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Hong Kong Aerospace Technology Group Limited **香港航天科技集團有限公司**

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1725)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

UNAUDITED INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Director**” or “**Directors**”) of Hong Kong Aerospace Technology Group Limited (the “**Company**”) announces the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 (the “**Review Period**”), together with the comparative figures for the six months ended 30 June 2021.

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the Review Period was approximately RMB324.5 million, representing an increase of approximately 25.6% as compared with approximately RMB258.4 million for the corresponding period in 2021.
- Gross profit of the Group for the Review Period was approximately RMB31.1 million, representing an increase of approximately 116.0% as compared with approximately RMB14.4 million for the corresponding period in 2021.
- Loss attributable to equity holders of the Company for the Review Period increased to approximately RMB46.6 million from approximately RMB4.1 million for the corresponding period in 2021.
- Basic and diluted loss per share attributable to equity holders of the Company is RMB15.086 cents for the Review Period.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022

		Unaudited	
		six months ended 30 June	
		2022	2021
	Notes	RMB'000	RMB'000
Revenue	5	324,464	258,447
Cost of sales	6	<u>(293,373)</u>	<u>(244,097)</u>
Gross profit		31,091	14,350
Other income	7	2,402	2,139
Selling and distribution expenses	6	(9,286)	(6,591)
Administrative expenses	6	(62,665)	(15,748)
Other (losses)/gains, net	8	(5,847)	1,587
(Provision for)/reversal of impairment of trade and bills receivables	6, 13	<u>(153)</u>	<u>378</u>
Operating loss		<u>(44,458)</u>	<u>(3,885)</u>
Finance income		554	436
Finance costs		<u>(1,403)</u>	<u>(492)</u>
Finance costs, net		<u><u>(849)</u></u>	<u><u>(56)</u></u>
Loss before income tax		(45,307)	(3,941)
Income tax expense	9	<u>(1,308)</u>	<u>(196)</u>
Loss for the period attributable to equity holders of the Company		<u><u>(46,615)</u></u>	<u><u>(4,137)</u></u>
Loss per share attributable to equity holders of the Company			
Basic and diluted	10	<u><u>RMB(15.086) cents</u></u>	<u><u>RMB(1.379) cents</u></u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Unaudited	
	six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Loss for the period	<u>(46,615)</u>	<u>(4,137)</u>
Other comprehensive income/(loss):		
<i>Item that will not be reclassified to profit or loss</i>		
Exchange difference on translation of the Company	8,879	–
<i>Item that may be reclassified to profit or loss</i>		
Exchange differences on translation of foreign operations	<u>(3,367)</u>	<u>(672)</u>
Total comprehensive loss for the period attributable to equity holders of the Company	<u><u>(41,103)</u></u>	<u><u>(4,809)</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2022

		Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
	<i>Notes</i>		
Assets			
Non-current assets			
Properties, plant and equipment	12	435,929	340,456
Right-of-use assets	12	242,148	87,712
Intangible assets		714	786
Restricted cash		2,683	2,683
Prepayments and deposits		25,869	12,002
Financial assets at fair value through profit or loss		7,500	–
Deferred income tax assets		231	231
		<u>715,074</u>	<u>443,870</u>
		-----	-----
Current assets			
Inventories		161,496	161,931
Contract assets	13	3,485	4,973
Trade and bills receivables	13	138,066	138,809
Prepayments, deposits and other receivables		80,337	72,149
Amount due from a fellow subsidiary		1,358	–
Amounts due from related companies		3,016	486
Current income tax recoverable		158	21
Pledged bank deposits		7,500	27,500
Short-term bank deposits		187	139
Cash and cash equivalents		101,483	91,433
		<u>497,086</u>	<u>497,441</u>
		-----	-----
Total assets		<u>1,212,160</u>	<u>941,311</u>
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Equity			
Equity attributable to equity holders of the Company			
Share capital		2,693	2,693
Share premium		304,492	304,492
Retained earnings		10,836	57,489
Reserves		32,419	26,869
		<u>350,440</u>	<u>391,543</u>
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Total equity		<u>350,440</u>	<u>391,543</u>

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2022

		Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 RMB'000
	<i>Notes</i>		
Liabilities			
Non-current liabilities			
Deferred government grants		10,196	10,019
Lease liabilities		178,932	33,135
Bank and other borrowings		204,219	63,449
Deferred income tax liabilities		2,054	1,323
Provision for reinstatement cost		1,281	–
		<u>396,682</u>	<u>107,926</u>
Current liabilities			
Trade payables	<i>14</i>	107,845	176,118
Other payables and accruals	<i>15</i>	84,229	61,292
Contract liabilities	<i>15</i>	34,270	45,130
Current income tax liabilities		9,125	8,785
Lease liabilities		16,254	8,177
Bank and other borrowings		95,361	139,167
Amount due to the then immediate holding company		–	3,143
Amount due to the ultimate holding company		16	15
Amount due to a related company		16	15
Loan from a Director		3,415	–
Loan from the immediate holding company		13,654	–
Loan from the ultimate holding company		58,168	–
Loan from a related company		42,685	–
		<u>465,038</u>	<u>441,842</u>
Total liabilities		<u>861,720</u>	<u>549,768</u>
Total equity and liabilities		<u>1,212,160</u>	<u>941,311</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 15 March 2017 as an exempted company with limited liability under the Companies Act (Cap. 22, Act 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and the Group is principally engaged in (i) electronics manufacturing services (“**EMS**”) business (the “**EMS Business**”) which includes provision of design enhancement and verification, offering of technical advice and engineering solutions, raw materials selection and procurement, quality control, logistic and delivery and after-sale services to the customers in respect of the assembling and production of printed circuit board assemblies (the “**PCBAs**”) and fully-assembled electronic products; and (ii) aerospace business (the “**Aerospace Business**”), which includes (1) satellite manufacturing; (2) satellite measurement and controlling; and (3) satellite launching.

