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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 ANNUAL RESULTS 2022

The Board of Directors (the “Board”) of China Aerospace International Holdings Limited (the “Company”) is pleased to announce the audited results and financial statements of the Company and its subsidiaries (collectively the “Group”) for the financial year ended 31 December 2022.

#### SUMMARY OF RESULTS

The audited consolidated results of the Group for the year ended 31 December 2022 and the comparative figures of the same period in 2021 are as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2022

|   | NOTES | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|---|-------|------------------|------------------|
| Revenue   | 3     | 4,501,532        | 4,745,367        |
| Cost of sales   |       | (3,512,426)      | (3,670,707)      |
| Gross profit  |       | 989,106          | 1,074,660        |
| Other income  | 4     | 82,446           | 76,899           |
| Other gains and losses  | 4     | (27,311)         | 3,801            |
| Net (loss) gain on lease terminations                                     | 4(i)  | (570,813)        | 200,861          |
| Impairment loss under expected credit loss (“ECL”) model, net of reversal |       | (174,921)        | (121,701)        |
| Selling and distribution expenses   |       | (69,826)         | (69,360)         |
| Administrative expenses   |       | (451,894)        | (417,002)        |
| Research and development expenses   |       | (155,523)        | (140,236)        |
| Fair value changes of investment properties                               |       | 139,571          | (47,724)         |
| Finance costs   |       | (76,243)         | (76,946)         |
| Share of results of associates  |       | (10,147)         | 20,375           |
| Share of results of joint ventures  |       | (168)            | (17,525)         |

|   |              | 2022                         | 2021                 |
|---|--------------|------------------------------|----------------------|
|   | <i>NOTES</i> | <i>HK\$'000</i>              | <i>HK\$'000</i>      |
| (Loss) profit before taxation                   | 5            | <b>(325,723)</b>             | 486,102              |
| Taxation  | 6            | <b>73,001</b>                | (82,888)             |
| (Loss) profit for the year                      |              | <u><b>(252,722)</b></u>      | <u>403,214</u>       |
| <br>(Loss) profit for the year attributable to: |              |                              |                      |
| Owners of the Company                           |              | <b>(119,918)</b>             | 345,764              |
| Non-controlling interests                       |              | <b>(132,804)</b>             | 57,450               |
|   |              | <u><b>(252,722)</b></u>      | <u>403,214</u>       |
| <br><b>(Loss) earnings per share</b>            |              |                              |                      |
| Basic and diluted                               | 7            | <u><b>(HK3.89 cents)</b></u> | <u>HK11.21 cents</u> |

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

|   | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| (Loss) profit for the year  | <u>(252,722)</u>        | <u>403,214</u>          |
| <b>Other comprehensive (expense) income includes:</b>                 |                         |                         |
| <i>Items that may be reclassified subsequently to profit or loss:</i> |                         |                         |
| Exchange differences arising on translating foreign operations        |                         |                         |
| - subsidiaries  | (682,298)               | 227,877                 |
| - associates  | (20,245)                | 9,154                   |
| - joint ventures  | (6,844)                 | 2,378                   |
|   | <u>(709,387)</u>        | <u>239,409</u>          |
| Total comprehensive (expense) income for the year                     | <u><b>(962,109)</b></u> | <u><b>642,623</b></u>   |
| Total comprehensive (expense) income for the year<br>attributable to: |                         |                         |
| Owners of the Company   | (652,295)               | 523,839                 |
| Non-controlling interests   | (309,814)               | 118,784                 |
|   | <u><b>(962,109)</b></u> | <u><b>642,623</b></u>   |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AT 31 DECEMBER 2022**

|  | <i>NOTES</i> | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|--------------|-------------------------|-------------------------|
| <b>Non-current assets</b>  |              |                         |                         |
| Property, plant and equipment                                      |              | 1,855,965               | 1,561,752               |
| Right-of-use assets  |              | 279,281                 | 188,188                 |
| Investment properties  |              | 8,895,276               | 9,796,960               |
| Interests in associates  |              | 254,481                 | 288,347                 |
| Interests in joint ventures  |              | 141,764                 | 148,776                 |
| Financial assets at fair value through profit or loss<br>("FVTPL") |              | 130,585                 | —                       |
| Deposit paid for property, plant and equipment                     |              | 32,753                  | 17,820                  |
| Long-term bank deposits  |              | —                       | 161,369                 |
| Pledged bank deposits  |              | 11,425                  | 8,068                   |
| Long term assets   | 9            | 920                     | 458,622                 |
|  |              | <u>11,602,450</u>       | <u>12,629,902</u>       |
| <b>Current assets</b>  |              |                         |                         |
| Inventories  |              | 513,484                 | 729,599                 |
| Trade and other receivables  | 9            | 1,049,900               | 1,558,942               |
| Amount due from a related party                                    |              | 11,950                  | 208                     |
| Financial assets at FVTPL  |              | 6,232                   | 5,564                   |
| Pledged bank deposits  |              | 30,240                  | 55,193                  |
| Restricted bank deposits   |              | 30,245                  | 32,325                  |
| Short-term bank deposits   |              | 372,340                 | 462,291                 |
| Cash and cash equivalents  |              | 1,648,987               | 1,395,138               |
|  |              | <u>3,663,378</u>        | <u>4,239,260</u>        |
| <b>Current liabilities</b>   |              |                         |                         |
| Trade and other payables   | 10           | 1,374,178               | 1,495,937               |
| Contract liabilities   |              | 49,510                  | 73,759                  |
| Lease liabilities  |              | 37,811                  | 31,499                  |
| Amount due to a joint venture                                      |              | 37,375                  | 37,375                  |
| Loan from a major shareholder                                      |              | 565,611                 | —                       |
| Loan from a related party  |              | 8,523                   | 13,508                  |
| Taxation payable   |              | 86,839                  | 119,743                 |
|  |              | <u>2,159,847</u>        | <u>1,771,821</u>        |
| <b>Net current assets</b>  |              | <u>1,503,531</u>        | <u>2,467,439</u>        |
| <b>Total assets less current liabilities</b>                       |              | <u>13,105,981</u>       | <u>15,097,341</u>       |

