(5,846)
Other income	4	17,676	41,231
Gain on disposal of an associate		—	3,716
Selling and distribution expenses		(24,301)	(18,628)
Administrative expenses		(168,963)	(156,644)
Fair value changes of investment properties		1,306,763	913,956
Finance costs	5	(15,809)	(16,769)
Share of results of joint ventures		(2,627)	(2,842)
Share of results of associates		(789)	(472)
Profit before taxation	6	1,376,954	1,000,748
Taxation	7	(387,984)	(370,435)
Profit for the period		988,970	630,313
Profit for the period attributable to:			
Owners of the Company		619,989	409,793
Non-controlling interests		368,981	220,520
		988,970	630,313
Basic earnings per share	8	HK20.10 cents	HK13.28 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Six months ended	
	30.6.2016 (Unaudited) HK\$'000	30.6.2015 (Unaudited) HK\$'000
Profit for the period	988,970	630,313
Other comprehensive (expense) income:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translating foreign operations	(69,768)	(578)
Share of translation reserve of joint ventures	(9,657)	790
Share of translation reserve of associates	(1,686)	237
Other comprehensive (expense) income for the period	(81,111)	449
Total comprehensive income for the period	907,859	630,762
Total comprehensive income attributable to:		
Owners of the Company	561,603	409,911
Non-controlling interests	346,256	220,851
	907,859	630,762

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	NOTES	30.6.2016 (Unaudited) HK\$'000	31.12.2015 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	10	851,354	806,722
Prepaid lease payments		91,781	94,626
Investment properties	10	8,690,047	7,155,275
Interests in associates		129,818	132,293
Interests in joint ventures		771,346	783,630
Deposits paid for acquisition of property, plant and equipment		49,211	9,373
		10,583,557	8,981,919
Current assets			
Inventories		282,096	243,604
Trade and other receivables	11	627,963	647,547
Prepaid lease payments		3,799	3,849
Amount due from a related party	17(a)(iii)	14	14
Financial assets at fair value through profit or loss		23,554	17,169
Pledged bank deposits		33,300	36,035
Bank balances and cash		1,963,986	2,045,506
		2,934,712	2,993,724

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

At 30 June 2016

	NOTES	30.6.2016 (Unaudited) HK\$'000	31.12.2015 (Audited) HK\$'000
Current liabilities			
Trade and other payables	12	1,382,668	1,093,748
Taxation payable		65,777	51,909
Bank and other borrowings	13, 17(a)(ii)	1,366,084	1,340,260
Other loan		8,353	8,462
		2,822,882	2,494,379
Net current assets		111,830	499,345
Total assets less current liabilities		10,695,387	9,481,264
Non-current liabilities			
Loan from a major shareholder	17(a)(i)	582,751	590,319
Deferred taxation		2,032,365	1,687,683
		2,615,116	2,278,002
		8,080,271	7,203,262
Capital and reserves			
Share capital	14	1,154,511	1,154,511
Reserves		5,082,012	4,551,259
Equity attributable to owners of the Company		6,236,523	5,705,770
Non-controlling interests		1,843,748	1,497,492
		8,080,271	7,203,262

