

香港航天科技集團有限公司

HONG KONG AEROSPACE TECHNOLOGY GROUP LIMITED

(Incorporated in the Cayman Island with limited liability)

Stock Code: 1725.HK

INTERIM REPORT

2021





| Hong Kong Aerospace Technology Group Limited | Interim Report 2021 |

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Sun Fengquan (*Co-chairman and Chief Executive Officer*)
Mr. Lam Kin Fung Jeffrey
Ms. Ku Ka Lee Clarie (*Vice chairman*)
Mr. Ma Fujun

NON-EXECUTIVE DIRECTORS

Dr. Lam Lee G. (*Co-chairman*)
Dr. Yip Chung Yin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Brooke Charles Nicholas
Mr. Hung Ka Hai Clement
Mr. Leung Kwong Ho
Mr. Lo Chi Chung William

AUDIT COMMITTEE

Mr. Lo Chi Chung William (*Chairman*)
Mr. Brooke Charles Nicholas
Mr. Hung Ka Hai Clement

NOMINATION COMMITTEE

Mr. Sun Fengquan (*Chairman*)
Mr. Hung Ka Hai Clement
Mr. Lo Chi Chung William

REMUNERATION COMMITTEE

Mr. Hung Ka Hai Clement (*Chairman*)
Dr. Lam Lee G.
Mr. Brooke Charles Nicholas

AUTHORISED REPRESENTATIVES

Mr. Sun Fengquan
Ms. Cheng Ka Yan

COMPANY SECRETARY

Ms. Cheng Ka Yan

REGISTERED OFFICE IN CAYMAN ISLANDS

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

13th Floor
St. John's Building
33 Garden Road
Central, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA (THE "PRC" or "China")

Block A2
Yingzhan Industrial Park
Longtian Community
Longtian Street, Pingshan District
Shenzhen, Guangdong
PRC

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Dah Sing Bank Limited
DBS Bank (Hong Kong) Limited
China Merchants Bank Shenzhen Huanggang Branch

CAYMAN ISLANDS PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands



CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

SHARE LISTING

The Stock Exchange of Hong Kong Limited
(the "Stock Exchange")
Stock code: 1725.HK

STOCK CODE

1725

STOCK NAME

HK Aero Tech

CORPORATE WEBSITE ADDRESS

www.hkatg.com

FINANCIAL HIGHLIGHTS

FINANCIAL HIGHLIGHTS

The board (the “**Board**”) of directors (the “**Director**” or “**Directors**”) of Hong Kong Aerospace Technology Group Limited (the “**Company**”) announces the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Review Period**”), together with the comparative figures for the six months ended 30 June 2020.

- Revenue of the Group for the Review Period was approximately RMB258.4 million, representing a decrease of approximately 12.5% as compared with approximately RMB295.3 million for the corresponding period in 2020.
- Gross profit of the Group for the Review Period was approximately RMB14.4 million, representing a decrease of approximately 2.7% as compared with approximately RMB14.8 million for the corresponding period in 2020.
- Loss attributable to equity holders of the Company for the Review Period was approximately RMB4.1 million, as compared with profit attributable to equity holders of the Company of approximately RMB0.6 million for the corresponding period in 2020.
- Basic and diluted loss per share attributable to equity holders of the Company is RMB1.379 cents for the Review Period.

MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW

The Company is an investment holding company. As disclosed in the composite offer and response document of the Company dated 13 May 2021, it is intended that the Group will be engaged in both electronics manufacturing services ("**EMS**") business and aerospace business. The Group is principally engaged in (i) EMS business which includes provision of design enhancement and verification, offering of technical advice and engineering solutions, raw materials selection and procurement, quality control, logistic and delivery and after-sale services to the customers in respect of the assembling and production of printed circuit board assemblies (the "**PCBA**") and fully-assembled electronic products; and (ii) aerospace business, currently under the "Golden Bauhinia Constellation" project, which includes (1) smart city with satellite big data applications and solutions; (2) satellite measurement and controlling; (3) satellite manufacturing; and (4) satellite launching.

During the Review Period, trade friction between the United States of America ("**USA**") and China became more and more tightened, bringing uncertainties to the future development of the world economy, and slowing down the economic growth of both China and the world. Further, the outbreak of the novel coronavirus (COVID-19) (the "**Novel Coronavirus Outbreak**") in early 2020 started to halt social and economic activities seriously nationwide. Under the strictly infection prevention and containment measures taken by the China government, the Novel Coronavirus Outbreak in China was gradually under control and the economic in China gradually recovered in the second half year of 2020. However, during the Review Period, the sudden outbreak of variants of the coronavirus in different provinces across China still has adverse impacts to the business performance of the Group.

During the Review Period, a turnover of approximately RMB258.4 million was recorded by the Group, representing a decrease of approximately 12.5% as compared with that for the corresponding period in 2020; while the loss attributable to equity holders of the Company of approximately RMB4.1 million was recorded as compared with a profit attributable to equity holders of the Company of approximately RMB0.6 million for the corresponding period in 2020 was mainly due to the decrease in discretionary government grants and increase in administrative expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Strategies and Outlook

Looking forward to the second half of 2021, the market and economic environment remains uncertain with the spread of variants of the coronavirus and the tightened friction between USA and China. The Group will strive to sustain long-term growth with the new aerospace business and the existing EMS business by implementing the following business strategies:

- develop the “Golden Bauhinia Constellation” project, in order to provide aerospace data services in Guangdong-Hong Kong-Macao Greater Bay Area, to establish a dynamic monitoring service system not affected by weather conditions. Such aerospace data will facilitate cities in Greater Bay Area to achieve fine management and ecological environment construction of the full-cycle monitoring in the fields of agricultural monitoring, disaster prevention and mitigation, comprehensive urban governance, watershed control and so on;
- commence satellite launching business, in order to collect satellite data for the use in the Guangdong-Hong Kong-Macao Greater Bay Area;
- set up a satellite intelligent manufacturing center; a monitoring and operation control, application and data center for satellites to generate new revenue under aerospace business;
- continue to make efforts to expand the customer base to broaden the sources of revenue and diversify business risk;
- continue to strengthen the research and development capabilities so that we can explore more business opportunities; and
- continue to carefully review and extensively investigate into the current situation in relation to costs and resources deployment to enhance the production efficiency.

OPERATING RESULTS

Revenue by Customer's Geographical Location

The major revenue attributed to the Group is generated in the PRC. The Group's revenue by geographical location, which is determined by the location of customers, is as follows:

	Unaudited six months ended 30 June	
	2021 RMB'000	2020 RMB'000
The PRC	180,416	264,001
USA	44,167	2
South Korea	12,373	9,031
Australia	10,921	—
Austria	5,470	1,440
India	2,873	11,692
Hong Kong	1,591	5,137
Others ^(Note)	636	3,953
	258,447	295,256

Note: Others include Brazil, United Kingdom and Germany.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue by Product Type

During the Review Period and the corresponding period in 2020, the revenue was generated by two principal product types. The table below summarises the amount of revenue generated and as a percentage of total revenue from each product category for the Review Period and the corresponding period in 2020 respectively:

	Revenue for the six months ended 30 June			% of total revenue for the six months ended 30 June		
	2021 RMB'000	2020 RMB'000	Changes %	2021	2020	Changes
PCBAs	105,786	95,575	10.7	40.9	32.4	8.5
Fully-assembled electronic products	152,661	199,681	(23.5)	59.1	67.6	(8.5)
Total	258,447	295,256	(12.5)	100.0	100.0	

PCBAs

Based on the usage of the final electronic products which embedded with PCBAs, PCBAs can be broadly applied to electronic end products for two principal industries, namely, banking and finance and smart device. The revenue generated from the sales of PCBAs increased by approximately 10.7% from approximately RMB95.6 million for the corresponding period in 2020 to approximately RMB105.8 million for the Review Period, primarily due to the increased orders from new customers developed since the end of 2020.

