



CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Stock Code: 31)

2024

Interim Report



MIX
Paper | Supporting
responsible forestry
FSC® C157924

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr Wang Hui (*Chairman*)
(*appointed on 23 July 2024*)
Mr Song Shuqing (*President*)
Mr Zhou Limin (*Chairman*)
(*resigned on 23 July 2024*)

Non-Executive Directors

Mr Luo Zhenbang (*Independent*)
Ms Chen Jingru (*Independent*)
Ms Xue Lan (*Independent*)
(*appointed on 26 March 2024*)
Mr Hua Chongzhi
Mr Teng Fangqian
Mr Peng Jianguo
Mr Wang Xiaojun (*Independent*)
(*resigned on 26 March 2024*)

AUDIT COMMITTEE

Mr Luo Zhenbang (*Chairman*)
Ms Chen Jingru
Mr Peng Jianguo

REMUNERATION COMMITTEE

Ms Chen Jingru (*Chairman*)
Ms Xue Lan
(*appointed on 26 March 2024*)
Mr Hua Chongzhi
Mr Wang Xiaojun
(*resigned on 26 March 2024*)

NOMINATION COMMITTEE

Mr Wang Hui (*Chairman*)
(*appointed on 23 July 2024*)
Mr Luo Zhenbang
Ms Chen Jingru
Ms Xue Lan
(*appointed on 26 March 2024*)
Mr Teng Fangqian
Mr Zhou Limin (*Chairman*)
(*resigned on 23 July 2024*)
Mr Wang Xiaojun
(*resigned on 26 March 2024*)

ENVIRONMENT, SOCIAL & GOVERNANCE COMMITTEE

Mr Wang Hui (*Chairman*)
(*appointed on 23 July 2024*)
Mr Luo Zhenbang
Mr Hua Chongzhi
Mr Zhou Limin (*Chairman*)
(*resigned on 23 July 2024*)

COMPANY SECRETARY

Ms Wong Cho Ching

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor

Corporate Information

SHARE REGISTRAR

Tricor Standard Limited

LEGAL COUNSEL

ONC Lawyers

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.

Chairman's Statement

Dear Shareholders,

On behalf of the Board, I hereby present the interim report of the China Aerospace International Holdings Limited (the "Company") for the six months ended 30 June 2024.

I am honored to have been appointed as the Chairman and Executive Director. I will continue to uphold the working principle of "innovative development of industrial enterprises, coordinated development of modern service enterprises, and strategic synergy in technology investment enterprises". I will do my utmost to lead the Board and the management in planning for the future development of the Company, aiming to further enhance the core competitiveness and sustainable development capability of the Company.

RESULTS

For the six months ended 30 June 2024, the unaudited operating revenue of the Company and its subsidiaries was HK\$1,824,756,000, representing an increase of 5.26% as compared with the same period in 2023. Net loss for the period was HK\$59,093,000, compared to a net profit of HK\$55,065,000 for the same period in 2023, representing a turnaround from profit to loss for the period. Loss attributable to owners of the Company for the period was HK\$28,578,000, whereas the profit attributable to owners of the Company was HK\$45,506,000 for the same period in 2023. Basic loss per share attributable to owners of the Company for the period was HK0.93 cents (first half of 2023: basic earnings per share of HK1.48 cents).

Taking into account the capital requirements for future development needs, the Board resolved not to distribute an interim dividend for 2024 (2023 interim dividend: nil).

BUSINESS REVIEW

The Board is focusing on the operation of the Company's various businesses. In the first half of 2024, the Board organized its directors to visit Vietnam and Nantong in person to gain an in-depth understanding of the progress of the Company's operations in these two locations, and at the same time, proactively assessed the progress of other businesses to gain an understanding on the overall operation of the Company, and to provide strong decision-making support for various initiatives.

Chairman's Statement

Facing the continuous decline in overseas markets, the Board and management are collaborating to lead the industrial enterprises in maintaining their efforts in the ever-changing environment and conducting in-depth studies on market demands and trends. This aims to actively expand domestic and overseas markets, sustaining current markets while exploring new ones to address intense industry competition. Concurrently, the industrial enterprises continues to optimize business, market, and product structures to meet market demand and fulfill orders' requirements, and enhance quality and drive cost reductions through scientific research collaboration with the Intelligent Research Institute. During the period, the hi-tech manufacturing business achieved satisfactory results with a significant increase in operating profit.

In the first half of the year, Shenzhen Aerospace Technology Investment Company Limited* ("Aerospace Technology") (深圳市航天高科技投資管理有限公司) maintained a certain level of rental occupancy through continuous optimization of leasing strategies, despite the ongoing challenge of increasing office space supply in Shenzhen. In addition, the Board is highly concerned about the litigations initiated by Aerospace Technology against Shenzhen Hangke Houhai Investment Development Company Limited* ("Hangke Houhai") (深圳市航科前海投資發展有限公司) and Shenzhen Huabaorun Management Limited* ("Huabaorun") (深圳市華保潤商業管理有限公司) for rent arrears, and is keeping abreast of the progress of the litigations in due course. The Company will proactively advocate and enforce its right in various litigations in accordance with applicable laws.

The three new construction projects, namely the new capacity construction of Nantong Hong Yuen Circuit Technology Co., Limited* ("Nantong Hong Yuen") (南通康源電路科技有限公司), the industrial development of intelligent power modules (IPM) and the Plants Construction Project Phase 5 of Huizhou Industrial Garden, are progressing in an orderly manner. The civil construction of the project of the integrated circuit packaging carrier plant of Nantong Hong Yuen has been completed at the end of May 2024. The intelligent power modules (IPM) is focusing on the customer end, continuously enhancing product development and technological research capabilities, with expectations to gradually increase production capacity. The Plants Construction Project Phase 5 of Huizhou Industrial Garden has been completed and put into operation to meet the production expansion needs of the Company's subsidiaries.

In the first half of the year, the Company continued to enhance internal control efficiency, promote information technology construction management, improve compliance management, implement energy conservation and environmental protection measures. The Company will continue to cultivate and introduce more high-quality talents to lay a solid foundation for future development.

PROSPECTS

Looking ahead to the second half of 2024, influenced by factors such as trade wars and regional conflicts, major economies are leaning towards protectionism. Supply chains and production lines are expected to continue undergoing regional shifts. The Board will closely monitor the impact on the Company, especially on the development of core businesses, and will continue to lead all employees in unity, with firm confidence and determination, to vigorously promote the high-quality development of the Company.

APPRECIATION

Mr Wang Xiaojun resigned as an Independent Non-Executive Director of the Company on 26 March 2024 due to his intention to devote more time on his own business, with Ms Xue Lan assuming his responsibilities; Mr Zhou Limin resigned as the Chairman and Executive Director of the Company on 23 July 2024 due to his re-designation as the Chief Specialist of the Company. On behalf of the Board, I would like to express my sincere respect and gratitude to Mr Zhou Limin and Mr Wang Xiaojun for their contributions to the Company during their tenure, and warmly welcome Ms Xue Lan to join the Board of the Company.

