



CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Stock Code: 31)

INTERIM REPORT 2021

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr Zhou Limin (*Chairman*)
Mr Jin Xuesheng (*President*)

Non-Executive Directors

Mr Luo Zhenbang (*Independent*)
Ms Leung Sau Fan, Sylvia
(*Independent*)
Mr Wang Xiaojun (*Independent*)
Mr Liu Xudong
Mr Hua Chongzhi
Mr Mao Yijin

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

Ms Leung Sau Fan, Sylvia (*Chairman*)
Mr Wang Xiaojun
Mr Hua Chongzhi

NOMINATION COMMITTEE

Mr Zhou Limin (*Chairman*)
Mr Luo Zhenbang
Ms Leung Sau Fan, Sylvia
Mr Wang Xiaojun
Mr Liu Xudong

ENVIRONMENT, SOCIAL & GOVERNANCE COMMITTEE

(*established on 30 March 2021*)
Mr Zhou Limin (*Chairman*)
Mr Luo Zhenbang
Mr Hua Chongzhi

COMPANY SECRETARY

Mr Chan Ka Kin, Ken

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor

SHARE REGISTRAR

Tricor Standard Limited

LEGAL COUNSEL

Reed Smith Richards Butler

PRINCIPAL BANK & FINANCIAL INSTITUTION

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

REGISTERED OFFICE

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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 2021, the operating revenue of the Company and its subsidiaries from continuing and discontinued operations was HK\$2,157,342,000, representing an increase of 43.18% as compared with that of HK\$1,506,717,000 for the same period of 2020. Profit for the period was HK\$315,028,000, representing a substantial increase of 114.02% as compared with that of HK\$147,194,000 for the same period of 2020. Profit attributable to the shareholders was HK\$258,768,000, representing a substantial increase of 122.17% as compared with that of HK\$116,472,000 for the same period of 2020. Basic earnings per share attributable to shareholders was HK\$8.39 cents (first half of 2020: HK\$3.78 cents).

In the first half of 2021, the pandemic still spread around the world, and thus global economy continued to face downturn risk under such impact. In response to the pandemic, various countries adopted scalable quantitative easing policies, which kept interest rate at low level in a long run. Such increased the risk of asset price bubble, and resulted in a relatively fragile global financial market which is severely disconnected with real economy, thereby imposing hazards on stable financial development and financial stability. By organizing and implementing pandemic control and economic and social development, China's macro-economy maintained its stable and upward trend. For the production side, the production had gradually resumed to pre-pandemic level, yet the growth rate was decelerating. On the other hand, the increasingly intense Sino-U.S. trade friction brought considerable uncertainties to the economic prospects of mainland China and Hong Kong. In the first half of 2021, the Company's revenue recorded a stable growth, but factors such as shortage of components supply and raw material price surge had eroded the profitability of the hi-tech manufacturing business. The operation of Shenzhen Aerospace Science & Technology Plaza brought stable income and profit contributions to the Company.

The Board of Directors decided not to distribute any interim dividends after taking into account the Company's development needs and capital position.

Business Review

The Company has timely adopted various anti-epidemic measures in combat of the novel coronavirus pandemic, placing full efforts on protecting its employees from infection in the course of their work. For the hi-tech manufacturing business, through continuous optimization of product structure, enhanced market expansion efforts, gradual expansion of production capacity and increased automation level, the impacts on continuous raw material price surge and component supply shortage were alleviated, thereby resulting in the stable growth of sales revenue and total profit as compared with the same period last year. For the six months ended 30 June 2021, the revenue of the hi-tech manufacturing business amounted to HK\$1,931,854,000, representing an increase of 48.89% as compared with that of HK\$1,297,507,000 for the same period of 2020. Operating profit amounted to HK\$70,784,000, representing an increase of 10.92% as compared with that of HK\$63,815,000 for the same period of 2020.

The plastic injection molding business has seen initial success in exploring major domestic customers. As such, its results and performance were outstanding, with significant surge in revenue as compared with the same period last year. The production base invested and constructed in Vietnam had commenced production in the first half of the year and delivered products to customers. For the liquid crystal display (“LCD”) business, the exploration into Japan market has gradually witnessed initial success, and with the commencement of service of the newly built production line, its results and performance were sound. The overall performance of the print circuit board (“PCB”) business was similar to that of the same period last year. The highly precise PCB project invested and constructed by the PCB business specializes in the manufacturing of carrier board products, and will become a new growth point of PCB business with significant increase in gross profit margin. Under the impact of, among other factors, the novel coronavirus pandemic, Sino-U.S. trade friction and global economic slowdown, the smart charger business recorded a decline in operating profit. Apart from increasing its investment in technology modification, the industrial enterprise also raised its investment in research and development of hi-tech products. Research and development of the intelligent power module packaging process was proceeded as planned, and currently, samples have already been provided to customers for testing.

Business Review

In cooperation with the urban renewal work of the local government, the Company and China Aerospace (Huizhou) Industrial Garden Limited* (航天科技(惠州)工業園發展有限公司), a subsidiary of the Company, entered into various land surrender and compensation agreements with relevant government authorities on 14 December 2020 and 29 June 2021, respectively. Pursuant to those land surrender and compensation agreements dated 29 June 2021, the Company and China Aerospace (Huizhou) Industrial Garden Limited shall receive a compensation of RMB276,358,546.93 (equivalent to approximately HK\$328,217,000), which contributed a net profit before tax of approximately HK\$200,861,000, subject to audit. For details, please refer to the announcement made by the Company on 29 June 2021.

Shenzhen Aerospace Technology Investment Company Limited* (深圳市航天高科技投資管理有限公司) ("Shenzhen Aerospace") and its wholly-owned subsidiary responsible for property management brought a consistent revenue and profit to the Company. In the first half of 2021, Shenzhen Aerospace recorded a total revenue of HK\$218,988,000 (first half of 2020: HK\$204,443,000) and segment profit of HK\$164,796,000 (first half of 2020: HK\$117,289,000) from the leasing of Shenzhen Aerospace Science & Technology Plaza and related businesses. Affected by the pandemic, the rent and price of properties in Nanshan District had generally experienced downward adjustment, which affected the fair value of Shenzhen Aerospace Science & Technology Plaza as an investment property. Excluding the effect of fair value of the investment property, the operating profit of Shenzhen Aerospace would be HK\$171,803,000 (first half of 2020: HK\$176,005,000).

As at 30 June 2021, Shenzhen Aerospace Science & Technology Plaza was valued at approximately RMB7,764,900,000 (31 December 2020: RMB7,770,800,000).