Fully-assembled electronic products

Fully-assembled electronic products that are embedded with the PCBAs primarily manufactured in-house, which mainly include mobile phones, mobile point-of-sale ("mPOS") and tablets, are sold under the respective brands of the customers or the brands of their ultimate customers. The revenue generated from the sales of fully-assembled electronic products decreased by approximately 23.5% from approximately RMB199.7 million for the corresponding period in 2020 to approximately RMB152.7 million for the Review Period, primarily due to the significant decrease in orders of mPOS products from the largest customer.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin by Product Type

Gross profit of the Group for the Review Period was approximately RMB14.4 million, representing a decrease of approximately RMB0.4 million or 2.7% as compared with approximately RMB14.8 million for the corresponding period in 2020. Overall gross profit margin increased from 5% for the corresponding period in 2020 to 5.6% for the Review Period.

	Gross profit for the six months ended 30 June			Gross profit margin for the six months ended 30 June		
	2021 RMB'000	2020 RMB'000	Changes %	2021 %	2020 %	Changes %
PCBAs	8,580	8,864	(3.2)	8.1	9.3	(1.2)
Fully-assembled electronic products	5,770	5,968	(3.3)	3.8	3.0	0.8
Total	14,350	14,832	(3.2)	5.6	5.0	0.6

PCBAs

The gross profit derived from the sales of PCBAs decreased by approximately 3.2% to approximately RMB8.6 million for the Review Period (six months ended 30 June 2020: approximately RMB8.9 million). The gross profit margin decreased to approximately 8.1% for the Review Period (six months ended 30 June 2020: approximately 9.3%), which primarily resulted from the gross profit margin for the new customers established since the end of 2020 is lower than that of the existing customers for the corresponding period in 2020 under the keen competition environment.

Fully-assembled electronic products

The gross profit derived from the sales of fully-assembled electronic products decreased by approximately 3.3% to approximately RMB5.8 million for the Review Period (six months ended 30 June 2020: approximately RMB6.0 million). The gross profit margin increased to approximately 3.8% for the Review Period (six months ended 30 June 2020: approximately 3.0%), which was mainly due to the Group has continuously offered a more competitive price with lower gross profit margin for the largest customer during the Review Period.

Other Income

Other income of the Group for the Review Period of approximately RMB2.1 million comprises discretionary government grants received by the Group (six months ended 30 June 2020: approximately RMB7.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Distribution Expenses

Selling and distribution expenses mainly comprised (i) employee benefit expenses which include salaries and allowance, social insurance contributions and staff welfare expenses of the sales staff; (ii) transportation charges; (iii) sales commission paid to the sales agent in respect of customer introduction; and (iv) other expenses. For the Review Period, selling and distribution expenses amounted to approximately RMB6.6 million (six months ended 30 June 2020: approximately RMB6.1 million), representing an increase of approximately 8.2% as compared to that for the corresponding period in 2020. The increase in the selling and distribution expenses was mainly due to the increase in entertainment and travelling expenses after the easing of the Novel Coronavirus Outbreak since the end of 2020.

Administrative Expenses

Administrative expenses mainly represented (i) employee benefit expenses which include salaries and allowance, social insurance contributions and staff welfare expenses of administrative staff; and (ii) professional fees. For the Review Period, administrative expenses amounted to approximately RMB15.7 million (six months ended 30 June 2020: approximately RMB10.1 million), representing an increase of approximately 55.4% as compared to that for the corresponding period in 2020. The increase in administrative expenses for the Review Period was mainly due to (i) the increased salaries; and (ii) increased operating administrative expense for the new operating subsidiaries in Xiamen the PRC and Germany.

Other Gains/Losses, Net

During the Review Period, other gains of approximately RMB1.7 million represented the realised and unrealised gains from derivative financial instruments which is newly acquired by the Group at the end of 2020, whereas no such gains occurred for the corresponding period in 2020. Other losses represented exchange differences decreased from approximately RMB0.8 million for the corresponding period in 2020 to approximately RMB0.1 million for the Review Period.

Reversal of/Provision for Impairment of Trade Receivables

For the Review Period, reversal of impairment of approximately RMB0.4 million (six months ended 30 June 2020: provision for impairment of approximately RMB4.6 million) were made against the trade receivables due to the improvement of aging of the trade and bills receivables.

Finance Costs, Net

Finance costs mainly comprised interest expenses on bank borrowings and lease liabilities while the finance income mainly represented interest income on the pledged bank deposits. For the Review Period, the net finance costs of the Group was approximately RMB0.1 million (six months ended 30 June 2020: approximately RMB0.2 million). The net finance costs decreased by approximately RMB0.1 million due to the interest capitalisation for the construction projects and the increased in finance income for the Review Period.

Income Tax Expense/Credit

Income tax expense amounted to approximately RMB0.1 million for the Review Period (six months ended 30 June 2020: income tax credit of approximately RMB0.4 million). The major operating subsidiary, Shenzhen Hengchang Sheng Technology Company Limited* (深圳市恒昌盛科技有限公司), enjoyed a preferential tax treatment because of its accreditation as a High and New Technology Enterprise and the applicable tax rate was 15% from 2020 to 2022.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

Loss/Profit Attributable to Equity Holders of the Company

As a result of the facts discussed above, loss attributable to the equity holders of the Company of approximately RMB4.1 million as compared with profit attributable to equity holders of the Company of approximately RMB0.6 million for the corresponding period in 2020.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Assets

The Group had net current assets of approximately RMB98.6 million as at 30 June 2021 (31 December 2020: approximately RMB142.0 million). The current ratio of the Group decreased from approximately 1.5 as at 31 December 2020 to approximately 1.3 as at 30 June 2021.

Borrowings, the Pledge of Assets and Restricted Cash

The Group generally finances its business operations and capital expenditure with internally generated cash flows as well as the bank borrowings provided by its principal bankers. The interest-bearing liabilities of the Group amounted to approximately RMB62.8 million as at 30 June 2021 (31 December 2020: approximately RMB26.7 million). As at 30 June 2021 and 31 December 2020, the interest bearing liabilities were secured by properties, plant and equipment, pledged bank deposits and a corporate guarantee by the Company. As at 30 June 2021, the bank deposits amounting to RMB30.3 million (31 December 2020: RMB33.7 million) were pledged in banks for issuing bills payables to the suppliers of the Group and for the facilities granted by banks. The cash and cash equivalents, pledged bank deposits, short-term bank deposits, restricted cash and bank borrowings were mainly denominated in Renminbi ("**RMB**"), Hong Kong Dollars ("**HK\$**") and United States Dollars ("**USD**") and Euros ("**EUR**").

Gearing Ratio

The gearing ratio, which is calculated by total borrowings, divided by total equity, was approximately 25.5% and 10.7% as at 30 June 2021 and 31 December 2020 respectively. The gearing ratio increased due to the increased level of interest-bearing borrowings.

Capital Structure

The shares ("**Share(s)**") were listed on the Stock Exchange on 16 August 2018 (the "**Listing Date**"). There has been no change in the capital structure of the Company since then. The capital of the Company comprises ordinary shares and other reserves.

Foreign Exchange Exposure and Exchange Rate Risk

The Group's assets, liabilities and transactions are mainly denominated in RMB, HK\$, USD and EUR, and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than the respective functional currencies of the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The management monitors our foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise. During the Reporting Period, the Group entered into certain USD forward contracts with Dah Sing Bank amounting to approximately US\$15.0 million to hedge its exposure to USD exchange rate risk.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditure

For the Review Period, the Group had capital expenditure of approximately RMB67.5 million (six months ended 30 June 2020: approximately RMB13.4 million). The capital expenditure was mainly related to the additions of office equipment, plant and machinery, motor vehicles, satellites, construction of manufacturing plant and right-of-use assets.

