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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 2023

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 2023 together with the comparative figures of the same period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

		Six months ended	
		30.6.2023	30.6.2022
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
	<i>NOTES</i>		
Taxation	6	<u>(2,189)</u>	<u>112,268</u>
Profit (loss) for the period		<u>55,065</u>	<u>(164,662)</u>
Profit (loss) for the period attributable to :			
Owners of the Company		45,506	(71,994)
Non-controlling interests		<u>9,559</u>	<u>(92,668)</u>
		<u>55,065</u>	<u>(164,662)</u>
Earnings (loss) per share			
Basic and diluted	7	<u>HK1.48 cents</u>	<u>(HK2.33 cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

		30.6.2023 (Unaudited) HK\$'000	31.12.2022 (Audited) HK\$'000
	<i>NOTES</i>		
Non-current assets			
Property, plant and equipment		1,807,039	1,855,965
Right-of-use assets		245,445	279,281
Investment properties		8,500,001	8,895,276
Interests in associates		234,857	254,481
Interests in joint ventures		137,037	141,764
Financial assets at fair value through profit or loss		126,294	130,585
Deposit paid for property, plant and equipment		46,806	32,753
Pledged bank deposits		7,135	11,425
Long-term assets	9	12,100	920
		11,116,714	11,602,450
Current assets			
Inventories		423,195	513,484
Trade and other receivables	9	995,915	1,049,900
Amount due from a related party		1,947	11,950
Financial assets at fair value through profit or loss		2,949	6,232
Pledged bank deposits		24,841	30,240
Restricted bank deposits		28,298	30,245
Short-term bank deposits		410,418	372,340
Cash and cash equivalents		1,491,421	1,648,987
		3,378,984	3,663,378
Current liabilities			
Trade and other payables	10	1,249,926	1,374,178
Contract liabilities		43,273	49,510
Lease liabilities		34,504	37,811
Amount due to a joint venture		37,375	37,375
Loan from a major shareholder		—	565,611
Loan from a related party		5,405	8,523
Taxation payable		54,396	86,839
		1,424,879	2,159,847
Net current assets		1,954,105	1,503,531
Total assets less current liabilities		13,070,819	13,105,981

	30.6.2023 (Unaudited) <i>HK\$'000</i>	31.12.2022 (Audited) <i>HK\$'000</i>
Non-current liabilities		
Lease liabilities	99,530	118,386
Bank borrowing	108,108	—
Loan from a major shareholder	108,108	—
Loan from a related party	1,144,973	870,023
Deferred taxation	2,229,730	2,332,909
	<hr/> 3,690,449 <hr/>	<hr/> 3,321,318 <hr/>
	<hr/> 9,380,370 <hr/>	<hr/> 9,784,663 <hr/>
Capital and reserves		
Share capital	1,154,511	1,154,511
Reserves	6,184,981	6,504,183
	<hr/> 7,339,492 <hr/>	<hr/> 7,658,694 <hr/>
Equity attributable to owners of the Company	2,040,878	2,125,969
Non-controlling interests	<hr/> 9,380,370 <hr/>	<hr/> 9,784,663 <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 ("HKAS 34") "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (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 2022 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

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 the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

Application of amendments to HKFRSs

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

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

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

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

3. REVENUE AND SEGMENT INFORMATION

The Group determines its operating and reportable segments based on the internal reports reviewed by the President, the chief operating decision maker ("CODM") of the Group, that are used to make strategic decisions. During the period, the Group commenced business engaging in intelligent power modules and it is considered as a new reportable segment by the CODM. Specifically, there are 7 reportable segments in 2023 (2022: 6 reportable segments), namely Hi-Tech Manufacturing Business (including plastic products, liquid crystal display, printed circuit boards, intelligent chargers, intelligent power modules and industrial property investment) and Aerospace Service (including property investment in Shenzhen Aerospace Science & Technology Plaza) 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 2023