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company								Attributable to non-controlling interests	Total
	Share capital	Special capital reserve	General reserve	Translation reserve	Property revaluation reserve	Capital reserve	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 2015 (audited)	1,154,511	14,044	23,916	259,288	11,010	14,309	3,515,157	4,992,235	938,583	5,930,818
Profit for the period	–	–	–	–	–	–	409,793	409,793	220,520	630,313
Exchange difference arising on translating foreign operations	–	–	–	(909)	–	–	–	(909)	331	(578)
Share of reserve of joint ventures	–	–	–	790	–	–	–	790	–	790
Share of reserve of associates	–	–	–	237	–	–	–	237	–	237
Total comprehensive income for the period	–	–	–	118	–	–	409,793	409,911	220,851	630,762
Dividend recognised as distribution	–	–	–	–	–	–	(30,850)	(30,850)	–	(30,850)
At 30 June 2015 (unaudited)	1,154,511	14,044	23,916	259,406	11,010	14,309	3,894,100	5,371,296	1,159,434	6,530,730
At 1 January 2016 (audited)	1,154,511	14,044	23,916	18,977	11,010	14,309	4,469,003	5,705,770	1,497,492	7,203,262
Profit for the period	–	–	–	–	–	–	619,989	619,989	368,981	988,970
Exchange difference arising on translating foreign operations	–	–	–	(47,043)	–	–	–	(47,043)	(22,725)	(69,768)
Share of reserve of joint ventures	–	–	–	(9,657)	–	–	–	(9,657)	–	(9,657)
Share of reserve of associates	–	–	–	(1,686)	–	–	–	(1,686)	–	(1,686)
Total comprehensive (expense) income for the period	–	–	–	(58,386)	–	–	619,989	561,603	346,256	907,859
Dividend recognised as distribution	–	–	–	–	–	–	(30,850)	(30,850)	–	(30,850)
At 30 June 2016 (unaudited)	1,154,511	14,044	23,916	(39,409)	11,010	14,309	5,058,142	6,236,523	1,843,748	8,080,271

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	Six months ended	
	30.6.2016 (Unaudited) HK\$'000	30.6.2015 (Unaudited) HK\$'000
Net cash from operating activities	100,670	63,605
Net cash (used in) from investing activities		
Purchase of property, plant and equipment	(130,248)	(49,375)
Deposits paid for acquisition of property, plant and equipment	(40,354)	(8,904)
Placement of pledged bank deposits	(33,732)	(25,742)
Additions of investment properties	(8,099)	(136,661)
Placement of short-term bank deposits	—	(72)
Withdrawal of pledged bank deposits	36,035	33,460
Proceeds from disposal of property, plant and equipment	294	1,957
Withdrawal of deposits with a related party	—	124,564
Withdrawal of short-term bank deposits	—	123,118
Proceeds on disposal of investment properties	—	108,933
Proceeds from disposal of interest in an associate	—	2,666
Other investing cash flows	43,067	33,650
	(133,037)	207,594

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the six months ended 30 June 2016

	Six months ended	
	30.6.2016 (Unaudited) HK\$'000	30.6.2015 (Unaudited) HK\$'000
Net cash (used in) from financing activities		
New bank loans raised	43,284	180,174
Dividend paid	(30,793)	(30,803)
Repayment of bank loans	—	(33,666)
Other financing cash flows	(48,305)	(68,175)
	(35,814)	47,530
Net (decrease) increase in cash and cash equivalents	(68,181)	318,729
Cash and cash equivalents at 1 January	2,045,506	1,725,918
Effect of foreign exchange rate changes	(13,339)	(2,705)
Cash and cash equivalents at 30 June, represented by bank balances and cash	1,963,986	2,041,942

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 2015 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 2015 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 Companies Ordinance.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2015.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

In the current interim period, the Group has applied, for the first time, the following amendments of Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception

Except as described below, the application of the above amendments to HKFRSs in the current interim period has had no material impact on the amounts and/or disclosures reported in these condensed consolidated financial statements.

Amendments to HKAS 1 “Disclosure initiative”

The Group has applied the amendments to HKAS 1 “Disclosure initiative” for the first time in the current interim period. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information for disclosure purposes. However, the amendments reiterate that an entity should consider providing additional disclosure when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity’s financial position and financial performance.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Amendments to HKAS 1 “Disclosure initiative” *(continued)*

In addition, the amendments clarify that an entity’s share of the other comprehensive income of associates and joint ventures accounted for using the equity method should be presented separately from those arising from the Group, and should be separated into the share of items that, in accordance with other HKFRSs: (i) will not be reclassified subsequently to profit or loss; and (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes. The application of the amendments to HKAS 1 has not resulted in significant changes in the disclosure and presentation of the Group’s condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the President, the chief operating decision maker of the Group, that are used to make strategic decisions. The management has identified 10 (1.1.2015 to 30.6.2015: 9) reportable segments: Hi-Tech Manufacturing Business (including plastic products, liquid crystal display, printed circuit boards, intelligent chargers and the related industrial property investment), New Material Business (including polyimide films manufacturing), Aerospace Service (including property investment in Shenzhen Aerospace Science & Technology Plaza, land development in Hainan Launching Site Complex Zone, Internet of Things and Cross-border e-commerce) which represents the major industries in which the Group is engaged.

