



CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Stock Code: 31)

2023 INTERIM REPORT



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr Zhou Limin (*Chairman*)
Mr Song Shuqing (*President*)
(*appointed on 10 February 2023*)
Mr Jin Xuesheng (*President*)
(*resigned on 10 February 2023*)

Non-Executive Directors

Mr Luo Zhenbang (*Independent*)
Mr Wang Xiaojun (*Independent*)
Ms Chen Jingru (*Independent*)
Mr Hua Chongzhi
Mr Teng Fangqian
(*appointed on 2 March 2023*)
Mr Peng Jianguo
(*appointed on 2 March 2023*)
Mr Liu Xudong
(*resigned on 2 March 2023*)
Mr Mao Yijin
(*resigned on 2 March 2023*)

AUDIT COMMITTEE

Mr Luo Zhenbang (*Chairman*)
Ms Chen Jingru (*Independent*)
Mr Peng Jianguo
(*appointed on 2 March 2023*)
Mr Mao Yijin
(*resigned on 2 March 2023*)

REMUNERATION COMMITTEE

Ms Chen Jingru (*Chairman*)
Mr Wang Xiaojun
Mr Hua Chongzhi

NOMINATION COMMITTEE

Mr Zhou Limin (*Chairman*)
Mr Luo Zhenbang
Mr Wang Xiaojun
Ms Chen Jingru
Mr Teng Fangqian
(*appointed on 2 March 2023*)
Mr Liu Xudong
(*resigned on 2 March 2023*)

ENVIRONMENT, SOCIAL & GOVERNANCE COMMITTEE

Mr Zhou Limin (*Chairman*)
Mr Luo Zhenbang
Mr Hua Chongzhi

COMPANY SECRETARY

Ms Wong Cho Ching

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor

SHARE REGISTRAR

Tricor Standard Limited

LEGAL COUNSEL

Reed Smith Richards Butler LLP

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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* 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

In the first half of 2023, the global economy continued to be affected by the adverse factors such as the Federal Reserve's rate hike cycle, inflation, and over-procurement. The economic development and operation of major economies generally exhibited a low growth trend, with weak consumption and fragile foundation for economic recovery, with a significant trend of differentiation. In the face of unprecedented challenges, the management of the Company led the employees to overcome difficulties, spared no effort to scale up market development, adjusted customer structure, continued to increase investment in research and development, accelerated the construction of new capabilities, and basically maintained stable development of various businesses.

For the six months ended 30 June 2023, the unaudited operating revenue of the Company and its subsidiaries was HK\$1,733,548,000, representing a decrease of 29.58% as compared with that of HK\$2,461,773,000 for the same period in 2022. Profit for the period was HK\$55,065,000, as compared with a loss of HK\$164,662,000 for the same period in 2022. Profit attributable to owners of the Company for the period was HK\$45,506,000, as compared with a loss attributable to owners of the Company of HK\$71,994,000 for the same period in 2022. Basic earnings per share attributable to owners of the Company was HK1.48 cents (first half of 2022: basic loss per share of HK2.33 cents).

Taking into account the Company's development needs and funding position, the Board has resolved not to declare an interim dividend (2022 interim dividend: HK0.5 cent per share).

Hi-tech manufacturing enterprises continued to optimize their business and product structure, steadily carried out technological transformation, continued technological innovation, and implemented new capabilities building as planned. However, affected by factors such as the macroeconomic downturn, the active destocking of the electronic components industry and the weak consumption, the results for the first half of the year fell short of expectations. In the first half of the year, the revenue of HK\$1,631,275,000 was realized, representing a decrease of 27.02% as compared with the revenue of HK\$2,235,234,000 for the same period in 2022; the operating profit was HK\$36,201,000, representing a significant decrease of 66.50% as compared with the operating profit of HK\$108,072,000 for the same period in 2022.

As at 30 June 2023, the occupancy rate of office premises in Shenzhen Aerospace Science & Technology Plaza was 43.87%, representing an increase of only 11.17% as compared with the end of last year, which was adversely affected by the continuous economic downturn, the continuous increase in the supply of office space and particularly the continuous increase in the rentable area in the Houhai area where Shenzhen Aerospace Science & Technology Plaza is located. However, the occupancy rate of the commercial premises achieved satisfactory growth, and the commercial market saw a recovery in leasing. Shenzhen Aerospace seized the business opportunity and recorded an occupancy rate of 73.81%, representing an increase of over 30% as compared with the end of last year.

In accordance with the planning of the “14th Five-Year Plan” (2021–2025), the Company will continue to perform the duties of “an important platform for the international development of aerospace industry of China Aerospace Science & Technology Corporation” and build the Company into an international platform company for the development of aerospace industry. In the first half of the year, the Company focused on three major businesses, namely, advanced manufacturing, modern service and high-tech industries, winding up inefficient companies, optimizing resource allocation, focusing on the development of integrated circuit package board of Nantong Hong Yuen and intelligent power module packaging business, and accelerating the adjustment of business structure. The Nantong Hong Yuen Integrated Circuit Packaging Substrate Project was approved at the extraordinary general meeting. The tender and bidding for the construction and the signing of contract were completed. The construction has commenced and progressed smoothly. Upon completion, the production capacity of high-end integrated circuit packaging substrate and high-density printed circuit board of the Company’s printed circuit board business will be increased by 240,000 square metres per year, and is expected to commence production in 2025 and to reach the production capacity in 2027. The intelligent power module packaging business has completed the first phase of construction work, and has negotiated with a number of customers, with product yield rate reaching expectations.

Business Review

PROSPECTS

Looking forward to the second half of the year, the risks and challenges faced by the operation of the macro-economy still exist. The situation of insufficient demand may be difficult to reverse in the short term. The external environment is severe and complex, and orders are insufficient. The Company will follow the working principle of “innovative development of industrial enterprises, coordinated development of modern service enterprises, and strategic coordinated development of new technology investment enterprises”, continue to make every effort to strengthen market development, actively integrate into the new domestic development pattern, adjust the direction of market expansion, and strive to achieve the business objectives set at the beginning of the year. At the same time, continue to focus on the Nantong Hong Yuen Integrated Circuit Packaging Substrate Project, complete the construction of intelligent power module packaging industrialization project, complete the Plant Construction Project Phase 5 of Huizhou Industrial Garden and put it into use. The construction of 5G millimeter-wave filters chip research and development trial production line was completed, and the transformation of achievements and industrialization development model was studied. The positioning and business model of Shenzhen Aerospace Science & Technology Plaza will be further planned, the effort of market development will be strengthened, and multiple measures to increase the occupancy rate of Shenzhen Aerospace Science & Technology Plaza will be taken. After all, the Company will strive to improve operating efficiency and reward shareholders.

APPRECIATION

Mr Jin Xuesheng resigned as Executive Director and President of the Company on 10 February 2023 and Mr Liu Xudong and Mr Mao Yijin resigned as Non-Executive Directors of the Company on 2 March 2023 respectively due to retirement. On behalf of the Board of Directors, I would like to express my heartfelt respect and thanks to them for their great contributions to the Company during their tenure, and welcome Mr Song Shuqing as the Executive Director and President of the Company, Mr Teng Fangqian and Mr Peng Jianguo as Non-Executive Directors of the Company.

On behalf of the Board, I express my profound gratitude to all the staff for their dedication and loyal services. 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, 25 August 2023

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS PERFORMANCE

The unaudited revenue of the Company and its subsidiaries for the six months ended 30 June 2023 was HK\$1,733,548,000, representing a decrease of 29.58% as compared with that of HK\$2,461,773,000 for the same period of 2022. Profit for the period was HK\$55,065,000, compared to a loss of HK\$164,662,000 for the same period of 2022.