Shenzhen Rayitek Hi-Tech Film Company Limited* (深圳瑞華泰薄膜科技股份有限公司) (“Shenzhen Rayitek”), an associate of the Company engaging in the research and development, manufacturing and sales of polyimide films, was listed on Sci-Tech Innovation Board of Shanghai Stock Exchange on 28 April 2021. Upon the listing of Shenzhen Rayitek, the shareholding of the Company was diluted from 31.17% to 23.38%. Proceeds from the listing are to be invested in a 1,600 tonnes high-performance polyimide film plant in Jiaxing, Shanghai. Currently, the construction of plant and ancillary facilities is commenced in an orderly manner, and trial production is expected to commence in the second half of 2022.

PROSPECTS

Looking forward to the second half of the year, global economic growth is set to accelerate, but virus variant would increase the uncertainty on global pandemic control. Each industrial enterprise will enhance its marketing efforts, consolidate its existing premium customer base, increase investment in automation transformation as well as research and development, strengthen research and development effort to speed up business structure adjustment to enhance competitiveness comprehensively. On the other hand, Shenzhen Aerospace will actively improve the quality of property management for Shenzhen Aerospace Science & Technology Plaza so as to ensure that the occupancy rate of the office building and shopping mall maintaining at a high level.

2021 is the first year of the implementation of the “14th Five-Year Plan”. The Company will adhere to quality development, maintain stable operations and consolidate various works in full implementation of the “14th Five-Year Plan”. Facing various challenges with strong confidence, the Company strives to advance to a new level in terms of research and development as well as production capacity, while making breakthroughs in high-tech manufacturing business to lay a foundation for its development in a longer term.

Business Review

APPRECIATION

On behalf of the Board, I express my profound gratitude to all the staff for their dedication, loyal services and invaluable contributions, especially those who served with professionalism and dedication 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,
Zhou Limin
Chairman & Executive Director

Hong Kong, 27 August 2021

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS PERFORMANCE

The unaudited revenue of the Company and its subsidiaries for the six months ended 30 June 2021 was HK\$2,157,342,000, representing an increase of 43.18% as compared with that of HK\$1,506,717,000 for the same period of 2020. Profit for the period was HK\$315,028,000, representing a substantial increase of 114.02% as compared with that of HK\$147,194,000 for the same period of 2020.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Profit attributable to shareholders of the Company for the current period was HK\$258,768,000, representing a substantial increase of 122.17% as compared with that of HK\$116,472,000 for the same period of 2020.

The increase in revenue was mainly due to the increase in sales orders from the industrial enterprises, whereas the increase in profits attributable to shareholders was mainly due to the profits arising from the compensation of land surrender of Huizhou Industrial Garden.

Based on the issued share capital of 3,085,022,000 shares during the period, the basic earnings per share was HK8.39 cents, representing an increase of 121.96% as compared with that of HK3.78 cents for the same period of 2020.

DIVIDENDS

The Board decided not to distribute an interim dividend for 2021.

The distribution of 2020 final dividend of HK2 cents per share was approved by shareholders at the Annual General Meeting in June 2021 and warrants of which were dispatched to all shareholders on 20 July 2021.

Management Discussion and Analysis

RESULTS OF CORE BUSINESSES

The core businesses of the Company and its subsidiaries are the research and development, design, professional production, sales and services of plastic products, electronic products, power products and semiconductor products, as well as 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 whereas Shenzhen Aerospace Science & Technology Plaza brings in constant rental revenue to the Company and relatively minimizes the Company's individual business risk. The Company will continue to identify and develop new business opportunities, thereby create values to shareholders.

Hi-tech manufacturing

The revenue of the hi-tech manufacturing business for the six months ended 30 June 2021 was HK\$1,931,854,000, representing an increase of 48.89% as compared with the same period of last year and operating profit was HK\$70,784,000, representing an increase of 10.92% 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 2021	First half of 2020	Changes (%)	First half of 2021	First half of 2020	Changes (%)
Plastic Products	671,848	420,358	59.83	19,781	8,283	138.81
Printed Circuit Boards	594,098	435,830	36.31	32,957	34,371	(4.11)
Intelligent Chargers	185,049	131,847	40.35	271	3,128	(91.34)
Liquid Crystal Display	474,988	302,949	56.79	24,918	22,317	11.65
Industrial Property Investment	5,871	6,523	(10.00)	(7,143)	(4,284)	(66.74)
Total	1,931,854	1,297,507	48.89	70,784	63,815	10.92

Management Discussion and Analysis

Hi-tech manufacturing business had overcome various challenges in the first half of 2021. Albeit the continuous outbreak of pandemic, appreciation of Renminbi and surge in raw material prices, especially global chips and screens shortage, hi-tech manufacturing business managed to maintain its production capacity and products delivery via continuous improvement in technological modification, quality control and market exploration. Hence, the business development remained stable, both revenue and operating profit of various segments maintained a double digit growth rate. In particular, business exploration of plastic products was promising, while the operating results of highly precise molds accounted for an increase in results contribution. With the completion of phase I of Vietnam plant and the commencement of production, it has gradually absorbed existing domestic customers who have moved to Vietnam, but local outbreak of the pandemic delayed the progress of production. Through improving automation equipment and effective resources deployment, the liquid crystal display (“LCD”) business has successfully tapped into the Japan market and managed to tide over challenges even under the pressure of chips and screens shortage as well as raw material price surge. Both of its revenue and operating profit have increased significantly as compared with the same period last year.

In order to meet the road construction and urban renewal needs of Zhongkai Road in Huizhou, the Company and China Aerospace (Huizhou) Industrial Garden Limited* (航天科技(惠州)工業園發展有限公司), a 90%-owned subsidiary of the Company, entered into several land surrender and compensation agreements with Huizhou Zhongkai Land Resumption and Reserve Centre and Huihuan Residential District Office on 14 December 2020 and 29 June 2021, respectively to surrender plots of land with a total area of 128,337.81 square metres. Pursuant to those land surrender and compensation agreements dated 29 June 2021, the Company and its subsidiaries hence received a cash compensation of RMB276,358,546.93 (equivalent to approximately HK\$328,217,000) and recorded a net profit before tax of approximately HK\$200,861,000, subject to audit. The net proceeds will be mainly used as general working capital of the Company and its subsidiaries. For details, please refer to the announcement made by the Company on 29 June 2021.

Management Discussion and Analysis

In addition, since its establishment in 2020, the Company's research and development academy has commenced several hi-tech research and development projects, while provides technical support solutions to various industrial enterprises.