3. SEGMENT INFORMATION *(continued)*

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

For the six months ended 30 June 2016

	Turnover			Segment results HK\$'000
	External sales	Inter-segment sales	Total	
	HK\$'000	HK\$'000	HK\$'000	
Hi-Tech Manufacturing Business				
Plastic products	536,101	21,129	557,230	36,579
Liquid crystal display	215,095	60	215,155	17,177
Printed circuit boards	310,002	—	310,002	58,051
Intelligent chargers	189,612	—	189,612	7,149
Industrial property investment	7,411	10,366	17,777	5,896
	1,258,221	31,555	1,289,776	124,852
New Material Business				
Polyimide films manufacturing	—	—	—	(349)
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	—	—	—	1,292,944
Land development in Hainan Launching Site Complex Zone	—	—	—	(2,461)
Internet of Things	4,946	—	4,946	(1,474)
Cross-border e-commerce	17,803	—	17,803	(1,534)
	22,749	—	22,749	1,287,475
Reportable segment total	1,280,970	31,555	1,312,525	1,411,978
Elimination	—	(31,555)	(31,555)	—
Other Business	1,278	—	1,278	2,397
	1,282,248	—	1,282,248	1,414,375
Unallocated corporate income				22,926
Unallocated corporate expenses				(43,932)
				1,393,369
Share of results of associates				(440)
Share of results of a joint venture				(166)
Finance costs				(15,809)
Profit before taxation				1,376,954

3. SEGMENT INFORMATION *(continued)*

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

For the six months ended 30 June 2015

	Turnover			Segment results HK\$'000
	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	
Hi-Tech Manufacturing Business				
Plastic products	463,556	23,329	486,885	36,068
Liquid crystal display	237,674	105	237,779	13,742
Printed circuit boards	252,987	—	252,987	48,212
Intelligent chargers	271,735	920	272,655	14,470
Industrial property investment	7,282	10,577	17,859	8,778
	1,233,234	34,931	1,268,165	121,270
New Material Business				
Polyimide films manufacturing	—	—	—	(25)
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	—	—	—	902,574
Land development in Hainan Launching Site Complex Zone	—	—	—	(3,172)
Internet of Things	142	—	142	(10,783)
Cross-border e-commerce	—	—	—	—
	142	—	142	888,619
Reportable segment total	1,233,376	34,931	1,268,307	1,009,864
Elimination	—	(34,931)	(34,931)	—
Other Business	1,344	—	1,344	2,391
	1,234,720	—	1,234,720	1,012,255
Unallocated corporate income				36,696
Unallocated corporate expenses				(35,033)
				1,013,918
Gain on disposal of an associate				3,716
Share of results of associates				(447)
Share of results of a joint venture				330
Finance costs				(16,769)
Profit before taxation				1,000,748

3. SEGMENT INFORMATION *(continued)*

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

Segment results represent the profit earned/loss incurred by each segment without allocations of interest income, changes in fair value of financial assets at fair value through profit or loss, gain on disposal of an associate, share of results of a joint venture and associates, interest expenses and other corporate income and corporate expenses. Share of loss of certain joint ventures of HK\$2,461,000 (1.1.2015 to 30.6.2015: HK\$3,172,000) and share of loss of an associate of HK\$349,000 (1.1.2015 to 30.6.2015: HK\$25,000) were allocated to reportable and operating segments. This is the measure reported to the President for the purposes of resource allocation and performance assessment.