On behalf of the Board, I deeply appreciate all employees for their hard work and loyal service. I would also like to express heartfelt gratitude to shareholders, bankers, business partners, and members of the community for their continuous support of the Company's development.

By order of the Board

Wang Hui

Chairman & Executive Director

Hong Kong, 27 August 2024

Management Discussion and Analysis

RESULTS PERFORMANCE

The unaudited revenue of the Company and the subsidiaries for the six months ended 30 June 2024 was HK\$1,824,756,000, representing an increase of 5.26% as compared with that of HK\$1,733,548,000 for the same period in 2023. Net loss for the period was HK\$59,093,000, as compared to the net profit of HK\$55,065,000 for the same period of 2023, representing a turnaround from profit to loss for the period.

LOSS ATTRIBUTABLE TO OWNERS OF THE COMPANY

Loss attributable to owners of the Company for the period was HK\$28,578,000, as compared with the profit attributable to owners of the Company of HK\$45,506,000 for the same period of 2023.

As a result of the continued downturn in the property market, the valuation of investment properties declined, resulting in a loss of HK\$200,457,000 arising from the changes in fair value of investment properties during the period, causing a turnaround from profit to loss in this period.

Based on the issued share capital of 3,085,022,000 shares during the period, the basic loss per share was HK0.93 cents, as compared with the basic earnings per share of HK1.48 cents for the same period of 2023.

DIVIDENDS

The Board resolved not to distribute an interim dividend for 2024 (no interim dividend was distributed in 2023).

The Board did not recommend the payment of final dividend for 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 hi-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.

Hi-tech Manufacturing

The revenue of the hi-tech manufacturing business for the six months ended 30 June 2024 was HK\$1,725,355,000, representing an increase of 5.77% as compared with the same period of 2023. The segment profit was HK\$59,688,000, representing an increase of 64.88% as compared with the same period of 2023. The revenues and results of the hi-tech manufacturing business are shown below:

	Turnover (HK\$'000)			Operating Profit (HK\$'000)		
	First half of 2024	First half of 2023	Changes (%)	First half of 2024	First half of 2023	Changes (%)
Plastic Products	794,838	661,837	20.10	36,832	13,236	178.27
Printed Circuit Boards	456,418	421,555	8.27	19,335	4,482	331.39
Intelligent Chargers	137,580	114,050	20.63	(1,872)	(7,645)	(75.51)
Liquid Crystal Display	323,594	425,772	(24.00)	29,015	44,043	(34.12)
Intelligent Power Modules	7,764	3,316	134.14	(13,676)	(19,018)	(28.09)
Industrial Property Investment	5,161	4,745	8.77	(9,946)	1,103	N/A
Total	1,725,355	1,631,275	5.77	59,688	36,201	64.88

In the first half of 2024, the global economy continued to recover, but with weakening momentum. Overall market demand was insufficient, prices were declining, and destocking by enterprises persisted. Faced with intense market competition and declining marginal profits, industrial enterprises were actively diversifying their strategies to maintain revenue and profit.

During the period, the plastic products and printed circuit boards businesses recorded a doubling of profits, driving an overall increase in operational profits for the hi-tech manufacturing business. Plastic products actively expanded into domestic and overseas markets, and successfully introduced several new overseas customers on the basis of consolidating the existing customers. Among these, the revenue from Chee Yuen in Vietnam recorded a strong growth, leading to a progressively clearer operational outlook. Production value continued to rise significantly and achieved a substantial turnaround from loss and a significant increase in the overall operating profit of the plastics products. The overall sales of the printed circuit boards business remained stable, with a revenue growth of approximately 8.27% as compared to the same period last year, mainly driven by strong performance in the optoelectronic module and domestic substrates businesses. In addition, benefiting from increase in exchange gains during the period, operating profit increased by 331.39% compared to the same period last year. The intelligent chargers business achieved a breakthrough in bringing in new customer, offsetting the impact of reduction in sales orders from major clients. At the same time, the overall gross profit improved, leading to a reduction in losses. The liquid crystal display business suffered from a substantial decline in revenue and profit due to weak market demand, ongoing destocking and significant sales order reduction by major customer groups, coupled with intense supply competition, resulting in a sharp decline in revenue and profits. The revenue of intelligent power module (IPM) doubled, and in order to meet customer demands, continuous efforts were made to increase investment in product development and technological research, which to some extent has impeded the realization of profit. Revenue from industrial property investments increased by 8.77% compared to the same period last year. Among these, the Plants Construction Project Phase 5 of Huizhou Industrial Garden has been completed and put into operation, supplementing the production facilities of the Company and its subsidiaries. However, a loss of HK\$11,000,000 due to the changes in fair value of the investment properties was recorded, resulting in a loss for the period.

Management Discussion and Analysis

On 23 January 2024, Nantong Hong Yuen entered into the Factory Fitting-out Work Contract with the IT Electronics Eleventh Design & Research Institute Scientific and Technological Engineering Corporation Limited (“EDRI”) (信息產業電子第十一設計研究院科技工程股份有限公司) in relation to the Plants Construction Project Phase I, pursuant to which, EDRI will provide certain secondary mechanical and electrical engineering and fitting-out work services to Nantong Hong Yuen at a consideration of RMB83,984,000.05 (equivalent to approximately HK\$92,344,000). For details, please refer to the announcement of the Company dated 23 January 2024. The construction of the Plants Construction Project Phase I of Nantong Hong Yuen has completed the civil engineering work at the end of May and is expected to commence trial production by the end of the year. For details, please refer to the announcements and circular of the Company dated 12 May, 25 May and 21 June 2023. In addition, regarding the new capacity construction, Nantong Hong Yuen is currently studying the financing needs.

Furthermore, the Intelligent Research Institute continues to assist various industrial enterprises in the R&D and upgrading of hi-tech products and the transformation of manufacturing capabilities. It is actively researching automation systems to help drive the intelligent upgrade and transformation of factories. In particular, the industrialization process of 5G millimeter-wave filter cores is progressing steadily.

Looking ahead to the second half of 2024, the business environment remains challenging. All hi-tech manufacturing businesses will actively expand its customer base, explore new business and enhance risk management, continue to optimize the yield rate, improve quality while reducing costs. At the same time, efforts will be made to increase the level of production automation, maintain production scale and capacity, focus on energy conservation and emission reduction, strictly control energy consumption, recruit professional talents, continue technological transformation and research and development, take innovation as the primary driving force, optimize the industrial structure to adapt to the ever-changing market environment, expecting to expand profitability.