Looking forward to the second half of 2021, it is expected that the novel coronavirus pandemic will remain volatile. With continuous global vaccination and gradual lifting of lockdown measures, economy is set to resume to a positive track. Nonetheless, the changes in political and economic situations would impose uncertainties on the business environment. This coupled with unstable supply chain and expectation on inflation and upward adjustment of interest rates, profitability would be heavily pressurized, and uncertainties exist in tandem with economic recovery. Under such an era with risks and opportunities, the hi-tech manufacturing business will capture opportunities, proactively explore the markets and optimize risk management, while at the same time, enhance production automation, maintain production scale and capacity, and recruit professionals, besides continuously exploring high-end products and conducting research and development on new technologies in order to adapt to the ever-changing market environment.

Shenzhen Aerospace Science & Technology Plaza

In the first half of 2021, the rental income of Shenzhen Aerospace Science & Technology Plaza under Shenzhen Aerospace Technology Investment Company Limited* (深圳市航天高科投資管理有限公司) ("Shenzhen Aerospace") brought a consistent and constant revenue to the Company. Shenzhen Aerospace and Shenzhen Aerospace Technology Property Management Company Limited* (深圳市航天高科物業管理有限公司) ("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\$218,988,000 (first half of 2020: HK\$204,443,000) and a segment profit of HK\$164,796,000 (first half of 2020: HK\$117,289,000), the reason of the increase of segment profit was due to the substantial decrease in the reduction in fair value as compared to the same period of last year.

Management Discussion and Analysis

As at 30 June 2021, Shenzhen Aerospace Science & Technology Plaza was valued at approximately RMB7,764,900,000 (31 December 2020: RMB7,770,800,000).

In the second half of 2021, 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 to improve the quality of property services and thereby raise the overall value of the property.

Other Business

On 28 April 2021, Shenzhen Rayitek Hi-Tech Film Company Limited* (深圳瑞華泰薄膜科技股份有限公司) (“Shenzhen Rayitek”), an associate in which the Company indirectly held a 31.17% interest, was officially listed on the Sci-Tech Innovation Board of Shanghai Stock Exchange (stock code: 688323). The issue price per share was RMB5.97, and a total of 45,000,000 new shares were issued, which was equivalent to approximately 25% of the enlarged issued share capital. As such, the Company’s indirect interest in Shenzhen Rayitek was diluted from 31.17% to approximately 23.38%, a gain on deemed partial disposal of an associate of HK\$5,289,000 was recorded. The stock’s closing price on the first day of listing was RMB27.12, which is 354.27% higher than the offer price.

ASSETS

(HK\$'000)	30 June 2021	31 December 2020	Changes (%)
Non-Current Assets	12,650,804	12,380,371	2.18
Current Assets	3,979,650	3,736,393	6.51
Total Assets	16,630,454	16,116,764	3.19

Management Discussion and Analysis

The increase in non-current assets was due to the reclassification of long-term bank deposit, which set off the surrender of lands and the decrease in the valuation of the investment properties, while the increase in current assets was due to an increase in revenue that leads to an increase in trade and other receivables and inventories correspondingly.

The equity attributable to shareholders of the Company was HK\$8,171,314,000, representing an increase of 3.10% as compared with that of HK\$7,925,975,000 as at 31 December 2020.

The equity attributable to shareholders increased at the end of the current period as compared with the end of last year, which was mainly due to the net profit from the current period and 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 and thereby increased 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\$2.65.

As at 30 June 2021, a cash deposit of HK\$49,198,000 and bills receivable of HK\$158,051,000 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) so as to obtain 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.

Management Discussion and Analysis

LIABILITIES

(HK\$'000)	30 June 2021	31 December 2020	Changes (%)
Non-Current Liabilities	4,222,892	4,208,670	0.34
Current Liabilities	1,826,639	1,622,356	12.59
Total Liabilities	6,049,531	5,831,026	3.75

The increase in non-current liabilities was mainly due to the increase in exchange differences arising from the conversion of liabilities denominated in RMB during the period whereas the increase in current liabilities were mainly due to an increase in trade and other payables as a result of an increase in inventories, as well as an increase in tax payable correspondingly. As at 30 June 2021, the Company and its subsidiaries had other borrowings of HK\$1,547,539,000.

OPERATING EXPENSES

The administrative expenses of the Company and its subsidiaries in the first half of 2021 were HK\$217,935,000, which represents an increase in human resources cost and depreciation as compared to the same period of last year. The finance costs amounted to HK\$37,755,000, which represents an increase of 5.63% as compared to the same period of last year.

CONTINGENT LIABILITIES

As at 30 June 2021, the Company and its subsidiaries did not have any material contingent liabilities.

Management Discussion and Analysis

FINANCIAL RATIOS

	First half of 2021	First half of 2020
Gross Profit Margin	24.82%	29.22%
Return on Net Assets	2.98%	1.58%

	30 June 2021	31 December 2020
Assets-Liabilities Ratio	36.38%	36.18%
Current Ratio	2.18	2.30
Quick Ratio	1.80	2.02

LIQUIDITY

The source of funds of the Company and its subsidiaries mainly relies on internal resources and banking facilities. As at 30 June 2021, the free cash and bank balance amounted to HK\$2,228,605,000, the majority of which were in Hong Kong Dollars and Renminbi.

CAPITAL EXPENDITURE

As at 30 June 2021, the capital commitments of the Company and its subsidiaries contracted for but not provided in the condensed consolidated financial statements was HK\$177,911,000, 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.

Management Discussion and Analysis

HUMAN RESOURCES AND REMUNERATION POLICIES

In the first half of 2021, the novel coronavirus epidemic persisted. Under the concern on the health of employees, the Company established a novel coronavirus prevention and control leading group to strengthen the prevention and control of the pandemic. In addition, the Company and its subsidiaries also encouraged employees to get vaccinated to protect themselves and their families, and provided employees with vaccination holiday. At present, most of the employees have taken at least one dose of vaccination. In the second half of 2021, we will continue to promote employee vaccinations, while adopting appropriate and rigorous epidemic prevention measures.

The remuneration policies of the Company and its subsidiaries are determined based on the qualifications, experience and work performance of the employees and with reference to market conditions. The Company and its subsidiaries will continue to improve the quality of human resource management and strictly implement a 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 2021, the Company and its subsidiaries had a total of approximately 8,000 employees based in the mainland, Hong Kong and Vietnam respectively.

APPRECIATION

The Company hereby expresses its sincere gratitude to its shareholders, banks, business partners, friends from various social communities for their long-time support, and highly commend all employees for still sticking to their posts during the difficult period of the spread of the new coronavirus epidemic.

