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 2023

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 2023 (the "**Review Period**"), together with the comparative figures for the six months ended 30 June 2022.

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the Review Period was approximately RMB236.4 million, representing a decrease of approximately 27.1% as compared with approximately RMB324.5 million for the corresponding period in 2022.

- Gross profit of the Group for the Review Period was approximately RMB17.3 million, representing a decrease of approximately 44.4% as compared with approximately RMB31.1 million for the corresponding period in 2022.

- Loss attributable to equity holders of the Company for the Review Period increased to approximately RMB87.3 million from approximately RMB46.6 million for the corresponding period in 2022.

- Basic and diluted loss per share attributable to equity holders of the Company is RMB28.25 cents for the Review Period.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2023

		Unaudited six months ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Revenue	*5*	**236,447**	324,464
Cost of sales	*6*	**(219,105)**	(293,373)
Gross profit		**17,342**	31,091
Other income	*7*	**3,257**	2,402
Other gains/(losses), net	*8*	**3,539**	(5,847)
Selling and distribution expenses	*6*	**(8,652)**	(9,286)
Administrative expenses	*6*	**(87,751)**	(62,665)
Provision for impairment of trade and bills receivables	*6, 13*	**(897)**	(153)
Operating loss		**(73,162)**	(44,458)
Finance income		**132**	554
Finance costs		**(10,757)**	(1,403)
Finance costs, net		**(10,625)**	(849)
Loss before income tax		**(83,787)**	(45,307)
Income tax expense	*9*	**(3,507)**	(1,308)
Loss for the period		**(87,294)**	(46,615)
Loss for the period attributable to:			
Equity holders of the Company		**(87,293)**	(46,615)
Non-controlling interest		**(1)**	–
		(87,294)	(46,615)
Loss per share attributable to equity holders of the Company			
Basic and diluted	*10*	**RMB(28.25) cents**	RMB(15.09) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Unaudited six months ended 30 June 2023	2022
	RMB'000	*RMB'000*
Loss for the period	**(87,294)**	(46,615)
Other comprehensive income/(loss):		
Item that will not be reclassified to profit or loss		
Currency translation differences	**6,255**	8,879
Item that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(5,403)**	(3,367)
Total comprehensive loss for the period	**(86,442)**	(41,103)
Total comprehensive loss for the period attributable to:		
Equity holders of the Company	**(86,441)**	(41,103)
Non-controlling interest	**(1)**	–
	(86,442)	(41,103)

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2023

	Note	**Unaudited 30 June 2023 *RMB'000***	Audited 31 December 2022 *RMB'000*
Assets			
Non-current assets			
Properties, plant and equipment	*12*	**512,689**	424,674
Right-of-use assets	*12*	**197,667**	209,435
Intangible assets		**5,485**	5,511
Restricted cash		**2,683**	2,683
Financial assets at fair value through profit or loss		**1,172**	1,172
Prepayments and deposits		**36,859**	29,789
Deferred income tax assets		**3,128**	3,162
		759,683	676,426
Current assets			
Inventories		**106,422**	129,199
Trade and bills receivables	*13*	**131,131**	127,450
Prepayments, deposits and other receivables		**62,079**	54,116
Amount due from a related company		**18**	17
Current income tax recoverable		**133**	141
Pledged bank deposits		**10,000**	17,500
Short-term bank deposits		**–**	187
Cash and cash equivalents		**38,989**	41,471
		348,772	370,081
Assets classified as held for sale		**–**	180,844
		348,772	550,925
Total assets		**1,108,455**	1,227,351
Equity			
Equity attributable to equity holders of the Company			
Share capital		**2,693**	2,693
Share premium		**304,492**	304,492
Accumulated losses		**(183,855)**	(96,562)
Reserves		**36,112**	35,260
		159,442	245,883
Non-controlling interest		**(1)**	(1)
Total equity		**159,441**	245,882

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2023

	Note	Unaudited 30 June 2023 RMB'000	Audited 31 December 2022 RMB'000
Liabilities			
Non-current liabilities			
Deferred government grants		**10,702**	12,223
Lease liabilities		**154,317**	166,546
Provision for reinstatement cost	*15*	**8,793**	8,402
Bank and other borrowings		**59,892**	167,611
Deferred tax liabilities		**5,189**	4,094
		238,893	358,876
Current liabilities			
Trade and bills payables	*14*	**98,865**	103,504
Other payables and accruals	*15*	**84,644**	96,151
Contract liabilities	*15*	**23,720**	19,630
Lease liabilities		**38,471**	34,331
Bank and other borrowings		**166,602**	81,837
Bonds payable		**17,589**	16,291
Loan from the ultimate holding company		**252,388**	62,969
Loan from a related company		**–**	44,220
Loan from the immediate holding company		**14,876**	14,214
Loan from a Director		**–**	3,538
Amount due to a related company		**–**	17
Amounts due to the then subsidiaries		**2,623**	–
Current income tax liabilities		**10,343**	7,843
		710,121	484,545
Liabilities directly associated with assets classified as held for sale		**–**	138,048
		710,121	622,593
Total liabilities		**949,014**	981,469
Total equity and liabilities		**1,108,455**	1,227,351