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

Profit attributable to shareholders of the Company for the current period was HK\$45,506,000, compared to a loss attributable to shareholders of the Company of HK\$71,994,000 for the same period of 2022.

The decrease in revenue was mainly due to the decrease in sales from industrial enterprises, especially the businesses of printed circuit boards and intelligent chargers and the decrease in rental income from Shenzhen Aerospace Science & Technology Plaza. The turnaround to profit for the period was due to no impairment of rental receivables was required during the period.

Based on the issued share capital of 3,085,022,000 shares during the period, the basic earnings per share was HK1.48 cents, compared to the basic loss per share of HK2.33 cents for the same period of 2022.

DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023 (30 June 2022: HK0.5 cent per share).

The distribution of 2022 final dividend of HK2 cents per share was approved by shareholders at the annual general meeting in June 2023 and warrants of which were dispatched to all shareholders on 18 July 2023.

RESULTS OF CORE BUSINESSES

The Company and the subsidiaries are principally engaged in the research and development, design, professional production, sales and services of the hi-tech manufacturing business such as plastic products, electronic products, power products and semiconductor products, as well as the property management business of Shenzhen Aerospace Science & Technology Plaza.

The Company promotes various businesses in accordance with the outline of the five-year plan, focuses on the development of advanced manufacturing, modern services industries and high-tech industries, fully utilizing the resources from both overseas and China markets, and comprehensively deepening reform to achieve high-quality development of the Company.

The hi-tech manufacturing business is the major cornerstone of the Company's revenue and the principal source of the Company's profit and cash flow, while the property management business of Shenzhen Aerospace Science & Technology Plaza also generates rental and management fee income for the Company. The Company will continue to identify and develop new business opportunities, and thereby creating value for shareholders.

Management Discussion and Analysis

Hi-tech manufacturing

The revenue of the hi-tech manufacturing business for the six months ended 30 June 2023 was HK\$1,631,275,000, representing a decrease of revenue of 27.02% as compared with the same period of 2022 and operating profit was HK\$36,201,000, representing a decrease of segment profit of 66.50% as compared with the same period of 2022. The results of the hi-tech manufacturing business are shown below:

	Turnover (HK\$'000)			Operating Profit (HK\$'000)		
	First half of 2023	First half of 2022	Changes (%)	First half of 2023	First half of 2022	Changes (%)
Plastic Products	661,837	760,484	(12.97)	13,236	13,112	0.95
Printed Circuit Boards	421,555	686,724	(38.61)	4,482	61,164	(92.67)
Intelligent Chargers	114,050	197,009	(42.11)	(7,645)	1,997	N/A
Liquid Crystal Display	425,772	586,128	(27.36)	44,043	27,540	59.92
Intelligent Power Modules	3,316	—	100.00	(19,018)	—	(100.00)
Industrial Property Investment	4,745	4,889	(2.95)	1,103	4,259	(74.10)
Total	1,631,275	2,235,234	(27.02)	36,201	108,072	(66.50)

In the first half of 2023, the global economy continued to recover, but at a slower pace than expected. Market demand remained weak, thus affecting the operating income of the hi-tech manufacturing business. The results for the first half of the year was unsatisfactory, reporting a double-digit decrease in both the overall revenue and profit.

Management Discussion and Analysis

In particular, the decline in operating results of the printed circuit board business was the most obvious, with orders from major customers dropping by approximately 30%. Coupled with fierce price competition, revenue fell by 38.61% compared to the same period last year and the profit fell by more than 92%. The intelligent charger business also recorded a significant decline in revenue and profit compared to the same period last year as a result of sharp reduction in sales orders from major customers. The liquid crystal display (LCD) business saw a decline in revenue by 27.36% compared to the same period last year as a result of the continued sluggish on the demand side due to the weakening of the market, however, profit increased by 59.92% compared to the same period last year due to the factors such as stabilization in the supply chain and the downward adjustment of material price. The plastic product business recorded a decrease of 12.97% in revenue compared to the same period last year, with a larger decline in sales to Hong Kong and overseas customers. The Intelligent power module (IPM) has completed the commissioning of the production line and the verification of equipment performance and process, and possess the capability of mass production. The trial production of the products is in the critical period. Since it is a high-power module, it has a more stringent quality requirement and the product verification cycle is much longer, which delays the realization of mass production and profitability to a certain extent.

On 12 May 2023, Nantong Hong Yuen entered into the Construction Contract with China Construction No 8 in relation to the Plants Construction Project Phase I at a consideration of RMB316,859,999.99 (equivalent to approximately HK\$358,889,556). The construction of the Plants Construction Project Phase I has commenced in an orderly manner, and will be used as the self-use production plants of Nantong Hong Yuen for its production of integrated circuit packaging substrates upon completion, which is expected to be completed in late May 2024. For details, please refer to the announcements and circular of the Company dated 12 May 2023, 25 May 2023 and 21 June 2023 respectively.

Management Discussion and Analysis

The Plants Construction Project Phase 5 is also progressing according to schedule. The main structural work has been completed and is expected to be completed in October this year. Upon completion, it is expected the Plants Construction Project Phase 5 will be used as the production plants of the Company and its subsidiaries.

In addition, the Intelligent Research Institute continues to assist various industrial enterprises in the R&D and upgrading of high-tech products and the transformation of manufacturing capabilities, including joint research with industrial enterprises on AVI equipment, development of LCD screen cutting machines, AOI equipment, etc. In addition, it actively researches automation systems and assists in promoting intelligent upgrading and transformation of factories. During the period, the 5G millimeter-wave filter chips completed the formation of the process team, as well as equipment debugging and acceptance, and continued to advance towards industrialization.

Looking ahead to the second half of 2023, the operating environment will remain tough, characterized by a weak macroeconomic climate, significant downward pressure on the economy, and the revenue forecast cannot be optimistic. The hi-tech manufacturing business will actively expand their customer bases, develop new businesses, improve quality and reduce costs, recruit specialists, continue technological transformation and R&D, optimize the industrial structure with innovation as the first driving force, in order to enhance competitiveness, and look forward to expanding profitability.

Shenzhen Aerospace Science & Technology Plaza

During the first half of 2023, various litigations between Shenzhen Aerospace, Hangke Houhai and Huabaorun have been heard by the court respectively. Among them, Shenzhen Aerospace has filed an additional claim to the court to claim compensation from Huabaorun for the loss arising from vacancy of property due to early termination of the lease, and for the recovery of prepaid rent collected from sub-tenants by Huabaorun, totaling approximately RMB16,035,000 (the “Second Huabaorun Litigation”). Together with the litigation with Huabaorun referred to in the announcement dated 14 February 2023 (the “First Huabaorun Litigation”), Shenzhen Aerospace has a total claim of approximately RMB268,948,000 against Huabaorun. For details, please refer to the announcements of the Company dated 14 February 2023 and 24 March 2023 respectively.

Management Discussion and Analysis

Following the termination of the lease contracts with Hangke Houhai and Huabaorun, Shenzhen Aerospace Science & Technology Plaza has been fully changed to self-managed operation in leasing. As at 30 June 2023, the occupancy rates for commercial premises and office premises of Shenzhen Aerospace Science & Technology Plaza were 73.81% and 43.87%, respectively (31 December 2022: 39.40% and 32.70%).