By order of the Board,
Jin Xuesheng
Executive Director & President

Hong Kong, 27 August 2021

OTHER DISCLOSURES

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, the register of substantial shareholders maintained pursuant to Part XV of the Securities & Futures Ordinance recorded that the following shareholders had declared their interests as having 5% or more of the issued share capital of the Company:

Name	Capacity	Direct interest (Yes/No)	Number of shares interested (Long Position)	Percentage of issued share capital
China Aerospace Science & Technology Corporation	Interests in controlled corporation	No	1,183,598,636	38.37%
Burhill Company Limited	Beneficial owner	Yes	1,183,598,636	38.37%

Note: Burhill Company Limited is a wholly-owned subsidiary of China Aerospace Science & Technology Corporation, the shares held by it form the total number of shares in which China Aerospace Science & Technology Corporation was deemed interested.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital or underlying shares of the Company as at 30 June 2021.

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 2021.

CORPORATE GOVERNANCE

For the six months ended 30 June 2021, 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 2021, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and, so far as the Directors were aware of, no litigation or arbitration or claim of material importance was pending or threatened by or against the Company and any of its subsidiaries.

DIRECTORS' AND EXECUTIVE'S INTERESTS IN SHARES

The Company had adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 of the Listing Rules as the required standard for the Directors 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 2021.

As at 30 June 2021, save for 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 subsidiary, none of the directors, chief executives or their associates have any beneficial or non-beneficial interests or short positions in the share capital, warrants and options of the Company or its subsidiaries or any of its associated corporations which is required to be recorded in the Register of Directors' Interests pursuant to Part XV of the Securities & Futures Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers*.

AUDIT COMMITTEE

The Audit Committee of the Company has a membership comprising two Independent Non-Executive Directors, Mr Luo Zhenbang (Chairman) and Ms Leung Sau Fan, Sylvia, and a Non-Executive Director, Mr Mao Yijin. The major responsibilities of the Audit Committee include serving as a focal point for communication between the Directors and external auditors in reviewing the Company's financial information as well as overseeing the Company's financial reporting system, risk management and internal control procedures.

Other Disclosures

The Audit Committee of the Company reviewed, discussed and approved the unaudited condensed consolidated financial statements for the six months ended 30 June 2021 that had been reviewed by the auditor, Deloitte Touche Tohmatsu.

REMUNERATION COMMITTEE

The Remuneration Committee of the Company has a membership comprising two Independent Non-Executive Directors, Ms Leung Sau Fan, Sylvia (Chairman) and Mr Wang Xiaojun, and a Non-Executive Director, Mr Hua Chongzhi. 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 Mr Zhou Limin (Chairman), the Chairman and Executive Director, Mr Liu Xudong, a Non-Executive Director, 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.

ENVIRONMENT, SOCIAL & GOVERNANCE COMMITTEE

The Environment, Social & Governance ("ESG") Committee of the Company was established on 30 March 2021, it has a membership comprising Mr Zhou Limin (Chairman), the Chairman and Executive Director, Mr Hua Chongzhi, a Non-Executive Director, and Mr Luo Zhenbang, an Independent Non-Executive Director. The responsibilities of the ESG Committee are to establish the policies relating to environment, social and governance and its reporting.

The terms of reference of the ESG Committee can be downloaded from the websites of both The Hong Kong Exchanges and Clearing Limited and the Company for reference.

Other Disclosures

STATEMENT OF COMPLIANCE

The financial information relating to the year ended 31 December 2020 that is included in the Interim Report 2021 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 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

**TO THE BOARD OF DIRECTORS OF
CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED**
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Aerospace International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 22 to 56, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Report on Review of Condensed Consolidated Financial Statements

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

27 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Six months ended	
	NOTES	30.6.2021 HK\$'000 (Unaudited)	30.6.2020 HK\$'000 (Unaudited)
Continuing operations			
Revenue	3	2,157,342	1,506,568
Cost of sales		(1,621,842)	(1,065,748)
Gross profit		535,500	440,820
Other income	4	32,469	24,796
Other gains and losses	4	197,699	(4,995)
Gain on deemed partial disposal of an associate		5,289	—
Selling and distribution expenses		(28,543)	(20,422)
Administrative expenses		(217,935)	(160,981)
Research and development expenses		(70,062)	(48,509)
Fair value changes of investment properties		(8,439)	(68,417)
Impairment losses under expected credit loss model, net of reversal		(9,739)	(30,756)
Finance costs	5	(37,755)	(35,733)
Share of results of associates		10,914	6,081
Share of results of joint ventures		(895)	6,519
Profit before taxation	6	408,503	108,403
Taxation	7	(93,475)	(14,668)
Profit for the period from continuing operations		315,028	93,735
Discontinued operations			
Profit from discontinued operations	16	—	53,459
Profit for the period		315,028	147,194

Condensed Consolidated Statement of Profit or Loss
For the six months ended 30 June 2021

	NOTES	Six months ended	
		30.6.2021 HK\$'000 (Unaudited)	30.6.2020 HK\$'000 (Unaudited)
Profit attributable to owners of the Company			
— from continuing operations		258,768	62,807
— from discontinued operations		—	53,665
Profit for the period attributable to owners of the Company		258,768	116,472
Profit (loss) attributable to non-controlling interests			
— from continuing operations		56,260	30,928
— from discontinued operations		—	(206)
Profit for the period attributable to non-controlling interests		56,260	30,722
		315,028	147,194
Earnings per share			
From continuing and discontinued operations			
Basic	8	HK8.39 cents	HK3.78 cents
From continuing operations			
Basic	8	HK8.39 cents	HK2.04 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period	315,028	147,194
Other comprehensive income (expense):		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translating foreign operations		
– subsidiaries	62,825	(131,506)
– associates	1,983	(3,537)
– joint ventures	802	(11,187)
Reclassification adjustments for the cumulative exchange differences upon deemed disposal of subsidiaries	—	(6,060)
Other comprehensive income (expense) for the period	65,610	(152,290)
Total comprehensive income (expense) for the period	380,638	(5,096)
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	307,039	1,721
Non-controlling interests	73,599	(6,817)
	380,638	(5,096)
Total comprehensive income (expense) attributable to owners of the Company:		
– from continuing operations	307,039	(53,069)
– from discontinued operations	—	54,790
	307,039	1,721

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	NOTES	30.6.2021 HK\$'000 (Unaudited)	31.12.2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	1,366,381	1,372,365
Right-of-use assets	10	209,989	252,649
Investment properties	10	9,654,127	9,594,734
Interests in associates		271,715	253,529
Interests in joint ventures		163,830	163,923
Deposits paid for property, plant and equipment		69,246	60,081
Long-term bank deposits	13	336,134	119,190
Pledged bank deposits		7,923	7,867
Long-term assets	11	571,459	556,033
		12,650,804	12,380,371
Current assets			
Inventories		700,010	462,124
Trade and other receivables	11	1,337,687	1,239,422
Amount due from a related party	19(a)(iv)	195	—
Financial assets at fair value through profit or loss		8,012	3,895
Pledged bank deposits		41,275	45,090
Short-term bank deposits	13	241,722	122,721
Bank balances and cash		1,650,749	1,863,141
		3,979,650	3,736,393