INTERIM DIVIDEND

The Board does not recommend payment of interim dividend for the Review Period (six months ended 30 June 2020: Nil).

EMPLOYEES AND EMOLUMENTS POLICY

As at 30 June 2021, the Group had 584 employees with a total remuneration of approximately RMB39.2 million during the Review Period (six months ended 30 June 2020: approximately RMB26.0 million). The salaries of the employees were determined with reference to individual performance, work experience, qualification and current industry practices.

CAPITAL COMMITMENT

As at 30 June 2021, the Group's capital commitment amounted to approximately RMB55 million (31 December 2020: approximately RMB44.6 million), respectively. The capital commitment was mainly related to the acquisition of construction of manufacturing plant and acquisition of satellites.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as of 30 June 2021 (31 December 2020: Nil).

USE OF PROCEEDS

The business objectives and planned use of proceeds as stated in the prospectus dated 3 August 2018 published by the Company (the "**Prospectus**") were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus. The actual use of proceeds was based on the actual market development. The net proceeds (the "**Net Proceeds**") from the share offer made pursuant to the Prospectus (the "**Share Offer**") received by the Company, after deducting related underwriting fees and estimated expenses payable by the Company in connection with the Share Offer were approximately HK\$96.7 million. As disclosed in the Company's announcement dated 16 July 2020 (the "**Change in Use of Proceeds Announcement**"), having carefully considered the latest business environment and development needs of the Group, the Board had resolved to change the proposed use of part of the unutilised Net Proceeds in the amount of approximately HK\$40.6 million originally allocated for (i) expand the production capacity and enhance the production efficiency; (ii) lease new premises to align with the production capacity expansion, convert the existing warehouse into an intelligent warehouse and set up an additional intelligent warehouse; and (iii) upgrade the ERP system and enhance the capabilities in information technology, to construction of a production base in Huizhou, Guangdong, the PRC.

MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the status of the use of revised allocation of the Net Proceeds as at the date of the Change in Use of Proceeds Announcement and 30 June 2021:

Business objectives as stated in the Prospectus	Use of proceeds as stated in the Prospectus and adjusted for the actual net proceeds (HK\$ million)	Actual use of proceeds from the Listing Date to the date of the Change in Use of Proceeds Announcement	Reallocation (HK\$ million)	Amount utilised after reallocation (HK\$ million)	Remaining balance as at 30 June 2021 (HK\$ million)
		(HK\$ million)			
Expand the production capacity and enhance the production efficiency	64.7	43.7	(21.0)	–	–
Lease new premises to align with the production capacity expansion, convert the existing warehouse into an intelligent warehouse and set up an additional intelligent warehouse	17.4	0.8	(16.6)	–	–
Further strengthen the research and development capabilities	4.5	4.4	–	0.1	–
Upgrade the ERP system and enhance the capabilities in information technology	3.4	0.4	(3.0)	–	–
General working capital of the Group	6.7	6.0	–	0.7	–
Construction of a production base in Huizhou	–	–	40.6	40.6	–
	96.7	55.3	–	41.4	–

MANAGEMENT DISCUSSION AND ANALYSIS

CHANGE IN CONTROLLING SHAREHOLDER OF THE COMPANY AND MANDATORY UNCONDITIONAL CASH OFFER

On 15 April 2021, Rich Blessing Group Limited ("**Rich Blessing**") and Hong Kong Aerospace Technology Holdings Limited (formerly known as Hong Kong Aerospace Technology Group Limited) ("**HKATH**") entered into the sale and purchase agreement (the "**SPA**"), pursuant to which Rich Blessing agreed to sell and HKATH agreed to purchase 191,250,000 Shares, representing 63.75% of the issued share capital of the Company.

Immediately before the completion of the SPA, HKATH was interested in 21,600,000 Shares, representing 7.20% of the issued share capital of the Company, immediately following completion of the SPA which took place on 21 April 2021, HKATH is interested in an aggregate of 212,850,000 Shares, representing 70.95% of the issued share capital of the Company. As a result, HKATH became the controlling shareholder of the Company.

On 22 April 2021, the Company and HKATH jointly announced that Kingston Securities Limited, for and on behalf of HKATH, made a mandatory unconditional cash offer (the "**Offer**") to acquire all the issued Shares (other than those already owned and/or agreed to be acquired by HKATH and/or parties acting in concert with it) in accordance with the Hong Kong Code on Takeovers and Mergers.

Taking into account the valid acceptances in respect of 100 Shares under the Offer, immediately upon the close of the Offer on 3 June 2021, HKATH is interested in an aggregate of 212,850,100 Shares, representing approximately 70.95% of the issued share capital of the Company.

FULLY EXEMPTED CONNECTED TRANSACTIONS IN RELATION TO ACQUISITIONS OF THE ENTIRE EQUITY INTEREST IN (1) GANG HANG KE (SHENZHEN) SPACE TECHNOLOGY CO. LTD.*; AND (2) HONG KONG SATELLITE LIMITED

On 16 June 2021, Hong Kong Aerospace Development Limited ("**HKADL**") and HKATH entered into the equity transfer agreement dated 16 June 2021 (the "**First Acquisition Agreement**"), pursuant to which HKADL has agreed to acquire and HKATH has agreed to sell the entire equity interest of Gang Hang Ke (Shenzhen) Space Technology Co., Ltd.* (港航科(深圳)空間技術有限公司) ("**SZ Gang Hang Ke**") at a consideration of RMB1,000,000.

On 16 June 2021, Supreme Class International Limited ("**SCIL**") and HKATH entered into the sale and purchase agreement dated 16 June 2021 (the "**Second Acquisition Agreement**"), pursuant to which SCIL has agreed to acquire and HKATH has agreed to sell the entire issued shares of Hong Kong Satellite Limited ("**HKS**") at the consideration of HK\$20,000.

Details of the First Acquisition Agreement and the Second Acquisition Agreement are set out in the announcement published by the Company on 16 June 2021.

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

During the Review Period, save as disclosed in this report, there were no material acquisition, disposal or significant investment by the Group.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

EVENTS AFTER REVIEW PERIOD

On 5 July 2021, the Group entered into the construction contract in respect of the construction of a production plant at Daya Bay Western District, Huizhou, the PRC, with the contractor pursuant to which the contractor agreed to undertake the construction works for the production plant at the contract price of approximately RMB165 million (subject to adjustments). Details of the construction are set out in the announcement published by the Company on 5 July 2021.

On 6 July 2021, the Company and Huawei Cloud Hong Kong entered into the cooperation agreement, pursuant to which the parties thereto agreed to act as partners and to jointly establish a remote sensing big data and artificial intelligence service platform in the Guangdong-Hong Kong-Macau Greater Bay Area. Details of the cooperation are set out in the announcement published by the Company on 6 July 2021.

On 14 July 2021, the Group received a successful bidding notice issued by Hong Kong Science and Technology Parks Corporation, confirming that the Company has successfully bid for the lease of three floors with total areas of approximately 190,000 square feet in the Advance Manufacturing Centre located at Tseung Kwan O Industrial Estate, Hong Kong (the "**Property**"). The Group intends to set up a satellite intelligent manufacturing center; a monitoring and operation control, application and data center for satellites; and also conduct corresponding research and development activities at the Property. Details of the Property are set out in the announcement published by the Company on 14 July 2021.

On 18 August 2021, the Company and The University of Hong Kong entered into the memorandum of understanding (the "**MOU**") in relation to the strategic cooperation in the research and development of the satellite data services industry in Hong Kong, covering satellite manufacturing, satellite launching and satellite big data application. Details of the MOU are set out in the announcement published by the Company on 18 August 2021.