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) aerospace business (the "**Aerospace Business**"), which includes (1) satellite manufacturing; (2) satellite communication; (3) satellite measurement and controlling; and (4) satellite launching; and (ii) electronics manufacturing services business (the "**EMS Business**") which includes assembling and production of printed circuit board assemblies (the "**PCBAs**") and fully-assembled electronic products.

As at 30 June 2023, the ultimate holding company of the Company is Vision International Group Limited ("**Vision**"), a company incorporated in Hong Kong, and the immediate holding company of the Company is Hong Kong Aerospace Technology Holdings Limited ("**HKATH (BVI)**"), a company incorporated in the British Virgin Islands (the "**BVI**"). 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 were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 August 2018.

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 2023.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2023 has 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 consolidated financial statements for the year ended 31 December 2022, 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 30 June 2023 taking into account the followings:

(a) In May 2023, the Company entered into a subscription agreement and credit support agreement with Macquarie Bank Limited in relation to the issuance of convertible notes in the principal amount of HK$800 million, with 0.5% coupon rate per annum due on 31 December 2023. The issuance of convertible notes is subject to, among others, shareholder's approval in the upcoming extraordinary general meeting;

(b) In July 2023, the Company entered into an agreement with a company incorporated in the BVI and wholly-owned by Utmost International Isle of Man Limited in relation to a deemed disposal of 49% equity interest in Aspace Satellite Technology Limited (an indirect wholly-owned subsidiary of the Company) at a consideration of US$20.5 million (equivalent to HK$159.9 million) in cash by stages. The transaction is expected to be completed on or before 11 September 2023;

(c) In March 2023, 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$500 million (approximately RMB463 million);

(d) In April 2022 and January 2023, the Company entered into unsecured, interest-free revolving loan agreements with its ultimate holding company for a total amount up to HK$300 million (approximately RMB278 million). As at 30 June 2023, the Company had drawn down HK$272 million (approximately RMB252 million);

(e) 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 RMB93 million). As at 30 June 2023, the Company had drawn down approximately HK$16 million (approximately RMB15 million);

(f) In March 2022, the Group entered into a legally binding agreement with an independent third party lender to extend certain borrowings of HK$100 million (approximately RMB93 million) which are due in various dates in March 2024;

(g) The Group is in negotiation with other independent third parties in respect of new borrowings; and

(h) 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 2023. 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 2023. 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 2022, 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 Period are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Amended accounting standards and guidelines adopted by the Group

A number of amended accounting standards and guidelines became applicable for the current reporting period. The Group expected that the adoption of these amended accounting standards and guidelines did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

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

Certain new and amended 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 2022.

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 communication; (3) satellite measurement and controlling; and (4) 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 2023, the Group had three reportable segments being:

(i) EMS Business — Smart home devices

(ii) EMS Business — Banking and finance and other devices; and

(iii) Aerospace Business

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

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

	EMS Business			
	Smart home devices	**Banking and finance and other devices**	**Aerospace Business**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the six months ended 30 June 2023 (unaudited)				
Segment revenue	**65,294**	**171,153**	**–**	**236,447**
Inter-segment revenue	**1,473**	**(1,473)**	**–**	**–**
Segment cost of sales	**(62,240)**	**(156,865)**	**–**	**(219,105)**
Segment gross profit	**4,527**	**12,815**	**–**	**17,342**
Other segment information:				
Depreciation of properties, plant and equipment	**1,215**	**9,244**	**5,350**	**15,809**
Depreciation of right-of-use assets	**1,689**	**1,619**	**15,594**	**18,902**
Amortisation of intangible assets	**–**	**512**	**–**	**512**
Additions to non-current segment assets*	**2,132**	**6,031**	**89,759**	**97,922**
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

* The additions to non-current segment assets include (i) additions to properties, plant and equipment, right-of-use assets and intangible assets; (ii) prepayments for the acquisitions of properties, plant and equipment and intangible asset; and (iii) prepayments for construction works.