Condensed Consolidated Statement of Financial Position
At 30 June 2021

	NOTES	30.6.2021 HK\$'000 (Unaudited)	31.12.2020 HK\$'000 (Audited)
Current liabilities			
Trade and other payables	14	1,600,031	1,488,229
Contract liabilities		62,078	40,968
Lease liabilities		25,645	31,131
Taxation payable		138,885	62,028
		1,826,639	1,622,356
Net current assets		2,153,011	2,114,037
Total assets less current liabilities		14,803,815	14,494,408
Non-current liabilities			
Lease liabilities		54,873	63,749
Loan from a controlling shareholder	19(a)(i)	600,240	595,948
Loan from a related party	19(a)(ii)	947,299	940,524
Deferred taxation		2,620,480	2,608,449
		4,222,892	4,208,670
		10,580,923	10,285,738
Capital and reserves			
Share capital	15	1,154,511	1,154,511
Reserves		7,016,803	6,771,464
Equity attributable to owners of the Company		8,171,314	7,925,975
Non-controlling interests		2,409,609	2,359,763
		10,580,923	10,285,738

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital	Special capital reserve	General reserve	Translation reserve	Property revaluation reserve	Other reserves	Retained profits	Sub-total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021 (audited)	1,154,511	14,044	89,495	145,266	30,523	44,926	6,447,210	7,925,975	2,359,763	10,285,738
Profit for the period	-	-	-	-	-	-	258,768	258,768	56,260	315,028
Exchange difference arising on translating foreign operations										
– subsidiaries	-	-	-	45,486	-	-	-	45,486	17,339	62,825
– associates	-	-	-	1,983	-	-	-	1,983	-	1,983
– joint ventures	-	-	-	802	-	-	-	802	-	802
Total comprehensive income for the period	-	-	-	48,271	-	-	258,768	307,039	73,599	380,638
Dividend recognised as distribution (note 9)	-	-	-	-	-	-	(61,700)	(61,700)	-	(61,700)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	(23,753)	(23,753)
At 30 June 2021 (unaudited)	1,154,511	14,044	89,495	193,537	30,523	44,926	6,644,278	8,171,314	2,409,609	10,580,923
At 1 January 2020 (audited)	1,154,511	14,044	76,647	(299,936)	30,523	44,926	6,225,077	7,245,792	2,135,194	9,380,986
Profit for the period	-	-	-	-	-	-	116,472	116,472	30,722	147,194
Exchange difference arising on translating foreign operations										
– subsidiaries	-	-	-	(93,967)	-	-	-	(93,967)	(37,539)	(131,506)
– associates	-	-	-	(3,537)	-	-	-	(3,537)	-	(3,537)
– joint ventures	-	-	-	(11,187)	-	-	-	(11,187)	-	(11,187)
Reclassification adjustments for cumulative exchange differences upon deemed disposal of subsidiaries (note 16)	-	-	-	(6,060)	-	-	-	(6,060)	-	(6,060)
Total comprehensive (expense) income for the period	-	-	-	(114,751)	-	-	116,472	1,721	(6,817)	(5,096)
Deemed disposal of subsidiaries (note 16)	-	-	-	-	-	-	-	-	11,738	11,738
Dividend recognised as distribution (note 9)	-	-	-	-	-	-	(61,700)	(61,700)	-	(61,700)
At 30 June 2020 (unaudited)	1,154,511	14,044	76,647	(414,687)	30,523	44,926	6,279,849	7,185,813	2,140,115	9,325,928

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	NOTES	Six months ended	
		30.6.2021 HK\$'000 (Unaudited)	30.6.2020 HK\$'000 (Unaudited)
Net cash from operating activities		120,407	129,050
Net cash used in investing activities			
Purchase of property, plant and equipment		(249,229)	(95,275)
Placement of long-term bank deposits		(213,777)	—
Placement of short-term bank deposits		(128,447)	(200,652)
Deposits paid for acquisition of property, plant and equipment		(56,674)	(14,288)
Payment for development costs incurred in respect of investment properties		(5,581)	(6,589)
Placement of pledged bank deposits		(4,812)	(2,767)
Proceeds from land resumptions	10	328,217	—
Withdrawal of short-term bank deposits		10,013	122,029
Withdrawal of pledged bank deposits		8,907	—
Proceeds from disposal of property, plant and equipment		6,689	741
Net cash inflow on deemed disposal of subsidiaries	16	—	39,599
Other investing cash flows		37,291	7,700
		(267,403)	(149,502)

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2021

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in financing activities		
Dividend paid to non-controlling interests of a subsidiary	(23,753)	—
Repayments of lease liabilities	(15,074)	(14,204)
Other financing cash flows	(37,755)	(35,742)
	(76,582)	(49,946)
Net decrease in cash and cash equivalents	(223,578)	(70,398)
Cash and cash equivalents at 1 January	1,863,141	1,271,556
Effect of foreign exchange rate changes	11,186	9,327
Cash and cash equivalents at 30 June, represented by bank balances and cash	1,650,749	1,210,485

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 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 2020 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 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2021

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 16 Covid-19-Related Rent Concessions
Amendments to HKFRS 9, Interest Rate Benchmark Reform — Phase 2
HKAS 39, HKFRS 7,
HKFRS 4 and HKFRS 16

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2021

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. The operating segments regarding the Internet of Things and Cross-border e-commerce were discontinued in the prior period upon the deemed disposal of Aerospace Digitnexus Information Technology (Shenzhen) Limited (“Aerospace Digitnexus”). The segment information reported below does not include any amounts for these discontinued operations, which are described in more detail in note 16. There are 6 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) which represent the major industries in which the Group is engaged.