As at 30 June 2022, the ultimate holding company of the Company is Vision International Group Limited, a company incorporated in Hong Kong, and the immediate holding company of the Company is Hong Kong Aerospace Technology Holdings Limited, a company incorporated in the British Virgin Islands. The ultimate controlling shareholder of the Company is Mr. Sun Fengquan (“**Mr. Sun**”) who is also the Co-Chairman of the Board and Chief Executive Officer of the Company.

The shares of the Company (“**Share(s)**”) were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 August 2018 (the “**Listing Date**”).

This condensed consolidated interim financial information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (“**RMB’000**”), unless otherwise stated. This interim financial information was approved for issue on 30 August 2022.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

The interim financial information does not include all the notes of the type normally included in an annual report. Accordingly, this interim financial information is to be read in conjunction with the annual report for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

Use of going concern basis

The Directors have given careful consideration to the future liquidity and cash flows of the Group in assessing whether the Group will have sufficient resources to continue as a going concern. For this purpose, the management has prepared a forecast covering a period of 12 months from the end of the Review Period taking into account the followings:

- (a) In 2021, the Group obtained facilities totalling RMB353 million from two banks in China to support the funding required under the manufacturing plants construction contracts. As at 30 June 2022, the amount undrawn under these facilities totalled approximately RMB236 million;
- (b) In March 2022, the Group entered into a legally binding agreement with an independent third party lender to extend certain borrowings of HK\$108 million (approximately RMB92 million) which are due in various dates in 2022 to March 2024;
- (c) In March 2022, the Group obtained a letter of undertaking from Mr. Sun, pursuant to which, Mr. Sun has irrevocably undertaken to provide the Group with an unsecured and interest-free revolving loan for an amount up to HK\$300 million (approximately RMB256 million);
- (d) In March 2022, the Group also obtained another letter of undertaking jointly given by two executive Directors, one non-executive Director, and a shareholder of the immediate holding company of the Company (collectively the “**Covenantors**”), pursuant to which, the Covenantors have jointly and irrevocably undertaken to provide the Group with an unsecured and interest-free loan up to HK\$100 million (approximately RMB85 million);
- (e) In April 2022, the Company entered into an unsecured, interest-free revolving loan agreement with its ultimate holding company for an amount up to HK\$100 million (approximately RMB85 million). As at 30 June 2022, the Company had drawn down HK\$71 million (approximately RMB59 million);
- (f) In June 2022, the Company entered into an unsecured, interest-free revolving loan agreement with its immediate holding company for an amount up to HK\$100 million (approximately RMB85 million). As at 30 June 2022, the Company had drawn down approximately HK\$16 million (approximately RMB14 million);
- (g) In August 2022, the Company entered into a placing agreement with a placing agent, pursuant to which the placing agent agreed to procure investors, on a best effort basis, to subscribe for the two-year 9% per annum fixed coupon unsecured unsubordinated and unlisted bonds to be issued by the Company in an aggregate principal amount of up to HK\$300 million (approximately RMB256 million);
- (h) The Group is in negotiation with other independent third parties in respect of new borrowings; and
- (i) The Group is in negotiation with certain potential investors for raising new capital by the way of issuing new equity and/or debt securities.

The Directors have reviewed the Group's cash flow projections prepared by the management, which cover a period of twelve months from 30 June 2022. In the opinion of the Directors, taking into account the anticipated cash flows to be generated from the Group's operations as well as the above-mentioned plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 30 June 2022. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2021, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standards as set out below. Taxes on income in the Review Periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(b) Impact of standards issued but not yet applied by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4 ESTIMATES

The preparation of this interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements in the annual report for the year ended 31 December 2021.

5 REVENUE AND SEGMENT INFORMATION

The Company is an investment holding company and the Group is principally engaged in (i) the EMS Business; and (ii) the Aerospace Business, which includes (1) satellite manufacturing; (2) satellite measurement and controlling; and (3) satellite launching.

The chief operating decision-maker has been identified as the Directors. The Directors review the Group's internal reporting in order to assess performance and allocate resources. The Directors have determined the operating segments based on these reports.

During the six months ended 30 June 2021, the Group had two reportable operating segments being (i) the EMS Business and (ii) the Aerospace Business.

As the sales of smart home devices have been increasing significantly, the Board has begun to separately assess its performance from the rest of the EMS Business since the second half of the financial year ended 31 December 2021. Therefore, the Board determines that the Group has the following reportable operating segments:

- (i) EMS Business — Smart home devices
- (ii) EMS Business — Banking and finance and other devices
- (iii) Aerospace Business

The impact of the above-mentioned change in the Group's reportable operating segments for the six months ended 30 June 2021 is applied retrospectively and the Group's segment information is restated as if the Group had been operating as these operating segments in that period.

(a) **Segment revenue, gross profit and other segment information**

The Directors assess the performance of the operating segments based on a measure of revenue and gross profit.