(b) Segment assets and liabilities

	EMS Business			
	Smart home devices	**Banking and finance and other devices**	**Aerospace Business**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 30 June 2023 (unaudited)				
Segment assets	**98,812**	**433,978**	**571,232**	**1,104,022**
Segment liabilities	**83,431**	**284,994**	**565,057**	**933,482**
As at 31 December 2022 (audited)				
Segment assets	98,533	655,778	468,548	1,222,859
Segment liabilities	74,878	501,100	392,072	968,050

Reportable segment assets are reconciled to total assets as follows:

	Unaudited 30 June 2023	Audited 31 December 2022
	RMB'000	*RMB'000*
Segment assets	**1,104,022**	1,222,859
Financial assets at fair value through profit or loss	**1,172**	1,172
Current income tax recoverable	**133**	158
Deferred income tax assets	**3,128**	3,162
Total assets	**1,108,455**	1,227,351

Reportable segment liabilities are reconciled to total liabilities as follows:

	Unaudited 30 June 2023	Audited 31 December 2022
	RMB'000	*RMB'000*
Segment liabilities	**933,482**	968,050
Current income tax liabilities	**10,343**	7,843
Deferred income tax liabilities	**5,189**	5,576
Total liabilities	**949,014**	981,469

(c) Disaggregation of revenue from contracts with customers

	Unaudited six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Timing of revenue recognition:		
At a point in time — sales of goods	**236,447**	324,464

(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	
	2023	2022
	RMB'000	*RMB'000*
The People's Republic of China (the "**PRC**" or "**China**")	**203,170**	238,690
India	**8,997**	11,150
Germany	**7,447**	4,575
Australia	**6,633**	17,743
Austria	**4,981**	5,899
Vietnam	**3,662**	7,652
Hong Kong	**877**	11,520
Brazil	**585**	–
The United States of America (the "**USA**")	**95**	19,034
South Korea	**–**	8,201
	236,447	324,464

(e) Non-current assets by geographical location

The total amounts of non-current assets, other than financial instruments and deferred tax assets of the Group as at 30 June 2023 and 31 December 2022 are located in the following regions:

	Unaudited 30 June 2023 *RMB'000*	Audited 31 December 2022 *RMB'000*
The PRC	**255,987**	246,784
Hong Kong	**479,049**	405,565
Germany	**1**	28
	735,037	652,377

(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	
	2023 *RMB'000*	2022 *RMB'000*
Customer A	**63,830**	91,918
Customer B	**29,809**	73,704

The five largest customers accounted for approximately 56.8% of revenue for the Review Period (six months ended 30 June 2022: 69.0%).

6 EXPENSES BY NATURE

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

	Unaudited six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Cost of raw materials used	**147,780**	227,988
Consumables	**2,588**	1,131
Subcontracting charges	**1,502**	1,112
Employee benefit expenses and manpower service expenses, including Directors' emoluments	**73,421**	75,287
Rental expenses of short-term leases in respect of machinery and properties	**5,264**	7,941
Building management fee	**5,377**	106
Utilities	**2,996**	3,766
Depreciation of properties, plant and equipment *(Note 12)*	**15,809**	8,609
Depreciation of right-of-use assets *(Note 12)*	**18,690**	4,953
Amortisation	**512**	119
Auditor's remuneration		
— Audit services	**1,334**	1,156
— Non-audit services	**133**	747
Professional fees	**8,537**	9,644
Provision/(reversal of provision) for inventories	**8,591**	(1,029)
Other tax and surcharges	**4,467**	2,765
Transportation	**230**	1,188
Travelling expenses	**3,402**	606
Provision for impairment of trade and bills receivables *(Note 13)*	**897**	153
Service charge	**324**	5,910
Advertising	**1,190**	211
Entertainment expenses	**2,894**	2,932
Bank charges	**622**	1,731
Service fees for product development	**3,384**	1,488
Others	**6,461**	6,963
Total cost of sales, selling and distribution expenses, administrative expenses and provision for impairment of trade and bills receivables	**316,405**	365,477

7 OTHER INCOME

	Unaudited six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Government grants	**2,443**	2,308
Sundry income	**814**	94
	3,257	2,402

8 OTHER GAINS/(LOSSES), NET

	Unaudited six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Exchange differences	**635**	(5,626)
Loss on disposal of properties, plant and equipment	**(564)**	(425)
Gains on disposal of subsidiaries *(Note 16)*	**3,468**	–
Gain on lease modification	**–**	204
	3,539	(5,847)

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 2023, 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.