In addition to the above reportable segments, other operating segments include property investments and management in properties other than those included in the above reportable segments and provision for 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 “Other Business”.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2021

3. REVENUE AND SEGMENT INFORMATION *(continued)*

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

Continuing operations

For the six months ended 30 June 2021

	Revenue			Segment results HK\$'000
	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	
Hi-Tech Manufacturing Business				
Plastic products	671,848	29,751	701,599	19,781
Liquid crystal display	474,988	—	474,988	24,918
Printed circuit boards	594,098	—	594,098	32,957
Intelligent chargers	185,049	1,162	186,211	271
Industrial property investment	5,871	12,495	18,366	(7,143)
	1,931,854	43,408	1,975,262	70,784
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	218,988	432	219,420	164,796
Reportable segment total	2,150,842	43,840	2,194,682	235,580
Elimination	—	(43,840)	(43,840)	—
Other Business	6,500	—	6,500	3,962
	2,157,342	—	2,157,342	239,542
Unallocated corporate income				27,805
Unallocated corporate expenses				(37,258)
Share of results of associates				230,089
Share of results of joint ventures				10,914
Finance costs				(895)
Gain on disposal of property, plant and equipment				(37,755)
Gain on deemed partial disposal of an associate				200,861
				5,289
Profit before taxation from continuing operations				408,503

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2021

3. REVENUE AND SEGMENT INFORMATION *(continued)*

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

Continuing operations *(continued)*

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)
	1,297,507	31,043	1,328,550	63,815
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	204,443	2,318	206,761	117,289
Reportable segment total	1,501,950	33,361	1,535,311	181,104
Elimination	—	(33,361)	(33,361)	—
Other Business	4,618	—	4,618	1,887
	1,506,568	—	1,506,568	182,991
Unallocated corporate income				11,339
Unallocated corporate expenses				(62,794)
Share of results of associates				131,536
Share of results of joint ventures				6,081
Finance costs				(35,733)
Profit before taxation from continuing operations				108,403

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2021

3. REVENUE AND SEGMENT INFORMATION *(continued)*

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

Segment results represent the profit earned/loss incurred by each segment without allocations of interest income, changes in fair value of financial assets at fair value through profit or loss, share of results of joint ventures and associates, gain on disposal of certain property, plant and equipment, gain on deemed partial disposal of an associate, interest expenses and other corporate income and corporate expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

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

- (a)(ii) Disaggregation of revenue
For the six months ended 30 June 2021

	Timing of revenue recognition		
	A point in time HK\$'000	Over time HK\$'000	Total HK\$'000
Manufacturing of goods (Note)	1,925,983	—	1,925,983
Property management fee	—	42,413	42,413
Others	4,418	—	4,418
Revenue from contracts with customers	1,930,401	42,413	1,972,814
Leases			184,528
Total revenue			2,157,342

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2021

3. REVENUE AND SEGMENT INFORMATION *(continued)*

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

For the six months ended 30 June 2020

	Timing of revenue recognition		
	A point in time HK\$'000	Over time HK\$'000	Total HK\$'000
Manufacturing of goods (Note)	1,290,984	—	1,290,984
Property management fee	—	40,872	40,872
Others	2,551	—	2,551
Revenue from contracts with customers	1,293,535	40,872	1,334,407
Leases			172,161
Total revenue			1,506,568

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

Geographical information

	Revenue from external customers based on the location of operation for the six months ended	
	30.6.2021 HK\$'000	30.6.2020 HK\$'000
Hong Kong	1,064,611	730,696
People's Republic of China ("PRC")	907,258	603,711
Overseas	945	—
Revenue from contracts with customers	1,972,814	1,334,407
Leases	184,528	172,161
Total revenue	2,157,342	1,506,568

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2021

3. REVENUE AND SEGMENT INFORMATION *(continued)*

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

	30.6.2021 HK\$'000	31.12.2020 HK\$'000
Segment assets		
Hi-Tech Manufacturing Business		
Plastic products	1,206,972	1,172,937
Liquid crystal display	724,686	552,905
Printed circuit boards	1,249,393	1,127,266
Intelligent chargers	257,092	232,000
Industrial property investment	290,474	397,399
	3,728,617	3,482,507
Aerospace Service		
Property investment in Shenzhen Aerospace Science & Technology Plaza	10,057,304	9,952,878
Total assets for reportable segments	13,785,921	13,435,385
Other Business	102,041	105,918
Interests in associates	271,715	253,529
Interests in joint ventures	163,830	163,923
Unallocated assets	2,306,947	2,158,009
Consolidated assets	16,630,454	16,116,764

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2021

3. REVENUE AND SEGMENT INFORMATION *(continued)*

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

	30.6.2021 HK\$'000	31.12.2020 HK\$'000
Segment liabilities		
Hi-Tech Manufacturing Business		
Plastic products	406,662	421,407
Liquid crystal display	244,822	170,996
Printed circuit boards	476,208	409,987
Intelligent chargers	107,416	108,199
Industrial property investment	5,901	5,694
	1,241,009	1,116,283
Aerospace Service		
Property investment in Shenzhen Aerospace Science & Technology Plaza	86,954	91,257
Total liabilities for reportable segments	1,327,963	1,207,540
Unallocated liabilities	4,721,568	4,623,486
Consolidated liabilities	6,049,531	5,831,026

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2021

3. REVENUE AND SEGMENT INFORMATION *(continued)*

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

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

- all assets are allocated to operating and reportable segments other than bank balances and cash, pledged bank deposits, long-term bank deposits, short-term bank deposits, amount due from a related party, financial assets at fair value through profit or loss, interests in joint ventures, interests in associates and the other unallocated assets; and
- all liabilities are allocated to operating and reportable segments other than taxation payable, deferred taxation, loan from a controlling shareholder, loan from a related party and the other unallocated liabilities.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2021

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2021 HK\$'000	30.6.2020 HK\$'000
Continuing operations		
The Group's other income comprises:		
Bank interest income	15,899	9,721
Sales of scrap materials	11,817	8,631
Continuing operations		
The Group's other gains and losses comprise:		
Net gain on disposal of property, plant and equipment	200,579	187
Net gain from change in fair value of financial assets at fair value through profit or loss	4,117	1,112
Net exchange loss	(6,997)	(6,284)

5. FINANCE COSTS

	Six months ended	
	30.6.2021 HK\$'000	30.6.2020 HK\$'000
Continuing operations		
Interest on:		
Loan from a controlling shareholder	14,928	13,935
Loan from a related party	20,779	19,397
Lease liabilities	2,048	2,401
	37,755	35,733

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2021

6. PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
Continuing operations		
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	94,263	82,962
Depreciation of right-of-use assets	24,507	16,123

7. TAXATION

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
Continuing operations		
Current tax		
Hong Kong Profits Tax (Note (i))	5,470	3,941
PRC Enterprise Income Tax (Note (ii))	94,514	27,642
Deferred tax credit	99,984 (6,509)	31,583 (16,915)
	93,475	14,668

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2021

7. TAXATION *(continued)*

Notes:

(i) HONG KONG PROFITS TAX

Hong Kong Profits Tax for both periods is calculated at 16.5% of the estimated assessable profits for the period, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

(ii) PRC ENTERPRISE INCOME TAX

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. During the six months ended 30 June 2021, certain subsidiaries of the Group operating in the PRC are eligible as High and New Technology Enterprise till the dates ranging from 2 December 2022 to 18 November 2023 (2020:9 November 2021 to 2 December 2022) and the income tax rate of these subsidiaries is 15%.

