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## CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 31)

### ANNOUNCEMENT OF INTERIM RESULTS 2022

The Board of Directors (the “Board”) of China Aerospace International Holdings Limited (the “Company”) announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2022 together with the comparative figures of the same period in 2021 as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2022

	NOTES	Six months ended	
		30.6.2022 (Unaudited) HK\$'000	30.6.2021 (Unaudited) HK\$'000
Revenue	3	2,461,773	2,157,342
Cost of sales		(1,872,242)	(1,621,842)
Gross profit		589,531	535,500
Other income	4	37,149	32,469
Other gains and losses	4	(3,060)	(3,162)
Net (loss) gain on lease termination	1A	(444,226)	200,861
Gain on deemed partial disposal of an associate		—	5,289
Selling and distribution expenses		(34,894)	(28,543)
Administrative expenses		(258,598)	(217,935)
Research and development expenses		(77,472)	(70,062)
Fair value changes of investment properties		38,301	(8,439)
Impairment losses under expected credit loss model, net of reversal	1A	(92,112)	(9,739)
Finance costs		(38,677)	(37,755)
Share of results of associates		7,691	10,914
Share of results of joint ventures		(563)	(895)
(Loss) profit before taxation	5	(276,930)	408,503

		<b>Six months ended</b>	
		<b>30.6.2022</b>	30.6.2021
		<b>(Unaudited)</b>	(Unaudited)
		<b>HK\$'000</b>	HK\$'000
Taxation	<i>NOTES</i> 6	<u>112,268</u>	<u>(93,475)</u>
(Loss) profit for the period		<u><b>(164,662)</b></u>	<u>315,028</u>
 (Loss) profit for the period attributable to :			
Owners of the Company		<b>(71,994)</b>	258,768
Non-controlling interests		<b>(92,668)</b>	56,260
		<u><b>(164,662)</b></u>	<u>315,028</u>
 Basic (loss) earnings per share	 7	 <u><b>(HK2.33 cents)</b></u>	 <u>HK8.39 cents</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30 JUNE 2022*

	<b>Six months ended</b>	
	<b>30.6.2022</b>	30.6.2021
	<b>(Unaudited)</b>	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit for the period	<u><b>(164,662)</b></u>	<u>315,028</u>
<b>Other comprehensive (expense) income:</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translating foreign operations		
- subsidiaries	<b>(390,186)</b>	62,825
- associates	<b>(12,942)</b>	1,983
- joint ventures	<b>(3,896)</b>	802
Other comprehensive (expense) income for the period	<u><b>(407,024)</b></u>	<u>65,610</u>
Total comprehensive (expense) income for the period	<u><b>(571,686)</b></u>	<u>380,638</u>
Total comprehensive (expense) income for the period attributable to:		
Owners of the Company	<b>(378,091)</b>	307,039
Non-controlling interests	<b>(193,595)</b>	73,599
	<u><b>(571,686)</b></u>	<u>380,638</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AT 30 JUNE 2022

		<b>30.6.2022</b> <b>(Unaudited)</b> <b>HK\$'000</b>	31.12.2021 <b>(Audited)</b> <b>HK\$'000</b>
	<i>NOTES</i>		
<b>Non-current assets</b>			
Property, plant and equipment		<b>1,483,782</b>	1,561,752
Right-of-use assets		<b>161,793</b>	188,188
Investment properties		<b>9,416,666</b>	9,796,960
Interests in associates		<b>279,482</b>	288,347
Interests in joint ventures		<b>144,317</b>	148,776
Deposits paid for property, plant and equipment		<b>21,563</b>	17,820
Long-term bank deposits		—	161,369
Pledged bank deposits		<b>7,719</b>	8,068
Long-term assets	9	<b>131,311</b>	458,622
		<b>11,646,633</b>	12,629,902
<b>Current assets</b>			
Inventories		<b>650,827</b>	729,599
Trade and other receivables	9	<b>1,412,091</b>	1,558,942
Amount due from a related party		<b>544</b>	208
Financial assets at fair value through profit or loss		<b>6,677</b>	5,564
Pledged bank deposits		<b>35,645</b>	55,193
Restricted bank deposits		<b>30,857</b>	32,325
Short-term bank deposits		<b>408,071</b>	462,291
Bank balances and cash		<b>1,609,607</b>	1,395,138
		<b>4,154,319</b>	4,239,260
<b>Current liabilities</b>			
Trade and other payables	10	<b>1,482,288</b>	1,495,937
Contract liabilities		<b>58,745</b>	73,759
Lease liabilities		<b>22,959</b>	31,499
Amount due to a joint venture		<b>37,375</b>	37,375
Loan from a controlling shareholder		<b>584,795</b>	—
Loan from a related party		<b>1,294</b>	13,508
Taxation payable		<b>58,134</b>	119,743
		<b>2,245,590</b>	1,771,821
<b>Net current assets</b>		<b>1,908,729</b>	2,467,439
<b>Total assets less current liabilities</b>		<b>13,555,362</b>	15,097,341

	<b>30.6.2022</b> <b>(Unaudited)</b> <i>HK\$'000</i>	31.12.2021 <b>(Audited)</b> <i>HK\$'000</i>
<b>Non-current liabilities</b>		
Lease liabilities	56,337	65,803
Loan from a controlling shareholder	—	611,247
Loan from a related party	911,228	952,445
Deferred taxation	<u>2,398,048</u>	<u>2,625,080</u>
	<u>3,365,613</u>	<u>4,254,575</u>
	<u><b>10,189,749</b></u>	<u><b>10,842,766</b></u>
<b>Capital and reserves</b>		
Share capital	1,154,511	1,154,511
Reserves	<u>6,793,812</u>	<u>7,233,603</u>
<b>Equity attributable to owners of the Company</b>	<u>7,948,323</u>	8,388,114
<b>Non-controlling interests</b>	<u>2,241,426</u>	<u>2,454,652</u>
	<u><b>10,189,749</b></u>	<u><b>10,842,766</b></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 JUNE 2022