	Revenue			Segment results HK\$'000
	External sales HK\$'000	Inter-segment sales HK\$'000	Total HK\$'000	
Hi-Tech Manufacturing Business				
Plastic products	661,837	11,216	673,053	13,236
Liquid crystal display	425,772	—	425,772	44,043
Printed circuit boards	421,555	875	422,430	4,482
Intelligent chargers	114,050	1,304	115,354	(7,645)
Intelligent power modules	3,316	—	3,316	(19,018)
Industrial property investment	4,745	12,484	17,229	1,103
	<u>1,631,275</u>	<u>25,879</u>	<u>1,657,154</u>	<u>36,201</u>
Aerospace Service				
Property investment in Shenzhen Aerospace Science & Technology Plaza	99,260	370	99,630	48,800
Reportable segments total	<u>1,730,535</u>	<u>26,249</u>	<u>1,756,784</u>	<u>85,001</u>
Elimination	—	(26,249)	(26,249)	—
Other Business	<u>3,013</u>	—	<u>3,013</u>	<u>(276)</u>
	<u>1,733,548</u>	<u>—</u>	<u>1,733,548</u>	<u>84,725</u>
Unallocated corporate income				20,235
Unallocated corporate expenses				(36,892)
Unallocated gains and losses				20,851
Share of results of associates				(5,423)
Share of results of joint ventures				(1,445)
Finance costs				(32,963)
Impairment loss under ECL, net				8,166
Profit before taxation				<u>57,254</u>

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 segments total	2,457,618	46,859	2,504,477	328,853
Elimination	—	(46,859)	(46,859)	—
Other Business	4,155	—	4,155	1,036
	<u>2,461,773</u>	<u>—</u>	<u>2,461,773</u>	329,889
Unallocated corporate income				19,472
Unallocated corporate expenses				(37,696)
Unallocated gains and losses				(20,708)
Share of results of associates				7,691
Share of results of joint ventures				(563)
Finance costs				(38,677)
Loss on lease termination				(444,226)
Impairment loss under ECL, net				(92,112)
Loss before taxation				<u>(276,930)</u>

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

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

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2023	30.6.2022
	HK\$'000	HK\$'000
The Group's other income comprises:		
Bank interest income	19,954	19,120
Sales of scrap materials	<u>12,826</u>	<u>14,487</u>

The Group's other gains and losses comprise:

Net gain (loss) on disposal of property, plant and equipment	390	(262)
Net (loss) gain from change in fair value of financial assets at fair value through profit or loss	(1,709)	1,113
Net exchange gain (loss)	<u>7,223</u>	<u>(3,911)</u>

The Group's loss on lease termination:

Net loss on lease termination	<u>—</u>	<u>(444,226)</u>
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5. PROFIT (LOSS) BEFORE TAXATION

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

6. TAXATION

	Six months ended	
	30.6.2023	30.6.2022
	HK\$'000	HK\$'000
Current tax		
Hong Kong Profits Tax	1,609	3,362
PRC Enterprise Income Tax	<u>1,489</u>	<u>5,136</u>
	3,098	8,498
Deferred tax credit	<u>(909)</u>	<u>(120,766)</u>
	<u>2,189</u>	<u>(112,268)</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. EARNINGS (LOSS) PER SHARE

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

	Six months ended	
	30.6.2023	30.6.2022
	HK\$'000	HK\$'000
<u>Earnings (loss)</u>		
Profit (loss) for the period attributable to owners of the Company for the purpose of basic and diluted earnings (loss) per share	45,506	(71,994)
	30.6.2023	30.6.2022
	'000	'000
<u>Number of shares</u>		
Number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	3,085,022	3,085,022

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

8. DIVIDEND

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

The Board of the Company decided not to distribute an interim dividend for 2023. (2022: On August 2022, the board of directors of the Company had 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).