Shenzhen Aerospace Science & Technology Plaza

During the first half of 2024, the respective litigations of Aerospace Technology with Hangke Houhai and Huabaorun have been heard separately. Except for the Fifth Hangke Houhai Litigation, the remaining litigations have received first-instance judgments. For parts of the claims that were not supported by the first-instance judgments, Aerospace Technology and Aerospace Property Management have filed appeals. Further rulings are pending from the court, of which the judgment of the Fourth Hangke Houhai Litigation was given in favour of Aerospace Technology (for details, please refer to the announcement of the Company dated 25 August 2023). Hangke Houhai subsequently appealed and the court has dismissed the appeal and upheld the original judgment. For details, please refer to the announcements of the Company dated 12 May 2022, 14 June 2022, 5 July 2022, 30 September 2022, 7 November 2022, 14 February 2023, 24 March 2023, 11 July 2023, 14 July 2023, 25 August 2023, 14 September 2023, 18 March 2024, 26 March 2024 and 7 June 2024, respectively. The Company will proactively advocate and enforce its rights in various litigations in accordance with applicable laws.

With the implementation of self-managed operation model by Aerospace Technology and active expansion of its tenant base, as at 30 June 2024, the occupancy rates of Shenzhen Aerospace Science & Technology Plaza were 66.45% for the commercial portion and 50.87% for the office portion, respectively (31 December 2023: 72.90% and 41.00%).

During the period, Aerospace Technology 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) (“Aerospace Property Management”), which is responsible for the property management of Shenzhen Aerospace Science & Technology Plaza, recorded a total revenue of HK\$95,585,000 (first half of 2023: HK\$99,260,000) and a segment loss of HK\$127,053,000 (first half of 2023: a segment profit of HK\$48,800,000), mainly attributable to loss on fair value changes of investment properties of HK\$185,338,000.

As at 30 June 2024, Shenzhen Aerospace Science & Technology Plaza was valued at approximately RMB7,614,000,000 (31 December 2023: RMB7,784,000,000).

In the second half of 2024, Aerospace Technology will continue to put efforts 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.

Other Business

RAYITEK Hi-Tech Film Company Ltd., Shenzhen ("Rayitek") (深圳瑞華泰薄膜科技股份有限公司), an associate company in which the Company indirectly holds 23.38% interest through its direct wholly-owned subsidiary, CASIL New Century Technology Development (Shenzhen) Company Limited* (航科新世紀科技發展(深圳)有限公司), did not declare any dividends during the period (2023: RMB0.7 per 10 shares, dividends totaling approximately RMB2,945,800 were distributed to the Company.)

ASSETS

(HK\$'000)	30 June 2024	31 December 2023	Changes (%)
Non-Current Assets	11,058,616	11,319,869	-2.31
Current Assets	3,134,498	3,263,415	-3.95
Total Assets	14,193,114	14,583,284	-2.68

The decrease in non-current assets was mainly due to the decrease in valuation of investment properties, as well as the decrease in Hong Kong dollar equivalent arising from the conversion of assets denominated in Renminbi at the balance sheet date, while the decrease in current assets was due to the decrease in bank deposits.

The equity attributable to owners of the Company was HK\$7,229,548,000, representing a decrease of 2.45% as compared with that of HK\$7,411,477,000 as at the year end of 2023.

The equity attributable to owners of the Company for the period decreased as compared with the end of last year, mainly due to a decrease in exchange reserves caused by the depreciation of the RMB exchange rate 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 owners of the Company was HK\$2.34.

As at 30 June 2024, a cash deposit of HK\$80,508,000 and bills receivable of HK\$41,443,000 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 RMB171,000,000 of Shenzhen Aerospace Science & Technology Plaza were mortgaged by Aerospace Technology to Aerospace Science & Technology Finance Company Limited* (航天科技財務有限責任公司) and bank respectively so 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.

LIABILITIES

(HK\$'000)	30 June 2024	31 December 2023	Changes (%)
Non-Current Liabilities	3,501,222	3,684,676	-4.98
Current Liabilities	1,479,347	1,427,648	3.62
Total Liabilities	4,980,569	5,112,324	-2.58

The decrease in non-current liabilities was mainly due to the partial repayment of related party loans during the period, the decrease in deferred tax, and the decrease in the conversion of liabilities denominated in Renminbi into Hong Kong dollar equivalent at the balance sheet date; the increase in current liabilities was mainly due to the increase in trade payables.

As at 30 June 2024, the Company and the subsidiaries had bank borrowings and other borrowings amounting to HK\$128,894,000 and HK\$1,206,209,000, respectively.

OPERATING EXPENSES

The administrative expenses of the Company and the subsidiaries in the first half of 2024 were HK\$198,333,000, which was approximately the same as the corresponding period in 2023. The finance costs amounted to HK\$26,512,000, representing a decrease of 19.57% as compared with the same period of last year.

CONTINGENT LIABILITIES

In 2022, Aerospace Technology, as the defendant, was claimed by its major tenant, Hangke Houhai, for an aggregate amount of approximately RMB119,000,000 related to its past operating losses (the "Second Hangke Houhai Litigation"). In July 2023, the court ruled against Aerospace Technology in the Second Hangke Houhai Litigation and Aerospace Technology has appealed the first-instance judgment. The appeal have been heard and is pending judgment.

The Company has sought legal opinion on the appeal and has appealed to the court regarding the judgment in the Hangke Houhai Litigation which has been ruled down by the court. After considering the advice from the legal advisor of Aerospace Technology, the Directors of the Company believe that the appeal could be highly probably to succeed, and in addition, the claims under the First and Second Hangke Houhai Litigations could be settled at a net basis and therefore, it is not probable that an outflow of resources embodying economic benefits will be required to settle the claims as the court ruled down in favor of the Company in the first-instance judgment of First Hangke Houhai Litigation. Therefore, the litigations are disclosed as contingent liabilities of the Company and no provision needs to be made.

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

FINANCIAL RATIOS

	First half of 2024	First half of 2023
Gross Profit Margin	20.18%	20.13%
Return on Net Assets	-0.64%	0.58%

	30 June 2024	31 December 2023
Assets-Liabilities Ratio	35.09%	35.06%
Current Ratio	2.12	2.29
Quick Ratio	1.76	1.95

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 2024, the cash and cash equivalents and short-term bank deposits amounted to HK\$1,395,981,000, the majority of which were in Hong Kong Dollars and Renminbi.

CAPITAL EXPENDITURE

As at 30 June 2024, the capital commitments of the Company and the relevant subsidiaries contracted for but not provided in the condensed consolidated financial statements was approximately HK\$534,099,000, 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 2024, the Company and the subsidiaries had a total of approximately 7,100 employees based in the mainland, Hong Kong and Vietnam.

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, 27 August 2024

Other Disclosures

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2024, 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 2024.