|   | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <b>Non-current liabilities</b>                      |                         |                         |
| Lease liabilities                                   | 118,386                 | 65,803                  |
| Loan from a major shareholder                       | —                       | 611,247                 |
| Loan from a related party                           | 870,023                 | 952,445                 |
| Deferred taxation                                   | 2,332,909               | 2,625,080               |
|   | <u>3,321,318</u>        | <u>4,254,575</u>        |
|   | <u>9,784,663</u>        | <u>10,842,766</u>       |
| <b>Capital and reserves</b>                         |                         |                         |
| Share capital                                       | 1,154,511               | 1,154,511               |
| Reserves  | 6,504,183               | 7,233,603               |
|   | <u>7,658,694</u>        | <u>8,388,114</u>        |
| <b>Equity attributable to owners of the Company</b> | <u>7,658,694</u>        | <u>8,388,114</u>        |
| <b>Non-controlling interests</b>                    | <u>2,125,969</u>        | <u>2,454,652</u>        |
|   | <u>9,784,663</u>        | <u>10,842,766</u>       |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
*FOR THE YEAR ENDED 31 DECEMBER 2022*

**1. BASIS OF PREPARATION**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair values.

**2. APPLICATION OF AMENDMENTS TO HKFRSs AND AGENDA DECISION OF THE IFRS INTERPRETATIONS COMMITTEE (THE "COMMITTEE")**

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following 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 2022 for the preparation of the consolidated financial statements:

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

In addition, the Group applied the agenda decision of the Committee, including "Lessor forgiveness of lease payments" (International Financial Report Standard ("IFRS") 9 "Financial Instruments" and IFRS 16 "Leases"), which is relevant to the Group.

The application of the amendments to HKFRSs and the Committee's agenda decision in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### 3. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the President, the chief operating decision maker ("CODM") of the Group, that are used to make strategic decisions. There are 6 reportable segments, namely Hi-Tech Manufacturing Business (including plastic products, liquid crystal display, printed circuit boards, intelligent chargers and industrial property investment) and Aerospace Service (including property investment in Shenzhen Aerospace Science & Technology Plaza (the "S&T 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 segment in both current and prior year. Accordingly, these were grouped in "Other Business".

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

#### For the year ended 31 December 2022

|  | Revenue                    |                                 |                   | Segment results<br>HK\$'000 |
|--|----------------------------|---------------------------------|-------------------|-----------------------------|
|  | External sales<br>HK\$'000 | Inter-segment sales<br>HK\$'000 | Total<br>HK\$'000 |                             |
| Hi-Tech Manufacturing Business                 |                            |                                 |                   |                             |
| Plastic products                               | 1,430,081                  | 48,080                          | 1,478,161         | 16,422                      |
| Liquid crystal display                         | 1,104,540                  | —                               | 1,104,540         | 51,265                      |
| Printed circuit boards                         | 1,258,426                  | —                               | 1,258,426         | 135,543                     |
| Intelligent chargers                           | 378,380                    | 6,367                           | 384,747           | 10,372                      |
| Industrial property investment                 | 9,485                      | 25,670                          | 35,155            | (1,114)                     |
|  | <u>4,180,912</u>           | <u>80,117</u>                   | <u>4,261,029</u>  | <u>212,488</u>              |
| Aerospace Service                              |                            |                                 |                   |                             |
| Property investment in S&T Plaza               | 310,268                    | 2,866                           | 313,134           | 389,340                     |
| Reportable segments total                      | 4,491,180                  | 82,983                          | 4,574,163         | 601,828                     |
| Elimination                                    | —                          | (82,983)                        | (82,983)          | —                           |
| Other Business                                 | 10,352                     | —                               | 10,352            | 650                         |
|  | <u>4,501,532</u>           | <u>—</u>                        | <u>4,501,532</u>  | 602,478                     |
| Unallocated corporate income                   |                            |                                 |                   | 37,600                      |
| Unallocated corporate expenses                 |                            |                                 |                   | (85,696)                    |
| Unallocated gains and losses                   |                            |                                 |                   | (17,508)                    |
| Net loss on lease terminations                 |                            |                                 |                   | (570,813)                   |
| Impairment loss under ECL ,<br>net of reversal |                            |                                 |                   | (174,921)                   |
| Provision for litigation                       |                            |                                 |                   | (30,305)                    |
| Share of results of associates                 |                            |                                 |                   | (10,147)                    |
| Share of results of joint ventures             |                            |                                 |                   | (168)                       |
| Finance costs                                  |                            |                                 |                   | (76,243)                    |
| Loss before taxation                           |                            |                                 |                   | <u>(325,723)</u>            |