9. TRADE AND OTHER RECEIVABLES AND LONG-TERM ASSETS

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

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

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

Included in the Group's trade receivables arising from contracts with customers is bills received amounting to HK\$68,577,000 (31.12.2022: HK\$107,430,000) which are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

The Group's rental income is accrued and recognised on an effective rental basis after taking into account the rent free period and progressive rentals which are recorded as unbilled lease receivables which are accrued rental income that are expected to be realised when the rental payment over the effective rental. Lease receivables are invoiced to tenants on a monthly basis after the rent free period and are due for settlement upon the issuance of invoices.

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

	30.6.2023 <i>(Unaudited)</i> <i>HK\$'000</i>	31.12.2022 <i>(Audited)</i> <i>HK\$'000</i>
Within 90 days	752	3,420
Between 91 - 180 days	<u>2,830</u>	—
	<u>3,582</u>	<u>3,420</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:

	30.6.2023 <i>(Unaudited)</i> <i>HK\$'000</i>	31.12.2022 <i>(Audited)</i> <i>HK\$'000</i>
Within 90 days	490,823	505,251
Between 91 - 180 days	48,465	14,313
Between 181 - 365 days	<u>6,444</u>	—
	<u>545,732</u>	<u>519,564</u>

BUSINESS REVIEW

OVERVIEW

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

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

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

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

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

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

PROSPECTS

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS PERFORMANCE

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

PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

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

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

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

DIVIDENDS

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

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

RESULTS OF CORE BUSINESSES

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

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

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

Hi-tech manufacturing

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

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

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

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

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

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

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

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

Shenzhen Aerospace Science & Technology Plaza

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

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

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

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

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

Other Business

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

ASSETS

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

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

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

The equity attributable to shareholders of the Company for the period decreased as compared with the end of last year, which was mainly due to the decrease in exchange reserves caused by the decrease in RMB exchange rate and the distribution of dividends which reduced shareholders' equity during the period. Based on the issued share capital of 3,085,022,000 shares during the period, the net assets per share attributable to shareholders of the Company was HK\$2.38.

As at 30 June 2023, a cash deposit of HK\$31,976,000 and bills receivable of HK\$55,726,000 of the Company and the subsidiaries had been pledged to banks to obtain credit facilities. Property right certificates at an approximate value of RMB1,900,000,000 and RMB170,000,000 of Shenzhen Aerospace Science & Technology Plaza were mortgaged by Shenzhen Aerospace to Aerospace Science & Technology Finance Company Limited* (航天科技財務有限責任公司) as to obtain a 12-year term loan facility in the amount of RMB1,300,000,000 and a 10-year bank loan in the amount of RMB100,000,000. Details of which please refer to the Company's announcement published on 30 August 2016.

LIABILITIES

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

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

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

OPERATING EXPENSES

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

CONTINGENT LIABILITIES

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

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

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

FINANCIAL RATIOS

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

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

LIQUIDITY

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

CAPITAL EXPENDITURE

As at 30 June 2023, the capital commitments of the Company and the relevant subsidiaries contracted for but not provided in the consolidated financial statements was approximately HK\$541,595,000, mainly the capital expenditure for the acquisition of fixed assets.

FINANCIAL RISKS

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

HUMAN RESOURCES AND REMUNERATION POLICIES

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

As at 30 June 2023, the Company and the subsidiaries had a total of approximately 7,100 employees based in the mainland, Hong Kong and Vietnam.

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

There had been no purchase, sale or redemption of the Company's listed securities by the Company and its subsidiaries during the first half of 2023.

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE

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

LITIGATION

As at 30 June 2023, except for the litigation claims between Shenzhen Aerospace, a 60% indirect owned subsidiary of the Company, and Hangke Houhai and Huabaorun respectively and litigation progress as disclosed in the Company's announcements dated 14 February 2023 and 24 March 2023, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and, so far as the Directors were aware of, no litigation or arbitration or claim of material importance was pending or threatened by or against any member of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

The Company had adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 of the Listing Rules and the Company's *The Code and Enforcement Details for Securities Transactions by Directors* as the required standard for the Directors of the Company to trade the securities of the Company. Having made specific enquiry to all the Directors of the Company and in accordance with information provided, all the Directors have complied with the provisions under the Model Code in the first half of 2023.