	EMS Business			
	Smart home devices	Banking and finance and other devices	Aerospace Business	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the six months ended 30 June 2022				
(unaudited)				
Segment revenue	91,918	232,546	–	324,464
Inter-segment revenue	610	(610)	–	–
Segment cost of sales	(87,557)	(205,816)	–	(293,373)
Segment gross profit	4,971	26,120	–	31,091
Other segment information:				
Depreciation of properties, plant and equipment	877	5,312	2,420	8,609
Depreciation of right-of-use assets	1,689	2,096	1,562	5,347
Amortisation of intangible assets	–	119	–	119
Additions to non-current segment assets*	2,161	85,251	177,635	265,047
For the six months ended 30 June 2021				
(unaudited)				
Segment revenue	46,185	212,262	–	258,447
Inter-segment revenue	1,653	(1,653)	–	–
Segment cost of sales	(39,938)	(203,920)	(239)	(244,097)
Segment gross profit	7,900	6,689	(239)	14,350
Other segment information:				
Depreciation of properties, plant and equipment	128	2,979	172	3,279
Depreciation of right-of-use assets	563	3,926	38	4,527
Amortisation of intangible assets	–	317	–	317
Additions to non-current segment assets*	18,931	60,095	16,634	95,660

* The additions to non-current segment assets include additions to properties, plant and equipment, right-of-use assets, intangible assets, prepayments for construction works and prepayments for the acquisition of properties, plant and equipment.

(b) Segment assets and liabilities

	EMS Business			
	Smart home devices	Banking and finance and other devices	Aerospace Business	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
As at 30 June 2022 (unaudited)				
Segment assets	129,478	623,241	451,552	1,204,271
Segment liabilities	90,194	440,693	319,654	850,541
As at 31 December 2021 (audited)				
Segment assets	155,124	533,743	252,192	941,059
Segment liabilities	94,034	366,063	79,563	539,660

Reportable segment assets are reconciled to total assets as follows:

	Unaudited	Audited
	30 June	31 December
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Segment assets	1,204,271	941,059
Current income tax recoverable	158	21
Deferred income tax assets	231	231
Financial assets at fair value through profit or loss	7,500	–
Total assets	1,212,160	941,311

Reportable segment liabilities are reconciled to total liabilities as follows:

	Unaudited	Audited
	30 June	31 December
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Segment liabilities	850,541	539,660
Current income tax liabilities	9,125	8,785
Deferred income tax liabilities	2,054	1,323
Total liabilities	861,720	549,768

(c) **Disaggregation of revenue from contracts with customers**

The Group derived revenue from sales of goods at a point in time and provision of services over time as follows:

	Unaudited	
	six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Timing of revenue recognition:		
At a point in time — sales of goods	250,231	230,614
Over time — provision of services	74,233	27,833
	324,464	258,447

(d) **Revenue by customers' geographical location**

The Group's revenue by geographical location, which is determined by the location of customers, is as follows:

	Unaudited	
	six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
The People's Republic of China (the "PRC")	238,690	180,416
The United States of America (the "USA")	19,034	44,167
Australia	17,743	10,921
Hong Kong	11,520	1,591
India	11,150	2,873
South Korea	8,201	12,373
Vietnam	7,652	—
Austria	5,899	5,470
Germany	4,575	86
Brazil	—	550
	324,464	258,447

(e) **Non-current assets by geographical location**

As at 30 June 2022 and 31 December 2021, the Group's non-current assets other than financial instruments and deferred income tax assets by geographical location were as follows:

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 <i>RMB'000</i>
The PRC	329,876	261,865
Hong Kong	359,017	174,860
Germany	64	107
	<u>688,957</u>	<u>436,832</u>

(f) **Major customers**

Revenue from customers individually contributing over 10% of the total revenue of the Group is as follows:

	Unaudited six months ended 30 June 2022 RMB'000	2021 <i>RMB'000</i>
Customer A	N/A*	58,645
Customer B	91,918	46,185
Customer C	N/A*	31,255
Customer D	73,704	N/A*
	<u>73,704</u>	<u>N/A*</u>

The five largest customers accounted for approximately 69.0% of revenue for the Review Period (six months ended 30 June 2021: 70.2%).

* The corresponding customers did not contribute over 10% of the total revenue of the Group for the six months ended 30 June 2022 or 2021.

6 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, administrative expenses and provision for/(reversal of) impairment of trade and bills receivables are analysed as follows:

	Unaudited	
	six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of raw materials used	227,988	184,571
Consumables	1,131	329
Subcontracting charges	1,112	16,960
Employee benefit expenses and manpower service expenses, including Directors' emoluments	75,287	39,204
Rental expenses of short-term leases in respect of machinery and properties	7,941	3,852
Utilities	3,766	1,669
Depreciation of properties, plant and equipment (<i>Note 12</i>)	8,609	3,279
Depreciation of right-of-use assets (<i>Note 12</i>)	4,953	4,250
Amortisation	119	317
Auditor's remuneration		
— Audit services	1,156	298
— Non-audit services	747	750
Professional fees	9,644	2,641
Office expenses	1,842	174
(Reversal of provision)/provision for inventories	(1,029)	1,103
Other tax and surcharges	2,765	531
Transportation	1,188	1,170
Provision for/(reversal of) impairment of trade and bills receivables (<i>Note 13</i>)	153	(378)
Service charge	5,910	541
Entertainment expenses	2,932	917
Bank charges	1,731	–
Service fees for product development	1,488	–
Others	6,044	3,880
	<hr/>	<hr/>
Total cost of sales, selling and distribution expenses, administrative expenses and provision for/(reversal of) impairment of trade and bills receivables	365,477	266,058
	<hr/> <hr/>	<hr/> <hr/>

7 OTHER INCOME

	Unaudited	
	six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Government grants	2,308	2,124
Sundry income	94	15
	<u>2,402</u>	<u>2,139</u>

8 OTHER (LOSSES)/GAINS, NET

	Unaudited	
	six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Exchange differences	(5,626)	(124)
Loss on disposal of properties, plant and equipment	(425)	–
Fair value gains from derivative financial instruments	–	1,711
Gain on lease modification	204	–
	<u>(5,847)</u>	<u>1,587</u>

9 INCOME TAX EXPENSE

Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department of Hong Kong from the year of assessment 2019/20 onwards, the Group's first HK\$2 million of assessable profits under Hong Kong profits tax is subject to a tax rate of 8.25%. The Group's remaining assessable profits above HK\$2 million will continue to be subject to a tax rate of 16.5%.