During the six months ended 30 June 2023 and 2022, Gang Hang Ke (Shenzhen) Space Technology Co., Limited* ("**SZ Gang Hang Ke**"), the Group's major operating subsidiary 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%.

During the six months ended 30 June 2023 and 2022, Shenzhen Hengchang Sheng Technology Company Limited*, the Group's major operating subsidiary 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 2023 and 2022, other Group's entities in the PRC were subject to the PRC corporate income tax ("**CIT**") at the tax rate of 25%.

* *For identification purpose only*

	Unaudited six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Current income tax		
— The PRC CIT	**1,911**	499
— Hong Kong profits tax	**–**	99
— Withholding tax	**13**	12
Total current income tax	**1,924**	610
Deferred income tax	**1,583**	698
Income tax expense	**3,507**	1,308

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 2023 and 2022.

	Unaudited six months ended 30 June	
	2023	2022
Loss attributable to equity holders of the Company *(RMB'000)*	**(87,293)**	(46,615)
Weighted average number of ordinary shares in issue *(thousands of shares)*	**309,000**	309,000
Basic and diluted loss per share *(RMB cents)*	**(28.25)**	(15.09)

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 2023 and 2022.

11 DIVIDEND

No dividend has been paid or declared by the Company during the six months ended 30 June 2023 and 2022.

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

	Properties, plant and equipment *RMB'000*	Right-of-use assets *RMB'000*	Total *RMB'000*
As at 1 January 2023 (audited)			
Cost	**508,142**	**237,628**	**745,770**
Accumulated depreciation	**(83,468)**	**(28,193)**	**(111,661)**
Net book amount	**424,674**	**209,435**	**634,109**
Six months ended 30 June 2023 (unaudited)			
Opening net book amount	**424,674**	**209,435**	**634,109**
Additions	**91,129**	**–**	**91,129**
Depreciation	**(15,809)**	**(18,902)**	**(34,711)**
Disposals	**(1,086)**	**–**	**(1,086)**
Exchange difference	**13,781**	**7,134**	**20,915**
Closing net book amount	**512,689**	**197,667**	**710,356**
As at 30 June 2023 (unaudited)			
Cost	**611,859**	**246,190**	**858,049**
Accumulated depreciation	**(99,170)**	**(48,523)**	**(147,693)**
Net book amount	**512,689**	**197,667**	**710,356**
As at 1 January 2022 (audited)			
Cost	409,905	94,804	504,709
Accumulated depreciation	(69,449)	(7,092)	(76,541)
Net book amount	340,456	87,712	428,168
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	435,929	242,148	678,077
As at 30 June 2022 (unaudited)			
Cost	514,485	251,884	766,369
Accumulated depreciation	(78,556)	(9,736)	(88,292)
Net book amount	435,929	242,148	678,077

As at 30 June 2023, 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 2023, additions to properties, plant and equipment mainly represented additions to construction in progress for Hong Kong satellite manufacturing centre and Hong Kong satellite operation control and application centre at the Advanced Manufacturing Centre located at Tseung Kwan O Industrial Estate, Hong Kong (the "**AMC**").

During the six months ended 30 June 2023, depreciation expenses of approximately RMB212,000 (six months ended 30 June 2022: RMB394,000) were included in construction in progress.

13 TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2023 *RMB'000*	Audited 31 December 2022 *RMB'000*
Trade receivables	**133,802**	123,854
Bills receivables	**5,615**	10,726
Less: provision for impairment of trade and bills receivables	**(8,286)**	(7,130)
Trade and bills receivables	**131,131**	127,450

As at 30 June 2023 and 31 December 2022, the carrying amounts of 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 2023 and 31 December 2022, the aging analysis of trade and bills receivables, based on invoice date, was as follows:

	Unaudited 30 June 2023 *RMB'000*	Audited 31 December 2022 *RMB'000*
Within 3 months	**126,782**	109,610
Over 3 months	**12,635**	24,970
	139,417	134,580
Less: provision for impairment of trade and bills receivables	**(8,286)**	(7,130)
	131,131	127,450

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

	Unaudited six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
At beginning of the period	**7,130**	5,384
Provision for impairment of trade and bills receivables on collective basis	**897**	153
Exchange difference	**259**	174
At end of the period	**8,286**	5,711

14 TRADE AND BILLS PAYABLES

	Unaudited	Audited
	30 June	31 December
	2023	2022
	RMB'000	*RMB'000*
Trade payables	**96,404**	98,833
Bills payables	**2,461**	4,671
	98,865	103,504

As at 30 June 2023 and 31 December 2022, the aging analysis of trade and bills payables, based on invoice date, was as follows:

	Unaudited	Audited
	30 June	31 December
	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**88,374**	86,341
Over 3 months	**10,491**	17,163
	98,865	103,504

As at 30 June 2023 and 31 December 2022, the carrying amounts of trade and bills payables approximated their fair values.