For the year ended 31 December 2021

|   | Revenue                       |                                    |                   | Segment<br>results<br>HK\$'000 |
|---|-------------------------------|------------------------------------|-------------------|--------------------------------|
|   | External<br>sales<br>HK\$'000 | Inter-segment<br>sales<br>HK\$'000 | Total<br>HK\$'000 |                                |
| Hi-Tech Manufacturing Business                      |                               |                                    |                   |                                |
| Plastic products                                    | 1,459,512                     | 69,572                             | 1,529,084         | 32,084                         |
| Liquid crystal display                              | 1,062,204                     | —                                  | 1,062,204         | 57,430                         |
| Printed circuit boards                              | 1,334,669                     | —                                  | 1,334,669         | 85,650                         |
| Intelligent chargers                                | 421,123                       | 27,937                             | 449,060           | 7,230                          |
| Industrial property investment                      | 11,260                        | 25,280                             | 36,540            | 7,125                          |
|   | <u>4,288,768</u>              | <u>122,789</u>                     | <u>4,411,557</u>  | <u>189,519</u>                 |
| Aerospace Service                                   |                               |                                    |                   |                                |
| Property investment in S&T Plaza                    | 440,370                       | 877                                | 441,247           | 301,009                        |
| Reportable segments total                           | 4,729,138                     | 123,666                            | 4,852,804         | 490,528                        |
| Elimination   | —                             | (123,666)                          | (123,666)         | —                              |
| Other Business                                      | 16,229                        | —                                  | 16,229            | 5,890                          |
|   | <u>4,745,367</u>              | <u>—</u>                           | <u>4,745,367</u>  | 496,418                        |
| Unallocated corporate income                        |                               |                                    |                   | 53,010                         |
| Unallocated corporate expenses                      |                               |                                    |                   | (73,819)                       |
| Unallocated gains and losses                        |                               |                                    |                   | 5,429                          |
| Net gain on lease terminations                      |                               |                                    |                   | 200,861                        |
| Impairment loss under ECL model,<br>net of reversal |                               |                                    |                   | (121,701)                      |
| Share of results of associates                      |                               |                                    |                   | 20,375                         |
| Share of results of joint ventures                  |                               |                                    |                   | (17,525)                       |
| Finance costs                                       |                               |                                    |                   | (76,946)                       |
| Profit before taxation                              |                               |                                    |                   | <u>486,102</u>                 |

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by/loss from each segment without allocation of share of results of associates, share of results of joint ventures, finance costs, net (loss) gain on lease terminations, impairment loss under ECL (net of reversal), unallocated gains and losses (including unallocated exchange gains (losses), change in fair value of financial assets at FVTPL and gain on deemed partial disposal of an associate), unallocated corporate income (including interest income and other unallocated income) and unallocated corporate expenses. Since the management considers that the loss on lease termination with the two whole lease tenants and the impairment loss under ECL model recognised during the year regarding the Aerospace Services are one-off event, the amounts are excluded from the segment result for the year ended 31 December 2022 and 2021. 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

|   | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| The Group's other income comprises:                                 |                         |                         |
| Interest income   | 37,186                  | 37,109                  |
| Sales of scrap materials  | 23,570                  | 24,733                  |
| Government subsidies (Note a)                                       | 11,651                  | 9,928                   |
| Government grants in respect of COVID-19-related subsidies (Note b) | <u>2,272</u>            | <u>—</u>                |

The Group's other gains and losses mainly comprise:

|  |                 |          |
|--|-----------------|----------|
| Net exchange loss  | (8,712)         | (3,400)  |
| Net gain from change in fair value of financial assets at FVTPL          | 18,290          | 1,669    |
| Net (loss) gain on disposal/written off of property, plant and equipment | (1,076)         | 17       |
| Gain on deemed partial disposal of an associate                          | —               | 5,289    |
| Provision for litigation (Note c)  | <u>(30,305)</u> | <u>—</u> |

Notes:

- (a) The government subsidies mainly represent the incentive provided by the PRC local authorities to the Group for encouragement of business development. There were no specific conditions attached to the grants and the Group recognised the grants upon receipts.
- (b) During the year ended 31 December 2022, the Group recognised government grants in respect of COVID-19-related subsidies, including subsidies from the Employment Support Schedule provided by the Hong Kong Government of HK\$2,272,000. (2021: Nil)
- (c) In prior years, a subsidiary of the Group was involved in a litigation with a third party in relation to the contract dispute and no provision is made in prior year based on the legal advice. During the year ended 31 December 2022, since the court has ruled in favor of the third party and a provision is recorded.



#### 4(i). NET (LOSS) GAIN ON LEASE TERMINATIONS

|                               | 2022<br>HK\$'000 | 2021<br>HK\$'000 |
|-------------------------------|------------------|------------------|
| Net loss on lease termination | (570,813)        | —                |
| Net gain on land resumptions  | —                | 200,861          |
|                               | <u>(570,813)</u> | <u>200,861</u>   |

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

During the year ended 31 December 2022, the Group has announced that despite the fact that various approaches have been adopted to recover the rental arrears from Hangke Houhai, who entered into a 10-year office whole-lease agreement with the Group in 2016, the rental arrears issues remain unresolved as Hangke Houhai encountered difficulties in cash flows owing to the unsatisfactory subletting rate after the withdrawal of the lease of the major tenants. Shenzhen Aerospace has filed civil complaint with Shenzhen City Nanshan District People's Court, Guangdong Province (the "Nanshan Court") in 2022 and the Nanshan Court has officially accepted the filing of the complaint against Hangke Houhai as the defendant, to claim for the outstanding amount of the billed lease receivables and penalty for breach of the whole-lease contract.

Meanwhile, during the year ended December 2022, Shenzhen Aerospace received a civil complaint (the "Hangke Houhai Complaint") served by the Nanshan Court in relation to a claim filed by Hangke Houhai against Shenzhen Aerospace. Pursuant to the Hangke Houhai Complaint, Hangke Houhai requested the court to order Shenzhen Aerospace to pay Hangke Houhai the sum of approximately RMB119,000,000, being (i) the operating loss incurred due to the delay in delivery of property and provision of realty title certificate to Hangke Houhai; (ii) the damages for late payment to be calculated according to the double of the PRC's loan prime rate, from the date when the loss report was made (i.e. 8 November 2018) until the date of actual payment; and (iii) the litigation expenses associated with the claim. In addition, Hangke Houhai has filed additional claim for a refund from Shenzhen Aerospace for overpaid rent since Covid-19 pandemic of approximately RMB49,800,000 and consequential interest loss. As at the date of this report, the abovesaid litigations with Hangke Houhai have been heard by the Nanshan Court and are pending judgment of the first instance.