During the six months ended 30 June 2022 and 2021, Shenzhen Hengchang Sheng Technology Company Limited*, a major operating subsidiary of the Company for the EMS Business in the PRC, has qualified for high and new technology enterprises status and is therefore subject to a preferential income tax rate of 15%.

During the six months ended 30 June 2022 and 2021, Gang Hang Ke (Shenzhen) Space Technology Co., Limited* (“**SZ Gang Hang Ke**”), a major operating subsidiary of the Company for the Aerospace Business in the PRC, has been qualified for small-scale enterprises with minimal profits status and is subject to an applicable tax rate of 20%. Other Group's entities in the PRC were subject to the PRC corporate income tax (“**CIT**”) at the tax rate of 25%.

During the six months ended 30 June 2021, no provision for Hong Kong profits tax has been made in the interim financial information as the Group had no assessable profit in Hong Kong.

* For identification purpose only

	Unaudited	
	six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
Current income tax		
— PRC CIT	499	1,268
— Hong Kong profits tax	99	—
— Withholding tax	12	—
	<u>610</u>	<u>1,268</u>
Deferred income tax	<u>698</u>	<u>(1,072)</u>
Income tax expense	<u>1,308</u>	<u>196</u>

10 LOSS PER SHARE

The basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2022 and 2021.

	Unaudited	
	six months ended 30 June	
	2022	2021
Loss attributable to equity holders of the Company (RMB'000)	<u>(46,615)</u>	<u>(4,137)</u>
Weighted average number of ordinary shares in issue (thousands of shares)	<u>309,000</u>	<u>300,000</u>
Basic and diluted loss per share (RMB cents)	<u>(15.086)</u>	<u>(1.379)</u>

There were no differences between the basic and diluted loss per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2022 and 2021.

11 DIVIDEND

No dividend has been paid or declared by the Company during the six months ended 30 June 2022 and 2021.

12 PROPERTIES, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	Properties, plant and equipment <i>RMB'000</i>	Right-of-use assets <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2022 (audited)			
Cost	409,905	94,804	504,709
Accumulated depreciation	<u>(69,449)</u>	<u>(7,092)</u>	<u>(76,541)</u>
Net book amount	<u><u>340,456</u></u>	<u><u>87,712</u></u>	<u><u>428,168</u></u>
Six months ended 30 June 2022 (unaudited)			
Opening net book amount	340,456	87,712	428,168
Additions	96,810	162,844	259,654
Depreciation	(8,609)	(5,347)	(13,956)
Disposals	(478)	(8,225)	(8,703)
Exchange difference	7,750	5,164	12,914
Closing net book amount	<u><u>435,929</u></u>	<u><u>242,148</u></u>	<u><u>678,077</u></u>
As at 30 June 2022 (unaudited)			
Cost	514,485	251,884	766,369
Accumulated depreciation	<u>(78,556)</u>	<u>(9,736)</u>	<u>(88,292)</u>
Net book amount	<u><u>435,929</u></u>	<u><u>242,148</u></u>	<u><u>678,077</u></u>
As at 1 January 2021 (audited)			
Cost	139,890	53,792	193,682
Accumulated depreciation	<u>(57,881)</u>	<u>(14,021)</u>	<u>(71,902)</u>
Net book amount	<u><u>82,009</u></u>	<u><u>39,771</u></u>	<u><u>121,780</u></u>
Six months ended 30 June 2021 (unaudited)			
Opening net book amount	82,009	39,771	121,780
Common control combination	210	–	210
Additions	40,831	32,833	73,664
Depreciation	(3,279)	(4,527)	(7,806)
Exchange difference	(4)	(7)	(11)
Closing net book amount	<u><u>119,767</u></u>	<u><u>68,070</u></u>	<u><u>187,837</u></u>
As at 30 June 2021 (unaudited)			
Cost	181,183	78,237	259,420
Accumulated depreciation	<u>(61,416)</u>	<u>(10,167)</u>	<u>(71,583)</u>
Net book amount	<u><u>119,767</u></u>	<u><u>68,070</u></u>	<u><u>187,837</u></u>

As at 30 June 2022, properties, plant and equipment included buildings, furniture and fixtures, office equipment, plant and machinery, motor vehicles, satellites, leasehold improvements and construction in progress; and right-of-use assets included land-use rights and properties.

During the six months ended 30 June 2022, additions to properties, plant and equipment mainly represented additions to construction in progress for manufacturing plant located in the PRC; while additions to right-of-use assets represented the new leases of properties for business expansion of the Group.

During the six months ended 30 June 2022, depreciation expenses of approximately RMB394,000 (six months ended 30 June 2021: RMB277,000) were included in construction in progress.

13 CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES

	Unaudited	Audited
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
Contract assets	3,485	4,973
Trade receivables	137,534	143,492
Bills receivables	6,243	701
Less: provision for impairment of trade and bills receivables	(5,711)	(5,384)
Trade and bills receivables	<u>138,066</u>	<u>138,809</u>
Contract assets, trade and bills receivables	<u><u>141,551</u></u>	<u><u>143,782</u></u>

As at 30 June 2022 and 31 December 2021, the carrying amounts of contract assets, trade and bills receivables approximated their fair values.

The Group's sales are on credit terms primarily from 30 to 120 days.