15 PROVISION FOR REINSTATEMENT COST, CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	Unaudited 30 June 2023 *RMB'000*	Audited 31 December 2022 *RMB'000*
Other payables	**14,266**	9,393
Payables for acquisition of properties, plant and equipment	**4,698**	13,658
Payables for construction works	**19,201**	18,006
Deposit received for construction works	**4,000**	4,000
Other tax payables	**2,166**	5,091
Accrued expenses	**5,044**	13,233
Accrued salaries and bonus	**31,784**	30,236
Interest payable	**3,485**	2,534
Contract liabilities	**23,720**	19,630
	108,364	115,781
Non-current portion		
Provision for reinstatement cost	**8,793**	8,402
	117,157	124,183

As at 30 June 2023 and 31 December 2022, the carrying amounts of contract liabilities, other payables and accruals approximated their fair values. They were unsecured, interest free and repayable on demand.

16 DISPOSALS OF SUBSIDIARIES

On 30 December 2022, the Group entered into the share sale and purchase agreement with a third party to dispose of the entire equity interest of Positive Expert Limited (then indirect wholly-owned subsidiary of the Company) which, together with its subsidiaries ("**Positive Group**"), owns a parcel of land and a production plant in Daya Bay Western District, the PRC, for a consideration of HK$75,000,000 (equivalent to approximately RMB66,613,000). All conditions precedent under the share sale and purchase agreement have been fulfilled and completion took place on 30 May 2023 in accordance with the terms and conditions of the share sale and purchase agreement. Upon completion, the Group ceased to hold any equity interest of Positive Group and Positive Group ceased to be subsidiaries of the Group.

During the Review Period, the Group disposed all of its 65% equity interest in a subsidiary, Hong Kong Aerospace ZeroG Space Technology Limited ("**ZeroG**") to the remaining 35% shareholding partner for a consideration of HK$1 in receivable because ZeroG has not carried out any business since its incorporation. The Group ceased to hold any equity interest of ZeroG and ZeroG ceased to be a subsidiary of the Group.

Details of the net assets disposed of are as follows:

	Six months ended 30 June 2023	
	Positive Group	**ZeroG**
	RMB'000	***RMB'000***
Consideration received or receivable:		
Cash	**66,613**	**–**
Receivable*	**–**	**–**
Carrying amounts of net assets disposed of	**(63,143)**	**(2)**
Gains/(losses) on disposals of subsidiaries	**3,470**	**(2)**

* The balance represents amounts less than RMB1,000

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The overall global economy remains bleak and uncertain due to inflationary pressures, geopolitical instability and a slower than expected economic recovery in China continue to weigh against an environment of sluggish growth. The prevailing adverse economic and financial condition has posed negative impacts on the business performance and financial position of the Group during the Review Period.

During the Review Period, a turnover of approximately RMB236.4 million was recorded by the Group, representing a decrease of approximately 27.1% as compared with that for the corresponding period in 2022; while the loss attributable to equity holders of the Company of approximately RMB87.3 million was recorded as compared with loss attributable to equity holders of the Company of approximately RMB46.6 million for the corresponding period in 2022. The increase in the loss for the Review Period was mainly due to (i) the increase in depreciation expenses on launched satellites and right-of-use assets in the Aerospace Business, representing the lease for establishment of the Hong Kong satellite manufacturing centre and the Hong Kong satellite operation control and application centre at the AMC located at Tseung Kwan O Industrial Estate, Hong Kong; and (ii) the decrease in sales in the EMS Business resulted from the customer churn.