In September 2018, a new notice with the name of Caishui 2018 No. 99 "Notice on Increasing the Pre-tax Deduction Ratio of Research and Development Expenses" was released, according to which certain PRC subsidiaries are entitled to an additional 75% tax deduction on eligible research costs incurred by them for both periods.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2021

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	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
From continuing operations		
Profit for the period attributable to owners of the Company	258,768	116,472
Less: profit from discontinued operations	—	(53,665)
Earnings for the purpose of earnings per share from continuing operations	258,768	62,807
	30.6.2021	30.6.2020
	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	3,085,022	3,085,022

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2021

8. EARNINGS PER SHARE *(continued)*

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
From continuing and discontinued operations		
Profit for the period attributable to owners of the Company for the purpose of basic earnings per share	258,768	116,472

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

From discontinued operations

Basic earnings per share for the discontinued operations is nil (1.1.2020 to 30.6.2020: Basic earnings of HK1.74 cents per share), based on the profit for the period from the discontinued operations of nil (1.1.2020 to 30.6.2020: Profit of HK\$53,665,000) and the denominators detailed above for basic earnings per share from continuing operations.

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

9. DIVIDEND

2020 final dividend of HK2 cents (1.1.2020 to 30.6.2020: 2019 final dividend of HK2 cents) per share amounting to HK\$61,700,000 (1.1.2020 to 30.6.2020: HK\$61,700,000) was declared by the Company during the period. The directors of the Company do not recommend payment of an interim dividend for both interim period.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2021

10. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES

During the current interim period, the Group entered into several land resumption agreements with a government authority in Huizhou, the PRC, for returning the leasehold land at a consideration of HK\$328,217,000. In addition, the Group disposed of certain plant and machinery for cash proceeds of HK\$6,689,000 (1.1.2020 to 30.6.2020: HK\$741,000). The aggregate carrying amount of property, plant and equipment disposed is HK\$134,327,000 (1.1.2020 to 30.6.2020: HK\$554,000). A net gain from disposal of HK\$200,579,000 has been recognised in profit or loss (1.1.2020 to 30.6.2020: gain on disposal of HK\$187,000).

In addition, during the period, the Group spent approximately HK\$193,273,000 (1.1.2020 to 30.6.2020: HK\$69,237,000) on acquisition of property, plant and equipment.

The fair values of the Group's investment properties at 30 June 2021 and 31 December 2020 have been arrived on the basis of valuations carried out on that date by Jones Lang LaSalle Corporate Appraisal & Advisory Limited ("Jones Lang") for properties situated in Hong Kong and Knight Frank Petty Limited ("Knight Frank") for properties situated in the PRC. Jones Lang and Knight Frank are independent qualified professional valuers not connected with the Group and are members of the Institute of Valuers. The valuation of investment properties of HK\$9,654,127,000 (31.12.2020: HK\$9,594,734,000) was arrived at by reference to market evidence of transaction prices for similar properties and/or by capitalisation of income potential of similar properties. The resulting decrease in fair value of investment properties of HK\$8,439,000 (1.1.2020 to 30.6.2020: decrease of HK\$68,417,000) has been recognised directly in the condensed consolidated statement of profit or loss.

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

The Group allows an average credit period of 30 to 120 days to its trade customers arising from contracts with customers. No credit period was granted to tenants of rental of premises. Receivables are unsecured and interest-free.

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:

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Within 90 days	1,049,191	966,468
Between 91–180 days	29,254	85,459
Between 181–365 days	5,049	3,088
	1,083,494	1,055,015

Included in the Group's trade receivables arising from contracts with customers is bills received amounting to HK\$169,049,000 (31.12.2020: HK\$163,326,000) which are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

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

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2021

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

The Group's rental receivables of HK\$684,577,000, net of allowance for credit losses of HK\$6,450,000 (31.12.2020: HK\$638,244,000, net of allowance for credit losses of HK\$6,450,000) included billed rental receivables of HK\$89,029,000 (31.12.2020: HK\$53,994,000) and unbilled rental receivables of HK\$595,548,000, net of allowance for credit losses of HK\$6,450,000 (31.12.2020: HK\$584,250,000, net of allowance for credit losses of HK\$6,450,000). The following is an aged analysis of billed rental receivables presented based on invoice date at the end of the reporting period:

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Within 90 days	89,029	53,994

Included in the Group's rental receivables as at 30 June 2021 are accrued rental income of HK\$571,459,000 (31.12.2020: HK\$556,033,000) that are expected to be realised after twelve months after the reporting period and are presented as non-current assets under long term assets.

Included in the Group's other receivables at 30 June 2021 is value-added tax recoverable of HK\$41,079,000 (31.12.2020: HK\$29,665,000).

12. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS MODEL ("ECL")

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2021

12. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS MODEL (“ECL”) *(continued)*

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

13. SHORT-TERM BANK DEPOSITS AND LONG-TERM BANK DEPOSITS

At 30 June 2021, short-term bank deposits with maturity more than three months carry fixed interest rates ranging from 0.07% to 2.94% per annum (31.12.2020: 0.25% to 3.29%) and long-term bank deposits with maturity more than one year carry fixed interest rates ranging from 3.78% to 3.79% per annum (31.12.2020: 3.79%).

14. TRADE AND OTHER PAYABLES

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Trade payables	822,129	600,973
Accrued charges	217,275	269,151
Security deposits from tenants	29,117	20,083
Other payables	531,510	598,022
	1,600,031	1,488,229

Other payables included an amount of HK\$54,000,000 (31.12.2020: HK\$54,000,000) received from a third party on behalf of China Aerospace Science & Technology Corporation (“CASC”), a controlling shareholder of the Company.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2021

14. 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:

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Within 90 days	748,461	507,652
Between 91–180 days	51,488	43,574
Between 181–365 days	8,787	44,070
Over 1 year	13,393	5,677
	822,129	600,973

15. SHARE CAPITAL

	30.6.2021 & 31.12.2020 HK\$'000
Issued and fully paid:	
— 3,085,022,000 ordinary shares with no par value	1,154,511

Notes to the Condensed Consolidated Financial Statements
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16. DISCONTINUED OPERATIONS AND DEEMED DISPOSAL OF SUBSIDIARIES

In 2020, the Group entered into a capital increment agreement with several existing shareholders and strategic investors in which the registered capital of Aerospace Digitnexus would be increased from approximately HK\$57,216,000 to approximately HK\$128,460,000. The strategic investors agreed to subscribe for registered capital of HK\$71,244,000 while the existing shareholders of Aerospace Digitnexus have not made additional contribution.