As at 30 June 2022 and 31 December 2021, the aging analysis of trade and bills receivables, based on invoice date, was as follows:

	Unaudited 30 June 2022 RMB'000	Audited 31 December 2021 <i>RMB'000</i>
Within 3 months	137,719	135,289
Over 3 months	6,058	8,904
	143,777	144,193
Less: provision for impairment of trade and bills receivables	(5,711)	(5,384)
	138,066	138,809

Movements of the provision for impairment of trade and bills receivables were as follows:

	Unaudited six months ended 30 June 2022 RMB'000	2021 <i>RMB'000</i>
At beginning of the period	5,384	5,680
Reversal of impairment of trade and bills receivables on individual basis	–	(378)
Provision for impairment of trade and bills receivables on collective basis	153	–
Exchange difference	174	(15)
At end of the period	5,711	5,287

14 TRADE PAYABLES

	Unaudited 30 June 2022 <i>RMB'000</i>	Audited 31 December 2021 <i>RMB'000</i>
Trade payables	<u>107,845</u>	<u>176,118</u>

As at 30 June 2022 and 31 December 2021, the aging analysis of trade payables, based on invoice date, was as follows:

	Unaudited 30 June 2022 <i>RMB'000</i>	Audited 31 December 2021 <i>RMB'000</i>
Within 3 months	94,145	163,521
Over 3 months	<u>13,700</u>	<u>12,597</u>
	<u>107,845</u>	<u>176,118</u>

As at 30 June 2022 and 31 December 2021, the carrying amounts of trade payables approximated their fair values.

15 CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	Unaudited 30 June 2022 <i>RMB'000</i>	Audited 31 December 2021 <i>RMB'000</i>
Other payables	9,207	7,365
Payables for acquisition of properties, plant and equipment	2,838	4,016
Payables for construction works	13,745	6,966
Deposit received for construction works	4,000	4,000
Deposit received from customers	17,593	–
Other tax payables	6,401	4,343
Accrued expenses	7,114	9,499
Accrued salaries and bonus	22,098	22,958
Interest payable	1,233	2,145
Contract liabilities	<u>34,270</u>	<u>45,130</u>
	<u>118,499</u>	<u>106,422</u>

As at 30 June 2022 and 31 December 2021, the carrying amounts of contract liabilities, other payables and accruals approximated their fair values. They were unsecured, interest free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holding company. The Group is principally engaged in (i) the EMS Business which includes provision of design enhancement and verification, offering of technical advice and engineering solutions, raw materials selection and procurement, quality control, logistic and delivery and after-sale services to the customers in respect of the assembling and production of the PCBAs and fully-assembled electronic products; and (ii) the Aerospace Business, which includes (1) satellite manufacturing; (2) satellite measurement and controlling; and (3) satellite launching.

During the Review Period, increasingly gloomy developments of the world economy including, among others, tighter financial conditions triggered by higher global inflation; negative spillovers from the war in Ukraine; and an economic slowdown in China as a result of the pandemic and lockdowns as well as the escalation of the property sector crisis hit the world economy which was already weakened by the outbreak of COVID-19. Although the COVID-19 pandemic in China gradually came under control since the second half of 2020, the sudden outbreak of variants of the coronavirus in different provinces across China and the imposition of strict lockdown, travel restrictions and quarantine measures still had adverse impacts on the business performance of the Group during the Review Period.

During the Review Period, a turnover of approximately RMB324.5 million was recorded by the Group, representing an increase of approximately 25.6% as compared with that for the corresponding period in 2021; while the loss attributable to equity holders of the Company of approximately RMB46.6 million was recorded as compared with loss attributable to equity holders of the Company of approximately RMB4.1 million for the corresponding period in 2021. The Group commenced its Aerospace Business in the second half of 2021 and has invested a large amount of resources in its Aerospace Business in the past year, including but not limited to expansion of its aerospace expert team and business development team and leasing of new premises for the establishment of aerospace manufacturing and research facilities. As such, the rapid expansion of the Aerospace Business together with the brand new operating subsidiary for the EMS Business in Huizhou, the PRC resulted in significant increase in administrative expenses, thus leading to the increase in loss attributable to equity holders of the Company for the Review Period.

Business Strategies and Outlook

Looking forward to the second half of 2022, the global recovery is set to decelerate amid the continued flare-ups of variants of the coronavirus despite the phased easing of the trade friction between the USA and China. The COVID-19 pandemic and quarantine policies will continue to be key factors determining the pace of China's economic recovery, bringing uncertainties to the market and economic environment. Despite facing such challenges, the Board is still positive on the prospect of the Aerospace Business in view of the growth potential after the completion of the establishment of the Hong Kong satellite manufacturing centre and the Hong Kong satellite operation control and application centre at the Advanced Manufacturing Centre located at Tseung Kwan O Industrial Estate, Hong Kong (the "AMC"). The Group will strive to sustain long-term growth in the Aerospace Business and the EMS Business by implementing the following business strategies:

- set up a satellite manufacturing center and a satellite operation control and application centre to generate new revenue under the Aerospace Business;
- commence satellite manufacturing and launching business;
- continue to make efforts to expand the customer base to broaden the sources of revenue and diversify business risk;
- continue to strengthen research and development capabilities so as to explore more business opportunities;
- continue to carefully review and extensively investigate into the current situation in relation to costs and resources deployment to enhance production efficiency; and
- continue to explore financing opportunities so as to increase the liquidity of the Group.