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 or the subsidiaries during the first half of 2024.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for 2024 (2023 interim dividend: nil).

CORPORATE GOVERNANCE

For the six months ended 30 June 2024, the Company complied throughout the period with the provisions of the *Corporate Governance Code* as set out in Appendix C1 of the Listing Rules.

LITIGATION

As at 30 June 2024, saved as disclosed in the announcements of the Company dated 18 March 2024, 26 March 2024 and 7 June 2024 in relation to the litigation judgments and progress of the litigations between Aerospace Technology, a 60% indirect owned subsidiary of the Company, and its wholly owned subsidiary, Aerospace Property Management, and Hangke Houhai and Huabaorun, respectively, 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 has adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix C3 of the Listing Rules and the Company's *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 Directors of the Company and in accordance with information provided, all Directors have complied with the required standard set out in the Model Code during the six months ended 30 June 2024.

As at 30 June 2024, 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*.

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company comprises two Independent Non-Executive Directors, including Mr Luo Zhenbang (Chairman), Ms Chen Jingru and a Non-Executive Director, Mr Peng Jianguo. 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 has reviewed, discussed and approved the unaudited condensed consolidated financial statements for the six months ended 30 June 2024 that have been reviewed by the auditor, Deloitte Touche Tohmatsu.

STATEMENT OF COMPLIANCE

The financial information relating to the year ended 31 December 2023 that is included in the Interim Report 2024 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2023 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

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in Directors' information since the date of the 2023 Annual Report are set out below:

Mr Zhou Limin resigned as the Chairman and Executive Director of the Company on 23 July 2024 due to his re-designation as the Chief Specialist of the Company; Mr Wang Hui was appointed to succeed him as the Chairman and Executive Director of the Company on 23 July 2024. Please refer to the announcement of the Company dated 23 July 2024 for details.

Mr Peng Jianguo, a Non-Executive Director of the Company, has been appointed as the President and legal representative of Changsha Aerospace Technology Innovation Institute* (長沙空天技術創新研究院) with effect from July 2024.

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.

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Aerospace International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 23 to 60, which comprise the condensed consolidated statement of financial position as of 30 June 2024 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and notes to the condensed consolidated financial statements. 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 34 (“HKAS”) “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 2024

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2024

	NOTES	Six months ended	
		30.6.2024 HK\$'000 (Unaudited)	30.6.2023 HK\$'000 (Unaudited)
Revenue	3	1,824,756	1,733,548
Cost of sales		(1,456,518)	(1,384,532)
Gross profit		368,238	349,016
Other income	4	39,969	37,441
Other gains and losses	4	(22,203)	28,867
Selling and distribution expenses		(36,285)	(39,891)
Administrative expenses		(198,333)	(200,304)
Research and development expenses		(73,471)	(77,591)
Fair value changes of investment properties		(200,457)	(8,619)
Impairment losses under expected credit loss model ("ECL"), net of reversal	12	1,239	8,166
Finance costs	5	(26,512)	(32,963)
Share of results of associates		20,414	(5,423)
Share of results of joint ventures		173	(1,445)
(Loss) profit before taxation	6	(127,228)	57,254
Taxation	7	68,135	(2,189)
(Loss) profit for the period		(59,093)	55,065
(Loss) profit for the period attributable to:			
Owners of the Company		(28,578)	45,506
Non-controlling interests		(30,515)	9,559
		(59,093)	55,065
(Loss) earnings per share	8		
Basic and diluted		(HK0.93 cents)	HK1.48 cents

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

	Six months ended	
	30.6.2024 HK\$'000 (Unaudited)	30.6.2023 HK\$'000 (Unaudited)
(Loss) profit for the period	(59,093)	55,065
Other comprehensive expense:		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translating foreign operations		
— subsidiaries	(191,982)	(383,523)
— associates	(5,730)	(10,853)
— joint ventures	(1,610)	(3,282)
Other comprehensive expense for the period	(199,322)	(397,658)
Total comprehensive expense for the period	(258,415)	(342,593)
Total comprehensive expense for the period attributable to:		
Owners of the Company	(181,929)	(257,502)
Non-controlling interests	(76,486)	(85,091)
	(258,415)	(342,593)

Condensed Consolidated Statement of Financial Position

At 30 June 2024

	NOTES	30.6.2024 HK\$'000 (Unaudited)	31.12.2023 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	2,068,239	1,994,602
Right-of-use assets	10	215,082	231,608
Investment properties	10	8,170,488	8,536,258
Interests in associates		255,110	240,426
Interests in joint ventures		135,976	137,413
Financial assets at fair value through profit or loss ("FVTPL")	17	96,051	125,915
Deposit paid for property, plant and equipment		95,206	20,872
Pledged bank deposits	13	–	10,000
Long-term assets	11	22,464	22,775
		11,058,616	11,319,869
Current assets			
Inventories		505,349	455,543
Trade and other receivables	11	1,122,019	1,042,629
Amount due from a related party	18(a)(iv)	428	207
Financial assets at FVTPL	17	1,975	2,226
Pledged bank deposits	13	80,508	19,546
Restricted bank deposits	13	28,238	30,112
Short-term bank deposits	13	280,932	204,008
Cash and cash equivalents	13	1,115,049	1,509,144
		3,134,498	3,263,415

Condensed Consolidated
Statement of Financial Position

At 30 June 2024

	NOTES	30.6.2024 HK\$'000 (Unaudited)	31.12.2023 HK\$'000 (Audited)
Current liabilities			
Trade and other payables	14	1,270,840	1,204,944
Contract liabilities		40,229	50,258
Lease liabilities		35,164	34,075
Bank borrowings	15	6,445	5,531
Amount due to a joint venture		59,087	59,087
Loan from a related party	18(a)(iii)	6,424	12,074
Taxation payable		61,158	61,679
		1,479,347	1,427,648
Net current assets		1,655,151	1,835,767
Total assets less current liabilities		12,713,767	13,155,636
Non-current liabilities			
Lease liabilities		80,707	90,627
Bank borrowings	15	122,449	101,612
Loan from a major shareholder	18(a)(i)	107,411	109,890
Loan from a related party	18(a)(ii)	1,092,374	1,159,451
Deferred taxation		2,098,281	2,223,096
		3,501,222	3,684,676
		9,212,545	9,470,960

Condensed Consolidated
Statement of Financial Position

At 30 June 2024

	NOTES	30.6.2024 HK\$'000 (Unaudited)	31.12.2023 HK\$'000 (Audited)
Capital and reserves			
Share capital	19	1,154,511	1,154,511
Reserves		6,075,037	6,256,966
Equity attributable to owners of the Company		7,229,548	7,411,477
Non-controlling interests		1,982,997	2,059,483
		9,212,545	9,470,960