After considering the advice from the legal advisor of Shenzhen Aerospace, the directors of the Company believe that the claims can be successfully defended 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.

In addition, during the year ended 31 December 2022, the Group has further announced that Huabaorun, who entered into a 15-year commercial properties whole-lease agreement with the Group in 2016, has continuously failed to pay the rental, and despite various approaches adopted by Shenzhen Aerospace to recover the arrears and numerous discussions with Huabaorun, the rental arrears issue remains unresolved. Shenzhen Aerospace filed a civil complaint with Nanshan Court and subsequent to the year end, the Nanshan Court has officially accepted the filing of the complaint against Huabaorun as the defendant, to claim for the outstanding amount of the billed lease receivables and the penalty for breach of the whole-lease contract.

Further details of the abovesaid lease termination and litigation, and additional claims to Hangke Houhai and Huabaorun subsequent to the year ended date are set out in the Company's announcements published on the website of the Stock Exchange.

As Hangke Houhai and Huabaorun have failed to fulfill its obligation under the original lease agreement, the Group has terminated the lease agreement and accounted for the lease termination in accordance with HKFRS 16. On the effective date of the abovesaid leases termination, the gross carrying amount of unbilled lease receivables which represent accrued rental income recognised on effective rental basis is derecognised and resulting in a loss on lease termination amounting to HK\$570,813,000.

## 5. (LOSS) PROFIT BEFORE TAXATION

|  | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| (Loss) profit before taxation has been arrived at after charging (crediting):  |                         |                         |
| Auditors' remuneration   | 4,403                   | 3,669                   |
| Cost of inventories charged to profit or loss including net reversal of allowance for obsolete inventories of HK\$16,152,000 (2021: HK\$369,000) | 3,462,625               | 3,624,196               |
| Depreciation of property, plant and equipment (note)   | 245,374                 | 201,817                 |
| Depreciation of right-of-use assets (note)   | 41,647                  | 41,446                  |
| Staff costs, including directors' remuneration (note)  | 944,229                 | 941,199                 |
| Gross rental income from investment properties   | (258,883)               | (370,482)               |
| Less: Direct operating expenses for investment properties that generated rental income during the year   | 11,451                  | 10,934                  |
|  | <u>(247,432)</u>        | <u>(359,548)</u>        |

Note: Staff costs, and depreciation of property, plant and equipment and right-of-use assets disclosed above included amounts capitalized in inventories.

## 6. TAXATION

|   | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| The tax charge (credit) for the year comprises: |                         |                         |
| Current tax                                     |                         |                         |
| Hong Kong Profits Tax                           | 9,309                   | 13,639                  |
| PRC Enterprise Income Tax ("EIT")               | 52,677                  | 118,065                 |
|   | <u>61,986</u>           | <u>131,704</u>          |
| Overprovision in prior years                    |                         |                         |
| Hong Kong Profits Tax                           | (2,765)                 | (225)                   |
| PRC EIT   | (1,012)                 | —                       |
|   | <u>(3,777)</u>          | <u>(225)</u>            |
| Deferred tax credit                             | (131,210)               | (48,591)                |
|   | <u>(73,001)</u>         | <u>82,888</u>           |

Hong Kong Profits Tax for both periods is calculated at 16.5% of the estimated assessable profits for the period, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Three subsidiaries (2021: three subsidiaries) of the Company operating in the PRC are eligible as High and New Technology Enterprise till the dates ranging from 1 December 2023 to 30 November 2025 (2021: from 1 December 2022 to 30 November 2023) and the income tax rate of these subsidiaries is 15%.

According to relevant laws and regulations promulgated by the State Tax Bureau of the PRC that was effective from 2008 onwards, enterprise engaging in research and development activities are entitled to claim 200% (2021: 200%) of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year.

## 7. (LOSS) EARNINGS PER SHARE

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

|   | 2022<br><i>HK\$'000</i>             | 2021<br><i>HK\$'000</i>             |
|---|-------------------------------------|-------------------------------------|
| <b><u>(Loss) earnings</u></b>   |                                     |                                     |
| (Loss) profit for the year attributable to owners of the Company for the purpose of basic and diluted (loss) earnings per share | <u>(119,918)</u>                    | <u>345,764</u>                      |
|   | 2022<br><b>Number<br/>of shares</b> | 2021<br><b>Number<br/>of shares</b> |
| <b><u>Number of shares</u></b>  |                                     |                                     |
| Number of ordinary shares for the purpose of basic and diluted (loss) earnings per share  | <u>3,085,022,000</u>                | <u>3,085,022,000</u>                |

The computation of diluted loss per share for the year ended 31 December 2022 assumes the conversion of convertible loan notes issued by its associate but has no impact on the overall diluted loss per share. (2021: No diluted earnings per share have been presented as there was no potential ordinary shares outstanding for the year).

## 8. DIVIDENDS

|  | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Dividends recognised as distribution during the year:  |                         |                         |
| 2022 interim dividend of HK0.5 cents per ordinary share                                      | <b>15,425</b>           | —                       |
| 2021 final dividend of HK2 cents (2021: 2020 final dividend of HK2 cents) per ordinary share | <u>61,700</u>           | <u>61,700</u>           |
|  | <u>77,125</u>           | <u>61,700</u>           |

A final dividend of HK2 cents per share in respect of the year ended 31 December 2022 (2021: HK2 cents) has been proposed by the board of directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

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

As at 31 December 2022, the Group's total trade and other receivables comprised of trade receivables arising from contracts with customers, leases receivables and other receivables, deposits and prepayments of HK\$946,632,000, net of allowance for credit losses of HK\$54,684,000 (2021: HK\$1,246,235,000, net of allowance for credit losses of HK\$30,034,000), HK\$3,420,000, net of allowance for credit losses of HK\$279,284,000 (2021: HK\$657,243,000, net of allowance for credit losses of HK\$114,070,000) and HK\$100,768,000, net of allowance for credit losses of HK\$57,952,000 (2021: HK\$114,086,000, net of allowance for credit losses of HK\$62,628,000), respectively.