On 20 August 2021, SZ Gang Hang Ke and China Great Wall Industry Corporation ("**CGWIC**") entered into a multiple satellite launching service agreement (the "**Agreement**") in relation to the provision of multiple satellite launching and related services by CGWIC to the Group for a term of three (3) years; and also entered into the first satellite launching service confirmation agreement (the "**Confirmation**"), setting out the terms of the proposed satellite launch and the target launch period shall be between October to December 2021. Details of the Agreement and the Confirmation are set out in the announcement published by the Company on 20 August 2021.

On 26 August 2021, the Company and Shandong Institute of Industrial Technology entered into the strategic cooperation agreement in relation to the cooperation between the parties to jointly construct and operate the first high-resolution agricultural satellite constellation. Details of the cooperation are set out in the announcement published by the Company on 26 August 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' INTERESTS IN CONTRACTS

There was no contract of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a director of the Company ("Director" or "Directors") had a material interest, whether directly or indirectly, subsisted at the end of the Review Period or at any time during the Review Period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ANY ASSOCIATED CORPORATION

As at 30 June 2021, interests or short positions in the Shares, underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers (the "Model Code") are as follows:

(i) Interests in the Company

Name of Director	Nature of interest	Number of Shares held/ interested ⁽¹⁾	Approximate percentage of shareholding (%)
Mr. Sun Fengquan ("Mr. Sun")	Interest of a controlled corporation ⁽²⁾	212,850,100(L)	70.95

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) These Shares are held by HKATH. The entire issued share capital of HKATH comprises 62.36% ordinary shares (class A) ("Class A Shares") and 37.64% ordinary shares (class B) ("Class B Shares"), of which 64.61% (comprising of 62.36% Class A Shares and 2.25% Class B Shares) is owned by Vision International Group Limited ("Vision"), which in turn is wholly-owned by Mr. Sun, and the remaining 35.39% Class B Shares is owned by a group comprising 32 individuals, corporates and private equity funds. Therefore, Mr. Sun is deemed or taken to be interested in the Shares held by HKATH under the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(ii) Interests in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Nature of interest	Number of shares interested ⁽¹⁾	Percentage of shareholding (%)
Mr. Sun ⁽²⁾	HKATH	Interest of a controlled corporation	Class A: 6,236(L) Class B: 225(L) 6,461 (L)	64.61
Dr. Lam Lee G. ("Dr. Lam")	HKATH	Beneficial owner	Class B: 200(L)	2.00
Dr. Yip Chung Yin ("Dr. Yip") ⁽³⁾	HKATH	Interest of a controlled corporation	Class B: 107(L)	1.07

Notes:

- (1) The letter "L" denotes the person's long position in the shares of the relevant associated corporation.
- (2) Vision is interested in 6,461 ordinary shares (comprising 6,236 Class A Shares and 225 Class B Shares), representing 64.61% (comprising of 62.36% Class A Shares and 2.25% Class B Shares) of the issued shares of HKATH. Vision is wholly-owned by Mr. Sun. Therefore, Mr. Sun is deemed or taken to be interested in the Shares held by HKATH under the SFO.
- (3) Dr. Yip and his family members, through their investment vehicles, are interested in 107 Class B Shares, representing 1.07% of the issued shares of HKATH. Dr. Yip holds one third of the investment vehicles and hence deemed or taken to be interested in the Shares held by HKATH under the SFO.

Save as disclosed above, none of the Directors or chief executive of the Company and/or any of their respective associates had registered any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporations as at the date, or any of their spouses or children under the age of 18 to recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed herein, at no time during the Review Period and up to the date of this report was the Group a party to any arrangements to enable the Directors, or any of their spouses or children under the age of 18 to acquire by means of acquisition of shares in, or debt securities, and including debentures, of the Group or any other body corporate.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware, as at 30 June 2021, the following corporations/persons (other than the Directors and chief executives of the Company) had interests of 5% or more in the issued Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of Shares held/ interested ⁽¹⁾	Approximate percentage of shareholding (%)
HKATH	Beneficial owner ⁽²⁾	212,850,100(L)	70.95
Vision	Interest of a controlled corporation ⁽²⁾	212,850,100(L)	70.95
Elite Foster International Investment Limited (" Elite Foster ")	Beneficial owner ⁽³⁾	28,730,000(L)	9.58
Mr. Lu Wan Ching	Interest of a controlled corporation ⁽³⁾	28,730,000(L)	9.58
Ms. Wong Yuk Ting	Interest of spouse ⁽⁴⁾	28,730,000(L)	9.58

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) These Shares are held by HKATH. Vision is interested in 6,461 ordinary shares (comprising 6,236 Class A Shares and 225 Class B Shares), representing 64.61% (comprising of 62.36% Class A Shares and 2.25% Class B Shares) of the issued shares of HKATH. Therefore, Vision is deemed or taken to be interested in the Shares held by HKATH under the SFO.
- (3) The Shares are held by Elite Foster, which is wholly-owned by Mr. Lu Wan Ching. Therefore, Mr. Lu Wan Ching is deemed or taken to be interested in the Shares held by Elite Foster under the SFO.
- (4) Ms. Wong Yuk Ting is the spouse of Mr. Lu Wan Ching. Therefore, Ms. Wong Yuk Ting is deemed or taken to be interested in the Shares in which Mr. Lu Wan Ching is interested under the SFO.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company, other than the Directors and chief executive of the Company, as at the date of this report which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Review Period and up to the date of this report, none of the Directors or any of their respective associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group.

SHARE OPTION SCHEME

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

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme during the six months ended 30 June 2021 and up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

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

The Audit Committee has reviewed, with the management, the accounting principles and policies adopted by the Group, and the unaudited condensed consolidated interim financial information of the Group for the Review Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDITOR

PricewaterhouseCoopers, the auditor of the Company, has reviewed the unaudited condensed consolidated interim financial information of the Group for the Review Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The auditor's independent review report has been included in page 22 of this report.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "**Remuneration Committee**") on 25 July 2018 with terms of reference in compliance with the Code for the purpose of making recommendations to the Board on the overall remuneration policy and structure relating to the Directors and senior management of the Group, to review and evaluate their performance in order to make recommendations on the remuneration package of each of the Directors and senior management personnel as well as other employee benefit arrangements. The Remuneration Committee comprises one non-executive Director, Dr. Lam and two independent non-executive Directors, namely, Mr. Hung Ka Hai Clement (Chairman) and Mr. Brooke Charles Nicholas.

NOMINATION COMMITTEE

The Company established a nomination committee (the "**Nomination Committee**") on 25 July 2018 with terms of reference in compliance with the Code for the purpose of making recommendations to the Board on the appointment of Directors and the management of the Board succession. The Nomination Committee comprises one executive Director, Mr. Sun (Chairman) and two independent non-executive Directors, namely Mr. Hung Ka Hai Clement and Mr. Lo Chi Chung William.

CORPORATE GOVERNANCE PRACTICES

For the Review Period, the Company has complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules except CG Code provision A.2.1.

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

CHANGE OF DIRECTORS; CHIEF EXECUTIVE OFFICER; CO-CHAIRMEN; VICE CHAIRMAN; COMPANY SECRETARY; AND AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES

With effect from 13 May 2021, (i) Dr. Lam has been appointed as a non-executive Director; and (ii) Mr. Liao Pin-tsung has been appointed as an executive Director.