During the period, Shenzhen Aerospace and its wholly-owned subsidiary, Shenzhen Aerospace Technology Property Management Company Limited* (深圳市航天高科物業管理有限公司) (“Shenzhen Property Management”), which is responsible for the property management of Shenzhen Aerospace Science & Technology Plaza, recorded a total revenue of HK\$99,260,000 (first half of 2022: HK\$222,384,000) and a segment profit of HK\$48,800,000 (first half of 2022: HK\$220,781,000), mainly contributed from the rental and property management fee incomes and the change in fair value of the investment properties during the period.

As at 30 June 2023, Shenzhen Aerospace Science & Technology Plaza was valued at approximately RMB7,851,000,000 (31 December 2022: RMB7,860,000,000).

In the second half of 2023, Shenzhen Aerospace will focus its effort on self-managed operation and introduce large-scale enterprises as tenant and will proactively advocate and enforce its rights in various litigations in accordance with applicable laws.

Management Discussion and Analysis

Other Business

RAYITEK Hi-Tech Film Company Ltd., Shenzhen (深圳瑞華泰薄膜科技股份有限公司) (“Rayitek”), an associate company in which the Company indirectly holds a 23.38% interest, distributed a dividend of RMB0.7 per 10 shares during the period (2022: RMB0.7 per 10 shares) and the Company received dividends of approximately RMB2,945,800 in total (2022: approximately RMB2,945,800).

ASSETS

(HK\$'000)	30 June 2023	31 December 2022	Changes (%)
Non-Current Assets	11,116,714	11,602,450	(4.19)
Current Assets	3,378,984	3,663,378	(7.76)
Total Assets	14,495,698	15,265,828	(5.04)

The decrease in non-current assets was mainly due to the reclassification of some long-term bank deposits as current assets, as well as the decrease in Hong Kong dollar equivalent arising from the conversion of assets denominated in RMB at the balance sheet date, while the decrease in current assets was due to the decrease in bank deposits, bills receivable and inventories.

The equity attributable to shareholders of the Company was HK\$7,339,492,000, representing a decrease of 4.17% as compared with that of HK\$7,658,694,000 as at the end of 2022.

The equity attributable to shareholders of the Company for the period decreased as compared with the end of last year, which was mainly due to the decrease in exchange reserves caused by the decrease in RMB exchange rate and the distribution of dividends which reduced shareholders' equity during the period. 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\$2.38.

Management Discussion and Analysis

As at 30 June 2023, a cash deposit of HK\$31,976,000 and bills receivable of HK\$55,726,000 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 and RMB170,000,000 of Shenzhen Aerospace Science & Technology Plaza were mortgaged by Shenzhen Aerospace to Aerospace Science & Technology Finance Company Limited* (航天科技財務有限公司) as to obtain a 12-year term loan facility in the amount of RMB1,300,000,000 and a 10-year bank loan in the amount of RMB100,000,000. Details of which please refer to the Company's announcement published on 30 August 2016.

LIABILITIES

(HK\$'000)	30 June 2023	31 December 2022	Changes (%)
Non-Current Liabilities	3,690,449	3,321,318	11.11
Current Liabilities	1,424,879	2,159,847	(34.03)
Total Liabilities	5,115,328	5,481,165	(6.67)

The increase in non-current liabilities was mainly due to the new related party loans and bank loans during the period, which offset the decrease in Hong Kong dollar equivalent arising from the conversion of liabilities denominated in RMB at the balance sheet date, whereas the decrease in current liabilities was mainly due to the repayment of a major shareholder's loan during the period.

As at 30 June 2023, the Company and its subsidiaries had other borrowings of HK\$1,366,594,000.

OPERATING EXPENSES

The administrative expenses of the Company and the subsidiaries in the first half of 2023 were HK\$200,304,000, representing a decrease of 22.54% compared to the same period of 2022, mainly due to lower labour costs. The finance costs amounted to HK\$32,963,000, representing a decrease of 14.77% as compared with the same period of last year.

Management Discussion and Analysis

CONTINGENT LIABILITIES

In 2022, Shenzhen Aerospace was defendant in a claim of approximately RMB119,000,000, by its major tenant, Hangke Houhai, for the operating loss in the past (the “Second Hangke Houhai Litigation”). In addition, in 2023, Hangke Houhai had filed an additional claim for a refund from Shenzhen Aerospace for overpaid rent of approximately RMB49,800,000 and consequential interest loss (the “Third Hangke Houhai Litigation”). In July 2023, the court ruled that Shenzhen Aerospace lost the Second Hangke Houhai Litigation and dismissed Hangke Houhai’s claim under the Third Hangke Houhai Litigation.

The Company has sought second legal opinion and filed appeal to all the court’s judgment on the Hangke Houhai Litigation which has been ruled down by the court. After considering the advice from the legal advisor of Shenzhen Aerospace, the Directors of the Company believe that the appeal can be highly probably to succeed, and it is not probable that an outflow of resources embodying economic benefits will be required to settle the claims. Therefore, the litigations are disclosed as contingent liabilities and no provision is made.

Save for the disclosure above, the Company and the subsidiaries did not have any other material contingent liabilities.

FINANCIAL RATIOS

	First half of 2023	First half of 2022
Gross Profit Margin	20.13%	23.95%
Return on Net Assets	0.59%	(1.68%)

	30 June 2023	31 December 2022
Assets-Liabilities Ratio	35.29%	35.90%
Current Ratio	2.37	1.70
Quick Ratio	2.05	1.44

LIQUIDITY

The source of funds of the Company and the subsidiaries mainly relies on internal resources and banking and financial institution facilities. As at 30 June 2023, the cash and bank balance and short-term bank deposits amounted to HK\$1,901,839,000, the majority of which were in Hong Kong Dollars and Renminbi.

CAPITAL EXPENDITURE

As at 30 June 2023, the capital commitments of the Company and the relevant subsidiaries contracted for but not provided in the consolidated financial statements was approximately HK\$541,595,000, mainly the capital expenditure 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 human resources management skills 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 2023, the Company and the subsidiaries had a total of approximately 7,100 employees based in the mainland, Hong Kong and Vietnam.

Management Discussion and Analysis

APPRECIATION

I would like to express my heartfelt thanks to our shareholders, banks, business partners and all other friends from the community who have rendered support to the Company's development, and to express my gratitude and high praise for all employees of the Company their loyalty to the Company and professional attitude.

By order of the Board,
Song Shuqing
Executive Director & President

Hong Kong, 25 August 2023

OTHER DISCLOSURES

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, 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 2023.

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 2023.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for 2023 (2022: HK0.5 cent per share).

Other Disclosures

CORPORATE GOVERNANCE

For the six months ended 30 June 2023, the Company complied throughout the period with the provisions of the *Corporate Governance Code* as set out in Appendix 14 of the Listing Rules.

LITIGATION

As at 30 June 2023, except for litigation claims and progress between Shenzhen Aerospace, a 60% indirect owned subsidiary of the Company, and Hangke Houhai and Huabaorun respectively, as disclosed in the company's announcements on 14 February 2023 and 24 March 2023, 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 CHIEF 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 and *The Code and Enforcement Details for Securities Transactions by Directors* 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 2023.

As at 30 June 2023, 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), Ms Chen Jingru and a Non-Executive Director, Mr Peng Jianguo (appointed on 2 March 2023) and Mr Mao Yijin (resigned on 2 March 2023). 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 2023 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 Chen Jingru (Chairman), 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 the Chairman and Executive Director, Mr Zhou Limin (Chairman), a Non-Executive Director, Mr Teng Fangqian (appointed on 2 March 2023) and Mr Liu Xudong (resigned on 2 March 2023), and three Independent Non-Executive Directors, Mr Luo Zhenbang, Ms Chen Jingru and Mr Wang Xiaojun. The responsibilities of the Nomination Committee are to review the structure, the number of members and diversity for the execution of the Company's policy.