### 1. BASIS OF PREPARATION

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

The financial information relating to the year ended 31 December 2021 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

### 1A. SIGNIFICANT EVENTS IN THE CURRENT INTERIM PERIOD

Shenzhen Aerospace Science & Technology Plaza (the "S&T Plaza") is one of the Group's key investment properties in Nanshan District, Shenzhen, the People's Republic of China (the "PRC") which generates a stable source of income to the Group. The S&T Plaza was leased to two whole lease tenants and the Group's rental income is accrued and recognised on an effective rental basis after taking into account the rent free period and progressive rentals which are recorded as unbilled lease receivables in the consolidated financial statements of the Group. As affected by the Covid-19 pandemic, the rental and price of properties in Nanshan District had decreased in general and the Group had also encountered issues in collecting rent and management fees as a result of the uncertainty in the economy in 2021. The Group recognised impairment losses under expected credit loss ("ECL") model on the lease receivables from the S&T Plaza, including both billed and unbilled portions in 2021.

During the six months ended 30 June 2022, the Group has announced that despite of the fact that various approaches have been adopted to recover the rental arrears from one of the major whole lease tenants of its S&T Plaza, namely Shenzhen Hangke Houhai Investment Development Company Limited ("Hangke Houhai") who entered into a 10-year office lease agreement with the Group in 2016, there is no repayment of the billed lease receivables from Hangke Houhai since April 2022 for the outstanding balance as of 31 December 2021 and all the billed lease receivables from Hangke Houhai since October 2021 are still outstanding as it encountered difficulties in cash flows owing to the unsatisfactory subletting rate after the withdrawal of the lease of the major tenants. The Group filed a civil complaint with Shenzhen City Nanshan District People's Court, Guangdong Province on 11 May 2022 and the court has officially accepted the filing of the complaint against Hangke Houhai as the defendant, to claim for the outstanding amount of the billed lease receivables. As Hangke Houhai has failed to fulfill its obligation under the original lease agreement and the Group has terminated the lease agreement with effect from 30 June 2022 and accounted for the lease termination in accordance with HKFRS 16 "Leases". Further details of the lease termination are set out in the Company's announcement dated 5 July 2022.

On the effective date of lease termination, the gross carrying amount of unbilled lease receivables which represent accrued rental income recognised on effective rental basis is derecognised and resulting in a loss on lease termination amounting to HK\$444,226,000.

The Group's internal credit risk assessment on Hangke Houhai changed from doubtful to loss during the six months ended 30 June 2022, and recognised additional impairment loss under ECL model on billed lease receivables of HK\$175,882,000. Since the litigation by the Group against Hangke Houhai to recover the outstanding billed lease receivables commenced, the balances are assessed under life-time ECL – credit-impaired and the amount would be written off only when the management considers there is no realistic prospect of recovery. In addition, upon the termination of the lease agreement with Hangke Houhai as detailed above, an impairment loss under ECL model previously recognised on unbilled lease receivables of HK\$83,770,000 is reversed during the six months ended 30 June 2022 and included in impairment loss under ECL model line item, as the unbilled lease receivables are derecognised upon the early termination of the lease agreement and no longer assessed under ECL model.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRS”) and application of certain accounting policies becoming relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

### **Lease termination as lessor**

Lease termination is when a lessee or lessor decide to break the lease agreement before its expiration. The exercise of termination option which was included as part of the original lease agreement does not constitute a lease modification. Upon the lease termination of an operating lease through exercise of a termination option, the Group revises its calculation of the lease income to ensure the remaining lease payments (which include termination penalty, if any), are recognised on a straight-line basis over the remaining lease term. Accrued rental income, in excess of the remaining lease payments, if any, are reversed and derecognised on the effective date of lease termination.

### **Application of amendments to HKFRSs**

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intend Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

### 3. REVENUE AND SEGMENT INFORMATION

The Group determines its operating and reportable segments based on the internal reports reviewed by the President, the chief operating decision maker ("CODM") of the Group, that are used to make strategic decisions. There are 6 operating and reportable segments, namely Hi-Tech Manufacturing Business (including plastic products, liquid crystal display, printed circuit boards, intelligent chargers and industrial property investment) and Aerospace Service (including property investment in Shenzhen Aerospace Science & Technology Plaza) which represent the major industries in which the Group is engaged.

In addition to the above reportable segments, other operating segments include property investments and management in properties other than those included in the above reportable segments and provision for other services. None of these segments met the quantitative thresholds for the reportable segments in both current and prior period. Accordingly, these were grouped in "Other Business".

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

#### For the six months ended 30 June 2022

	Revenue			Segment results HK\$'000
	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	
Hi-Tech Manufacturing Business				
Plastic products	760,484	28,700	789,184	13,112
Liquid crystal display	586,128	—	586,128	27,540
Printed circuit boards	686,724	—	686,724	61,164
Intelligent chargers	197,009	4,382	201,391	1,997
Industrial property investment	4,889	13,334	18,223	4,259
	<u>2,235,234</u>	<u>46,416</u>	<u>2,281,650</u>	<u>108,072</u>
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	222,384	443	222,827	220,781
Reportable segment total	<u>2,457,618</u>	<u>46,859</u>	<u>2,504,477</u>	<u>328,853</u>
Elimination	—	(46,859)	(46,859)	—
Other Business	4,155	—	4,155	1,036
	<u>2,461,773</u>	<u>—</u>	<u>2,461,773</u>	<u>329,889</u>
Unallocated corporate income				19,472
Unallocated corporate expense				(37,696)
Unallocated other gains and losses				(20,708)
				<u>290,957</u>
Share of results of associates				7,691
Share of results of joint ventures				(563)
Finance costs				(38,677)
Loss on lease termination				(444,226)
Impairment loss under ECL, net of reversal				(92,112)
Loss before taxation				<u>(276,930)</u>