With effect from 4 June 2021, (i) Mr. Sun has been appointed as an executive Director, the co-chairman of the Board and the chief executive officer of the Company; (ii) Dr. Lam has been appointed as the co-chairman of the Board; (iii) Mr. Leung Kwong Ho has been appointed as an independent non-executive Director; (iv) Ms. Cheng Ka Yan has been appointed as the company secretary; (v) each of Mr. Sun and Ms. Cheng Ka Yan has been appointed as the authorized representatives under the Listing Rules; (vi) Mr. Ma Fujun has resigned as the chairman of the Board and the chief executive officer of the Company; (vii) Ms. Jian Xuegen has resigned as the company secretary; and (viii) each of Mr. Ma Fujun and Ms. Jian Xuegen has resigned as the authorised representatives under the Listing Rules.

With effect from 16 July 2021, (i) each of Mr. Lam Kin Fung Jeffrey and Ms. Ku Ka Lee Clarie has been appointed as an executive Director; (ii) Dr. Yip has been appointed as a non-executive Director; (iii) each of Mr. Brooke Charles Nicholas, Mr. Hung Ka Hai Clement and Mr. Lo Chi Chung William has been appointed as an independent non-executive Director; (iv) each of Mr. Liao Pin-tsung, Ms. Chen Xiaoyuan and Mr. Cheng Bin has resigned as an executive Director; and (v) each of Mr. Wu Chi-luen, Mr. Chan Chung Kik, Lewis and Mr. Chow Kit Ting has resigned as an independent non-executive Director.

With effect from 23 July 2021, Ms. Ku Ka Lee Clarie has been appointed as the vice chairman of the Board.

Biographical details of the new appointees are set out in the announcements published by the Company on 13 May 2021, 4 June 2021 and 16 July 2021, respectively.

REMUNERATION OF DIRECTORS

References are made to the announcements of the Company dated 13 May 2021, 4 June 2021, 16 July 2021 and 23 July 2021, respectively, in relation to the appointment of Directors.

On 26 August 2021, Mr. Sun, being an executive Director, the co-chairman of the Board and the chief executive officer of the Company, has entered into a letter of appointment with the Company for an initial term of three years commencing from the date of his appointment. He will be entitled to a remuneration of HK\$270,000 per month as an executive Director and the co-chairman of the Board.

On 26 August 2021, Ms. Ku Ka Lee Clarie, being an executive Director and the vice chairman of the Board, has entered into a letter of appointment with the Company for an initial term of three years commencing from the date of her appointment. She will be entitled to a remuneration of HK\$236,000 per month as an executive Director and the vice chairman of the Board.

CORPORATE GOVERNANCE AND OTHER INFORMATION

On 26 August 2021, Dr. Lam, being a non-executive Director and the co-chairman of the Board, has entered into a letter of appointment with the Company for an initial term of three years commencing from the date of his appointment. He will be entitled to a remuneration of HK\$200,000 per month as a non-executive Director and the co-chairman of the Board.

On 26 August 2021, Mr. Lam Kin Fung, being an executive Director, has entered into a letter of appointment with the Company for an initial term of three years commencing from the date of his appointment. He will be entitled to a remuneration of HK\$100,000 per month as an executive Director.

On 26 August 2021, each of Dr. Yip, being a non-executive Director, and Mr. Brooke Charles Nicholas, Mr. Hung Ka Hai Clement, Mr. Leung Kwong Ho and Mr. Lo Chi Chung William, being the independent non-executive Directors, has entered into a letter of appointment with the Company for an initial term of three years commencing from their respective date of appointment. Each of the non-executive Director and the independent non-executive Directors will be entitled to a director's remuneration of HK\$30,000 per month.

CHANGE OF PARTICULARS OF THE DIRECTORS

On 30 June 2021, Dr. Lam has resigned as an independent non-executive director of Sunwah International Limited (stock code: SWH) whose shares are listed on the Toronto Stock Exchange. On 26 August 2021, Dr. Lam has resigned a non-executive director of Tianda Pharmaceuticals Limited (stock Code: 455) whose shares are listed on the Stock Exchange.

Save for the above, none of the Director nor their respective biographical information had been changed since the date of their respective appointments and up to the date of this report, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

By order of the Board

Sun Fengquan

Co-chairman and Chief Executive Officer

Hong Kong
26 August 2021

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



羅兵咸永道

TO THE BOARD OF DIRECTORS OF HONG KONG AEROSPACE TECHNOLOGY GROUP LIMITED (FORMERLY KNOWN AS ETERNITY TECHNOLOGY HOLDINGS LIMITED)

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 23 to 48, which comprises the condensed consolidated balance sheet of Hong Kong Aerospace Technology Group Limited (formerly known as Eternity Technology Holdings Limited) (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2021 and the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 August 2021

*PricewaterhouseCoopers, 22/F, Prince’s Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2021

	Notes	Unaudited six months ended 30 June	
		2021 RMB'000	2020 RMB'000
Revenue	6	258,447	295,256
Cost of sales	7	(244,097)	(280,424)
Gross profit		14,350	14,832
Other income	8	2,139	7,181
Selling and distribution expenses	7	(6,591)	(6,100)
Administrative expenses	7	(15,748)	(10,137)
Other gains/(losses), net	9	1,587	(829)
Reversal of/(provision for) impairment of trade receivables	7, 17	378	(4,552)
Operating (loss)/profit		(3,885)	395
Finance income		436	282
Finance costs		(492)	(479)
Finance costs, net		(56)	(197)
(Loss)/profit before income tax		(3,941)	198
Income tax (expense)/credit	10	(196)	362
(Loss)/profit for the period attributable to equity holders of the Company		(4,137)	560
(Loss)/earnings per share attributable to equity holders of the Company			
Basic and diluted	11	RMB(1.379) cents	RMB0.187 cents

The above condensed consolidated income statement should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Unaudited six months ended 30 June	
	2021 RMB'000	2020 RMB'000
(Loss)/profit for the period	(4,137)	560
Other comprehensive (loss)/income:		
<i>Item that may be subsequently reclassified to profit or loss</i>		
Currency translation differences	(672)	1,465
Total comprehensive (loss)/income for the period attributable to equity holders of the Company	(4,809)	2,025

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2021

	Note	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Assets			
Non-current assets			
Properties, plant and equipment	13	119,767	82,009
Right-of-use assets	13	68,070	39,771
Intangible assets	14	983	1,283
Prepayments and deposits	15	39,800	15,845
Deferred income tax assets		2,464	1,392
		231,084	140,300
Current assets			
Inventories	16	124,955	80,528
Contract assets	17	3,560	5,517
Trade and bills receivables	17	162,899	106,606
Prepayments, deposits and other receivables	15	46,982	29,718
Derivative financial instruments	18	1,396	399
Pledged bank deposits		30,286	33,699
Short-term bank deposits		139	92
Cash and cash equivalents		88,220	178,904
		458,437	435,463
Total assets		689,521	575,763
Equity			
Equity attributable to equity holders of the Company			
Share capital		2,619	2,619
Share premium		110,868	110,868
Retained earnings		106,226	110,497
Reserves		27,103	26,306
Total equity		246,816	250,290
Liabilities			
Non-current liabilities			
Deferred government grants		9,876	10,980
Lease liabilities		24,507	107
Bank borrowings		48,449	20,943
		82,832	32,030
Current liabilities			
Trade and bills payables	19	196,032	196,412
Other payables and accruals	20	54,457	45,664
Contract liabilities	20	68,598	33,248
Lease liabilities		9,268	5,855
Bank borrowings		14,397	5,799
Amount due to the immediate holding company	23	9,644	–
Amount due to the ultimate holding company	23	12	–
Amount due to a related company	23	15	–
Current income tax liabilities		7,450	6,465
		359,873	293,443
Total liabilities		442,705	325,473
Total equity and liabilities		689,521	575,763