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Attributable to owners of the Company									Total HK\$'000
	Share capital HK\$'000	Special capital reserve HK\$'000	General reserve HK\$'000	Translation reserve HK\$'000	Property revaluation reserve HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non- controlling interests HK\$'000	
At 1 January 2024 (audited)	1,154,511	14,044	144,805	(398,600)	30,523	44,926	6,421,268	7,411,477	2,059,483	9,470,960
Loss for the period	-	-	-	-	-	-	(28,578)	(28,578)	(30,515)	(59,093)
Exchange differences arising on translating foreign operations										
— subsidiaries	-	-	-	(146,011)	-	-	-	(146,011)	(45,971)	(191,982)
— associates	-	-	-	(5,730)	-	-	-	(5,730)	-	(5,730)
— joint ventures	-	-	-	(1,610)	-	-	-	(1,610)	-	(1,610)
Total comprehensive expense for the period	-	-	-	(153,351)	-	-	(28,578)	(181,929)	(76,486)	(258,415)
At 30 June 2024 (unaudited)	1,154,511	14,044	144,805	(551,951)	30,523	44,926	6,392,690	7,229,548	1,982,997	9,212,545
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) income 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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Six months ended	
	30.6.2024	30.6.2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	138,011	150,961
Net cash used in investing activities		
Purchase of property, plant and equipment	(237,350)	(171,877)
Deposits paid for acquisition of property, plant and equipment	(92,502)	(37,065)
Proceeds from disposal of property, plant and equipment	1,097	2,767
Payment for development costs incurred in respect of investment properties	(21,269)	(678)
Placement of short-term bank deposits	(280,932)	(119,960)
Withdrawal of short-term bank deposits	204,008	76,392
Placement of pledged bank deposits	(236,669)	(18,325)
Withdrawal of pledged bank deposits	180,792	26,569
Dividend received from an associate	–	3,348
Other investing cash flows	14,810	31,047
	(468,015)	(207,782)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Six months ended	
	30.6.2024	30.6.2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in financing activities		
Repayment of loan from a related party	(41,549)	(11,429)
Loan from a related party	–	342,857
Interest paid	(25,880)	(30,789)
Repayments of lease liabilities	(18,200)	(19,664)
Repayment of bank borrowings	(2,726)	–
Bank borrowings raised	27,263	113,122
Proceeds from discounted bills with recourse	6,522	5,681
Repayment of loan from a major shareholder	–	(568,182)
Loan from a major shareholder	–	113,636
	(54,570)	(54,768)
Net decrease in cash and cash equivalents	(384,574)	(111,589)
Cash and cash equivalents at 1 January	1,509,144	1,648,987
Effect of foreign exchange rate changes	(9,521)	(45,977)
Cash and cash equivalents at 30 June, represented by bank balances and cash	1,115,049	1,491,421

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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 D2 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 2023 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 2023 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 2024

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2023.

Application of new 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 Group’s annual period beginning on 1 January 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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.

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.

Specifically, there are 7 reportable segments in 2024, 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 2024

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 2024

	Revenue			Segment results HK\$'000
	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	
Hi-Tech Manufacturing Business				
Plastic products	794,838	15,689	810,527	36,832
Liquid crystal display	323,594	–	323,594	29,015
Printed circuit boards	456,418	–	456,418	19,335
Intelligent chargers	137,580	269	137,849	(1,872)
Intelligent power modules	7,764	–	7,764	(13,676)
Industrial property investment	5,161	13,049	18,210	(9,946)
	1,725,355	29,007	1,754,362	59,688
Aerospace Service				
Property investment in S&T Plaza	95,585	48	95,633	(127,053)
Reportable segments total	1,820,940	29,055	1,849,995	(67,365)
Elimination	–	(29,055)	(29,055)	–
Other Business	3,816	–	3,816	(295)
	1,824,756	–	1,824,756	(67,660)
Unallocated corporate income				13,660
Unallocated corporate expenses				(35,363)
Unallocated gains and losses				(31,940)
Share of results of associates				20,414
Share of results of joint ventures				173
Finance costs				(26,512)
Loss before taxation				(127,228)

Notes to the Condensed Consolidated
Financial Statements

For the six months ended 30 June 2024

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 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 of reversal				8,166
Profit before taxation				57,254

**Notes to the Condensed Consolidated
Financial Statements**

For the six months ended 30 June 2024

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, 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 2024

	Timing of revenue recognition		
	A point in time HK\$'000	Over time HK\$'000	Total HK\$'000
Manufacturing of goods (Note)	1,720,194	–	1,720,194
Property management fee	–	20,407	20,407
Others	2,430	–	2,430
Revenue from contracts with customers	1,722,624	20,407	1,743,031
Leases			81,725
Total revenue			1,824,756

Notes to the Condensed Consolidated
Financial Statements

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION *(continued)*

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

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)	1,626,530	–	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

Note: 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.

Notes to the Condensed Consolidated
Financial Statements

For the six months ended 30 June 2024

3. REVENUE AND SEGMENT INFORMATION *(continued)*

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

Geographical information

	Revenue from external customers based on the location of operation for the six months ended	
	30.6.2024	30.6.2023
	HK\$'000	HK\$'000
Hong Kong, China	844,626	898,174
Mainland China	793,718	715,910
Overseas	104,687	33,208
Revenue from contracts with customers	1,743,031	1,647,292
Leases	81,725	86,256
Total revenue	1,824,756	1,733,548

3. REVENUE AND SEGMENT INFORMATION *(continued)*

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

	30.6.2024 HK\$'000	31.12.2023 HK\$'000
Segment assets		
Hi-Tech Manufacturing Business		
Plastic products	1,392,851	1,301,069
Liquid crystal display	461,814	541,298
Printed circuit boards	1,335,925	1,194,989
Intelligent chargers	240,650	210,297
Intelligent power modules	112,438	68,104
Industrial property investment	234,706	220,474
	3,778,384	3,536,231
Aerospace Service		
Property investment in S&T Plaza	8,209,907	8,593,131
Total assets for reportable segments	11,988,291	12,129,362
Other Business	113,381	101,035
Interests in associates	255,110	240,426
Interests in joint ventures	135,976	137,413
Unallocated assets	1,700,356	1,975,048
Consolidated assets	14,193,114	14,583,284

Notes to the Condensed Consolidated
Financial Statements

For the six months ended 30 June 2024

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)*

	30.6.2024 HK\$'000	31.12.2023 HK\$'000
Segment liabilities		
Hi-Tech Manufacturing Business		
Plastic products	481,400	512,908
Liquid crystal display	129,562	130,378
Printed circuit boards	335,888	301,508
Intelligent chargers	69,542	67,993
Intelligent power modules	9,044	7,742
Industrial property investment	10,149	7,970
	1,035,585	1,028,499
Aerospace Service		
Property investment in S&T Plaza	77,100	4,191
Total liabilities for reportable segments	1,112,685	1,032,690
Unallocated liabilities	3,867,884	4,079,634
Consolidated liabilities	4,980,569	5,112,324