**For the six months ended 30 June 2021**

	Revenue			Segment results HK\$'000
	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	
Hi-Tech Manufacturing Business				
Plastic products	671,848	29,751	701,599	19,781
Liquid crystal display	474,988	—	474,988	24,918
Printed circuit boards	594,098	—	594,098	32,957
Intelligent chargers	185,049	1,162	186,211	271
Industrial property investment	5,871	12,495	18,366	(7,143)
	<u>1,931,854</u>	<u>43,408</u>	<u>1,975,262</u>	<u>70,784</u>
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	218,988	432	219,420	164,796
Reportable segment total	2,150,842	43,840	2,194,682	235,580
Elimination	—	(43,840)	(43,840)	—
Other Business	6,500	—	6,500	3,962
	<u>2,157,342</u>	<u>—</u>	<u>2,157,342</u>	239,542
Unallocated corporate income				17,880
Unallocated corporate expenses				(35,701)
Unallocated gains and losses				8,368
				<u>230,089</u>
Share of results of associates				10,914
Share of results of joint ventures				(895)
Finance costs				(37,755)
Net gain on land resumptions				200,861
Gain on deemed partial disposal of an associate				5,289
Profit before taxation				<u>408,503</u>

Segment results represent the profit earned/loss incurred by each segment without allocations of interest income, share of results of joint ventures and associates, interest expenses, net (loss) gain on lease termination, certain impairment loss under ECL (net of reversal), gain on deemed partial disposal of an associate, unallocated gains and losses (including unallocated exchange gains (losses) and changes in fair value of financial assets at fair value through profit or loss), and other corporate income and corporate expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

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

#### 4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2022	30.6.2021
	HK\$'000	HK\$'000
The Group's other income comprises:		
Bank interest income	19,120	15,899
Sales of scrap materials	<u>14,487</u>	<u>11,817</u>

The Group's other gains and losses comprise:

Net loss on disposal of property, plant and equipment	(262)	(282)
Net gain from change in fair value of financial assets at fair value through profit or loss	1,113	4,117
Net exchange loss	<u>(3,911)</u>	<u>(6,997)</u>

The Group's (loss) gain on lease termination:

Net loss on lease termination (Note 1A)	(444,226)	—
Net gain on land resumptions	<u>—</u>	<u>200,861</u>

#### 5. (LOSS) PROFIT BEFORE TAXATION

	Six months ended	
	30.6.2022	30.6.2021
	HK\$'000	HK\$'000
(Loss) profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	119,545	94,263
Depreciation of right-of-use assets	<u>16,134</u>	<u>19,704</u>

#### 6. TAXATION

	Six months ended	
	30.6.2022	30.6.2021
	HK\$'000	HK\$'000
Current tax		
Hong Kong Profits Tax	3,362	5,470
PRC Enterprise Income Tax	<u>5,136</u>	<u>94,514</u>
	8,498	99,984
Deferred tax credit	<u>(120,766)</u>	<u>(6,509)</u>
	<u>(112,268)</u>	<u>93,475</u>

Hong Kong Profits Tax and Enterprise Income Tax of the PRC have been calculated at 16.5% and 25%, respectively, of the estimated assessable profits for the periods under review other than certain subsidiaries in the PRC that are entitled to High and New Technology Enterprise status of which the applicable income tax rate is 15%.

## 7. (LOSS) EARNINGS PER SHARE

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

	<b>Six months ended</b>	
	<b>30.6.2022</b>	30.6.2021
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b><u>(Loss) earnings</u></b>		
(Loss) profit for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share	<u><b>(71,994)</b></u>	<u>258,768</u>
	<b>30.6.2022</b>	30.6.2021
	<b>'000</b>	<b>'000</b>
<b><u>Number of shares</u></b>		
Number of ordinary shares for the purpose of basic (loss) earnings per share	<u><b>3,085,022</b></u>	<u>3,085,022</u>

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

## 8. DIVIDEND

2021 final dividend of HK2 cents (1.1.2021 to 30.6.2021: 2020 final dividend of HK2 cents) per share amounting to HK\$61,700,000 (1.1.2021 to 30.6.2021: HK\$61,700,000) was declared and approved by shareholders of the Company during the six months ended 30 June 2022.

On 30 August 2022, the board of directors of the Company has resolved to declare an interim dividend of HK0.5 cents per ordinary share, totaling HK\$15,425,000, for the six months ended 30 June 2022 (2021: nil). The interim dividend is payable on 14 October 2022 to the shareholders of the Company whose names appear on the Company's register of members on 21 September 2022.

## 9. TRADE AND OTHER RECEIVABLES AND LONG-TERM ASSETS

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

The following is an aged analysis of trade receivables arising from contracts with customers, net of allowance for credit losses, presented based on invoice date at the end of the reporting period:

	<b>30.6.2022</b>	31.12.2021
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within 90 days	<b>1,071,776</b>	1,074,453
Between 91 - 180 days	<b>107,302</b>	156,979
Between 181 - 365 days	<u><b>3,827</b></u>	<u>14,803</u>
	<u><b>1,182,905</b></u>	<u>1,246,235</u>

Included in the Group's trade receivables arising from contracts with customers is bills received amounting to HK\$137,314,000 (31.12.2021: HK\$113,244,000) which are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

The Group's rental income is accrued and recognised on effective rentals basis after taking into account of rent free period and progressive rentals which are recorded as unbilled rental receivables which are accrued rental income that are expected to be realised when the rental payment over the effective rental. Lease receivables are invoiced to tenants on a monthly basis after the rent free period and are due for settlement upon the issuance of invoices. As disclosed in note 1A, upon the early termination of lease agreement with Hangke Houhai, the gross carrying amount of unbilled lease receivables which represent accrued rental income recognised on effective rental basis amounting to HK\$444,226,000 is derecognised during the current interim period.