The Group allows an average credit period of 30 to 120 days to its trade 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:

|                        | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|------------------------|-------------------------|-------------------------|
| Within 90 days         | 819,865                 | 1,074,453               |
| Between 91 - 180 days  | 115,987                 | 156,979                 |
| Between 181 - 365 days | 10,780                  | 14,803                  |
|                        | <u>946,632</u>          | <u>1,246,235</u>        |

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

|                       | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|-----------------------|-------------------------|-------------------------|
| Within 90 days        | 3,420                   | 100,781                 |
| Between 91 - 180 days | —                       | 47,011                  |
|                       | <u>3,420</u>            | <u>147,792</u>          |

## 10. TRADE AND OTHER PAYABLES

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

|                       | 2022<br><i>HK\$'000</i> | 2021<br><i>HK\$'000</i> |
|-----------------------|-------------------------|-------------------------|
| Within 90 days        | 505,251                 | 694,483                 |
| Between 91 - 180 days | 14,313                  | 8,157                   |
|                       | <u>519,564</u>          | <u>702,640</u>          |

## **CHAIRMAN'S STATEMENT**

In 2022, affected by the adverse situation such as the continuous spread of the novel coronavirus pandemic, the significant fluctuation in commodity prices and the continuous rise in interest rates and inflation, the global economic operation and development faced greater downward pressure and unstable factors, which posed severe challenges and huge difficulties to the operation of the Company and its subsidiaries. The management of the Company led the employees to actively work hard, forge ahead and overcome difficulties. With the working guidelines of maintaining stable growth, preventing risks, promoting reform and strengthening construction, and taking specific measures such as continuously promoting new capacity building and R&D innovation, seizing market opportunities, and further improving management efficiency and effectiveness through information technology, the Company responded to various challenges and ensured the stable development of various core businesses, pathing a more solid foundation for high-quality development.

## **RESULTS**

For the year ended 31 December 2022, the operating revenue of the Company and its subsidiaries was HK\$4,501,532,000, representing a decrease of 5.14% as compared with the operating revenue of HK\$4,745,367,000 in 2021; the loss for the year was HK\$252,722,000, representing a significant decrease as compared with the profit of HK\$403,214,000 in 2021; the loss attributable to shareholders for the year was HK\$119,918,000, representing a significant decrease as compared with the profit attributable to shareholders of HK\$345,764,000 in 2021; the basic loss per share attributable to shareholders was HK3.89 cents (2021: basic earnings per share of HK11.21 cents).

Taking into account the Company's cashflow and financial position, in order to reward shareholders for their support, the Board has resolved to declare a final dividend of HK2 cents per share for 2022.

According to the "14th Five-Year" Plan of the Company, the principal businesses of the Company include the modern manufacturing industry which utilizes the existing industrial enterprises with advanced and efficient automated production methods and high value-added products, and the modern service industry based on the property operation of Shenzhen Aerospace Science & Technology Plaza and Huizhou Industrial Garden. Modern manufacturing industry mainly includes research and development and production of high-density printed circuit board (PCB), liquid crystal display (LCD), liquid crystal module (LCM), and process research and development and manufacturing of intelligent power module (IPM) products, etc.

In 2022, hi-tech manufacturing industries continued to optimize their business, market and product structure, actively promoted technological innovation and improved production capacity and efficiency, and achieved relatively stable operating revenue, which was generally in line with expectations. For the whole year of 2022, the operating revenue of hi-tech manufacturing businesses was HK\$4,180,912,000, representing a decrease of 2.51% as compared with that of HK\$4,288,768,000 in 2021; the operating profit was HK\$212,488,000, representing an increase of 12.12% as compared with that of HK\$189,519,000 in 2021.

In terms of business segments, the PCB business timely adjusted the focus of domestic and overseas markets according to the development trend of the industry during the year, and focused on products such as integrated circuit boards and optoelectronic modules with high added value, and fully strengthened the development and cultivation of relevant new customers, and increased the proportion of high-density PCB in operation. The performance was relatively outstanding, and the operating profit recorded a significant increase as compared with 2021. The liquid crystal display business continued to implement production automation and promote technological innovation. While consolidating the European market, it also actively explored related markets in Japan, and recorded a certain increase in operating revenue as compared with 2021. The plastic injection moulding business was adversely affected by the frequent outbreaks of the pandemic, global inflation and the fifth wave of the outward relocation of enterprises in the mainland China. Besides, the operation of the production base invested and constructed in Vietnam did not show significant improvement, resulting in a significant decrease in the overall operating profit. Although the smart charger business was affected by the negative factors such as the novel coronavirus pandemic, the Sino-US trade dispute and the global economic slowdown, it actively adjusted the product structure during the year, increased investment in the research and development of new products, and vigorously promoted the upgrading and generation replacement of products, hence ensuring the growth of operating profit in a large extent.