Other Disclosures

ENVIRONMENT, SOCIAL & GOVERNANCE COMMITTEE

The Environment, Social & Governance (“ESG”) Committee of the Company has a membership comprising the Chairman and Executive Director, Mr Zhou Limin (Chairman), a Non-Executive Director, Mr Hua Chongzhi, and an Independent Non-Executive Director, Mr Luo Zhenbang. 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 above committees can be downloaded from the websites of both The Hong Kong Exchanges and Clearing Limited and the Company for reference.

STATEMENT OF COMPLIANCE

The financial information relating to the year ended 31 December 2022 that is included in the Interim Report 2023 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 2022 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.

CHANGE IN DIRECTORS' INFORMATION

Mr Zhou Limin, the Chairman and Executive Director of the Company, was appointed as the Chairman of Shenzhen Aerospace Technology Investment Company Limited with effect from June 2023.

Mr Song Shuqing, the Executive Director and President of the Company, ceased to serve as the Chairman of Chongqing Aerospace Rocket Electronics Technology Co., Ltd. with effect from February 2023 and a Director of China Aerospace Times Electronics Co., Ltd. (shares of which are listed on Shanghai Stock Exchange (stock code: 600879)) with effect from March 2023 respectively; and was appointed as the Chairman of RAYITEK Hi-Tech Film Company Ltd., Shenzhen (shares of which are listed on Shanghai Stock Exchange (stock code: 688323)) with effect from July 2023.

Mr Luo Zhenbang, an Independent Non-Executive Director of the Company, ceased to serve as an independent non-executive director of Glory Health Industry Limited with effect from June 2023, shares of which are listed on The Stock Exchange of Hong Kong (stock code: 2329).

Save for the information disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

POST PERIOD EVENTS

On 10 July 2023 and 14 July 2023, the Company was informed that Shenzhen Aerospace had received the judgments (the "First Instance Judgments"), in relation to the Second Hangke Houhai Litigation, pursuant to which Hangke Houhai had requested the court to order Shenzhen Aerospace to pay Hangke Houhai for its operation losses due to delay in delivery of property and provision of Realty Title Certificate to Hangke Houhai etc.; judgment in relation to the Third Hangke Houhai Litigation regarding Hangke Houhai's claim for a refund from Shenzhen Aerospace for overpaid rent and consequential interest loss, and a counter-claim made by Shenzhen Aerospace against Hangke Houhai for the payment of rent for February 2020 and penalty for breach of contract etc.; and judgment in relation to the First Hangke Houhai Litigation regarding Shenzhen Aerospace's claim against Hangke Houhai for arrears of rent and penalty for

Other Disclosures

breach of contract etc.. In the First Hangke Houhai Litigation, Hangke Houhai was ordered to pay rent of RMB98,645,962.60 and RMB1,812,704.01 as liquidated damages for the late payment of rent to Shenzhen Aerospace etc.. In the Second Hangke Houhai Litigation, Shenzhen Aerospace was ordered to pay to Hangke Houhai RMB119,034,615.60 for operation losses etc.. In the Third Hangke Houhai Litigation, the court dismissed the claims of both parties. Further details of the litigations were set out in the Company's inside information announcements dated 11 July 2023 and 14 July 2023. Shenzhen Aerospace has filed appeals against the First Instance Judgments respectively, which have been accepted by the court and are pending trial.

Regarding the Fourth Hangke Houhai Litigation (details please refer to the Company's announcement on 24 March 2023), Shenzhen Aerospace subsequently withdrew its claim for property vacancy losses of approximately RMB76,000,000, and Shenzhen Aerospace received the first instance judgment of the court on 10 August 2023: the defendant Hanke Houhai was ordered to return the rent of RMB4,935,516.58 to the plaintiff Shenzhen Aerospace; the case acceptance fee of RMB46,284.13 was borne by the defendant Hangke Houhai; the court returned the prepaid RMB446,724.49 to Shenzhen Aerospace.

In addition, Shenzhen Aerospace has commenced litigation against Shenzhen Jindian Industrial Group Co., Ltd.* (深圳經典實業集團有限公司) ("Jindian Industrial"), a shareholder of Hangke Houhai, for a total amount of approximately RMB385,000,000 in relation to the joint and several liability under the guarantee contract (the "Fifth Hangke Houhai Litigation"), which has been accepted by the court and is pending trial. Shenzhen Property Management, a wholly-owned subsidiary of Shenzhen Aerospace, has commenced litigation against Hangke Houhai and Huabaorun for arrears of property management fees in the total amount of RMB72,000,000 (the "Sixth Hangke Houhai Litigation") and RMB39,000,000 (the "Third Huabaorun Litigation"), respectively, which have been heard by the court and are pending at first instance.

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 25 to 60, which comprise the condensed consolidated statement of financial position as of 30 June 2023 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

25 August 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	NOTES	Six months ended	
		30.6.2023 HK\$'000 (Unaudited)	30.6.2022 HK\$'000 (Unaudited)
Revenue	3	1,733,548	2,461,773
Cost of sales		(1,384,532)	(1,872,242)
Gross profit		349,016	589,531
Other income	4	37,441	37,149
Other gains and losses	4	28,867	(3,060)
Net loss on lease termination	4	—	(444,226)
Selling and distribution expenses		(39,891)	(34,894)
Administrative expenses		(200,304)	(258,598)
Research and development expenses		(77,591)	(77,472)
Fair value changes of investment properties		(8,619)	38,301
Impairment losses under expected credit loss model ("ECL"), net	12	8,166	(92,112)
Finance costs	5	(32,963)	(38,677)
Share of results of associates		(5,423)	7,691
Share of results of joint ventures		(1,445)	(563)
Profit (loss) before taxation	6	57,254	(276,930)
Taxation	7	(2,189)	112,268
Profit (loss) for the period		55,065	(164,662)

Condensed Consolidated Statement of Profit or Loss
For the six months ended 30 June 2023

	NOTES	Six months ended	
		30.6.2023 HK\$'000 (Unaudited)	30.6.2022 HK\$'000 (Unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		45,506	(71,994)
Non-controlling interests		9,559	(92,668)
		55,065	(164,662)
Earnings (loss) per share Basic and diluted	8	HK1.48 cents	(HK2.33 cents)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended	
	30.6.2023 HK\$'000 (Unaudited)	30.6.2022 HK\$'000 (Unaudited)
Profit (loss) for the period	55,065	(164,662)
Other comprehensive expense:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translating foreign operations		
— subsidiaries	(383,523)	(390,186)
— associates	(10,853)	(12,942)
— joint ventures	(3,282)	(3,896)
Other comprehensive expense for the period	(397,658)	(407,024)
Total comprehensive expense for the period	(342,593)	(571,686)
Total comprehensive expense for the period attributable to:		
Owners of the Company	(257,502)	(378,091)
Non-controlling interests	(85,091)	(193,595)
	(342,593)	(571,686)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	NOTES	30.6.2023 HK\$'000 (Unaudited)	31.12.2022 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	1,807,039	1,855,965
Right-of-use assets	10	245,445	279,281
Investment properties	10	8,500,001	8,895,276
Interests in associates		234,857	254,481
Interests in joint ventures		137,037	141,764
Financial assets at fair value through profit or loss ("FVTPL")	18	126,294	130,585
Deposit paid for property, plant and equipment		46,806	32,753
Pledged bank deposits	13	7,135	11,425
Long-term assets	11	12,100	920
		11,116,714	11,602,450
Current assets			
Inventories		423,195	513,484
Trade and other receivables	11	995,915	1,049,900
Amount due from a related party	19(a)(iv)	1,947	11,950
Financial assets at FVTPL	18	2,949	6,232
Pledged bank deposits	13	24,841	30,240
Restricted bank deposits	13	28,298	30,245
Short-term bank deposits	13	410,418	372,340
Cash and cash equivalents	13	1,491,421	1,648,987
		3,378,984	3,663,378