Business Strategies and Outlook

Looking ahead, despite the gradual easing of trade frictions between the USA and China, the impact of inflation, politicization of trade and technology mechanisms, and other factors should not be overlooked, the global economy recovery is slow and still facing considerable downside risks. The international environment remains complex, and pressure from contracting domestic demand, shock on supply chain and weakening expectations is still emerging. Despite facing such challenges, the Board is still positive on the prospect of the Aerospace Business in view of huge demand on commercial satellites from the global markets and also the growth potential after the opening of the Hong Kong satellite manufacturing centre and the Hong Kong satellite operation control and application centre at 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:

— commence production and operation of the satellite manufacturing center and the satellite operation control and application centre to generate new revenue under the Aerospace Business;

— continue to expand and develop the satellite manufacturing and launching business;

— continue to develop the satellite communication business and the satellite internet communication service sector;

— continue to make efforts to enhance the customer base for both the Aerospace Business and the EMS Business and 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	
	2023	2022
	RMB'000	*RMB'000*
The PRC	**203,170**	238,690
India	**8,997**	11,150
Germany	**7,447**	4,575
Australia	**6,633**	17,743
Austria	**4,981**	5,899
Vietnam	**3,662**	7,652
Hong Kong	**877**	11,520
Brazil	**585**	–
The USA	**95**	19,034
South Korea	**–**	8,201
	236,447	324,464

Revenue by Product Type

During the Review Period and the corresponding period in 2022, 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 2022 respectively:

	Revenue for the six months ended 30 June			% of total revenue for the six months ended 30 June		
	2023	2022	Changes	**2023**	2022	Changes
	RMB'000	*RMB'000*	%			
PCBAs	**197,304**	157,259	25.5	**83.4**	48.5	34.9
Fully-assembled electronic products	**39,143**	167,205	(76.6)	**16.6**	51.5	(34.9)
Total	**236,447**	324,464	(27.1)	**100**	100.0	

PCBAs

Based on the usage of the final electronic products embedded with the PCBAs, the PCBAs can be broadly applied to electronic end products for three principal industries, namely, banking and finance, telecommunications and smart device. The revenue generated from the sales of the PCBAs increased by approximately 25.5% from approximately RMB157.3 million for the corresponding period in 2022 to approximately RMB197.3 million for the Review Period. The increase in revenue is primarily due to the increase in demand on the PCBAs for banking and finance industry as most of the customers resumed normal operation during the Review Period.

Fully-assembled electronic products

The fully-assembled electronic products that are embedded with the PCBAs primarily manufactured by the Company in-house mainly include mobile phones, mobile point-of-sale ("**mPOS**"), photovoltaic inverters, tablets and street lamp controller, which 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 decreased by approximately 76.6% from approximately RMB167.2 million for the corresponding period in 2022 to approximately RMB39.1 million for the Review Period. The decrease in revenue is primarily due to (i) the significant decrease in demand from mobile phones and tablets manufacturers who did not continue to produce new models and place related new orders; and (ii) cessation of cooperation with one significant customer during the Review Period.

Gross Profit and Gross Profit Margin by Product Type

Gross profit of the Group for the Review Period was approximately RMB17.3 million, representing a decrease of approximately RMB13.8 million or 44.4% as compared with approximately RMB31.1 million for the corresponding period in 2022. Overall gross profit margin decreased from 9.6% for the corresponding period in 2022 to 7.3% for the Review Period.

	Gross profit for the six months ended 30 June			**Gross profit margin for the six months ended 30 June**		
	2023	2022	Changes	**2023**	2022	Changes
	RMB'000	*RMB'000*	%	**%**	%	%
PCBAs	**15,609**	19,060	(18.1)	**7.9**	12.1	(4.2)
Fully-assembled electronic products	**1,733**	12,031	(85.6)	**4.4**	7.2	(2.8)
Total	**17,342**	31,091	(44.4)	**7.3**	9.6	(2.3)

PCBAs

The gross profit derived from the sales of the PCBAs decreased by approximately 18.1% to approximately RMB15.6 million for the Review Period (six months ended 30 June 2022: approximately RMB19.1 million). The gross profit margin decreased to approximately 7.9% for the Review Period (six months ended 30 June 2022: approximately 12.1%), which was primarily resulted from the Group offering lower selling prices to attract new customers together with the initial cost for orders of new customers being comparatively higher than the existing customers.

Fully-assembled electronic products

The gross profit derived from the sales of fully-assembled electronic products decreased by approximately 2.8% to approximately RMB1.7 million for the Review Period (six months ended 30 June 2022: approximately RMB12.0 million). The gross profit margin decreased approximately 4.4% for the Review Period (six months ended 30 June 2022: approximately 7.2%), which was mainly due to the cessation of cooperation with a significant customer who can provide a relative higher gross profit margin.