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Unaudited Attributable to equity holders of the Company						
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
Balance at 1 January 2021	2,619	110,868	14,591	12,662	(947)	110,497	250,290
Comprehensive loss:							
Loss for the period	-	-	-	-	-	(4,137)	(4,137)
Other comprehensive loss:							
<i>Item that may be subsequently reclassified to profit or loss</i>							
Currency translation difference	-	-	-	-	(672)	-	(672)
Total comprehensive loss	-	-	-	-	(672)	(4,137)	(4,809)
Transactions with owners							
Adjustment for common control combinations (Note 21)	-	-	-	1,335	-	-	1,335
Appropriation (Note a)	-	-	134	-	-	(134)	-
Total transactions with owners	-	-	134	1,335	-	(134)	1,335
Balance at 30 June 2021	2,619	110,868	14,725	13,997	(1,619)	106,226	246,816

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Unaudited						Total
	Attributable to equity holders of the Company						
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	RMB'000
Balance at 1 January 2020	2,619	110,868	11,755	12,662	2,267	96,010	236,181
Comprehensive income:							
Profit for the period	-	-	-	-	-	560	560
Other comprehensive income:							
<i>Item that may be subsequently reclassified to profit or loss</i>							
Currency translation difference	-	-	-	-	1,465	-	1,465
Total comprehensive income	-	-	-	-	1,465	560	2,025
Transaction with owners							
Appropriation (Note a)	-	-	554	-	-	(554)	-
Balance at 30 June 2020	2,619	110,868	12,309	12,662	3,732	96,016	238,206

Notes:

- (a) The laws and regulations of the PRC require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. A PRC company is required to appropriate an amount of not less than 10% of statutory profits after income tax to statutory surplus reserves, prior to distribution of its post-tax profits of the current period. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's operations, or to increase the capital of the company. In addition, a company may make further contribution to the discretionary surplus reserve using its post-tax profits in accordance with resolutions of the board of directors.

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Unaudited six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Cash flows from operating activities		
Cash (used in)/generated from operations	(67,309)	33,023
Income tax paid	(263)	(3,114)
Interest received	436	282
Net cash (used in)/generated from operating activities	(67,136)	30,191
Cash flows from investing activities		
Purchase of properties, plant and equipment	(8,735)	(1,122)
Prepayments for the acquisition of land-use-right	(11,890)	(8,000)
Prepayments for the construction of properties, plant and equipment	(37,825)	(4,282)
Purchase of intangible assets	(17)	(6)
Receipt of government grants	-	6,900
Change in pledged bank deposits	-	(7,719)
Net cash used in investing activities	(58,467)	(14,229)
Cash flows from financing activities		
Proceeds from bank borrowings	38,606	2,999
Repayments of bank borrowings	(2,448)	(7,381)
Interest paid	(770)	(479)
Change in short-term bank deposits	(47)	-
Payments of principal element of lease liabilities	(4,990)	(3,444)
Proceeds from common control combinations, net of consideration paid	5,126	-
Net cash generated from/(used in) financing activities	35,477	(8,305)
(Decrease)/increase in cash and cash equivalents	(90,126)	7,657
Cash and cash equivalents at beginning of the period	178,904	107,856
Currency translation differences	(558)	858
Cash and cash equivalents at end of the period	88,220	116,371

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Hong Kong Aerospace Technology Group Limited (formerly known as Eternity Technology Holdings Limited) was incorporated in the Cayman Islands on 15 March 2017 as an exempted company with limited liability under the Companies Law Cap. 22, Law 3 of 1961 as consolidated and revised of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and the Group is principally engaged in (i) EMS business which includes provision of design enhancement and verification, offering of technical advice and engineering solutions, raw materials selection and procurement, quality control, logistic and delivery and after-sale services to the customers in respect of the assembling and production of printed circuit board assemblies (the “PCBA”) and fully-assembled electronic products; and (ii) aerospace business, currently under the “Golden Bauhinia Constellation” project, which includes (1) smart city with satellite big data applications and solutions; (2) satellite measurement and controlling; (3) satellite manufacturing; and (4) satellite launching.

As at 30 June 2021, the ultimate holding company of the Company is Vision International Group Limited (formerly known as Hong Kong Financial Assets Management Limited) and the immediate holding company of the Company is HKATH (formerly known as Hong Kong Aerospace Technology Group Limited), both of the companies are incorporated in Hong Kong. The ultimate controlling party of the Group is Mr. Sun.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 16 August 2018.

This condensed consolidated interim financial information (“interim financial information”) is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (“RMB’000”), unless otherwise stated. This interim financial information was approved for issue on 26 August 2021.

This interim financial information has been reviewed, not audited.

2 BASIS OF PREPARATION

This interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial information does not include all the notes of the type normally included in an annual report. Accordingly, this interim financial information is to be read in conjunction with the annual report for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standard (“HKFRS”).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2020, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of new and amended standard as set out below. The accounting policy for business combination under common control is set out in Note 21. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and amended standards adopted by the Group

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

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

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

4 ESTIMATES

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

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements in the annual report for the year ended 31 December 2020.

5 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

This interim financial information does not include all financial risk management information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the annual report for the year ended 31 December 2020. There have been no significant changes in the risk management policies since the year end.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 FINANCIAL RISK MANAGEMENT (Continued)

(b) Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets that are measured at fair value at 30 June 2021 and 31 December 2020.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 30 June 2021 (unaudited)				
Assets				
Derivative financial instruments	–	1,396	–	1,396
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
At 31 December 2020 (audited)				
Assets				
Derivative financial instruments	–	399	–	399

There were no transfers among Levels 1, 2 and 3 and changes in valuation techniques during the period.

The carrying amounts of the Group's other financial assets and financial liabilities approximated their fair values as at 30 June 2021 and 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION

The Company is an investment holding company and the Group is principally engaged in (i) EMS business; and (ii) aerospace business, currently under the “Golden Bauhinia Constellation” project, which includes (1) smart city with satellite big data applications and solutions; (2) satellite measurement and controlling; (3) satellite manufacturing; and (4) satellite launching.

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

In previous years, the Board considered that the Group has one reportable operating segment, being EMS business. During the Review Period, the Group acquired 100% equity interest in SZ Gang Hang Ke and HKS which are principally engaged in satellite manufacturing and technological application in the aerospace industry. Therefore, the Board currently considers the Group’s operation from a business perspective and determines that the Group has two reportable operating segments being (i) EMS business and (ii) aerospace business.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenue and gross profit

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

	EMS business RMB'000	Aerospace business RMB'000	Total RMB'000
For the six months ended 30 June 2021 (unaudited)			
Segment revenue	258,447	–	258,447
Segment cost of sales	(243,858)	(239)	(244,097)
Segment gross profit/(loss)	14,589	(239)	14,350
Other segment information:			
Depreciation of properties, plant and equipment	3,107	172	3,279
Depreciation of right-of-use assets	4,212	38	4,250
Amortisation of intangible assets	317	–	317
Additions to non-current segment assets*	79,026	16,634	95,660
For the six months ended 30 June 2020 (unaudited)			
Segment revenue	295,256	–	295,256
Segment cost of sales	(280,424)	–	(280,424)
Segment gross profit	14,832	–	14,832
Other segment information:			
Depreciation of properties, plant and equipment	2,838	–	2,838
Depreciation of right-of-use assets	2,266	–	2,266
Amortisation of intangible assets	280	–	280
Additions to non-current segment assets*	72,089	–	72,089

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

	EMS business RMB'000	Aerospace business RMB'000	Total RMB'000
As at 30 June 2021 (unaudited)			
Segment assets	631,237	55,820	687,057
Segment liabilities	(405,167)	(30,088)	(435,255)
As at 31 December 2020 (audited)			
Segment assets	575,763	–	575,763
Segment liabilities	(325,473)	–	(325,473)

Reportable segment assets are reconciled to total assets as follows:

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Segment assets	687,057	575,763
Deferred income tax assets	2,464	–
Total assets	689,521	575,763