The Group's lease receivables of HK\$218,040,000, net of allowance for credit losses of HK\$196,936,000 (31.12.2021: HK\$657,243,000, net of allowance for credit losses of HK\$114,070,000) included billed lease receivables of HK\$86,727,000, net of allowance for credit losses of HK\$186,957,000 (31.12.2021: HK\$147,792,000, net of allowance for credit losses of HK\$20,176,000) and unbilled lease receivables of HK\$131,313,000, net of allowance for credit losses of HK\$9,979,000 (31.12.2021: HK\$509,451,000, net of allowance for credit losses of HK\$93,894,000). The following is an aged analysis of billed lease receivables presented based on invoice date at the end of the reporting period:

	<b>30.6.2022</b> <i>(Unaudited)</i> <i>HK\$'000</i>	31.12.2021 <i>(Audited)</i> <i>HK\$'000</i>
Within 90 days	<b>72,358</b>	100,781
Between 91 - 180 days	<b>14,369</b>	47,011
	<b><u>86,727</u></b>	<u>147,792</u>

## 10. TRADE AND OTHER PAYABLES

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

	<b>30.6.2022</b> <i>(Unaudited)</i> <i>HK\$'000</i>	31.12.2021 <i>(Audited)</i> <i>HK\$'000</i>
Within 90 days	<b>640,670</b>	694,483
Between 91 - 180 days	<b>66,920</b>	3,697
Between 181 - 365 days	<b>1,401</b>	—
Over 1 year	<b>3,288</b>	4,460
	<b><u>712,279</u></b>	<u>702,640</u>

## 11. EVENT AFTER THE END OF THE REPORTING PERIOD

On 18 August 2022, the Group registered to subscribe for the convertible bonds of Shenzhen Rayitek Hi-Tech Film Company Limited ("Shenzhen Rayitek") (an associate of the Group which is listed on the Sci-Tech Innovation Board of Shanghai Stock Exchange, and in which the Company indirectly holds 23.38% shares equity interest) with a principal amount of RMB100,494,000 at a consideration of RMB100,494,000. The Group may convert the convertible bonds into Shenzhen Rayitek's shares since the first trading day immediately following the expiry of the six-month period after the end of the issue date of the convertible bonds (i.e. 24 August 2022) and until the maturity date of the convertible bonds (i.e. 17 August 2028). Upon completion of the subscription, the convertible bonds will be accounted for as financial assets at fair value through profit or loss under HKFRS 9 "Financial Instruments" and Shenzhen Rayitek will remain as the Group's associate. Further details of this transaction are set out in the Company's announcement dated 18 August 2022.

## **BUSINESS REVIEW**

### **OVERVIEW**

In the first half of 2022, the global economy has slowed down due to the impact of the novel coronavirus pandemic, the substantial increase in commodity prices and the adjustments to the interest rates for loans. The management of the Company led the employees to work hard and overcome various challenges to ensure the stable development of all core businesses.

For the six months ended 30 June 2022, the unaudited operating revenue of the Company and its subsidiaries was HK\$2,461,773,000, representing an increase of 14.11% as compared with that of HK\$2,157,342,000 for the same period of 2021. Loss for the period was HK\$164,662,000, representing a substantial decrease as compared with a profit of HK\$315,028,000 for the same period of 2021. Loss attributable to shareholders of the Company was HK\$71,994,000, decreased substantially as compared to the profit attributable to shareholders of the Company of HK\$258,768,000 for the same period of 2021. Basic loss per share attributable to shareholders of the Company was HK2.33 cents (first half of 2021: basic earnings per share HK8.39 cents).

Taking into account the Company's development needs and capital position, the Board has resolved to declare an interim dividend of HK0.5 cents per share.

Pursuant to the Company's "Fourteenth Five-Year Plan", the principal businesses of the Company include modern manufacturing industry based on the existing industrial enterprises with large-scale automation as the production mode and high value-added products as the focus, and modern service industry based on the operations of the property of Shenzhen Aerospace Science & Technology Plaza and the industrial property of Huizhou Industrial Garden. Modern manufacturing mainly includes high-density printed circuit board ("PCB"), liquid crystal display research and development and production etc.

Industrial enterprises continued to optimize their business and product structure, actively promoted technological innovation, and achieved steady growth in operating revenue, which was generally in line with expectations. In the first half of the year, the revenue of the industrial enterprises was HK\$2,235,234,000, representing an increase of 15.70% as compared with the revenue of HK\$1,931,854,000 for the same period in 2021; the operating profit was HK\$108,072,000, representing an increase of 52.68% as compared with the operating profit of HK\$70,784,000 for the same period in 2021.

The PCB business increased the proportion of high-density PCB and achieved outstanding performance. The operating revenue and operating profit increased significantly as compared with the same period of last year. The liquid crystal display business continued to implement production automation and promote technological innovation, and recorded a significant increase in revenue and operating profit as compared with the same period of last year. With the frequent outbreaks of the pandemic, global inflation and the arrival of low sales season, the operation of the plant invested and constructed in Vietnam did not show obvious improvement as its production was intermittently suspended owing to the novel coronavirus pandemic, resulting in a decrease in overall operating profit for the plastic products business. Under the impact of the Sino-US trade dispute and the global economic slowdown, the product structure of the intelligent chargers business had been actively adjusted and the investment in the research and development of new products had been increased, which contributed to the growth in operating profit.