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 borrowings, 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 2024

4. OTHER INCOME AND OTHER GAINS AND LOSSES

		Six months ended	
		30.6.2024	30.6.2023
		HK\$'000	HK\$'000
(a)	The Group's other income mainly comprises:		
	Bank interest income	13,410	19,954
	Sales of scrap materials	12,752	12,826
(b)	The Group's other gains and losses mainly comprise:		
	Net gain on disposal of property, plant and equipment	656	390
	Net loss from change in fair value of financial assets at fair value through profit or loss	(27,686)	(1,709)
	Net exchange gain	4,827	7,223

Notes to the Condensed Consolidated
Financial Statements

For the six months ended 30 June 2024

5. FINANCE COSTS

	Six months ended	
	30.6.2024	30.6.2023
	HK\$'000	HK\$'000
Interest on:		
Loan from a major shareholder	2,757	7,276
Loan from a related party	19,289	21,104
Bank borrowings	1,736	1,105
Lease liabilities	2,730	3,478
	26,512	32,963

6. (LOSS) PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2024	30.6.2023
	HK\$'000	HK\$'000
(Loss) profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	118,935	121,724
Depreciation of right-of-use assets	19,144	20,359

Notes to the Condensed Consolidated
Financial Statements

For the six months ended 30 June 2024

7. TAXATION

	Six months ended	
	30.6.2024	30.6.2023
	HK\$'000	HK\$'000
Current tax (credit) expenses		
Hong Kong Profits Tax (Note (i))	2,154	1,609
PRC Enterprise Income Tax (Note (ii))	6,040	1,489
	8,194	3,098
Deferred tax credit	(76,329)	(909)
	(68,135)	2,189

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 2024, certain subsidiaries of the Group operating in the PRC are eligible as High and New Technology Enterprise and the income tax rate of these subsidiaries is 15%.

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% (2023: 200%) of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year.

8. (LOSS) EARNINGS PER SHARE

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

	Six months ended	
	30.6.2024	30.6.2023
	HK\$'000	HK\$'000
(Loss) earnings		
(Loss) profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share	(28,578)	45,506
	30.6.2024	30.6.2023
	'000	'000
Number of shares		
Number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	3,085,022	3,085,022

The computation of diluted earnings per share does not assume the conversion of convertible loan notes because the exercise price of the convertible loan notes was higher than the average market price for share for the six months ended 30 June 2024. (1.1.2023 to 30.6.2023: The computation of diluted earnings per share assumes the conversion of convertible loan notes issued by its associate but has no impact on the overall diluted earnings per share).

9. DIVIDEND

The board of directors of the Company does not recommend the payment of a final dividend for the year ended 31 December 2023 (1.1.2023 to 30.6.2023: 2022 final dividend of HK2 cents per share amounting to HK\$61,700,000 was declared and approved by the owners of the Company. The amount was paid to the owners of the Company on 18 July 2023).

The board of directors of the Company decided not to distribute an interim dividend for 2024 (2023: the board of directors of the Company decided not to distribute an interim dividend for the six months ended 30 June 2023).

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

During the six months ended 30 June 2024, the Group acquired approximately HK\$236,513,000 (1.1.2023 to 30.6.2023: HK\$147,435,000) and approximately HK\$21,155,000 (1.1.2023 to 30.6.2023: nil) of property, plant and equipment and investment properties respectively.

During the six months ended 30 June 2024, the Group disposed of certain plant and machinery with an aggregate carrying amount of HK\$441,000 (1.1.2023 to 30.6.2023: HK\$2,377,000) for cash proceeds of HK\$1,097,000 (1.1.2023 to 30.6.2023: HK\$2,767,000), resulting in a gain on disposal of HK\$656,000 (1.1.2023 to 30.6.2023: gain on disposal of HK\$390,000).

During the six months ended 30 June 2024, the Group entered into a new lease agreement with lease term of 3 year. On date of lease commencement, the Group recognised right-of-use assets of HK\$9,190,000 and lease liabilities of HK\$9,190,000 (1.1.2023 to 30.6.2023: the Group did 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 2024 and 31 December 2023 have been arrived on the basis of valuations carried out on that date by Vigers Appraisal and Consulting Limited ("Vigers") for properties situated in Hong Kong and Knight Frank Petty Limited ("Knight Frank") for properties situated in the PRC. Vigers 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\$8,170,488,000 (31.12.2023: HK\$8,536,258,000) 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\$200,457,000 (1.1.2023 to 30.6.2023: decrease of HK\$8,619,000) has been recognised directly in the condensed consolidated statement of profit or loss.

Impairment assessment

Due to the loss from the certain reportable segments, 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 both periods.

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11. TRADE AND OTHER RECEIVABLES AND LONG-TERM ASSETS

	30.6.2024 HK\$'000 (Unaudited)	31.12.2023 HK\$'000 (Audited)
Trade receivables from contracts with customers		
— Hi-Tech Manufacturing Business	982,645	902,842
— Aerospace Service	53,035	54,359
	1,035,680	957,201
Less: Allowance for credit losses	(56,028)	(57,374)
	979,652	899,827
Lease receivables		
— billed	275,133	283,120
— unbilled	22,464	22,775
	297,597	305,895
Less: Allowance for credit losses	(272,488)	(279,845)
	25,109	26,050
Total trade receivables from contracts with customers and lease receivables	1,004,761	925,877
Other receivables, deposits and prepayment	187,216	188,117
Less: Allowance for credit losses	(47,494)	(48,590)
	139,722	139,527
Total trade and other receivables	1,144,483	1,065,404
Current	1,122,019	1,042,629
Non-current as long-term assets	22,464	22,775
	1,144,483	1,065,404

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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:

	30.6.2024 HK\$'000 (Unaudited)	31.12.2023 HK\$'000 (Audited)
Within 90 days	734,591	777,853
Between 91–180 days	219,590	105,778
Between 181–365 days	12,990	16,196
Over 1 year	12,481	–
	979,652	899,827

As at 30 June 2024, included in the Group's trade receivables arising from contracts with customers is bills received amounting to HK\$83,761,000 (31.12.2023: HK\$107,213,000) 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.

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:

	30.6.2024 HK\$'000 (Unaudited)	31.12.2023 HK\$'000 (Audited)
Within 90 days	2,645	3,275

Included in the Group's other receivables at 30 June 2024 is value-added tax recoverable of HK\$56,971,000 (31.12.2023: HK\$56,059,000).

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 2024 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2023. In addition, there are no changes in the internal credit risk assessment of the financial assets for both current and prior year.