Reportable segment liabilities are reconciled to total liabilities as follows:

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Segment liabilities	435,255	325,473
Current income tax liabilities	7,450	–
Total liabilities	442,705	325,473

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (Continued)

(c) Disaggregation of revenue from contracts with customers

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

	Unaudited six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Timing of revenue recognition:		
At a point in time — sales of goods	230,614	269,825
Over time — provision of services	27,833	25,431
	258,447	295,256

(d) Revenue by customers' geographical location

The major revenue attributed to the Group is generated in the PRC. The Group's revenue by geographical location, which is determined by the location of customers, is as follows:

	Unaudited six months ended 30 June	
	2021 RMB'000	2020 RMB'000
The PRC	180,416	264,001
USA	44,167	2
South Korea	12,373	9,031
Australia	10,921	—
Austria	5,470	1,440
India	2,873	11,692
Hong Kong	1,591	5,137
Others <i>(Note)</i>	636	3,953
	258,447	295,256

Note:

Others include Brazil, United Kingdom and Germany.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 REVENUE AND SEGMENT INFORMATION (Continued)

(e) Non-current assets by geographical location

As at 30 June 2021 and 31 December 2020, the Group's non-current assets other than financial instruments and deferred tax assets by geographical location is as follows:

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
The PRC	226,234	138,880
Germany	156	–
	226,390	138,880

(f) Major customers

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

	Unaudited six months ended 30 June 2021 RMB'000	2020 RMB'000
Customer A	58,645	192,573
Customer B	46,185	–
Customer C	31,255	–

The five largest customers accounted for approximately 70.2% (six months ended 30 June 2020: 88.3%) of revenue for the six months ended 30 June 2021.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 EXPENSES BY NATURE

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

	Unaudited six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Cost of raw materials used	184,571	219,361
Consumables	329	911
Subcontracting charges	16,960	28,267
Employee benefit expenses and manpower service expenses, including Directors' emoluments (Note 23)	39,204	25,999
Rental expenses of short-term leases in respect of machinery	3,852	5,259
Utilities	1,669	1,757
Depreciation of properties, plant and equipment (Note 13)	3,279	2,838
Depreciation of right-of-use assets (Note 13)	4,250	2,266
Amortisation (Note 14)	317	280
Auditor's remuneration		
— Audit services	1,048	362
— Non-audit services	—	—
Professional fees	2,641	3,283
Office expenses	174	198
Provision/(reversal of provision) for inventories (Note 16)	1,103	(1,846)
Other tax and surcharges	531	304
Transportation	1,170	2,960
(Reversal of)/provision for impairment of trade receivables (Note 17)	(378)	4,552
Others	5,338	4,462
Total cost of sales, selling and distribution expenses, administrative expenses and (reversal of)/provision for impairment of trade receivables	266,058	301,213

8 OTHER INCOME

	Unaudited six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Government grants	2,124	7,181
Others	15	—
	2,139	7,181

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 OTHER GAINS/(LOSSES), NET

	Unaudited six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Exchange differences	(124)	(829)
Realised gains from derivative financial instruments	713	–
Unrealised gains from derivative financial instruments	998	–
	1,587	(829)

10 INCOME TAX EXPENSE/(CREDIT)

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

During the six months ended 30 June 2020, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit.

During the six months ended 30 June 2021 and 2020, the Group's subsidiaries in the PRC are subject to the China corporate income tax ("PRC CIT") at a rate of 25% on estimated assessable profits. However, Shenzhen Hengchang Sheng Technology Company Limited*, the Group's major subsidiary in the PRC is qualified for high and new technology enterprise status and is therefore subject to a preferential income tax rate of 15%.

	Unaudited six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Current income tax		
— PRC CIT	1,268	610
— Hong Kong profits tax	–	52
	1,268	662
Deferred income tax	(1,072)	(1,024)
Income tax expense/(credit)	196	(362)

* For identification purpose only

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 (LOSS)/EARNINGS PER SHARE

The basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2021 and 2020.

	Unaudited six months ended 30 June	
	2021	2020
(Loss)/profit attributable to equity holders of the Company (RMB'000)	(4,137)	560
Weighted average number of ordinary shares in issue (thousands of shares)	300,000	300,000
Basic and diluted (loss)/earnings per share (RMB cents)	(1.379)	0.187

There were no differences between the basic and diluted (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2021 and 2020.

12 DIVIDENDS

No dividend has been paid or declared by the Company during the six months ended 30 June 2021 and 2020.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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

	Properties, plant and equipment RMB'000	Right-of-use assets RMB'000	Total RMB'000
As at 1 January 2021 (audited)			
Cost	139,890	53,792	193,682
Accumulated depreciation	(57,881)	(14,021)	(71,902)
Net book amount	82,009	39,771	121,780
Six months ended 30 June 2021 (unaudited)			
Opening net book amount	82,009	39,771	121,780
Common control combination (Note 21)	210	–	210
Additions	40,831	32,833	73,664
Depreciation	(3,279)	(4,527)	(7,806)
Exchange difference	(4)	(7)	(11)
Closing net book amount	119,767	68,070	187,837
As at 30 June 2021 (unaudited)			
Cost	181,183	78,237	259,420
Accumulated depreciation	(61,416)	(10,167)	(71,583)
Net book amount	119,767	68,070	187,837
As at 1 January 2020 (audited)			
Cost	91,757	49,943	141,700
Accumulated depreciation	(55,158)	(7,971)	(63,129)
Net book amount	36,599	41,972	78,571
Six months ended 30 June 2020 (unaudited)			
Opening net book amount	36,599	41,972	78,571
Additions	1,691	–	1,691
Depreciation	(2,838)	(2,266)	(5,104)
Exchange difference	9	–	9
Closing net book amount	35,461	39,706	75,167
As at 30 June 2020 (unaudited)			
Cost	93,459	48,939	142,398
Accumulated depreciation	(57,998)	(9,233)	(67,231)
Net book amount	35,461	39,706	75,167

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 PROPERTIES, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS (Continued)

As at 30 June 2021, properties, plant and equipment included buildings, furniture and fixtures, office equipment, plant and machinery, motor vehicles, satellite and construction in progress; and right-of-use assets included land-use rights, properties and plant and machineries.

During the six months ended 30 June 2021, depreciation expenses of approximately RMB277,000 (six months ended 30 June 2020: Nil) were included in construction in progress.

14 INTANGIBLE ASSETS

(a) Acquisitions

During the six months ended 30 June 2021, the Group acquired items of software system with a cost of approximately RMB17,000 (30 June 2020: RMB6,000).

(b) Amortisation

During the six months ended 30 June 2021, amortisation expenses of approximately RMB7,000 (30 June 2020: RMB7,000), RMB103,000 (30 June 2020: RMB82,000) and RMB207,000 (30 June 2020: RMB191,000) have been charged in selling and distribution expenses, administrative expenses and cost of sales respectively.

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Current portion		
Prepayments	28,100	16,543
Rental deposits (Note a)	6,917	7,237
Value-added tax receivables	1,490	5,322
Other receivables (Notes a and b)	10,475	616
	46,982	29,718
Non-current portion		
Prepayments for the acquisition of land-use-rights	19,890	8,000
Prepayments for construction works	11,670	7,654
Prepayments for the acquisition of properties, plant and equipment	6,010	163
Deposits (Note a)	2,230	28
	39,800	15,845
	86,782	45,563

Notes:

- (a) As at 30 June 2021 and 31 December 2020, the carrying amounts of deposits and other receivables approximated their fair values.
- (b) The amounts were unsecured, interest free and repayable on demand.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 INVENTORIES

During the six months ended 30 June 2021, the cost of inventories recognised as expense and included in cost of sales amounted to approximately RMB243,308,000 (30 June 2020: RMB280,120,000), which included provision/(reversal of provision) for inventories amounting to approximately RMB1,103,000 (30 June 2020: RMB(1,846,000)).