Other Income

Other income of the Group for the Review Period mainly represented discretionary government grants received by the Group of approximately RMB2.4 million (six months ended 30 June 2022: approximately RMB2.3 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 RMB8.7 million (six months ended 30 June 2022: approximately RMB9.3 million), representing a decrease of approximately 6.5% as compared to that for the corresponding period in 2022. The decrease in the selling and distribution expenses was mainly due to lower commission expenses for the EMS 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 RMB87.8 million (six months ended 30 June 2022: approximately RMB62.7 million), representing an increase of approximately 40.0% as compared to that for the corresponding period in 2022. The increase in administrative expenses for the Review Period was mainly due to the increased depreciation expenses on launched satellites and right-of-use assets in the Aerospace Business, representing the lease for establishment of the Hong Kong satellite manufacturing centre and the Hong Kong satellite operation control and application centre at the AMC.

Other Gains/(Losses), Net

During the Review Period, other gains mainly represented gains on disposal of subsidiaries of approximately RMB3.5 million and exchange differences of approximately RMB0.1 million (six months ended 30 June 2022: other losses in exchange differences of approximately RMB5.6 million).

Finance Costs, Net

Finance costs mainly comprised interest expenses on bank borrowings, finance lease liability and 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 RMB10.6 million (six months ended 30 June 2022: approximately RMB0.8 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 RMB3.5 million for the Review Period (six months ended 30 June 2022: approximately RMB1.3 million). The increase in income tax expenses is mainly due to the profit generated by Huizhou City Eternity Technology Company Limited, an indirect 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 RMB87.3 million from approximately RMB46.6 million for the corresponding period in 2022.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

The Group had net current liabilities of approximately RMB361 million as at 30 June 2023 (31 December 2022: approximately RMB71.7 million). The current ratio of the Group decreased from approximately 0.9 as at 31 December 2022 to approximately 0.5 as at 30 June 2023.

Borrowings, the Pledge of Assets and Restricted Cash

The bank and other borrowings of the Group amounted to approximately RMB226.5 million as at 30 June 2023 (31 December 2022: approximately RMB249.4 million). The weighted average interest rate per annum of the Group's bank and other borrowings as at 30 June 2023 was 4.12% (31 December 2022: 4.33%). As at 30 June 2023 and 31 December 2022, the bank and other borrowings were secured by properties, plant and equipment, pledged bank deposit, land-use rights, shares of the Company's subsidiary, a corporate guarantee provided by the Company and a personal guarantee by one of the Directors, Mr. Ma Fujun. As at 30 June

2023, the bank deposits amounting to RMB10 million were pledged to banks for the facilities granted by banks to the Group. As at 31 December 2022, the bank deposits amounting to RMB17.5 million were pledged to banks for the facilities granted by banks to the Group. As at 30 June 2023, the cash and cash equivalents, pledged bank deposits, 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 142.1% and 101.5% as at 30 June 2023 and 31 December 2022, respectively. The increase in gearing ratio was due to the increase in the level of accumulated losses.

Capital Structure

As at 30 June 2023 and 31 December 2022, 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.

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.

Capital Expenditure

For the Review Period, the Group had capital expenditure of approximately RMB91.1 million (six months ended 30 June 2022: approximately RMB259.7 million). The capital expenditure was related to the additions of furniture and fixtures, plant and machinery, 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 2022: 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 2023, the Group had approximately 956 employees with a total remuneration of approximately RMB73.4 million during the Review Period (six months ended 30 June 2022: approximately RMB75.3 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 2023, the Group's capital commitment amounted to approximately RMB267.5 million (31 December 2022: approximately RMB296.2 million). The capital commitment was mainly related to (i) the acquisitions of satellites for future development of the Aerospace Business; and (ii) the establishment of the Hong Kong satellite manufacturing centre and the Hong Kong satellite operation control and application centre located at the AMC.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as of 30 June 2023 (31 December 2022: 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 DURING THE REVIEW PERIOD

On 8 March 2023, Aspace Satellite Technology Limited ("**Aspace**"), an indirect wholly-owned subsidiary of the Company, and Abridge Aerospace Hybrid Equity LPF (the "**Aspace Subscriber**") entered into a subscription agreement in relation to the subscription of 49% of the enlarged issued share capital of Aspace at the subscription price of HK$147 million which constituted a deemed disposal of equity interest in Aspace by the Company.

Subsequently, on 7 June 2023, Aspace and the Aspace Subscriber mutually agreed and entered into a termination agreement to terminate the said subscription agreement. The Board is of the view that the termination agreement will not have any material adverse impact on the business, operation and financial position of the Group. Details of the termination agreement are set out in the announcement of the Company dated 7 June 2023.