In the first half of the year, Shenzhen Aerospace Technology Investment Company Limited (“Shenzhen Aerospace”) recorded a total revenue of approximately HK\$222,384,000 (first half of 2021: HK\$218,988,000) and a segment profit of HK\$220,781,000 (first half of 2021: HK\$164,796,000) in respect of the property leasing and management business of Shenzhen Aerospace Science & Technology Plaza. As the whole lease tenant, Hangke Houhai failed in fulfilling its obligation under the whole lease agreement, Shenzhen Aerospace entered into the Termination Agreement with Hangke Houhai to terminate the whole lease agreement with effect from 30 June 2022, pursuant to which part of the leased property would change to self-managed operation. Details of which please refer to the announcement of the Company published on 5 July 2022. As Hangke Houhai was unable to meet its contractual obligations and the whole lease agreement was terminated, Shenzhen Aerospace made an impairment under the expected credit loss (“ECL”) model on the billed lease receivables and derecognized the unbilled lease receivables as loss on lease termination in aggregate of approximately HK\$536 million, which affected the overall results and a loss was incurred for the first half of the year. Excluding the effect of increase in the fair value of investment properties, impairment on the billed lease receivables and loss on lease termination, the operating profit of Shenzhen Aerospace was HK\$183,073,000 (first half of 2021: HK\$171,803,000). As at 30 June 2022, Shenzhen Aerospace Science & Technology Plaza was valued at approximately RMB 7,765,196,000 (31 December 2021: RMB 7,734,464,000).

Intelligent power module (IPM) completed the formation of an industrialised company, Zhihao Microelectronics (Huizhou) Co., Ltd.\* (志豪微電子(惠州)有限公司) (“Zhihao Microelectronics”), expecting to form an annual production capacity of 12 million IPM intelligent power modules in the second half of the year.

The construction project of Phase 5 plant of China Aerospace (Huizhou) Industrial Garden Limited \*(航天科技(惠州)工業園發展有限公司) (“HZ Industrial Garden”), a subsidiary of the Company, is progressing in compliance with regulations and in an orderly manner, with a total gross floor area of approximately 41,000 square metres. Upon completion, the project will provide production space for IPM and plastic products etc. In the first half of the year, the project obtained government planning review and building approval, and the plant is expected to be completed by the end of 2023.

RAYITEK Hi-Tech Film Company Ltd., Shenzhen (深圳瑞華泰薄膜科技股份有限公司) (“Rayitek”), an associate engaged in the research and development, production and sales of polyimide films, performed satisfactorily after its listing on the Sci-Tech Innovation Board of Shanghai Stock Exchange. During the period, the Company received dividends of approximately RMB 2,945,800 from Rayitek for the year 2021.

## **PROSPECTS**

Looking forward to the second half of the year, although China’s economy will resume growth, the operating environment and situation will remain uncertain due to the the heightened geopolitical risks and pandemic prevention and control measures implemented by the governments of Hong Kong and other countries. The Company will continue to implement the “Fourteenth Five-Year Plan” in accordance with the ideas of “market-oriented requirements, international standards and professional operation”, adhere to innovation as the primary driving force for development, adhere to the combination of investment and demand, foster the balance of capacity and development, adhere to the co-existence of “hard power” and “soft power”, increase the investment in the construction of advanced manufacturing capacity, accelerate the adjustment of industrial layout, and ensure the realization of development goals. It includes investment in the construction of Nantong Hong Yuan, the production capacity of Zhihao Microelectronics, 5G millimetre harmonic filter research and development line, and Phase 5 plant of HZ Industrial Garden. On the other hand, after the termination of the lease between Shenzhen Aerospace and Hangke Houhai, the property will be leased out on self-operated basis. Shenzhen Aerospace will further improve its operating capacity and quality, expecting to restore the occupancy rate to higher level. The Company is expecting to achieve breakthroughs in innovation capability, market development, development strategy and international operation, and strive to build the Company into a red-chip listed company with edges in advanced manufacturing industry, modern service industry and high-tech industry, and strong value creation ability, so as to achieve outstanding results for shareholders.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS PERFORMANCE**

The unaudited revenue of the Company and its subsidiaries for the six months ended 30 June 2022 was HK\$2,461,773,000, representing an increase of 14.11 % as compared with that of HK\$2,157,342,000 for the same period of 2021. Loss for the period was HK\$164,662,000, decreased substantially as compared with a profit of HK\$315,028,000 for the same period of 2021.

### **LOSS ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY**

Loss attributable to shareholders of the Company for the current period was HK\$71,994,000, representing a substantial decrease as compared with a profit attributable to shareholders of the Company of HK\$258,768,000 for the same period of 2021.

The increase in revenue was mainly due to the increase in sales order from the industrial enterprises, especially the printed circuit board and semiconductor businesses. The turnaround from profit to loss was mainly due to the termination of whole lease agreement during the period between Shenzhen Aerospace, a 60% indirect owned subsidiary of the Company, and its whole lease tenant Hangke Houhai. The Company hence made an impairment under ECL model on the billed lease receivables and loss on lease termination of approximately RMB 437,000,000 (equivalent to approximately HK\$536,000,000).

Based on the issued share capital of 3,085,022,000 shares during the period, the basic loss per share was HK2.33 cents, representing a substantial decrease as compared with basic earnings per share of HK8.39 cents for the same period of 2021.

### **DIVIDENDS**

Taking into account the Company's financial and cash flow position, in order to reward shareholders' support, the Board declared a 2022 interim dividend of HK0.5 cents per share.

The distribution of 2021 final dividend of HK2 cents per share was approved by shareholders at the Annual General Meeting in June 2022 and warrants of which were dispatched to all shareholders on 22 July 2022.