In relation to the Group's two major tenants of S&T Plaza in prior years, namely Shenzhen Hangke Houhai Investment Development Company Limited ("Hangke Houhai") and Shenzhen Huabaorun Management Limited ("Huabaorun"), the Group recognised impairment losses under the ECL model on the lease receivables arising from that two major tenants, including both billed and unbilled portions in 2021, 2022 and 2023 respectively, as they encountered difficulties in cash flow owing to the unsatisfactory subletting rate. Both the lease agreements with that two tenants were terminated in 2022. Accordingly, the Group filed the civil complaints to claim for the outstanding balances and the compensation due from that two major tenants. For further details of the background of the litigations, please refer to the prior year annual report.

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

Hangke Houhai instances

During the year ended 31 December 2023, the Court:

- (a) ruled in favor of the Group for the claim of the outstanding amount of the billed lease receivables and penalty for breach of the whole-lease contract ("First Hangke Houhai Litigation") and Hangke Houhai was ordered to repay part of the claim by the Group amounting to RMB109 millions to the Group. However, both the management of the Group and Hangke Houhai disagreed the verdict and applied for the appeal; and
- (b) ruled in favor of Hangke Houhai for the claim of operating loss ("Second Hangke Houhai Litigation") and the Group was ordered to repay part of the claim by Hangke Houhai amounting to RMB119 millions to Hangke Houhai. However, the management of the Group disagreed the verdict and applied for the appeal; and
- (c) ruled down the litigation for the claim of overpaid rent and consequential interest ("Third Hangke Houhai Litigation") and dismissed the claims from both parties. However, the management of the Group disagreed the verdict and applied for the appeal; and
- (d) ruled down in favor of the Group for the litigation for claim of pre-paid rent collected from the sub-tenants ("Fourth Hangke Houhai Litigation") and Hangke Houhai was ordered to repay part of the claim by the Group amounting to RMB5 millions. However, the management of the Group disagreed the verdict and applied for the appeal. The court has dismissed the appeal and upheld the original judgement as the final judgement; and
- (e) heard the litigation raised by Aerospace Technology against Shenzhen Jindian Industrial Group Co., Ltd., a shareholder of Hangke Houhai, for joint and several liabilities under the guarantee contract ("Fifth Hangke Houhai Litigation") which is pending for judgement of first instance; and

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

Hangke Houhai instances *(continued)*

- (f) ruled down in favor of the Group for the litigation for claim of outstanding property management fees ("Sixth Hangke Houhai Litigation") and Hangke Houhai was ordered to repay part of the claim by the Group amounting to RMB23 millions. However, the management of the Group disagreed the verdict and applied for the appeal.

The Group sought opinion from another legal advisor and filed the appeal during the year ended 31 December 2023 to the court's judgment on the First, Second, Third and Fourth Hangke Houhai Litigations. As at 30 June 2024 and the date of this report, the abovesaid litigations with Hangke Houhai except the Fourth Hangke Houhai Litigation have been heard by the Court in 2024 and are pending judgment of the second instance, while the appeal on the Sixth Hangke Houhai Litigation has been filed during current interim period and is still awaiting for trial.

After considering the advice from the legal advisor of Aerospace Technology, the directors of the Company believed that the appeal could be succeed, and the claims under the First and Second Hangke Houhai Litigations could be settled at a net basis and therefore, it is not probable that an outflow of resources embodying economic benefits will be required to settle the claims as the court ruled in favor of the Group in the first judgement of First Hangke Houhai Litigation. Therefore, the litigations are disclosed as contingent liabilities in note 21 and no provision is made.

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

Huabaorun instances

During the period ended 30 June 2024, the Court:

- (a) ruled down in favor of the Group for the litigation for claim of outstanding lease receivable and pre-paid rent from sub-tenant ("First and Second Huabaorun Litigation") and Huabaorun was ordered to repay part of the claim by the Group amounting to RMB45 millions and to confiscate deposit of RMB8 millions to the Group. However, both the management of the Group and Huabaorun disagreed the verdict and applied for the appeal; and
- (b) ruled down in favor of the Group for the litigation for claim of outstanding property management fees ("Third Huabaorun Litigation") and Huabaorun was ordered to repay part of the claim by the Group amounting to RMB11 millions to the Group. However, the management of the Group disagreed the verdict and applied for the appeal.

The Group sought opinion from another legal advisor and filed the appeal during current interim period to all the court's judgment on the First, Second and Third Huabaorun Litigations. As at 30 June 2024 and the date of this report, the above litigations are still awaiting for trial.

There are no changes in the internal credit risk assessment of the financial assets for both current period and prior year.

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 2.09% to 5.10% (31.12.2023: 2.36% to 5.40%).

The Group's bank deposits amounting to HK\$80,508,000 (31.12.2023: HK\$29,546,000) have been pledged to secure the general banking facilities of the Group and except for the amount of nil (31.12.2023: HK\$10,000,000) 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\$28,238,000 (31.12.2023: HK\$30,112,000) are restricted due to the involvement in litigations. Bank deposits of RMB16,259,000 and USD1,374,000 (equivalent to approximately HK\$28,185,000) (31.12.2023: RMB16,259,000 and USD1,374,000 (equivalent to approximately HK\$28,643,000)) are related to the litigation in which 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 2023 remains restricted as at 30 June 2024 due to this litigation. In addition, bank deposits of RMB1,284,000 (equivalent to approximately HK\$1,411,000) as at 31.12.2023 have been released based on the court order in favor of the Group during the six months ended 30 June 2024 (1.1.2023 to 30.6.2023: nil).

At 30 June 2024, short-term bank deposits with a maturity of more than three months carry fixed interest rates ranging from 2.09% to 5.10% per annum (31.12.2023: 2.36% to 5.40%).

At 30 June 2024, bank balances and pledged bank deposits carry interest at prevailing market rates which range from 0.001% to 1.55% (31.12.2023: 0.001% to 2.6%) 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.

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14. TRADE AND OTHER PAYABLES

	30.6.2024 HK\$'000 (Unaudited)	31.12.2023 HK\$'000 (Audited)
Trade payables	612,345	507,243
Accrued charges and provisions	126,330	116,402
Accrued salaries and wages and others	114,022	147,488
Refundable deposits received	58,211	47,576
Other payables	359,932	386,235
	1,270,840	1,204,944

Other payables included an amount of HK\$54,000,000 (31.12.2023: HK\$54,000,000) received on behalf of China Aerospace Science & Technology Corporation ("CASC"), payables with respect to development costs for investment properties of HK\$5,617,000 (31.12.2023: HK\$5,861,000) and payables for acquisition of property, plant and equipment of HK\$27,658,000 (31.12.2023: HK\$45,869,000).