OPERATING RESULTS

Revenue by Customer's Geographical Location

The Group's revenue by geographical location, which is determined by the location of customers, is as follows:

	Unaudited	
	six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
The PRC	238,690	180,416
The USA	19,034	44,167
Australia	17,743	10,921
Hong Kong	11,520	1,591
India	11,150	2,873
South Korea	8,201	12,373
Vietnam	7,652	–
Austria	5,899	5,470
Germany	4,575	86
Brazil	–	550
	324,464	258,447

Revenue by Product Type

During the Review Period and the corresponding period in 2021, the revenue was generated by two principal product types. The table below summarises the amount of revenue generated and as a percentage of total revenue from each product type for the Review Period and the corresponding period in 2021 respectively:

	Revenue for the			% of total revenue for the		
	six months ended 30 June			six months ended 30 June		
	2022	2021	Changes	2022	2021	Changes
	RMB'000	RMB'000	%			
PCBAs	157,259	105,786	48.7	48.5	40.9	7.6
Fully-assembled electronic products	167,205	152,661	9.5	51.5	59.1	(7.6)
Total	324,464	258,447	25.5	100.0	100.0	

PCBAs

Based on the usage of the final electronic products embedded with PCBAs, PCBAs can be broadly applied to electronic end products for two principal industries, namely, banking and finance and smart device. The revenue generated from the sales of PCBAs increased by approximately 48.7% from approximately RMB105.8 million for the corresponding period in 2021 to approximately RMB157.3 million for the Review Period, primarily due to the increase in demand on the PCBAs for banking and finance and smart device.

Fully-assembled electronic products

Fully-assembled electronic products that are embedded with the PCBAs primarily manufactured in-house, which mainly include mobile phones, mobile point-of-sale (“mPOS”) and tablets, are sold under the respective brands of the customers or the brands of their ultimate customers. The revenue generated from the sales of fully-assembled electronic products increased by approximately 9.5% from approximately RMB152.7 million for the corresponding period in 2021 to approximately RMB167.2 million for the Review Period, primarily due to the increase in purchase orders of mPOS products from the largest customer.

Gross Profit and Gross Profit Margin by Product Type

Gross profit of the Group for the Review Period was approximately RMB31.1 million, representing an increase of approximately RMB16.7 million or 116.0% as compared with approximately RMB14.4 million for the corresponding period in 2021. Overall gross profit margin increased from 5.6% for the corresponding period in 2021 to 9.6% for the Review Period.

	Gross profit for the six months ended 30 June			Gross profit margin for the six months ended 30 June		
	2022	2021	Changes	2022	2021	Changes
	<i>RMB'000</i>	<i>RMB'000</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
PCBAs	19,060	8,580	122.1	12.1	8.1	4.0
Fully-assembled electronic products	12,031	<u>5,770</u>	108.5	7.2	<u>3.8</u>	3.4
Total	31,091	<u>14,350</u>	116.7	9.6	<u>5.6</u>	4.0

PCBAs

The gross profit derived from the sales of PCBAs increased by approximately 122.1% to approximately RMB19.1 million for the Review Period (six months ended 30 June 2021: approximately RMB8.6 million). The gross profit margin increased to approximately 12.1% for the Review Period (six months ended 30 June 2021: approximately 8.1%), which primarily resulted from the lower purchase price of electronic raw material.

Fully-assembled electronic products

The gross profit derived from the sales of fully-assembled electronic products increased by approximately 106.9% to approximately RMB12.0 million for the Review Period (six months ended 30 June 2021: approximately RMB5.8 million). The gross profit margin increased to approximately 7.2% for the Review Period (six months ended 30 June 2021: approximately 3.8%) as a result of higher level of batch production.

Other Income

Other income of the Group for the Review Period mainly represented discretionary government grants received by the Group of approximately RMB2.3 million (six months ended 30 June 2021: approximately RMB2.1 million).

Selling and Distribution Expenses

Selling and distribution expenses mainly comprised (i) employee benefit expenses which include salaries and allowance, social insurance contributions and staff welfare expenses for sales staff; (ii) transportation charges; (iii) sales commission paid to the sales agent in respect of customer introduction; and (iv) other expenses. For the Review Period, selling and distribution expenses amounted to approximately RMB9.3 million (six months ended 30 June 2021: approximately RMB6.6 million), representing an increase of approximately 40.9% as compared to that for the corresponding period in 2021. The increase in the selling and distribution expenses was mainly due to (i) increase in employee benefit expenses for the EMS Business and (ii) increase in advertising expenses for the Aerospace Business.

Administrative Expenses

Administrative expenses mainly represented (i) employee benefit expenses which include salaries and allowance, social insurance contributions and staff welfare expenses of administrative staff; (ii) legal and professional fees; and (iii) other expenses. For the Review Period, administrative expenses amounted to approximately RMB62.7 million (six months ended 30 June 2021: approximately RMB15.7 million), representing a significant increase of approximately 299.4% as compared to that for the corresponding period in 2021. The increase in administrative expenses for the Review Period was mainly due to (i) the significant increase in salaries and allowance incurred in the Aerospace Business; (ii) additional professional fees and rental expenses of properties for the Aerospace Business; and (iii) increased operating and administrative expenses for the brand new operating subsidiary for the EMS Business in Huizhou, the PRC.

Other (Losses)/Gains, Net

During the Review Period, other losses mainly represented exchange differences which was increased from approximately RMB0.1 million for the corresponding period in 2021 to approximately RMB5.6 million for the Review Period.

Finance Costs, Net

Finance costs mainly comprised interest expenses on bank borrowings and finance lease liabilities while the finance income mainly represented interest income on cash and cash equivalents and pledged bank deposits. For the Review Period, the net finance costs of the Group was approximately RMB0.8 million (six months ended 30 June 2021: approximately RMB0.1 million). The increased net finance costs was primarily due to the increase in interest expenses in relation to the leases for right-of-use assets, especially properties.

Income Tax Expense

Income tax expense amounted to approximately RMB1.3 million for the Review Period (six months ended 30 June 2021: approximately RMB0.2 million). The increase in income tax expenses is mainly due to the profit generated by Eternity Technology (Xiamen) Company Limited, an indirectly wholly-owned subsidiary of the Company in the PRC.

Loss Attributable to Equity Holders of the Company

As a result of the facts discussed above, loss attributable to the equity holders of the Company for the Review Period increased to approximately RMB46.6 million from approximately RMB4.1 million for the corresponding period in 2021.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

The Group had net current assets of approximately RMB32.0 million as at 30 June 2022 (31 December 2021: approximately RMB55.6 million). The current ratio of the Group maintained at approximately 1.1 as at 30 June 2022 and 31 December 2021.