### **RESULTS OF CORE BUSINESSES**

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

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

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

## Hi-tech manufacturing

The revenue of the hi-tech manufacturing business for the six months ended 30 June 2022 was HK\$2,235,234,000, representing an increase of revenue of 15.70% as compared with the same period of last year and operating profit was HK\$108,072,000, representing an increase of segment profit of 52.68% as compared with the same period of last year. The results of the hi-tech manufacturing business are shown below:

	Turnover (HK\$'000)			Operating Profit (HK\$'000)		
	First half of 2022	First half of 2021	Changes (%)	First half of 2022	First half of 2021	Changes (%)
Plastic Products	<b>760,484</b>	671,848	13.19	<b>13,112</b>	19,781	(33.71)
Printed Circuit Boards	<b>686,724</b>	594,098	15.59	<b>61,164</b>	32,957	85.59
Intelligent Chargers	<b>197,009</b>	185,049	6.46	<b>1,997</b>	271	636.90
Liquid Crystal Display	<b>586,128</b>	474,988	23.40	<b>27,540</b>	24,918	10.52
Industrial Property Investment	<b>4,889</b>	5,871	(16.73)	<b>4,259</b>	(7,143)	N/A
<b>Total</b>	<b>2,235,234</b>	1,931,854	15.70	<b>108,072</b>	70,784	52.68

In the first half of 2022, the novel coronavirus continued to affect the world, and the supply chain had not yet returned to normal. In addition, the rising prices of raw materials, especially the rising energy prices, have seriously affected normal production and economic operation, exerting significant pressure on the production and operation of hi-tech manufacturing industries. During the period, the hi-tech manufacturing industries strived to continuously optimize its business and product structure through technological transformation and research and development, so as to maintain production scale and production capacity, and actively developed new customer groups, thereby managed to realize a significant overall growth in profit.

Among which, the printed circuit board business performed most ideally, based on new capacity building and technological innovation, the product structure was continuously optimized, and the profit growth rate was as high as 85.59%. During the period, a wholly-owned subsidiary Nantong Hong Yuan Circuit Technology Co., Limited\* (南通康源电路科技有限公司) (“Nantong Hong Yuen”) was set up, and the investment in the construction of high density PCB was started planning. It is expected to further increase the production capacity of integrated circuit packaging substrates. The liquid crystal display business had achieved a stable overall product quality through technological innovation and quality control. Among them, the overall process yield of liquid crystal module (LCM) increased by more than 1% compared with the same period last year, and the overall profit increased by more than 10% compared with the same period last year. The plastic products business was affected by the losses of business recorded in Vietnam, and the profit declined by 33.71%. The intelligent charger business maintained a stable development and achieved growth in profit. During the period, Zhihao Microelectronics (Huizhou) Company Limited\* (志豪微電子(惠州)有限公司) (“Zhihao Microelectronics”), a newly incorporated wholly-owned subsidiary of the Company, planned a packaging production line on the basis of the previous research and development of intelligent power modules (IPM), expecting to form packaging module production capacity and contribute to profit generation.

Besides, the Company’s research and development academy continues to focus on new technology development and products exploration, leading research and development direction of hi-tech manufacturing business and assisting in product upgrades and transformation of manufacturing capabilities.



Looking forward to the second half of 2022, it is expected that the novel coronavirus pandemic will continue to be volatile, while the risks of inflation and recession will both increase. Where changes in the political and economic situation will bring uncertainty to the business environment, economic recovery is coupled with hidden risks. The hi-tech manufacturing business will continue to explore markets and perform well in risk management; at the same time, improve the level of production automation, maintain production scale and production capacity, and recruit professional talents, continue to develop high-end products and develop new technologies, so as to meet the ever-changing market environment.

### **Shenzhen Aerospace Science & Technology Plaza**

In the first half of 2022, the whole lease tenant of Shenzhen Aerospace Technology Investment Company Limited\* (深圳市航天高科投資管理有限公司) (“Shenzhen Aerospace”), Shenzhen Hangke Houhai Investment Development Co., Ltd.\* (深圳市航科后海投資發展有限公司) (“Hangke Houhai”), has failed to pay its rental arrears. Shenzhen Aerospace filed a civil complaint against Hangke Houhai to the Court, and the relevant litigation is still being processed. Since Hangke Houhai was unable to perform its obligations as agreed in the whole lease agreement, Shenzhen Aerospace and Hangke Houhai entered into an agreement to terminate the whole lease agreement with effect from 30 June 2022. Details of which please refer to the Company’s announcements published on 12 May, 14 June and 5 July 2022 respectively. In this respect, Shenzhen Aerospace made an impairment under the ECL model on the billed lease receivables and loss on lease termination of approximately RMB 437,000,000.

During the period, Shenzhen Aerospace and its subsidiaries recorded a total revenue of approximately HK\$222,384,000 (first half of 2021: HK\$218,988,000) and a segment profit of approximately HK\$220,781,000 (first half of 2021: HK\$164,796,000), mainly contributed from the rental and property management fee incomes and increase in the fair value of investment properties.

As at 30 June 2022, Shenzhen Aerospace Science & Technology Plaza was valued at approximately RMB7,765,196,000 (31 December 2021: RMB7,734,464,000).

In the second half of 2022, following the termination of the lease agreement with Hangke Houhai, the existing tenants will be taken over by Shenzhen Aerospace and the property leasing business will be changed to a self-managed operation. The Shenzhen property management team will endeavor to source new tenants, continue to do better in property management and pay special attention to anti-epidemic measures so as to improve the quality of property services, thereby increasing the overall value of the property.

### **Other business**

RAYITEK Hi-Tech Film Company Ltd., Shenzhen (深圳瑞華泰薄膜科技股份有限公司) (“Rayitek”), an associate company in which the Company indirectly holds a 23.38% interest, distributed a dividend of RMB 0.7 per 10 shares during the period and the Company received dividends of approximately RMB 2,945,800 in total.

## **ASSETS**

(HK\$'000)	30 June 2022	31 December 2021	Changes (%)
Non-Current Assets	<b>11,646,633</b>	12,629,902	(7.79)
Current Assets	<b>4,154,319</b>	4,239,260	(2.00)
<b>Total Assets</b>	<b>15,800,952</b>	16,869,162	(6.33)

The decrease in non-current assets was mainly due to the derecognition of certain unbilled lease receivables, the early withdrawal of long-term bank deposits due to early termination of long-term bank deposit, as well as the decrease in Hong Kong dollar equivalent arising from the conversion of assets denominated in RMB at the balance sheet date, while the decrease in current assets was due to the decrease in receivables and inventories.