In 2022, Shenzhen Aerospace Technology Investment Company Limited\* (深圳市航天高科投資管理有限公司) (“Shenzhen Aerospace”) recorded a total revenue of approximately HK\$310,268,000 (2021: HK\$440,370,000) and a segment profit of HK\$389,340,000 (2021: HK\$301,009,000) in respect of the property leasing and management business of Shenzhen Aerospace Science & Technology Plaza. In 2022, as the whole lease tenant of the office premises, Shenzhen Hangke Houhai Investment Development Company Limited\* (深圳市航科后海投資有限公司) (“Hangke Houhai”) was unable to fulfill its obligations under the whole lease agreement, Shenzhen Aerospace and Hangke Houhai entered into a termination agreement; Shenzhen Huabaorun Management Limited\* (深圳市華保潤商業管理有限公司) (“Huabaorun”), the whole lease tenant of the commercial premises, also defaulted on rental payments and its whole lease contract was terminated. For details, please refer to the announcements of the Company dated 5 July 2022 and 7 November 2022 respectively. During the year, Shenzhen Aerospace commenced litigation against Hangke Houhai for the recovery of rent arrears, etc. The litigation is still in progress. In this respect, Shenzhen Aerospace was required to recognize a loss on lease termination amounting to HK\$570,813,000 for the accrued rental income and additional impairment loss under expected credit loss model (net) amounting to HK\$147,334,000, which affected the annual results and resulted in a significant loss. Excluding the effect of increase in fair value of investment properties, loss on lease termination and impairment on billed rental receivables, the operating profit of Shenzhen Aerospace was HK\$179,900,000 (2021: HK\$171,803,000). As at 31 December 2022, Shenzhen Aerospace Science & Technology Plaza was valued at approximately RMB 7,860,000,000 (31 December 2021: RMB 7,734,464,000).

During the year, hi-tech manufacturing industries made a lot of efforts in product development and capacity enhancement, and made certain progress. Among which, the intelligent power module (IPM) product had transitioned to corporate commercialized operation from project research and development. With Zhihao Microelectronics (Huizhou) Co., Ltd.\* (志豪微電子(惠州)有限公司) (“Zhihao Microelectronics”) as the operating vehicle, it had been equipped with improved ability to accept small batch orders from users, including the commercialized production of package products such as DIP25 and DIP29. In addition, the Integrated Circuit Package Plate Project of Nantong Hong Yuen Circuit Technology Co., Limited\* (南通康源電路科技有限公司) (“Nantong Hong Yuen”) is under active planning. It is expected that the project will greatly promote the enhancement of the production and operation capacity of carrier plates and high-density PCB, and fill the gap of industrial layout in the Yangtze River Delta region.

In 2022, the Company insisted on promoting technological innovation as one of the main elements leading higher and stronger development. During the year, the Company made necessary and timely investment in fields such as technological innovation, research and development, and achieved fruitful results. Dong Guan Hong Yuen Electronics Co., Limited (東莞康源電子有限公司) (“Dong Guan Hong Yuen”) won the second prize of Dongguan Science and Technology Progress Award; Conhui(Hui Zhou) Semiconductor Co., Ltd. (康惠(惠州)半導體有限公司) (“Conhui Semiconductor”) successfully made breakthroughs in 3D touch modules and fingerprint recognition technologies, and realized the generation replacement and upgrading of products; the research and development project of 5G millimetre-wave filters of the Intelligent Research Institute has achieved phased progress, and the process equipment of the trial production line has been basically in place, creating sufficient conditions for the next step.

The Plants Construction Project Phase 5 of China Aerospace (Huizhou) Industrial Garden Limited\* (航天科技(惠州)工業園發展有限公司) (“HZ Industrial Garden”), a subsidiary of the Company, is in compliance with regulations and in an orderly manner with a total construction area of approximately 41,000 square metres. Upon completion, it will provide more ample space for the development of the IPM and plastic injection moulding businesses, and form a better foundation for the expansion of capacity of the Company. During the year, the project had obtained government planning review and building approval, and the construction is expected to be completed in October 2023. Details please refer to the Company’s announcement dated 12 October 2022.

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 of the Company engaged in the research and development, production and sales of polyamide films, performed satisfactorily since its listing on the Sci-Tech Innovation Board of Shanghai Stock Exchange. During the year, the Company received an annual dividend of approximately RMB 2,945,800 for the year ended 2021 from Rayitek.

## **PROSPECTS**

Looking ahead to 2023, while the novel coronavirus pandemic is gradually subsiding and various pandemic prevention and control measures are being gradually lifted, and major economies around the world are working to create conditions for economic recovery and development, the operating environment and situation are still full of uncertainties due to geopolitical risks and unfavourable factors such as rising interest rates. The Company will continue to implement the “14th Five-Year Plan” in accordance with the working ideas of “market-oriented requirements, international-oriented standards and professional-oriented operation”, adhere to innovation as the primary driving force for development, adhere to the combination of investment and demand, the matching of capacity and development, adhere to both “hard power” and “soft power”, increase investment in the construction of advanced manufacturing capacity, accelerate the adjustment of industrial layout, and ensure the realization of development goals. This includes investment in the construction of the production capacity of Nantong Hong Yuen, Zhihao Microelectronics, 5G millimeter-wave filters research and development line, the Plants Construction Project Phase 5 of HZ Industrial Garden, etc. On the other hand, after the termination of the whole lease agreements between Shenzhen Aerospace and Hangke Houhai, and Huabaorun respectively, the project has been changed to self-operated leasing model. Shenzhen Aerospace will further improve its operating capacity and operating quality, and is expected to restore the occupancy rate to a higher level. To achieve breakthroughs in innovation capability, market development, development mode and international-oriented operation, the Company will strive to build itself into an advanced manufacturing company, a modern service company and a high-tech industrial company, and a listed company with strong value creation ability, so as to generate good results for shareholders. With the continuous consolidation and improvement of various necessary construction and infrastructure, and the continuous improvement and optimization of various management measures and rules and regulations, the Company is confident that its prospects and development are optimistic and bright.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **RESULTS PERFORMANCE**

The revenue of the Company and the subsidiaries for the year ended 31 December 2022 was HK\$4,501,532,000, representing a decrease of 5.14% as compared with that of HK\$4,745,367,000 for 2021. The loss of this year was HK\$252,722,000, representing a significant decrease as compared with a profit of HK\$403,214,000 for 2021.