Borrowings, the Pledge of Assets and Restricted Cash

The bank and other borrowings of the Group amounted to approximately RMB299.6 million as at 30 June 2022 (31 December 2021: approximately RMB202.6 million). The weighted average interest rate per annum of the Group's bank and other borrowings as at 30 June 2022 was 4.38% (31 December 2021: 6.42%). As at 30 June 2022 and 31 December 2021, the bank and other borrowings were secured by properties, plant and equipment, pledged bank deposit, land-use rights, a corporate guarantee provided by the Company and a personal guarantee by the Director, Mr. Ma Fujun. As at 30 June 2022, the bank deposits amounting to RMB7.5 million were pledged in banks for the facilities granted by banks to the Group. As at 31 December 2021, the bank deposits amounting to RMB27.5 million were pledged in banks for the facilities granted by banks to the Group and a performance bond to a new customer. As at 30 June 2022, the cash and cash equivalents, pledged bank deposits, short term bank deposits and restricted cash and bank and other borrowings were mainly denominated in RMB, Hong Kong Dollars (“**HK\$**”), United States Dollars (“**USD**”) and Euros (“**EUR**”).

Gearing Ratio

The gearing ratio, which is calculated by total borrowings, divided by total equity, was approximately 85.5% and 51.7% as at 30 June 2022 and 31 December 2021, respectively. The increase in gearing ratio was due to the increase in the level of interest-bearing borrowings.

Capital Structure

As at 30 June 2022 and 31 December 2021, the Company's issued share capital was HK\$3,090,000 and the number of issued shares of the Company was 309,000,000 ordinary shares of HK\$0.01 each.

On 29 October 2021, the Company and Mr. Ma Alexander (the “**Subscriber**”), an individual investor, entered into a subscription agreement (the “**Subscription Agreement**”) under which the Company conditionally agreed to allot and issue, and the Subscriber conditionally agreed to subscribe, 9,000,000 new Shares at the subscription price of HK\$26.41 per Share (the “**Subscription**”).

The net proceeds from the Subscription (after deducting the relevant expenses of the Subscription) was approximately HK\$237.4 million which was intended to be used by the Company on phase I of the establishment of the Hong Kong satellite manufacturing center at the AMC. As at 31 December 2021 and 30 June 2022, approximately 73.4% and 78.17% of the net proceeds from the Subscription had been utilised for the said purpose, respectively. The Company intended to utilise all of the remaining balance for the same purpose during the year ending 31 December 2022. Details of the Subscription are set out in the announcements of the Company dated 29 October 2021 and 9 November 2021.

Foreign Exchange Exposure and Exchange Rate Risk

The Group's assets, liabilities and transactions are mainly denominated in RMB, HK\$, USD and EUR, and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than the respective functional currencies of the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The management closely monitors the foreign currency exposure from time to time and will consider hedging significant foreign currency exposure should the need arise.

Capital Expenditure

For the Review Period, the Group had capital expenditure of approximately RMB259.7 million (six months ended 30 June 2021: approximately RMB67.5 million). The capital expenditure was related to the additions of right-of-use assets; and furniture and fixtures, office equipment, plant and machinery, motor vehicles, satellites, leasehold improvements, and construction of manufacturing plant.

INTERIM DIVIDEND

The Board does not recommend payment of interim dividend for the Review Period (six months ended 30 June 2021: Nil).

EMPLOYEES AND EMOLUMENTS POLICY

The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, commission, bonuses and the Group's contribution to mandatory provident funds or state-managed retirement benefits scheme.

As at 30 June 2022, the Group had approximately 1,100 employees with a total remuneration of approximately RMB75.3 million during the Review Period (six months ended 30 June 2021: approximately RMB39.2 million). The salaries of the employees were determined with reference to individual performance, work experience, qualification and current industry practices.

CAPITAL COMMITMENT

As at 30 June 2022, the Group's capital commitment amounted to approximately RMB257.6 million (31 December 2021: approximately RMB340.7 million). The capital commitment was mainly related to (i) the acquisition of machinery and equipment and construction of manufacturing plant; (ii) the acquisition of satellites; and (iii) the establishment of the Group's Hong Kong satellite manufacturing centre and Hong Kong satellite operation control and application centre at the AMC.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as of 30 June 2022 (31 December 2021: Nil).

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

Save as disclosed in this announcement, there were no material acquisitions, disposals and significant investments by the Group during the Review Period.

EVENTS AFTER THE REVIEW PERIOD

On 2 August 2022, Hong Kong Satellite Manufacturing Limited (“**HKSML**”), an indirect wholly-owned subsidiary of the Company, and Kar Hong Construction and Engineering (Hong Kong) Co., Ltd. (the “**Contractor**”), entered into a fit-out contract in relation to the fitting out works and mechanical, electrical and plumbing (“**MEP**”) works for the 2/F AMC premises at the contract price of HK\$120,800,000 (the “**2/F Fit-out Contract**”). Prior to the entry of the 2/F Fit-out Contract, HKSML and the Contractor entered into another fit-out contract on 28 July 2022 in relation to the fitting out works and MEP works for the 8/F AMC premises and its roof at the contract price of HK\$36,700,000 (the “**8/F Fit-out Contract**”).

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules for the aggregate contract prices under the 2/F Fit-out Contract and the 8/F Fit-out Contract (the “**Fit-out Contracts**”) are more than 5% but less than 25%, the entering into of the Fit-out Contracts and the transactions contemplated thereunder constitute a disclosable transaction (the “**Disclosable Transaction**”) of the Company. Details of the Disclosable Transaction are set out in the announcement published by the Company on 2 August 2022.