17 CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Contract assets	3,560	5,517
Trade receivables	164,616	97,370
Bills receivables	3,570	14,916
Less: provision for impairment of trade receivables	(5,287)	(5,680)
Trade and bills receivables	162,899	106,606
Contract assets, trade and bills receivables	166,459	112,123

Contract assets represent the Group's rights to consideration for work completed but unbilled for its services. The contract assets will transfer to trade receivables when the rights become unconditional which generally takes one to three months. The balances of contract assets as at 30 June 2021 and 31 December 2020 represented the amounts of services that were completed but unbilled before the end of the period/year.

As at 30 June 2021 and 31 December 2020, the carrying amounts of contract assets, trade and bills receivables approximated their fair values.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

17 CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES (Continued)

As at 30 June 2021 and 31 December 2020, the aging analysis of trade and bills receivables, based on invoice date, is as follows:

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Within 3 months	159,355	102,925
Over 3 months	8,831	9,361
	168,186	112,286
Less: provision for impairment of trade receivables	(5,287)	(5,680)
	162,899	106,606

Movements of the provision for impairment of trade receivables are as follows:

	Unaudited six months ended 30 June 2021 RMB'000	2020 RMB'000
At beginning of the period	5,680	595
Provision for impairment of trade receivables on individual basis	–	4,552
Reversal of provision for impairment of trade receivables on individual basis	(378)	–
Exchange difference	(15)	(206)
At end of the period	5,287	4,941

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 DERIVATIVE FINANCIAL INSTRUMENTS

	Unaudited 30 June 2021		Audited 31 December 2020	
	Assets RMB'000	Liabilities RMB'000	Assets RMB'000	Liabilities RMB'000
Forward exchange contracts				
— non-hedge instruments	1,396	—	399	—

Derivatives held for trading purpose are classified as a current asset or liability. As at 30 June 2021, the Group had outstanding gross-settled foreign currency forward contracts to sell USD8,500,000 for RMB56,870,000 (31 December 2020: USD14,500,000 for RMB96,240,000).

Derivative financial instruments are presented within operating activities as part of changes in working capital in the condensed consolidated statement of cash flows.

Fair value gains and losses on derivative financial instruments are recognised in "other gains/(losses), net" in the condensed consolidated income statement.

The maximum exposure to credit risk at the reporting date is the fair value of the derivative financial instruments in the condensed consolidated balance sheet.

19 TRADE AND BILLS PAYABLES

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Trade payables	178,406	162,957
Bills payables	17,626	33,455
Trade and bills payables	196,032	196,412

As at 30 June 2021 and 31 December 2020, the aging analysis of trade and bills payables, based on invoice date, is as follows:

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Within 3 months	154,330	151,193
Over 3 months	41,702	45,219
	196,032	196,412

As at 30 June 2021 and 31 December 2020, the carrying amounts of trade and bills payables approximated their fair values.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITIES

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Other payables	19,469	8,546
Payables for construction works	12,831	18,628
Other tax payables	4,695	1,684
Accruals	17,462	16,806
	54,457	45,664
Contract liabilities	68,598	33,248
	123,055	78,912

As at 30 June 2021 and 31 December 2020, the carrying amounts of other payables and accruals and contract liabilities approximated their fair values. They were unsecured, interest free and repayable on demand.

21 COMMON CONTROL COMBINATIONS

On 16 June 2021, the Group completed the acquisition of 100% equity interest in SZ Gang Hang Ke and HKS (collectively the “**acquired companies**”), for a consideration of RMB1,000,000 and HK\$20,000 (equivalent to approximately RMB16,000) respectively. The acquired companies are principally engaged in satellite manufacturing and technological application in the aerospace industry.

Mr. Sun has been the controlling shareholder of the Company since 21 April 2021. Since the acquired companies were also ultimately controlled by Mr. Sun, the aforesaid acquisitions are regarded as business combinations under common control, and are accounted for as if the acquisitions had occurred on the date when the combining entities first came under the control of the controlling shareholder by applying the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” (“**AG 5**”).

Accordingly, the assets and liabilities acquired in the common control combinations are stated at their carrying amounts as if they had been held or incurred by the Group from the later of 21 April 2021, the date on which the combining entities first came under the control of the controlling shareholder, or the relevant transactions giving rise to the assets or liabilities arose. The difference between the consideration paid and net assets/(liabilities) combined is adjusted to equity.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 COMMON CONTROL COMBINATIONS (Continued)

The provisional carrying amounts of assets acquired and liabilities assumed as at 21 April 2021 are summarised in the table below:

	SZ Gang Hang Ke RMB'000	HKS RMB'000	Total RMB'000
Consideration			
Cash paid	1,000	16	1,016
Provisional carrying amounts of assets acquired and liabilities assumed			
Cash and cash equivalents	6,142	–	6,142
Prepayments, deposits and other receivables	10,704	–	10,704
Properties, plant and equipment (Note 13)	210	–	210
Other payables and accruals	(10,065)	(1,022)	(11,087)
Amount due to the immediate holding company	(3,584)	(7)	(3,591)
Amount due to the ultimate holding company	–	(12)	(12)
Amount due to a related company	–	(15)	(15)
Total net assets/(liabilities)	3,407	(1,056)	2,351
Adjustment to equity for common control combinations	2,407	(1,072)	1,335

22 CAPITAL COMMITMENTS

Capital expenditure contracted for at the end of the period/year but not yet incurred is as follows:

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Contracted but not provided for: Properties, plant and equipment	54,981	44,558

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

23 RELATED PARTY TRANSACTIONS

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party in holding power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

The ultimate holding company, the immediate holding company and controlling shareholder of the Group are disclosed in Note 1.

Save as disclosed elsewhere, major related parties that had transactions with the Group during the six months ended 30 June 2021 and 2020 were as follows:

Name of related parties	Relationship with the Company
Hong Kong Financial Assets Holdings Limited	Controlled by a director
Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司)	Controlled by a director

(a) Transactions with related parties

Save as disclosed elsewhere in the interim financial information, during the six months ended 30 June 2021 and 2020, the following transactions were carried out with related parties at terms mutually agreed by both parties:

(i) Office rental and management fees paid to a related company

	Unaudited six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司) (Note)	450	392

Note:

Rental and management fees were charged based on terms mutually agreed with the related party and in the ordinary course of business.

* For identification purpose only

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

23 RELATED PARTY TRANSACTIONS (Continued)

(b) Key management compensation

Key management compensation including Directors' compensation paid or payable to key management for employee services is shown below:

	Unaudited six months ended 30 June	
	2021 RMB'000	2020 RMB'000
Wages and salaries	1,675	855
Pension costs — defined contribution plan	115	10
	1,790	865

(c) Balances arising from related party transactions

	Unaudited 30 June 2021 RMB'000	Audited 31 December 2020 RMB'000
Amounts due to the immediate holding company (Note i)	9,644	—
Amount due to the ultimate holding company (Note i)	12	—
Amount due to Hong Kong Financial Assets Holdings Limited (Note i)	15	—
Rental deposit paid to Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司) (Note ii)	119	119

Notes:

- (i) Balances were unsecured, interest free and repayable on demand. Their carrying amounts approximated its fair value.
- (ii) Balance was unsecured, interest free and repayable within three years from the period/year end. Its carrying amount approximated its fair value.

* For identification purpose only

24 EVENTS AFTER REPORTING PERIOD

In July 2021, the Group entered into a construction contract with a contractor pursuant to which the contractor agreed to construct a production base for the internal use of the Group at Daya Bay Western District, Huizhou City, for a consideration of RMB165,000,000.