The equity attributable to shareholders of the Company was HK\$7,948,323,000, representing a decrease of 5.24% as compared with that of HK\$8,388,114,000 as at 31 December 2021.

The equity attributable to shareholders of the Company decreased at the end of the current period as compared with the end of last year, which was mainly due to the loss incurred in the current period. Based on the issued share capital of 3,085,022,000 shares during the period, the net assets per share attributable to shareholders of the Company was HK\$2.58.

As at 30 June 2022, a pledged bank deposit of HK\$43,364,000 and bills receivable of HK\$102,072,000 of the Company and the subsidiaries had been pledged to banks to obtain credit facilities. Besides, property right certificates at an approximate value of RMB1,900,000,000 of Shenzhen Aerospace Science & Technology Plaza were mortgaged by Shenzhen Aerospace to Aerospace Science & Technology Finance Company Limited\* (航天科技財務有限責任公司) so as to obtain a 12-year term loan facility in the amount of RMB1,300,000,000. Details of which please refer to the Company's announcement published on 30 August 2016.

## LIABILITIES

(HK\$'000)	30 June 2022	31 December 2021	Changes (%)
Non-Current Liabilities	<b>3,365,613</b>	4,254,575	(20.89)
Current Liabilities	<b>2,245,590</b>	1,771,821	26.74
<b>Total Liabilities</b>	<b>5,611,203</b>	6,026,396	(6.89)

The substantial decrease in non-current liabilities was mainly due to the reclassification of the loan from a substantial shareholder during the period, the decrease in deferred taxation due to the decrease in temporary differences arising from the accrued rent upon the derecognition of the unbilled lease receivables, as well as the decrease in Hong Kong dollar equivalent arising from the conversion of liabilities denominated in RMB at the balance sheet date exchange differences arising from the conversion of liabilities denominated in RMB, whereas the increase in current liabilities was mainly due to the reclassification of the loan from a substantial shareholder to current liabilities.

As at 30 June 2022, the Company and its subsidiaries had other borrowings of HK\$1,497,317,000.

## OPERATING EXPENSES

The administrative expenses of the Company and the subsidiaries in the first half of 2022 were HK\$258,598,000, representing an increase of 18.66% as compared to the same period of 2021, mainly due to the increase in labour costs and depreciation and amortization as compared with the same period of last year. The finance costs amounted to HK\$38,677,000, representing an increase of 2.44% as compared with the same period of last year.

## CONTINGENT LIABILITIES

As at 30 June 2022, the Company and its subsidiaries did not have any material contingent liabilities.

## FINANCIAL RATIOS

	<b>First half of 2022</b>	First half of 2021
Gross Profit Margin	<b>23.95%</b>	24.82%
Return on Net Assets	<b>(1.62%)</b>	2.98%

  

	<b>30 June 2022</b>	31 December 2021
Assets-Liabilities Ratio	<b>35.51%</b>	35.72%
Current Ratio	<b>1.85</b>	2.39
Quick Ratio	<b>1.56</b>	1.98

## LIQUIDITY

The source of funds of the Company and its subsidiaries mainly relies on internal resources and banking facilities. As at 30 June 2022, the cash and bank balance and short-term bank deposits amounted to HK\$2,017,678,000, the majority of which were in Hong Kong Dollars and Renminbi.

## CAPITAL EXPENDITURE

As at 30 June 2022, the capital commitments of the Company and its subsidiaries contracted for but not provided in the condensed consolidated financial statements was HK\$137,453,000, mainly for the acquisition of fixed assets and right-of-use assets.

## FINANCIAL RISKS

The Company and the subsidiaries review the cash flow and financial position periodically and do not presently engage into any financial instruments or derivatives to hedge the exchange and the interest rate risks.

## HUMAN RESOURCES AND REMUNERATION POLICIES

In the first half of 2022, the novel coronavirus epidemic persists. The Company's leading group for the prevention and control of novel coronavirus continued to strengthen work of the prevention and control of the epidemic and did not dare to relax. At the beginning of the year, when the epidemic broke out again, the Company immediately took strict epidemic prevention measures, including flexible working hours, allowing employees to work from home in turn to reduce employee's contact and encouraging employees to take PCR tests. In addition, the Company and its subsidiaries also encouraged employees to get vaccinated to protect themselves and their families, and provide paid leaves to those employees. In the first half of 2022, most of the Company's employees completed three doses of the vaccine. The company also requires all employees to take a rapid test every Monday and Thursday before going to work.

The remuneration policy of the Company and the subsidiaries is based on the employee's qualifications, experience and performance on the job, with reference to the current market situation. The Company and the subsidiaries will continue to upgrade the human resources management skills and strictly implement the performance-based appraisal system, in order to motivate employees to make continuous improvement in their individual performance and contributions to the Company.

As at 30 June 2022, the Company and the subsidiaries had a total of approximately 7,800 employees based in the mainland, Hong Kong and Vietnam respectively.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

There had been no purchase, sale or redemption of the Company's listed securities by the Company and its subsidiaries during the first half of 2022.

## **INTERIM DIVIDEND**

The Board resolved to declare an interim dividend of HK0.5 cents per share (2021: Nil) for the six months ended 30 June 2022. The interim dividend shall be expected to be paid on or around Friday, 14 October 2022 to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company on Wednesday, 21 September 2022.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 19 September 2022 to Wednesday, 21 September 2022 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Standard Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration on or before 4:30 p.m. on Friday, 16 September 2022.

## **CORPORATE GOVERNANCE**

For the six months ended 30 June 2022, the Company complied throughout the period with the provisions of the *Corporate Governance Code* as set out in Appendix 14 of the Listing Rules.