On 3 August 2022, SZ Gang Hang Ke, an indirect wholly-owned subsidiary of the Company, and Hunan Saide Leite Space Technology Co., Ltd.* (“**Saide Leite**”) entered into the satellite manufacturing and assembly, integration and testing (“**AIT**”) agreement (the “**Agreement**”) in relation to the manufacturing and AIT project for 3 optical satellites. Details of the Agreement are set out in the announcement published by the Company on 3 August 2022.

On 11 August 2022, the Company and Venture Smart Asia Limited (the “**Placing Agent**”) entered into a placing agreement in relation to the placing of the two-year 9% per annum fixed coupon unsecured unsubordinated and unlisted bonds to be issued by the Company in an aggregate principal amount of up to HK\$300,000,000 by the Placing Agent on a best effort basis (the “**Placing**”). Details of the Placing are set out in the announcement published by the Company on 11 August 2022.

On 22 August 2022 (New York time), the Company has established a sponsored Level 1 American Depositary Receipt (“**ADR**”) facility with the Bank of New York Mellon. Details of the ADR are set out in the announcement published by the Company on 23 August 2022.

SHARE OPTION SCHEME

A share option scheme was conditionally adopted by the Company on 25 July 2018 (the “**Share Option Scheme**”), which became effective on the Listing Date. The share option scheme will provide the eligible participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate the eligible participants to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain an on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group. Details of the Share Option Scheme are set out in the listing documents of the Company dated 3 August 2018.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme during the Review Period and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the Review Period.

* *For identification purpose only*

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) on 25 July 2018 with terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 (the “**CG Code**”) to the Listing Rules for the purpose of to making recommendations to the Board on the appointment and removal of the external auditor, to review the financial statements and related materials and provide advice in respect of the financial reporting process, and to oversee the risk management and internal control procedures of the Group. The Audit Committee comprises three members, all being independent non-executive Directors, namely, Mr. Hung Ka Hai Clement (Chairman), Mr. Brooke Charles Nicholas and Professor Chan Ka Keung, Ceajer.

The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2022 have not been audited or reviewed by the Company’s external auditor, but they have been reviewed by the Audit Committee and have been duly approved by the Board under the recommendation of the Audit Committee.

CORPORATE GOVERNANCE PRACTICES

For the Review Period, the Company has complied with the CG Code as set out in Appendix 14 to the Listing Rules except for the following deviation.

Pursuant to CG Code provision C.2.1, the role(s) of chairman and chief executive should be separated and should not be performed by the same individual. As the duties of chairman and chief executive of the Company are performed by Mr. Sun, the Company has deviated from the CG Code. The Board believes that it is necessary to vest the roles of chairman and chief executive in the same person due to the unique nature of the roles, Mr. Sun’s experience and expertise in the aerospace industry, and the importance of Mr. Sun in the strategic development of the Company. The dual role arrangement provides strong and consistent market leadership and is critical for efficient business planning and decision making of the Company. As all major decisions are made in consultation with the members of the Board, and there are five independent non-executive Directors on the Board offering independent perspectives, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board will also continue to review and monitor the practices of the Company for the purpose of complying with the CG Code and maintaining a high standard of corporate governance practices.

REMUNERATION OF DIRECTORS

References are made to the announcements of the Company dated 3 January 2022 and 5 July 2022, respectively, in relation to the appointment of Directors.

Each of Professor Chan Ka Keung, Ceajer and Dr. Yuen Kwok Keung, being an independent non-executive Director appointed on 3 January 2022, entered into a letter of appointment with the Company for an initial term of three years commencing from their respective date of appointment. Each of them shall be entitled to a director's remuneration of HK\$30,000 per month as an independent non-executive Director.

Dr. Lam Lee G., being an executive Director (re-designated on 3 January 2022) and the Co-chairman of the Board, entered into a letter of appointment with the Company for an initial term of three years commencing from the date of his appointment. He shall be entitled to a remuneration of HK\$270,000 per month as an executive Director and the Co-chairman of the Board.

Mr. Niu Aimin, being a non-executive Director appointed on 5 July 2022, entered into a letter of appointment with the Company for an initial term of three years commencing from the date of his appointment. He shall be entitled to a remuneration of HK\$30,000 per month as a non-executive Director.

Dr. Mazlan Binti Othman, being an independent non-executive Director appointed on 5 July 2022, entered into a letter of appointment with the Company for an initial term of three years commencing from the date of her appointment. She shall be entitled to a remuneration of HK\$30,000 per month as an independent non-executive Director.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the best of the Directors' knowledge, information and belief, the Company had maintained sufficient public float of not less than 25% of its total issued shares as required under the Listing Rules as at the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All Directors have confirmed that, following specific enquiry by the Company, they have complied with the required standard set out in the Model Code during the Review Period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.hkatg.com). The interim report of the Company for the six months ended 30 June 2022 will be despatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Hong Kong Aerospace Technology Group Limited
Sun Fengquan
Co-Chairman and Chief Executive Officer

Hong Kong, 30 August 2022

As at the date of this announcement, the Board comprises Mr. Sun Fengquan (Co-Chairman and Chief Executive Officer), Dr. Lam Lee G. (Co-Chairman), Mr. Lam Kin Fung Jeffrey, Ms. Ku Ka Lee Clarie (Vice Chairman) and Mr. Ma Fujun as executive Directors; Mr. Niu Aimin and Dr. Yip Chung Yin as non-executive Directors; and Dr. Mazlan Binti Othman, Mr. Brooke Charles Nicholas, Professor Chan Ka Keung, Ceajer, Mr. Hung Ka Hai Clement and Dr. Yuen Kwok Keung as independent non-executive Directors.