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

	30.6.2024 HK\$'000 (Unaudited)	31.12.2023 HK\$'000 (Audited)
Within 90 days	602,579	484,558
Between 91–180 days	9,766	22,685
	612,345	507,243

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15. BANK BORROWINGS

	30.6.2024 HK\$'000 (Unaudited)	31.12.2023 HK\$'000 (Audited)
Secured bank borrowings	102,041	107,143
Unsecured bank borrowings	26,853	–
Less: Amount due within one year included in current liabilities	(6,445)	(5,531)
Amount due after one year	122,449	101,612
The carrying amounts of the above bank loans are repayable*:		
Within one year	6,445	5,531
Within a period of more than one year but not exceeding two years	6,445	5,531
Within a period of more than two years but not exceeding five years	40,817	16,593
More than five years	75,187	79,488
	128,894	107,143

* The amounts are based on scheduled repayment dates set out in the loan agreements.

During the six months ended 30 June 2024, the Group obtained new bank loans amounting to RMB25,000,000 (equivalent to approximately HK\$26,853,000) (1.1.2023 to 30.6.2023: RMB100,000,000 (equivalent to approximately HK\$108,108,000)). The loans carry interest at 1-year loan prime rate published by the National Interbank Funding Center plus a margin per annum and are repayable for a period of 3 to 5 years. The loans are unsecured and the effective interest rates are ranged from 2.57% to 3.40% (31.12.2023: 3.4%).

The bank borrowings of RMB95,000,000 (equivalent to approximately HK\$102,041,000) (31.12.2023: RMB97,500,000 (equivalent to approximately HK\$107,143,000)) is secured by the Group's investment properties with a valuation of approximately of RMB171,000,000 and the remaining are unsecured.

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16. CAPITAL COMMITMENTS

	30.6.2024 HK\$'000	31.12.2023 HK\$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
— acquisition of property, plant and equipment	534,099	535,289

17. 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 2024, 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\$1,975,000 (31.12.2023: HK\$2,226,000) and listed convertible bonds issued by its associate, which is listed on Shanghai Stock Exchange amounting to HK\$96,051,000 (31.12.2023: HK\$125,915,000).

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 2024 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.

18. 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 2024, 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 six months ended 30 June 2024, the Group entered into a long-term loan agreement with CASC for an amount of RMB100,000,000 (equivalent to approximately HK\$107,411,000) (31.12.2023: RMB100,000,000 (equivalent to approximately HK\$109,890,000)) for a period of three years and is unsecured, bears a fixed interest at 5% per annum and is repayable in May 2026. The interest paid to such loan during the six months ended 30 June 2024 amounted to RMB2,528,000 (equivalent to approximately HK\$2,757,000) (1.1.2023 to 30.6.2023: RMB6,403,000 (equivalent to approximately HK\$7,276,000)).
- (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 S&T Plaza with a valuation amount of approximately RMB1,902,504,000 has been mortgaged in favor of Aerospace Finance by Shenzhen Aerospace. As at 30 June 2024, the Group has drawn down RMB1,017,000,000 (equivalent to approximately HK\$1,092,374,000) (31.12.2023: RMB1,055,100,000 (equivalent to approximately HK\$1,159,451,000)). Such loan carries a variable interest rate of 3.40% to 4.41% and the interest paid to loans drawn from the Facility during the six months ended 30 June 2024 amounted to RMB17,688,000 (equivalent to approximately HK\$19,289,000) (1.1.2023 to 30.6.2023: RMB18,571,000 (equivalent to approximately HK\$21,104,000)).

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18. RELATED PARTY TRANSACTIONS *(continued)*

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

- (iii) During the six months ended 30 June 2024, the Group discounted bills receivables with recourse in aggregate of HK\$6,522,000 (1.1.2023 to 30.6.2023: HK\$5,681,000) to Aerospace Finance for short-term financing. As at 30 June 2024, the associated borrowings amounted to HK\$6,424,000 (31.12.2023: HK\$12,074,000).
- (iv) As at 30 June 2024, deposits placed with Aerospace Finance by the Group amounted to RMB398,000 (equivalent to approximately HK\$428,000) (31.12.2023: RMB188,000 (equivalent to approximately HK\$207,000)) and are included in amount due from a related party.
- (v) 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 had been renewed for another five years in 2018 and was unsecured, bore a fixed interest at 5% per annum and was repayable in March 2023. During the six months ended 30 June 2023, the Group fully repaid the loan of RMB500,000,000 (equivalent to approximately HK\$565,611,000).

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

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

The Group has 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 2024, the emoluments of key management personnel were HK\$1,732,000 (1.1.2023 to 30.6.2023: HK\$1,164,000).

19. SHARE CAPITAL

	30.6.2024 & 31.12.2023 HK\$'000
Issued and fully paid:	
— 3,085,022,000 ordinary shares with no par value	1,154,511

20. PLEDGE OF OR RESTRICTION ON ASSETS

Pledge of assets

As at 30 June 2024, bank deposits of HK\$80,508,000 (31.12.2023: HK\$29,546,000) and bills held for future settlement of trade receivables of HK\$41,443,000 (31.12.2023: HK\$54,994,000) and investment properties of approximately HK\$2,226,962,000 (31.12.2023: HK\$2,278,353,000) were pledged to banks and Aerospace Finance to secure the borrowings and other general banking facilities granted to the Group.

As at 30 June 2024, the Group issued financial guarantees to a bank in respect of banking facilities granted to a subsidiary. The aggregate amounts that could be required to be paid is RMB65,000,000 (equivalent to approximately HK\$69,817,000) (31.12.2023: RMB65,000,000 (equivalent to approximately HK\$71,429,000)) if the guarantees were called upon in entirety, of which full amount of the relevant banking facilities has been utilised by its subsidiary. The Group considers the fair value of the contract is nil at initial recognition and the loss allowance as at 30 June 2024 and 31 December 2023 are insignificant.

Restriction on assets

In addition, lease liabilities of HK\$115,871,000 (31.12.2023: HK\$124,702,000) are recognised with related right-of-use assets of HK\$104,756,000 (31.12.2023: HK\$114,170,000) as at 30 June 2024. 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.

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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 July 2023, the court had ruled down the Second Hangke Houhai Litigation against the Group. The Group had sought opinion from another legal advisor and filed the appeal in July 2023 to all the court's judgment on the First and Second Hangke Houhai Litigations as disclosed in note 12 and announcements of the Company published on the website of the Stock Exchange. As at the date of this report, the abovesaid litigations with Hangke Houhai have been heard by the Court and are pending judgment of the second instance.

After considering the advice from the legal advisor of Aerospace Technology, the directors of the Company believed that the appeal could be highly probably to succeed and in addition, the claims under the First and Second Hangke Houhai Litigations could be settled at a net basis and therefore, it is not probable that an outflow of resources embodying economic benefits will be required to settle the claims as the court ruled in favor of the Group in the first judgement of First Hangke Houhai Litigation. Therefore, the litigations are disclosed as contingent liabilities and no provision is made.