Condensed Consolidated Statement of Financial Position
At 30 June 2023

	NOTES	30.6.2023 HK\$'000 (Unaudited)	31.12.2022 HK\$'000 (Audited)
Current liabilities			
Trade and other payables	14	1,249,926	1,374,178
Contract liabilities		43,273	49,510
Lease liabilities		34,504	37,811
Amount due to a joint venture		37,375	37,375
Loan from a major shareholder	19(a)(i)	—	565,611
Loan from a related party	19(a)(iii)	5,405	8,523
Taxation payable		54,396	86,839
		1,424,879	2,159,847
Net current assets		1,954,105	1,503,531
Total assets less current liabilities		13,070,819	13,105,981
Non-current liabilities			
Lease liabilities		99,530	118,386
Bank borrowing	15	108,108	—
Loan from a major shareholder	19(a)(i)	108,108	—
Loan from a related party	19(a)(ii)	1,144,973	870,023
Deferred taxation		2,229,730	2,332,909
		3,690,449	3,321,318
		9,380,370	9,784,663

Condensed Consolidated Statement of Financial Position
At 30 June 2023

	NOTES	30.6.2023 HK\$'000 (Unaudited)	31.12.2022 HK\$'000 (Audited)
Capital and reserves			
Share capital	16	1,154,511	1,154,511
Reserves		6,184,981	6,504,183
Equity attributable to owners of the Company		7,339,492	7,658,694
Non-controlling interests		2,040,878	2,125,969
		9,380,370	9,784,663

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company									
	Share capital	Special capital reserve	General reserve	Translation reserve	Property revaluation reserve	Other reserves	Retained profits	Sub-total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2023 (audited)	1,154,511	14,044	112,651	(209,036)	30,523	44,926	6,511,075	7,658,694	2,125,969	9,784,663
Profit for the period	-	-	-	-	-	-	45,506	45,506	9,559	55,065
Exchange differences arising on translating foreign operations										
– subsidiaries	-	-	-	(288,873)	-	-	-	(288,873)	(94,650)	(383,523)
– associates	-	-	-	(10,853)	-	-	-	(10,853)	-	(10,853)
– joint ventures	-	-	-	(3,282)	-	-	-	(3,282)	-	(3,282)
Total comprehensive expense for the period	-	-	-	(303,008)	-	-	45,506	(257,502)	(85,091)	(342,593)
Dividend recognised as distribution (note 9)	-	-	-	-	-	-	(61,700)	(61,700)	-	(61,700)
At 30 June 2023 (unaudited)	1,154,511	14,044	112,651	(512,044)	30,523	44,926	6,494,881	7,339,492	2,040,878	9,380,370
At 1 January 2022 (audited)	1,154,511	14,044	109,916	323,341	30,523	44,926	6,710,853	8,388,114	2,454,652	10,842,766
Loss for the period	-	-	-	-	-	-	(71,994)	(71,994)	(92,668)	(164,662)
Exchange differences arising on translating foreign operations										
– subsidiaries	-	-	-	(289,259)	-	-	-	(289,259)	(100,927)	(390,186)
– associates	-	-	-	(12,942)	-	-	-	(12,942)	-	(12,942)
– joint ventures	-	-	-	(3,896)	-	-	-	(3,896)	-	(3,896)
Total comprehensive expense for the period	-	-	-	(306,097)	-	-	(71,994)	(378,091)	(193,595)	(571,686)
Dividend recognised as distribution (note 9)	-	-	-	-	-	-	(61,700)	(61,700)	-	(61,700)
Dividend paid to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	(19,631)	(19,631)
At 30 June 2022 (unaudited)	1,154,511	14,044	109,916	17,244	30,523	44,926	6,577,159	7,948,323	2,241,426	10,189,749

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended	
	30.6.2023	30.6.2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	150,961	259,289
Net cash (used in) from investing activities		
Purchase of property, plant and equipment	(171,877)	(119,621)
Deposits paid for acquisition of property, plant and equipment	(37,065)	(37,660)
Proceeds from disposal of property, plant and equipment	2,767	1,633
Payment for development costs incurred in respect of investment properties	(678)	(2,719)
Placement of short-term bank deposits	(119,960)	(420,280)
Withdrawal of short-term bank deposits	76,392	456,022
Placement of pledged bank deposits	(18,325)	(13,820)
Withdrawal of pledged bank deposits	26,569	31,821
Dividend received from an associate	3,348	3,614
Withdrawal of long-term bank deposits	—	161,963
Other investing cash flows	31,047	18,832
	(207,782)	79,785

Condensed Consolidated Statement of Cash Flows
For the six months ended 30 June 2023

	Six months ended	
	30.6.2023	30.6.2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in financing activities		
Repayment of loan from a major shareholder	(568,182)	—
Loan from a major shareholder	113,636	—
Repayments of lease liabilities	(19,664)	(14,817)
Repayment of loan from a related party	(11,429)	(13,558)
Loan from a related party	342,857	—
Bank borrowing raised	113,122	—
Proceeds from discounted bills with recourse	5,681	1,294
Dividend paid to non-controlling interests of a subsidiary	—	(19,631)
Interest paid	(30,789)	(33,094)
	(54,768)	(79,806)
Net (decrease) increase in cash and cash equivalents	(111,589)	259,268
Cash and cash equivalents at 1 January	1,648,987	1,395,138
Effect of foreign exchange rate changes	(45,977)	(44,799)
Cash and cash equivalents at 30 June, represented by bank balances and cash	1,491,421	1,609,607

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“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 2022 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 2022 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 2023

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRS”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

Application of new amendments to HKFRSs

In the current interim period, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules

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 2023

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of new amendments to HKFRSs *(continued)*

In addition, the Group will apply Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies” which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s consolidated financial statements for the year ending 31 December 2023. The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group’s accounting policies in the Group’s annual consolidated financial statements for the year ending 31 December 2023.

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.

During the period, the Group commenced business engaging in intelligent power modules and it is considered as a new reportable segment by the CODM.