On 24 June 2022, Ms Leung Sau Fan, Sylvia, an Independent Non-Executive Director of the Company, retired from the conclusion of the Annual General Meeting. Upon which, (i) the number of Independent Non-Executive Directors fell below the minimum number required under Rule 3.10(1) of the Listing Rules and one-third of the Board as required under Rule 3.10A; (ii) the number of members of the Audit Committee fell below the minimum number required under Rule 3.21 of the Listing Rules; (iii) the Remuneration Committee does not comprise a majority of Independent Non-Executive Director and the office of the Chairman of the Remuneration Committee became vacant, which does not fulfil the requirement under Rule 3.25 of the Listing Rules; and (iv) the Nomination Committee does not comprise a majority of Independent Non-Executive Director as required under Rule 3.27A of the Listing Rules. For details, please refer to the Company's announcements dated 17 June 2022 and 24 June 2022.

## **LITIGATION**

As at 30 June 2022, except for the litigation claim as disclosed in the Company's announcement dated 14 June 2022 by Shenzhen Aerospace (as the plaintiff), a 60% indirect owned subsidiary of the Company, against Hangke Houhai (as the defendant), neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and, so far as the Directors were aware of, no litigation or arbitration or claim of material importance was pending or threatened by or against any member of the Company.

## **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES**

The Company had adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 of the Listing Rules as the required standard for the Directors of the Company to trade the securities of the Company. At the Board meeting on 31 March 2022, the Board of the Company reviewed and approved the formulation of the “The Code and Enforcement Details for Securities Transactions by Directors” as an appendix to the Company’s model code for securities transactions, so that internal procedures will be clearer and smoother before Directors conducting securities transactions in the future. Having made specific enquiry to all the Directors of the Company and in accordance with information provided, all the Directors have complied with the provisions under the Model Code in the first half of 2022.

As at 30 June 2022, none of the directors, chief executives or their associates have any beneficial or non-beneficial interests or short positions in the share capital, warrants and options of the Company or its subsidiaries or any of its associated corporations which is required to be recorded in the Register of Directors’ Interests pursuant to Part XV of the Securities & Futures Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers*.

## **AUDIT COMMITTEE**

The Audit Committee of the Company has a membership comprising two Independent Non-Executive Directors, Mr Luo Zhenbang (Chairman) and Ms Leung Sau Fan, Sylvia (retired on 24 June 2022), and a Non-Executive Director, Mr Mao Yijin. The major responsibilities of the Audit Committee include serving as a focal point for communication between the Directors and external auditors in reviewing the Company’s financial information as well as overseeing the Company’s financial reporting system, risk management and internal control procedures.

The Audit Committee of the Company reviewed, discussed and approved the unaudited condensed consolidated financial statements for the six months ended 30 June 2022 that had been reviewed by the auditor, Deloitte Touche Tohmatsu.

## **REMUNERATION COMMITTEE**

The Remuneration Committee of the Company has a membership comprising two Independent Non-Executive Directors, Ms Leung Sau Fan, Sylvia (Chairman) (retired on 24 June 2022) and Mr Wang Xiaojun, and a Non-Executive Director, Mr Hua Chongzhi. The Remuneration Committee takes the role of advisory and proposes to the Board on the emoluments of the Directors and senior management with regard to the operating results of the Company, the individual performance and the comparable market information.

## **NOMINATION COMMITTEE**

The Nomination Committee of the Company has a membership comprising the Chairman and Executive Director, Mr Zhou Limin (Chairman), a Non-Executive Director, Mr Liu Xudong and three Independent Non-Executive Directors, Mr Luo Zhenbang, Ms Leung Sau Fan, Sylvia (retired on 24 June 2022) and Mr Wang Xiaojun. The responsibilities of the Nomination Committee are to review the structure, the number of members and its composition for the execution of the Company’s policy.

## **ENVIRONMENT, SOCIAL & GOVERNANCE COMMITTEE**

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

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

## **STATEMENT OF COMPLIANCE**

The financial information relating to the year ended 31 December 2021 that is included in the Interim Report 2022 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

## **POST PERIOD EVENTS**

On 18 August 2022, CASIL New Century, a direct wholly-owned subsidiary of the Company, subscribed for the Convertible Bonds issued by its 23.38% associate, Rayitek at face value of RMB100 for a consideration of RMB100,494,000. For details, please refer to the Company’s discloseable transaction announcement dated 18 August 2022. The subscription price of the Convertible Bonds was determined by Rayitek and the sponsor of the issue having considered the market price of convertible bonds and the initial conversion price was set with reference of the average weighted traded price of the shares of Rayitek for the 20 trading days immediately prior to the date of the prospectus and the weighted traded price of the shares of Rayitek for the trading day immediately prior to the date of the prospectus. Based on the prospectus, the initial conversion price is RMB30.98 per Rayitek Share, subject to adjustment. Having considered the subscription price at face value which is in line with the market practice and the recent market prices of Rayitek shares, CASIL New Century did register to subscribe in full its pro-rated subscription rights with a view to have the option to maintain its shareholding percentage upon full conversion of all Convertible Bonds.

## **PUBLICATION OF INTERIM REPORT**

The interim report of the Company will be published on the website of the Company ([www.casil-group.com](http://www.casil-group.com)) and the HKExnews website of Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and dispatched to the shareholders of the Company in due course.

## APPRECIATION

I hereby express my profound gratitude to my fellow Directors and all staff of the Company for their dedication, loyal services and invaluable contributions, especially those who served with professionalism and dedication during the difficult time under the ongoing novel coronavirus pandemic. Grateful thanks are also due to shareholders, bankers, business partners and members of the community who have supported the Company's development all along.

By order of the Board,  
**Zhou Limin**  
*Chairman & Executive Director*

Hong Kong, 30 August 2022

*At the time of approving this announcement, the Board of Directors of the Company comprises:*

***Executive Directors***

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

***Non-Executive Directors***

Mr Liu Xudong  
Mr Hua Chongzhi  
Mr Mao Yijin

***Independent Non-Executive Directors***

Mr Luo Zhenbang  
Mr Wang Xiaojun

\* *These PRC entities do not have English names, the English names set out herein are for identification purpose only.*