As disclosed in the announcement of the Company dated 12 May 2023, the Company as issuer entered into the subscription agreement (the "**Subscription Agreement**") dated 12 May 2023 with Macquarie Bank Limited as subscriber (the "**Subscriber**") pursuant to which the Company has agreed to issue, and the Subscriber has agreed to subscribe for, the convertible notes (the "**Convertible Notes**") in the principal amount of HK$800 million (the "**Subscription**") with interest accruing at the rate of 0.5% per annum. The subscription price of the Convertible Notes represents 98% of its principal amount. The conversion price is 95% of the volume weighted average price of the Shares as traded on the Stock Exchange on the trading day immediately preceding the conversion date, provided that the Company shall be entitled to reject the exercise of the conversion right at a conversion price which is lower than the floor price at HK$6.50 per Share.

On 12 May 2023, the Company and the Subscriber further entered into the credit support agreement, pursuant to which the initial proceeds from the issue of the Convertible Notes will be utilised as collateral to secure the Company's redemption obligation under the Convertible Notes. As a result of the credit support arrangement, the Company will not receive the proceeds from the Convertible Notes immediately upon completion of the Subscription but will only receive the proceeds upon the Subscriber has converted the Convertible Notes into Shares. There is a risk that the Company may not be able to utilise the proceeds in the event that the noteholder(s) does not exercise the conversion rights. The Directors consider that the Subscription will provide a chance for the Group to have the potential proceeds. Such amount of proceeds is relatively large to the Company and is the largest fund raising exercises conducted by the Company since the Company was listed on the Stock Exchange. The Directors took the view that the Subscription has the benefits of introduction of an institutional investor to the Company, replenishment of the funding need of the Group and provision of sufficient funds for the operation of the Aerospace Business if and when the Subscriber exercises the conversion rights attached to the Convertible Notes.

Completion of the Subscription is subject to the fulfillment of the conditions set out in the Subscription Agreement, among other matters, the ordinary resolution to be passed at the extraordinary general meeting of the Company to approve the issue of the Convertible Notes and to grant the specific mandate to allot and issue the Conversion Shares. The Company will use its best endeavours to fulfill the conditions precedent to the Subscription. The Company will issue further announcement and circular to inform the shareholders and investors about the details of the Subscription.

Save as disclosed above, other events during the Review Period shall be read in conjunction with the section headed "Events After The Reporting Period" in the annual report of the Company for the year ended 31 December 2022.

EVENTS AFTER THE REVIEW PERIOD

On 11 July 2023, Aspace entered into a subscription agreement (the "**Subscription Agreement**") with a subscriber in relation to, among others, the issuance for 9,800 new shares of Aspace (representing 49% of the issued share capital of Aspace as enlarged by the subscription shares upon completion) at the subscription price of US$20.5 million (equivalent to HK$159.9 million). Completion of the Subscription Agreement is subject to fulfillment of the conditions precedent and has not taken place as at the date of this announcement. Details of the Subscription Agreement are set out in the announcement of the Company dated 11 July 2023.

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 16 August 2018. 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. The eligible participants include the Group's service providers, directors, officers and employees of any members of the Group as determined or approved by the Board and the remuneration committee of the Company (the "**Remuneration Committee**") from time to time and in compliance with the Listing Rules. Details of the Share Option Scheme are set out in the listing documents of the Company dated 3 August 2018.

As at 30 June 2023, the total number of shares available for issue under the Share Option Scheme was 30,000,000, representing 10% of the issued share capital of the Company as at the listing date and approximately 9.71% of the issued share capital of the Company as at 1 January 2023 and 30 June 2023. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the adoption of the Share Option Scheme and 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.

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 2023 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

The corporate governance rules applicable to the Company are the CG Code set out in Appendix 14 to the Listing Rules. Corporate governance practices adopted by the Company during the six months ended 30 June 2023 are in line and consistent with those practices set out in the Company's 2022 Annual Report. During the Review Period, the Company has complied with all the code provisions set out in Part 2 of the CG Code and to a large extent the recommended best practices, except for the following deviation.

Pursuant to code provision C.2.1 of the CG Code, the roles 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 their uniqueness, 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 of the Company.

CHANGE OF DIRECTORS

During the Review Period and up to the date of this announcement, there was no change in Directors.

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 number of 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 compiled 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 2023 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 2023

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; Dr. Mazlan Binti Othman, Mr. Niu Aimin and Dr. Yip Chung Yin as non-executive Directors; and Mr. Brooke Charles Nicholas, Professor Chan Ka Keung, Ceajer, Mr. Hung Ka Hai Clement, Dr. Yuen Kwok Keung and Mr. Juan de Dalmau-Mommertz as independent non-executive Directors.