Specifically, there are 7 reportable segments in 2023 (2022: 6 reportable segments), namely Hi-Tech Manufacturing Business (including plastic products, liquid crystal display, printed circuit boards, intelligent chargers, intelligent power modules and industrial property investment) and Aerospace Service (including property investment in Shenzhen Aerospace Science & Technology Plaza (the “S&T 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 2023

3. REVENUE AND SEGMENT INFORMATION *(continued)*

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

For the six months ended 30 June 2023

	Revenue			Segment results HK\$'000
	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	
Hi-Tech Manufacturing Business				
Plastic products	661,837	11,216	673,053	13,236
Liquid crystal display	425,772	—	425,772	44,043
Printed circuit boards	421,555	875	422,430	4,482
Intelligent chargers	114,050	1,304	115,354	(7,645)
Intelligent power modules	3,316	—	3,316	(19,018)
Industrial property investment	4,745	12,484	17,229	1,103
	1,631,275	25,879	1,657,154	36,201
Aerospace Service				
Property investment in S&T Plaza	99,260	370	99,630	48,800
Reportable segments total	1,730,535	26,249	1,756,784	85,001
Elimination	—	(26,249)	(26,249)	—
Other Business	3,013	—	3,013	(276)
	1,733,548	—	1,733,548	84,725
Unallocated corporate income				20,235
Unallocated corporate expenses				(36,892)
Unallocated gains and losses				20,851
Share of results of associates				(5,423)
Share of results of joint ventures				(1,445)
Finance costs				(32,963)
Impairment loss under ECL, net				8,166
Profit before taxation				57,254

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION *(continued)*

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

For the six months ended 30 June 2022

	Revenue			Segment results HK\$'000
	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	
Hi-Tech Manufacturing Business				
Plastic products	760,484	28,700	789,184	13,112
Liquid crystal display	586,128	—	586,128	27,540
Printed circuit boards	686,724	—	686,724	61,164
Intelligent chargers	197,009	4,382	201,391	1,997
Industrial property investment	4,889	13,334	18,223	4,259
	2,235,234	46,416	2,281,650	108,072
Aerospace Service				
Property investment in S&T Plaza	222,384	443	222,827	220,781
Reportable segments total	2,457,618	46,859	2,504,477	328,853
Elimination	—	(46,859)	(46,859)	—
Other Business	4,155	—	4,155	1,036
	2,461,773	—	2,461,773	329,889
Unallocated corporate income				19,472
Unallocated corporate expenses				(37,696)
Unallocated gains and losses				(20,708)
Share of results of associates				7,691
Share of results of joint ventures				(563)
Finance costs				(38,677)
Loss on lease termination				(444,226)
Impairment loss under ECL, net				(92,112)
Loss before taxation				(276,930)

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2023

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 allocation of interest income, share of results of joint ventures and associates, interest expenses, loss on lease termination, certain impairment loss under ECL (net), unallocated gains and losses (including unallocated exchange gains (losses) and changes in fair value of financial assets at FVTPL), and other unallocated 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 2023

	Timing of revenue recognition		
	A point in time HK\$'000	Over time HK\$'000	Total HK\$'000
Manufacturing of goods (Note 1)	1,626,530	—	1,626,530
Property management fee	—	18,920	18,920
Others	1,842	—	1,842
Revenue from contracts with customers	1,628,372	18,920	1,647,292
Leases			86,256
Total revenue			1,733,548

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION *(continued)*

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

For the six months ended 30 June 2022

	Timing of revenue recognition		
	A point in time HK\$'000	Over time HK\$'000	Total HK\$'000
Manufacturing of goods (Note 2)	2,229,841	—	2,229,841
Property management fee	—	40,356	40,356
Others	3,148	—	3,148
Revenue from contracts with customers	2,232,989	40,356	2,273,345
Leases			188,428
Total revenue			2,461,773

Note 1: Manufacturing of goods represents external sales of plastics products, liquid crystal display, printed circuit boards, intelligent chargers and intelligent power modules as detailed in above segment information.

Note 2: 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	
	30.6.2023 HK\$'000	30.6.2022 HK\$'000
Hong Kong, China	898,174	1,356,583
PRC (exclude Hong Kong)	715,910	903,424
Overseas	33,208	13,338
Revenue from contracts with customers	1,647,292	2,273,345
Leases	86,256	188,428
Total revenue	1,733,548	2,461,773

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION *(continued)*

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

	30.6.2023 HK\$'000	31.12.2022 HK\$'000
Segment assets		
Hi-Tech Manufacturing Business		
Plastic products	1,280,450	1,255,596
Liquid crystal display	564,979	685,946
Printed circuit boards	975,424	1,077,136
Intelligent chargers	212,422	225,132
Intelligent power modules	62,629	—
Industrial property investment	218,420	269,341
	3,314,324	3,513,151
Aerospace Service		
Property investment in S&T Plaza	8,547,173	8,934,794
Total assets for reportable segments	11,861,497	12,447,945
Other Business	104,051	109,183
Interests in associates	234,857	254,481
Interests in joint ventures	137,037	141,764
Unallocated assets	2,158,256	2,312,455
Consolidated assets	14,495,698	15,265,828

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2023

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)*

	30.6.2023	31.12.2022
	HK\$'000	HK\$'000
Segment liabilities		
Hi-Tech Manufacturing Business		
Plastic products	440,663	498,660
Liquid crystal display	138,273	202,284
Printed circuit boards	318,209	369,262
Intelligent chargers	60,834	75,761
Intelligent power modules	5,455	—
Industrial property investment	6,077	7,152
	969,511	1,153,119
Aerospace Service		
Property investment in S&T Plaza	13,601	12,448
Total liabilities for reportable segments	983,112	1,165,567
Unallocated liabilities	4,132,216	4,315,598
Consolidated liabilities	5,115,328	5,481,165

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2023

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 cash and cash equivalents, pledged bank deposits, restricted bank deposits, short-term bank deposits, amount due from a related party, financial assets at FVTPL, 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, bank borrowing, loan from a major shareholder, loan from a related party, amount due to a joint venture and the other unallocated liabilities.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2023

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2023 HK\$'000	30.6.2022 HK\$'000
(a) The Group's other income mainly comprises:		
Bank interest income	19,954	19,120
Sales of scrap materials	12,826	14,487
(b) The Group's other gains and losses mainly comprise:		
Net gain (loss) on disposal of property, plant and equipment	390	(262)
Net (loss) gain from change in fair value of financial assets at fair value through profit or loss	(1,709)	1,113
Net exchange gain (loss)	7,223	(3,911)
(c) The Group's loss on lease termination:		
Net loss on lease termination	—	(444,226)

The Group terminated the lease agreements with its whole lease tenants in 2022 and accounted for the lease terminations in accordance with HKFRS 16. On the effective date of the abovesaid leases termination, the gross carrying amount of unbilled lease receivables which represented accrued rental income recognised on effective rental basis was derecognised and resulting in a loss on lease terminations. Details of which are disclosed in the Company's 2022 Interim Report and 2022 Annual Report.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2023

5. FINANCE COSTS

	Six months ended	
	30.6.2023	30.6.2022
	HK\$'000	HK\$'000
Interest on:		
Loan from a major shareholder	7,276	15,423
Loan from a related party	21,104	21,196
Bank borrowing	1,105	—
Lease liabilities	3,478	2,058
	32,963	38,677

6. PROFIT (LOSS) BEFORE TAXATION

	Six months ended	
	30.6.2023	30.6.2022
	HK\$'000	HK\$'000
Profit (loss) before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	121,724	119,545
Depreciation of right-of-use assets	20,359	16,134

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2023

7. TAXATION

	Six months ended	
	30.6.2023 HK\$'000	30.6.2022 HK\$'000
Current tax		
Hong Kong Profits Tax (Note (i))	1,609	3,362
PRC Enterprise Income Tax (Note (ii))	1,489	5,136
	3,098	8,498
Deferred tax credit	(909)	(120,766)
	2,189	(112,268)

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 2023, certain subsidiaries of the Group operating in the PRC are eligible as High and New Technology Enterprise till the dates ranging from 1 December 2023 to 30 November 2025 (2022: 1 December 2022 to 30 November 2023) and the income tax rate of these subsidiaries is 15%.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2023

7. TAXATION (continued)

Notes: (continued)

(ii) PRC ENTERPRISE INCOME TAX (continued)

All gains arising from the sale or transfer of real estate in the PRC with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including payments made for acquisition of land use rights, costs and expenses for the development of the land or for construction of new buildings and supporting facilities, or the assessed value for old buildings and structures, tax payable relating to transfer of the real estate and other deductible items prescribed by the Ministry of Finance.