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

Loss attributable to the owners of the Company was HK\$119,918,000, representing a significant decrease as compared with a profit of HK\$345,764,000 for 2021.

The decrease in revenue was mainly due to the decrease in rental income from Shenzhen Aerospace. The turnaround from profit to loss was mainly due to the termination of the respective whole-lease contracts during the year between Shenzhen Aerospace, a 60% indirect owned subsidiary of the Company, and its whole lease tenants, Hangke Houhai and Huabaorun. The Company hence made an impairment under ECL model on the billed lease receivables and loss on lease termination of approximately RMB124,939,000 and RMB484,042,000 respectively, being a sum of approximately RMB608,981,000 (equivalent to approximately HK\$718,138,000).

Based on the issued share capital of 3,085,022,000 shares during the year, the basic loss per share was HK3.89 cents, representing a significant decrease as compared with basic earnings per share of HK11.21 cents for 2021.

### **DIVIDENDS**

Taking into account the Company’s financial and cash flow position, the Board proposed the distribution of 2022 final dividend of HK2 cents per share, subject to the approval by shareholders at the annual general meeting to be held on 21 June 2023. If approved, warrants of which will be dispatched to all shareholders on or about 18 July 2023.

The distribution of 2021 final dividend of HK2 cents per share was approved by shareholders at the annual general meeting in June 2022 and warrants of which were dispatched to all shareholders on 22 July 2022. During the year, the Board declared a 2022 interim dividend of HK0.5 cents per share for the six months ended 30 June 2022 on 30 August 2022 and warrants of which were dispatched to all shareholders on 14 October 2022.

## RESULTS OF CORE BUSINESSES

The core businesses of 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 revenue of the hi-tech manufacturing business is the main source of the Company's revenue and that contributes a significant profit and cash flow, while the property management business of Shenzhen Aerospace Science & Technology Plaza also brings in rental and 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*

In 2022, the novel coronavirus continued to affect the global economy. Amid the gradual recovery of supply chain and freight, raw materials and energy prices are still on the rise. Coupled with the volatile situation of epidemics in the Mainland, production and economic operations were affected to a certain extent, especially the establishment of new customers. As a result, the turnover of hi-tech manufacturing industries were affected. During the year, the hi-tech manufacturing industries continued to enhance production quality and automation through technological transformation and research and development, so as to maintain the scale and capacity of production. The overall business was able to maintain stable and sustainable development with double-digit growth in profit.

In particular, the printed circuit board business performed most satisfactorily, despite a slight decline in turnover. Based on new capacity building and technological innovation, the product structure continued to be optimized, with an increase in profit of 58.25% for the year. During the year, a wholly-owned subsidiary, Nantong Hong Yuan Circuit Technology Co., Limited\* (南通康源电路科技有限公司) (“Nantong Hong Yuen”) was established, and has acquired a parcel of industrial land located in Nantong Hi-Tech Industry Development Zone with a total area of 131,666 sq.m., planning for the construction of high density PCB production plants for self-use. It is expected to further increase the production capacity of integrated circuit packaging substrates. The intelligent charger business experienced a substantial drop in turnover due to a notable reduction in sales orders from major customers. However, through enhanced procurement management and cost control measures, the overall profit was significantly improved, resulting in a 43.46% increase in profit for the year. The liquid crystal display business achieved stable overall product quality through technological innovation and quality control, resulting in a nearly 4% increase in turnover compared to last year. However, due to changes in the industrial cycle and geopolitical factors, the profit dropped by about 11%. During the year, a newly incorporated indirect wholly-owned subsidiary of the Company, Zhihao Microelectronics (Huizhou) Company Limited\* (志豪微电子(惠州)有限公司) (“Zhihao Microelectronics”), was established to plan and build an assembly line based on the research and development of intelligent power modules (IPM), as well as to gradually develop an assembly module production capacity, expected to contribute to the Company's profitability. The plastic products business was affected by the losses recorded in Vietnam business, resulting in a significant decline in profit by 48.82%.

On 12 October 2022, China Aerospace (Huizhou) Industrial Garden Limited\* (航天科技(惠州)工业园发展有限公司) (“HZ Industrial Garden”), a 90% directly owned subsidiary of the Company, entered into the Construction Contract with Huizhou Construction Engineering Co., Ltd.\* (惠州市建筑工程有限公司) (“Huizhou Construction”) in relation to the Plants Construction Project Phase 5 at a consideration of RMB94,546,637.19 (equivalent to approximately HK\$104,381,458). Upon completion expected in October 2023, the plants will be used as the production plants of the Company and its subsidiaries. Details of which please refer to the Company's announcement published on 12 October 2022.



Besides, since the establishment of the Company's Intelligent Research Institute in 2021, it focuses on new technology development and products exploration, leading research and development direction of hi-tech manufacturing business and assisting in product upgrades and transformation of manufacturing capabilities. During the year, the focus on research and development of the 5G millimetre-wave filters chip has attained stage progress in passing the TriPollar radio frequency performance assessment, and is moving towards the industrialization of 5G millimetre-wave filters chip.