As at 30 June 2023, none of the directors, chief executives or their associates have any beneficial or non-beneficial interests or short positions in the share capital, warrants and options of the Company or its subsidiaries or any of its associated corporations which is required to be recorded in the Register of Directors' Interests pursuant to Part XV of the Securities & Futures Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers*.

AUDIT COMMITTEE

The Audit Committee of the Company has a membership comprising two Independent Non-Executive Directors, Mr Luo Zhenbang (Chairman), Ms Chen Jingru and a Non-Executive Director, Mr Peng Jianguo (appointed on 2 March 2023), Mr Mao Yijin (resigned on 2 March 2023). The major responsibilities of the Audit Committee include serving as a focal point for communication between the Directors and external auditors in reviewing the Company's financial information as well as overseeing the Company's financial reporting system, risk management and internal control procedures.

The Audit Committee of the Company reviewed, discussed and approved the unaudited condensed consolidated financial statements for the six months ended 30 June 2023 that had been reviewed by the auditor, Deloitte Touche Tohmatsu.

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

ENVIRONMENT, SOCIAL & GOVERNANCE COMMITTEE

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

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

STATEMENT OF COMPLIANCE

The financial information relating to the year ended 31 December 2022 that is included in the Interim Report 2023 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

POST PERIOD EVENTS

On 10 July 2023 and 14 July 2023, the Company was informed that Shenzhen Aerospace had received the judgments (the “First Instance Judgments”), in relation to the Second Hangke Houhai Litigation, pursuant to which Hangke Houhai had requested the court to order Shenzhen Aerospace to pay Hangke Houhai for its operation losses due to delay in delivery of property and provision of Realty Title Certificate to Hangke Houhai etc.; judgment in relation to the Third Hangke Houhai Litigation regarding Hangke Houhai’s claim for a refund from Shenzhen Aerospace for overpaid rent and consequential interest loss, and a counter-claim made by Shenzhen Aerospace against Hangke Houhai for the payment of rent for February 2020 and penalty for breach of contract etc.; and judgment in relation to the First Hangke Houhai Litigation regarding Shenzhen Aerospace’s claim against Hangke Houhai for arrears of rent and penalty for breach of contract etc. In the First Hangke Houhai Litigation, Hangke Houhai was ordered to pay rent of RMB98,645,962.60 and RMB1,812,704.01 as liquidated damages for the late payment of rent to Shenzhen Aerospace etc. In the Second Hangke Houhai Litigation, Shenzhen Aerospace was ordered to pay to Hangke Houhai RMB119,034,615.60 for operation losses etc. In the Third Hangke Houhai Litigation, the court dismissed the claims of both parties. Further details of the litigations were set out in the Company’s inside information announcements dated 11 July 2023 and 14 July 2023. Shenzhen Aerospace has filed appeals against the First Instance Judgments respectively, which have been accepted by the court and are pending trial.

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

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

PUBLICATION OF INTERIM REPORT

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

APPRECIATION

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

On behalf of the Board, I express my profound gratitude to all the staff for their dedication and loyal services. Grateful thanks are also due to shareholders, bankers, business partners and members of the community who have supported the Company's development all along.

By order of the Board
Zhou Limin
Chairman & Executive Director

Hong Kong, 25 August 2023

At the date of this announcement, the Board of Directors of the Company comprises:

Executive Directors

Mr Zhou Limin (*Chairman*)
Mr Song Shuqing (*President*)

Non-Executive Directors

Mr Hua Chongzhi
Mr Teng Fangqian
Mr Peng Jianguo

Independent Non-Executive Directors

Mr Luo Zhenbang
Mr Wang Xiaojun
Ms Chen Jingru

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