According to relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprise engaging in research and development activities are entitled to claim 200% (2022: 200%) of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year.

8. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30.6.2023	30.6.2022
	HK\$'000	HK\$'000
Earnings (loss)		
Profit (loss) for the period attributable to owners of the Company for the purpose of basic and diluted earnings (loss) per share	45,506	(71,994)

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2023

8. EARNINGS (LOSS) PER SHARE *(continued)*

	30.6.2023 '000	30.6.2022 '000
Number of shares		
Number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	3,085,022	3,085,022

The computation of diluted earnings per share for the six months ended 30 June 2023 assumes the conversion of convertible loan notes issued by its associate but has no impact on the overall diluted earnings per share. (2022: No diluted loss per share is presented as there were no potential dilutive shares in issue for the period).

9. DIVIDEND

2022 final dividend of HK2 cents (1.1.2022 to 30.6.2022: 2021 final dividend of HK2 cents) per share amounting to HK\$61,700,000 (1.1.2022 to 30.6.2022: HK\$61,700,000) was declared and approved by shareholders of the Company during the six months ended 30 June 2023. The amount was subsequently paid to shareholders of the Company on 18 July 2023.

The Board decided not to distribute an interim dividend for 2023 (2022: On 30 August 2022, the board of directors of the Company had resolved to declare an interim dividend of HK0.5 cents per ordinary share, totalling HK\$15,425,000, for the six months ended 30 June 2022.).

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

During the six months ended 30 June 2023, the Group acquired approximately HK\$147,435,000 (1.1.2022 to 30.6.2022: HK\$97,340,000) of property, plant and equipment.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2023

10. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES *(continued)*

During the six months ended 30 June 2023, the Group disposed of certain plant and machinery with an aggregate carrying amount of HK\$2,377,000 (1.1.2022 to 30.6.2022: HK\$1,895,000) for cash proceeds of HK\$2,767,000 (1.1.2022 to 30.6.2022: HK\$1,633,000), resulting in a gain on disposal of HK\$390,000 (1.1.2022 to 30.6.2022: loss on disposal of HK\$262,000).

During the six months ended 30 June 2023 and 2022, the Group does not enter into any new lease agreement nor renew any of the lease agreement.

The fair values of the Group's investment properties at 30 June 2023 and 31 December 2022 have been arrived on the basis of valuations carried out on that date by Jones Lang LaSalle Limited ("Jones Lang") for properties situated in Hong Kong and Knight Frank Petty Limited ("Knight Frank") for properties situated in the PRC. Jones Lang and Knight Frank are independent qualified professional valuers not connected with the Group and are members of the Institute of Valuers. The valuation of investment properties of HK\$8,500,001,000 (31.12.2022: HK\$8,895,276,000) 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\$8,619,000 (1.1.2022 to 30.6.2022: increase of HK\$38,301,000) has been recognised directly in the condensed consolidated statement of profit or loss.

Impairment assessment

Due to the loss from the certain reportable segments in the current interim period, the management of the Group concluded there was indication for impairment and conducted impairment assessment on carrying amounts of certain cash-generating units within those reportable segments. Based on the result of the assessment, no impairment loss related to property, plant and equipment and right-of-use assets was recognised during the current interim period.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2023

11. TRADE AND OTHER RECEIVABLES AND LONG-TERM ASSETS

	30.6.2023 HK\$'000 (unaudited)	31.12.2022 HK\$'000 (audited)
Trade receivables from contracts with customers		
— Hi-Tech Manufacturing Business	885,147	942,376
— Aerospace Service	56,322	58,940
	941,469	1,001,316
Less: Allowance for credit losses	(52,623)	(54,684)
	888,846	946,632
Lease receivables		
— billed	270,487	282,704
— unbilled	12,100	920
	282,587	283,624
Less: Allowance for credit losses	(266,905)	(279,284)
	15,682	4,340
Total trade receivable for contracts with customers and leases receivables	904,528	950,972
Other receivables, deposits and prepayment	150,850	157,800
Less: Allowance for credit losses	(47,363)	(57,952)
	103,487	99,848
Total trade and other receivables	1,008,015	1,050,820
Current	995,915	1,049,900
Non-current as long-term assets	12,100	920
	1,008,015	1,050,820

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For the six months ended 30 June 2023

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

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:

	30.6.2023 HK\$'000 (unaudited)	31.12.2022 HK\$'000 (audited)
Within 90 days	772,276	819,865
Between 91–180 days	105,527	115,987
Between 181–365 days	11,043	10,780
	888,846	946,632

Included in the Group's trade receivables arising from contracts with customers is bills received amounting to HK\$68,577,000 (31.12.2022: HK\$107,430,000) 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 accrued and recognised on an effective rental basis after taking into account the rent free period and progressive rentals which are recorded as unbilled lease receivables which are accrued rental income that are expected to be realised when the rental payment over the effective rental. Lease 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 2023

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

The following is an aged analysis of billed lease receivables, net of allowance for credit losses presented based on invoice date which are also past due balances at the end of the reporting period:

	30.6.2023 HK\$'000 (unaudited)	31.12.2022 HK\$'000 (audited)
Within 90 days	752	3,420
Between 91–180 days	2,830	—
	3,582	3,420

Included in the Group's other receivables at 30 June 2023 is value-added tax recoverable of HK\$30,807,000 (31.12.2022: HK\$26,617,000).

12. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO 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 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

In relation to the lease receivables due from the two major tenants of the Group, which is Hangke Houhai Investment Development Company Limited ("Hangke Houhai") and Shenzhen Huabaorun Management Limited ("Huabaorun"), the Group filed civil complaints against Hangke Houhai ("First Hangke Houhai Litigation") in 2022 and Huabaorun ("Huabaorun Litigation") in 2023, respectively.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2023

12. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL *(continued)*

In July 2023, the court has ruled in favor of the Group for the First Hangke Houhai Litigation as detailed in the announcement dated 14 July 2023 while the Huabaorun Litigation is still pending for the court's decision. The Group will reverse the ECL made in prior year only when the amounts can be subsequently recoverable.

There is no changes in the internal credit risk assessment of the financial assets (six months ended 30 June 2022: except that the internal credit risk assessment of Hangke Houhai and Huabaorun changed from doubtful to loss and measured under lifetime-ECL-credit impaired, there was no changes in the internal credit risk assessment of the other financial assets).

13. CASH AND CASH EQUIVALENTS, PLEDGED BANK DEPOSITS, SHORT-TERM BANK DEPOSITS, RESTRICTED BANK DEPOSITS

Cash and cash equivalents include short term deposit for the purpose of meeting the Group's short term cash commitments, which carries interest at market rates of 4.50% (2022: nil).