The transaction was completed in 2020, on which the Group lost control of Aerospace Digitnexus. The equity interest held by the Group in Aerospace Digitnexus decreased from 72.13% to 32.13%. Aerospace Digitnexus ceased to be a subsidiary of the Company. Aerospace Digitnexus became an associate of the Company upon the deemed disposal as the Group was regarded as having significant influence over Aerospace Digitnexus, and was accounted for in the condensed consolidated financial statements using equity-accounting method since the date of completion.

The profit for the period from the discontinued Internet of Things and Cross-border e-commerce operations were set out below.

	30.6.2020 HK\$'000
Loss for the period for the discontinued Internet of Things and Cross-border e-commerce operations	(616)
Gain on deemed disposal of Internet of Things and Cross-border e-commerce operations	54,075
	53,459

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2021

16. DISCONTINUED OPERATIONS AND DEEMED DISPOSAL OF SUBSIDIARIES *(continued)*

The result of Internet of Things and Cross-border e-commerce operations for the period from 1 January 2020 to the date ceased to be subsidiaries of the Company was as follows:

	30.6.2020 HK\$'000
Turnover	149
Cost of sales	(760)
Gross loss	(611)
Other income	338
Administrative expenses	(334)
Finance costs	(9)
Loss for the period	(616)

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

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2021

16. DISCONTINUED OPERATIONS AND DEEMED DISPOSAL OF SUBSIDIARIES *(continued)*

The major classes of assets and liabilities of Aerospace Digitnexus as at the date of the deemed disposal were as follows:

	HK\$'000
Bank balances and cash	31,645
Trade and other payables	(85,278)
Others	641
Net liabilities disposed of	(52,992)
Gain on deemed disposal	
Fair value of the equity interest retained in Aerospace Digitnexus	6,761
Net liabilities disposed of	52,992
Non-controlling interests	(11,738)
Reclassification of cumulative translation reserve upon deemed disposal of Aerospace Digitnexus to profit or loss	6,060
	54,075
Net cash inflow arising on deemed disposal	
Cash injection to Aerospace Digitnexus	71,244
Less: bank balances and cash disposed of	(31,645)
	39,599

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2021

17. COMMITMENTS

	30.6.2021 HK\$'000	31.12.2020 HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— acquisition of property, plant and equipment and right-of-use assets	177,911	142,457

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

At 30 June 2021, the Group's financial assets at fair value through profit or loss which are stated at fair value represent equity securities listed on The Stock Exchange of Hong Kong Limited amounting to HK\$8,012,000 (31.12.2020: HK\$3,895,000).

The classification of the Group's financial assets (i.e. financial assets at fair value through profit or loss) at 30 June 2021 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.

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19. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in note 14 and in the condensed consolidated statement of financial position, the Group entered into the following significant related party transactions:

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

(a) Transactions with the CASC and its subsidiaries

- (i) During the year ended 31 December 2013, the Group entered into a long-term loan agreement with CASC for an amount of RMB500,000,000 for a period of five years from the first drawdown date. The loan has been renewed for another five years in 2018 and is unsecured, bears a fixed interest at 5% per annum and is repayable in March 2023. As at 30 June 2021, the Group has drawn down RMB500,000,000 (equivalent to approximately HK\$600,240,000) (31.12.2020: RMB500,000,000 (equivalent to approximately HK\$595,948,000)). The interest incurred to CASC during the six months ended 30 June 2021 amounted to RMB12,569,000 (equivalent to approximately HK\$14,928,000) (1.1.2020 to 30.6.2020: RMB12,639,000 (equivalent to approximately HK\$13,935,000)).

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2021

19. RELATED PARTY TRANSACTIONS *(continued)*

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

- (ii) During the year ended 31 December 2016, the Group entered into a facility (“Facility”) with Aerospace Science & Technology Finance Company Limited (“Aerospace Finance”), for advances up to RMB1,300,000,000 for a period of 12 years from the first drawdown date. The property ownership certificates of a portion of Shenzhen Aerospace Science & Technology Plaza with a valuation amount of approximately RMB1,900,000,000 has been mortgaged in favour of Aerospace Finance by Shenzhen Aerospace Technology Investment Company Limited. As at 30 June 2021, the Group has drawn down RMB789,100,000 (equivalent to approximately HK\$947,299,000) (31.12.2020: RMB789,100,000 (equivalent to approximately HK\$940,524,000)). Such loan carries a variable interest rate of 4.4% per annum and the interest paid to loans drawn from the Facility during the period ended 30 June 2021 amounted to RMB17,496,000 (equivalent to approximately HK\$20,779,000) (1.1.2020 to 30.6.2020: RMB17,593,000 (equivalent to approximately HK\$19,397,000)).
- (iii) During the year ended 31 December 2020, the Group entered into capital increment agreement with several existing shareholders and strategic investor of Aerospace New Business Information Technology Co. Ltd., which are subsidiaries of CASC, in relation to the increase of registered capital from approximately RMB62,000,000 to RMB132,000,000 in which the Group has subscribed RMB10,820,000 (equivalent to approximately HK\$11,851,000).
- (iv) As at 30 June 2021, deposits placed with Aerospace Finance by the Group amounted to RMB163,000 (equivalent to approximately HK\$195,000) (31.12.2020: nil) and are included in amount due from a related party.

Notes to the Condensed Consolidated Financial Statements
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19. 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, the facilities with these banks and certain sales transactions, remaining transactions with other government-related entities are individually insignificant.

(c) Compensation of key management personnel

During the six months ended 30 June 2021, the emoluments of key management personnel were HK\$1,650,000 (1.1.2020 to 30.6.2020: HK\$1,594,000).

20. PLEDGE OF OR RESTRICTION ON ASSETS

As at 30 June 2021, bank deposits of HK\$49,198,000 (31.12.2020: HK\$52,957,000) and bills held for future settlement of trade receivables of HK\$158,051,000 (31.12.2020: HK\$145,566,000) and investment properties of approximately HK\$2,283,918,000 (31.12.2020: HK\$2,294,938,000) were pledged to banks and Aerospace Finance to secure general banking facilities granted to the Group.

Restriction on assets

In addition, lease liabilities of HK\$80,518,000 (31.12.2020: HK\$94,880,000) are recognised with related right-of-use assets of HK\$72,386,000 (31.12.2020: HK\$87,923,000) as at 30 June 2021. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.