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

3. SEGMENT INFORMATION *(continued)*

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

	30.6.2016 HK\$'000	31.12.2015 HK\$'000
Segment assets		
Hi-Tech Manufacturing Business		
Plastic products	639,521	695,203
Liquid crystal display	343,532	314,422
Printed circuit boards	643,924	523,858
Intelligent chargers	233,804	230,749
Industrial property investment	276,049	275,407
	2,136,830	2,039,639
New Material Business		
Polyimide films manufacturing	117,493	119,367
Aerospace Service		
Property investment in Shenzhen Aerospace Science & Technology Plaza	8,355,432	6,821,347
Land development in Hainan Launching Site Complex Zone	704,892	716,507
Internet of Things	4,808	6,977
Cross-border e-commerce	3,160	3,919
	9,068,292	7,548,750
Total assets for reportable segments	11,322,615	9,707,756
Other Business	61,356	61,008
Interests in a joint venture	66,454	67,123
Interests in associates	12,325	12,926
Unallocated assets	2,055,519	2,126,830
Consolidated assets	13,518,269	11,975,643

3. SEGMENT INFORMATION *(continued)*

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

	30.6.2016 HK\$'000	31.12.2015 HK\$'000
Segment liabilities		
Hi-Tech Manufacturing Business		
Plastic products	186,242	216,981
Liquid crystal display	113,294	70,161
Printed circuit boards	183,227	155,001
Intelligent chargers	121,613	111,100
Industrial property investment	9,947	13,493
	614,323	566,736
New Material Business		
Polyimide films manufacturing	—	—
Aerospace Service		
Property investment in Shenzhen Aerospace Science & Technology Plaza	506,244	203,994
Land development in Hainan Launching Site Complex Zone	—	—
Internet of Things	3,772	6,809
Cross-border e-commerce	2,098	1,562
	512,114	212,365
Total liabilities for reportable segments	1,126,437	779,101
Other Business	1,112	1,087
Unallocated liabilities	4,310,449	3,992,193
Consolidated liabilities	5,437,998	4,772,381

3. SEGMENT INFORMATION *(continued)*

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

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

- all assets are allocated to operating segments other than bank balances and cash, pledged bank deposits, financial assets at fair value through profit or loss and the other unallocated assets; and
- all liabilities are allocated to operating segments other than taxation payable, deferred taxation, other loan, bank and other borrowings, loan from a major shareholder and the other unallocated liabilities.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2016	30.6.2015
	HK\$'000	HK\$'000
The Group's other income mainly comprises:		
Bank interest income	13,929	33,650
The Group's other gains and losses mainly comprise:		
Net gain (loss) from change in fair value of financial assets at fair value through profit or loss	6,385	(3,843)
Net exchange loss	(16,367)	(1,914)

5. FINANCE COSTS

	Six months ended	
	30.6.2016	30.6.2015
	HK\$'000	HK\$'000
Interest on bank and other borrowings	48,305	52,193
Less: Amount capitalised to investment properties under construction	(32,496)	(35,424)
	15,809	16,769

6. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2016	30.6.2015
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging:		
Amortisation of prepaid lease payments	1,120	1,707
Amortisation of intangible assets (included in cost of sales)	—	5,965
Depreciation of property, plant and equipment	74,365	53,414

7. TAXATION

	Six months ended	
	30.6.2016	30.6.2015
	HK\$'000	HK\$'000
Current tax		
Hong Kong Profits Tax	4,747	6,540
PRC Enterprise Income Tax	12,340	11,549
	17,087	18,089
Deferred tax charge	370,897	352,346
Income tax charge	387,984	370,435

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

8. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2016	30.6.2015
	HK\$'000	HK\$'000
Earnings		
Profit for the period attributable to owners of the Company for the purposes of basic earnings per share	619,989	409,793
	30.6.2016	30.6.2015
	'000	'000
Number of shares		
Number of ordinary shares for the purposes of basic earnings per share	3,085,022	3,085,022

The denominators used are the same as those detailed above for both basic earnings per share.