The Group's bank deposits amounting to HK\$31,976,000 (31.12.2022: HK\$41,665,000) have been pledged to secure the general banking facilities of the Group and except for the amount of HK\$7,135,000 (31.12.2022: HK\$11,425,000) is classified as non-current assets as the period pledged is longer than one year, the remaining balances are classified as current assets. The Group's bank deposits amounting to HK\$28,298,000 (31.12.2022: HK\$30,245,000) is restricted due to the involvement in litigations. The court had ruled in favor of the third party in November 2022 and a provision of HK\$30,305,000 was made based on the court order in 2022. The Group has filed the appeal in November 2022 and the litigation is still in progress, the related bank deposits restricted in 2022 remains restricted as at 30 June 2023 due to this litigation. Bank deposits of HK\$1,136,000 has been released based on the court order in favor of the Group during the six months ended 30 June 2023.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2023

13. CASH AND CASH EQUIVALENTS, PLEDGED BANK DEPOSITS, SHORT-TERM BANK DEPOSITS, RESTRICTED BANK DEPOSITS *(continued)*

At 30 June 2023, short-term bank deposits with a maturity of more than three months carry fixed interest rates ranging from 2.05% to 5.41% per annum (31.12.2022: 1.83% to 4.75%).

At 30 June 2023, bank balances and pledged bank deposits carry interest at prevailing market rates which range from 0.001% to 3.15% (31.12.2022: 0.001% to 2.10%) per annum.

The Group performed an impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

14. TRADE AND OTHER PAYABLES

	30.6.2023 HK\$'000 (unaudited)	31.12.2022 HK\$'000 (audited)
Trade payables	545,732	519,564
Accrued charges and provisions	112,371	116,287
Accrued salaries and wages and others	113,275	201,130
Refundable deposits received	36,431	48,870
Payable for acquisition of property, plant and equipment	31,367	77,819
Dividend payable	61,700	—
Other payables	349,050	410,508
	1,249,926	1,374,178

Notes to the Condensed Consolidated Financial Statements
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14. TRADE AND OTHER PAYABLES *(continued)*

Other payables included an amount of HK\$54,000,000 (31.12.2022: HK\$54,000,000) received from a third party on behalf of China Aerospace Science & Technology Corporation (“CASC”), a major shareholder of the Company. The amount is interest free and repayable on demand.

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

	30.6.2023 HK\$'000 (unaudited)	31.12.2022 HK\$'000 (audited)
Within 90 days	490,823	505,251
Between 91–180 days	48,465	14,313
Between 181–365 days	6,444	—
	545,732	519,564

15. BANK BORROWING

During the six months ended 30 June 2023, the Group obtained new bank borrowing amounting to RMB100,000,000 (equivalent to approximately HK\$108,108,000) (2022: nil). The loan is secured and carries interest at 1-year loan prime rate published by the National Interbank Funding Center plus a margin per annum and is repayable in March 2033. The effective interest rate is 3.4%. The property ownership certificates of a portion of S&T Plaza with a valuation of approximately RMB171,000,000 has been mortgaged in favor of the bank by Shenzhen Aerospace Technology Investment Company Limited (“Shenzhen Aerospace”).

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2023

16. SHARE CAPITAL

	30.6.2023 & 31.12.2022 HK\$'000
Issued and fully paid:	
— 3,085,022,000 ordinary shares with no par value	1,154,511

17. COMMITMENTS

	30.6.2023 HK\$'000	31.12.2022 HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— acquisition of property, plant and equipment	541,595	150,274

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.

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18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

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

At 30 June 2023, the Group's financial assets at FVTPL which are stated at fair value represent equity securities listed on The Stock Exchange of Hong Kong Limited amounting to HK\$2,949,000 (31.12.2022: HK\$6,232,000) and listed convertible bonds issued by its associate, which is listed on Shanghai Stock Exchange amounting to HK\$126,294,000 (31.12.2022: HK\$130,585,000).

The investments in listed convertible bonds are held for long-term strategic purpose and are therefore classified as non-current assets.

The classification of the Group's financial assets (i.e. financial assets at fair value through profit or loss) at 30 June 2023 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.

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 major 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 six months ended 30 June 2023, 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.

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For the six months ended 30 June 2023

19. RELATED PARTY TRANSACTIONS *(continued)*

(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. During the six months ended 30 June 2023, the Group has fully repaid the loan of RMB500,000,000 (equivalent to approximately HK\$565,611,000). During the six months ended 30 June 2023, the Group entered into a long-term loan agreement with CASC for an amount of RMB100,000,000 (equivalent to approximately HK\$108,108,000) for a period of three years and is unsecured, bears a fixed interest at 5% per annum and is repayable in May 2026.

- (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 the S&T Plaza with a valuation amount of approximately RMB1,900,000,000 has been mortgaged in favor of Aerospace Finance by Shenzhen Aerospace. As at 30 June 2023, the Group has drawn down RMB1,059,100,000 (equivalent to approximately HK\$1,144,973,000) (31.12.2022: RMB769,100,000 (equivalent to approximately HK\$870,023,000)). Such loan carries a variable interest rate of 4.41% and the interest paid to loans drawn from the Facility during the six months ended 30 June 2023 amounted to RMB18,571,000 (equivalent to approximately HK\$21,104,000 (1.1.2022 to 30.6.2022: RMB17,275,000 (equivalent to approximately HK\$21,196,000))).

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

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

- (iii) During the six months ended 30 June 2023, the Group discounted bills receivables with recourse in aggregate of HK\$5,681,000 (1.1.2022 to 30.6.2022: HK\$1,294,000) to Aerospace Finance for short-term financing. As at 30 June 2023, the associated borrowings amounted to HK\$5,405,000 (31.12.2022: HK\$8,523,000).
- (iv) As at 30 June 2023, deposits placed with Aerospace Finance by the Group amounted to RMB1,802,000 (equivalent to approximately HK\$1,947,000) (31.12.2022: RMB10,564,000 (equivalent to approximately HK\$11,950,000)) and were included in amount due from a related party.

(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 deposit 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 2023, the emoluments of key management personnel were HK\$1,164,000 (1.1.2022 to 30.6.2022: HK\$1,643,000).

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20. PLEDGE OF OR RESTRICTION ON ASSETS

Pledge of assets

As at 30 June 2023, bank deposits of HK\$31,976,000 (31.12.2022: HK\$41,665,000) and bills held for future settlement of trade receivables of HK\$55,726,000 (31.12.2022: HK\$83,449,000) and investment properties of approximately HK\$2,241,407,000 (31.12.2022: HK\$2,152,154,000) were pledged to banks and Aerospace Finance to secure the borrowings and other general banking facilities granted to the Group.

Restriction on assets

In addition, lease liabilities of HK\$134,034,000 (31.12.2022: HK\$156,197,000) are recognised with related right-of-use assets of HK\$124,960,000 (31.12.2022: HK\$148,316,000) as at 30 June 2023. 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.

21. CONTINGENT LIABILITIES

In 2022, Shenzhen Aerospace was defendant in a claim of approximately RMB119,000,000, by its major tenant, Hangke Houhai, for the operating loss in the past ("Second Hangke Houhai Litigation"). In addition, in 2023, Hangke Houhai had filed an additional claim for a refund from Shenzhen Aerospace for overpaid rent of approximately RMB49,800,000 and consequential interest loss ("Third Hangke Houhai Litigation").

In July 2023, the court has ruled down the Second Hangke Houhai Litigation against the Group and dismissed Hangke Houhai's claim under the Third Hangke Houhai Litigation.

Subsequently, the Group has sought second opinion from another legal advisor and filed the appeal in July 2023 to all the court's judgment on the First, Second and Third Hangke Houhai Litigations. After considering the advice from the legal advisor of Shenzhen Aerospace, the directors of the Company believe that the appeal can be highly probably to succeed, and it is not probable that an outflow of resources embodying economic benefits will be required to settle the claims. Therefore, the litigations are disclosed as contingent liabilities and no provision is made.