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

9. DIVIDEND

2015 final dividend of HK1 cent (1.1.2015 to 30.6.2015: 2014 final dividend of HK1 cent) per share amounting to HK\$30,850,000 (1.1.2015 to 30.6.2015: HK\$30,850,000) was paid by the Company during the period. The directors do not recommend payment of an interim dividend for the interim period.

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

During the period, the Group spent approximately HK\$130,248,000 (1.1.2015 to 30.6.2015: HK\$49,375,000) and HK\$339,414,000 (1.1.2015 to 30.6.2015: HK\$183,788,000) on acquisition of property, plant and equipment and additions of investment properties under construction respectively.

The fair values of the Group's investment properties at 30 June 2016 and 31 December 2015 have been arrived at on the basis of valuations carried out on that date by Jones Lang LaSalle Corporate Appraisal & Advisory Limited ("Jones Lang") for properties situated in Hong Kong and Knight Frank Petty Limited ("Knight Frank") for properties situated in the PRC. Jones Lang and Knight Frank are independent qualified professional valuers not connected with the Group and are members of the Institute of Valuers. During the period, the investment properties under construction was completed. The valuation of completed investment properties of HK\$8,690,047,000 (31.12.2015: HK\$334,732,000) was arrived at by reference to market evidence of transaction prices for similar properties and/or by capitalisation of income potential of similar properties. The resulting increase in fair value of investment properties of HK\$1,306,763,000 (1.1.2015 to 30.6.2015: HK\$913,956,000) has been recognised directly in the condensed consolidated statement of profit or loss.

At 31 December 2015, the valuation of investment properties under construction of HK\$6,820,543,000 (30.6.2016: nil) was arrived at by reference to market evidence of transaction prices for similar completed properties and by capitalisation of income potential of the properties, on the basis that the properties will be developed and completed in accordance with the Group's latest development proposals, after taking into account of the estimated construction costs to completion to reflect the quality of the completed development, developer's profits and the restrictions imposed on the development properties to lease or to sell to the third parties.

11. TRADE AND OTHER RECEIVABLES

At 30 June 2016, included in trade and other receivables are trade receivables of HK\$566,367,000 (31.12.2015: HK\$572,182,000). The Group allows an average credit period of 90 days to its trade customers.

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

	30.6.2016	31.12.2015
	HK\$'000	HK\$'000
Within 90 days	553,755	549,751
Between 91–180 days	12,484	21,460
Between 181–365 days	105	971
Between 1 to 2 years	23	—
	566,367	572,182

12. TRADE AND OTHER PAYABLES

	30.6.2016	31.12.2015
	HK\$'000	HK\$'000
Trade payables	367,232	314,815
Accrued charges	141,791	154,771
Receipt in advance	62,155	130,605
Other payables	811,490	493,557
	1,382,668	1,093,748

Other payables included an amount of HK\$54,000,000 (31.12.2015: HK\$54,000,000) received from a third party on behalf of China Aerospace Science & Technology Corporation (“CASC”), a major shareholder of the Company and payables to contractors for construction of investment properties of HK\$485,813,000 (31.12.2015: HK\$198,194,000).

12. TRADE AND OTHER PAYABLES *(continued)*

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

	30.6.2016 HK\$'000	31.12.2015 HK\$'000
Within 90 days	353,209	240,803
Between 91–180 days	5,341	14,232
Between 181–365 days	1,423	48,450
Over 1 year	7,259	11,330
	367,232	314,815

13. BANK AND OTHER BORROWINGS

During the period, the Group obtained new bank and other borrowings in the amount of approximately HK\$43,284,000 (1.1.2015 to 30.6.2015: HK\$180,174,000). The new bank borrowings bear a market interest rate at 4.75% (1.1.2015 to 30.6.2015: 4.58% to 6.00%) per annum and are repayable within 1 year (1.1.2015 to 30.6.2015: 1 to 2 years).

14. SHARE CAPITAL

Issued and fully paid share capital

	Number of shares '000	Amount HK\$'000
Issued and fully paid:		
At 1 January 2016 and 30 June 2016		
— Ordinary shares with no par value	3,085,022	1,154,511

15. COMMITMENTS

	30.6.2016	31.12.2015
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— acquisition of property, plant and equipment	131,455	93,227
— properties under construction	—	101,294
	131,455	194,521

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The fair value of financial assets with standard terms and conditions and traded in active liquid markets is determined with reference to quoted market bid prices.

At 30 June 2016, the Group's financial assets at fair value through profit or loss which are stated at fair value include equity securities listed on The Stock Exchange of Hong Kong Limited amounted to HK\$23,554,000 (31.12.2015: HK\$17,169,000).

The classification of the Group's financial assets (i.e. financial assets at fair value through profit or loss) at 30 June 2016 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.

17. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in note 12 and in the condensed consolidated statement of financial position, the Group entered into the following related party transactions:

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled or significantly influenced by the PRC government (hereinafter collectively referred to as “government-related entities”). The Company’s substantial shareholder with significant influence over the Group, CASC, is a state-owned enterprise under the direct supervision of the State Council of the PRC. During the period, except as disclosed below, the Group did not have any individually significant transactions with government-related entities in its ordinary and usual course of business.

(a) Transactions with the CASC Group

- (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. As at 30 June 2016, the Group has drawn down RMB500,000,000 (equivalent to approximately HK\$582,751,000) (31.12.2015: RMB500,000,000 (equivalent to approximately HK\$590,319,000)). The interest incurred to CASC during the period ended 30 June 2016 amounting to HK\$14,922,000 (1.1.2015 to 30.6.2015: HK\$15,673,000).

17. RELATED PARTY TRANSACTIONS *(continued)*

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

- (ii) During the period ended 30 June 2011, the Group entered into a facility (“Facility”) with a syndicate of financial institutions including 航天科技財務有限責任公司 (“Aerospace Finance”) a subsidiary of CASC, and certain government-related banks (together “Finance Syndicate”) for a bank guarantee of up to RMB150,000,000 and advances of RMB1,350,000,000 for the construction of Shenzhen Aerospace Science & Technology Plaza (“Aerospace Plaza”) for a period of five years from the first drawdown date. The land use right of Aerospace Plaza has been mortgaged in favour of the Finance Syndicate as security. As at 30 June 2016, the Group has drawn down RMB1,144,100,000 (equivalent to approximately HK\$1,333,450,000) (31.12.2015: RMB1,107,200,000 (equivalent to approximately HK\$1,307,202,000)). The interest paid to loans drawn from the Facility in the current period amounting to HK\$32,496,000 (1.1.2015 to 30.6.2015: HK\$35,424,000).
- (iii) During the year ended 31 December 2013, the Group entered into an agreement with Aerospace Finance, pursuant to which Aerospace Finance shall provide deposit services and settlement services to the Group which allow the Group to make deposits or withdrawals through the RMB deposit accounts with Aerospace Finance, subject to the condition that the maximum daily outstanding balance of all deposits placed by the Group shall not be more than RMB100,000,000 in aggregate within three years from the date of the agreements. As at 30 June 2016, such deposits placed by the Group amounted to RMB12,000 (equivalent to approximately HK\$14,000) (31.12.2015: RMB12,000 (equivalent to approximately HK\$14,000)) and was included in amount due from a related party.

17. RELATED PARTY TRANSACTIONS *(continued)*

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

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

The Group has certain deposits placements, borrowings and other general banking facilities, with certain banks which are government-related entities in its ordinary course of business. Other than the substantial amount of bank balances, bank and other borrowings, the Facility (note 17(a)) with these banks, transactions with other government-related entities are individually insignificant.

(c) During the period, the emoluments of key management personnel were HK\$1,479,000 (1.1.2015 to 30.6.2015: HK\$1,479,000).

18. PLEDGE OF ASSETS

At 30 June 2016, bank deposits of HK\$33,300,000 (31.12.2015: HK\$36,035,000) and investment properties with an aggregate carrying amount of HK\$8,354,312,000 (31.12.2015: HK\$6,820,543,000) were pledged to banks to secure general banking facilities and loan facilities granted to the Group.