For the year ended 31 December 2022, the revenue of the hi-tech manufacturing business was HK\$4,180,912,000, representing a decrease of 2.51% compared to last year; the operating profit was HK\$212,488,000, representing an increase of 12.12% compared to last year. The results of the hi-tech manufacturing business are shown below:

|                                | Turnover (HK\$'000) |                  |               | Operating Profit (HK\$'000) |                |              |
|--------------------------------|---------------------|------------------|---------------|-----------------------------|----------------|--------------|
|                                | 2022                | 2021             | Changes (%)   | 2022                        | 2021           | Changes (%)  |
| Plastic Products               | 1,430,081           | 1,459,512        | (2.02)        | 16,422                      | 32,084         | (48.82)      |
| Printed Circuit Boards         | 1,258,426           | 1,334,669        | (5.71)        | 135,543                     | 85,650         | 58.25        |
| Intelligent Chargers           | 378,380             | 421,123          | (10.15)       | 10,372                      | 7,230          | 43.46        |
| Liquid Crystal Display         | 1,104,540           | 1,062,204        | 3.99          | 51,265                      | 57,430         | (10.73)      |
| Industrial Property Investment | 9,485               | 11,260           | (15.76)       | (1,114)                     | 7,125          | Loss         |
| <b>Total</b>                   | <b>4,180,912</b>    | <b>4,288,768</b> | <b>(2.51)</b> | <b>212,488</b>              | <b>189,519</b> | <b>12.12</b> |

Looking ahead to 2023, it is expected that economic activity will gradually return to normal as countries reopen while the impact of the novel coronavirus pandemic recedes. However, changes in the political and economic situation are expected to bring uncertainty to the business environment. In addition, the instability in the supply chain and persistent expectations of interest rate hikes will put pressure on profits. While the economy is recovering, hidden risks still exist. During this time of risks and opportunities, the hi-tech manufacturing business will seize the chance to actively explore the market and perform well in risk management. The business will also improve its level of production automation and research and development capability, maintain production scale and production capacity, and recruit professional talents, continue to develop high-end products and develop new technologies, so as to meet the ever-changing market environment.

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

In 2022, Shenzhen Aerospace terminated the whole lease contracts with Hangke Houhai and Huabaorun respectively, and filed a civil complaint against Hangke Houhai for the arrears of rent. The relevant litigations are still being processed. For details, please refer to the company's announcements on 12 May 2022, 14 June 2022, 5 July 2022, 30 September 2022 and 7 November 2022 respectively. In this respect, Shenzhen Aerospace was required to recognize a loss on lease termination amounting to HK\$570,873,000 for the accrued rental income and additional impairment loss under expected credit loss model amounting to HK\$147,334,000. 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. Having taken over the existing tenants, Shenzhen Aerospace will endeavour to source new tenants. As at 31 December 2022, the occupancy rates for commercial premises and office premises of Shenzhen Aerospace Science & Technology Plaza were 39.4% and 32.7%, respectively.

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 property management, recorded a total revenue of HK\$310,268,000 (2021: HK\$440,370,000) and a segment profit of HK\$389,340,000 (2021: HK\$301,009,000), mainly contributed from the rental and property management fee incomes and increase in the fair value of investment properties during the year.

As at 31 December 2022, Shenzhen Aerospace Science & Technology Plaza was valued at approximately RMB7,860,000,000 (2021: RMB7,734,464,000).

In 2023, Shenzhen Aerospace will focus its effort on self-managed operation and further enhance the occupancy rate of its property by working with agencies and strengthening publicity. In addition, communication with the Nanshan District Science and Technology Bureau and Innovation and Technology Bureau will be strengthened, and the licensing of the “Nanshan District Joint Investment Promotion Office” will be used to introduce large-scale enterprises to settle in, 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 23.38% interest through its direct wholly-owned subsidiary, CASIL New Century Technology Development (Shenzhen) Company Limited\*(航科新世紀科技發展(深圳)有限公司) (“CASIL New Century”), distributed a dividend of RMB0.7 per 10 shares during the year and the Company received dividends of approximately RMB2,945,800 in total. On 18 August 2022, Rayitek issued Convertible Bonds. After considering the business performance of Rayitek and in order to maintain the Company’s proportion of shareholdings in Rayitek, the Board resolved that CASIL New Century to subscribe for the Convertible Bonds issued by Rayitek at the face value of RMB100 for each in proportion to its shareholding at a consideration of RMB100,494,000. Details of which please refer to the Company’s announcement published on 18 August 2022.

## ASSETS

| <b>(HK\$’000)</b>   | <b>31 December 2022</b> | 31 December 2021 | Changes(%) |
|---------------------|-------------------------|------------------|------------|
| Non-Current Assets  | <b>11,602,450</b>       | 12,629,902       | (8.14)     |
| Current Assets      | <b>3,663,378</b>        | 4,239,260        | (13.58)    |
| <b>Total Assets</b> | <b>15,265,828</b>       | 16,869,162       | (9.50)     |

The decrease in non-current assets was mainly due to the derecognition of certain unbilled lease receivables, the reclassification of 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 receivables and inventories.

The equity attributable to shareholders of the Company for the year was HK\$7,658,694,000, representing a decrease of 8.7% as compared with that of HK\$8,388,114,000 as at the end of 2021.

The equity attributable to shareholders of the Company decreased as compared with the end of last year, which was mainly due to the loss incurred during the year. Based on the issued share capital of 3,085,022,000 shares during the year, the net assets per share attributable to shareholders of the Company was HK\$2.48.

As at 31 December 2022, a cash deposit of HK\$41,665,000 and bills receivable of HK\$83,449,000 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 of Shenzhen Aerospace Science & Technology Plaza were mortgaged by Shenzhen Aerospace to Aerospace Science & Technology Finance Company Limited\* (航天科技財務有限責任公司) so as to obtain a 12-year term loan facility in the amount of RMB1,300,000,000. Details of which please refer to the Company’s announcement published on 30 August 2016.

## LIABILITIES

| <b>(HK\$’000)</b>        | <b>31 December 2022</b> | 31 December 2021 | Changes(%) |
|--------------------------|-------------------------|------------------|------------|
| Non-Current Liabilities  | <b>3,321,318</b>        | 4,254,575        | (21.94)    |
| Current Liabilities      | <b>2,159,847</b>        | 1,771,821        | 21.90      |
| <b>Total Liabilities</b> | <b>5,481,165</b>        | 6,026,396        | (9.05)     |

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

As at 31 December 2022, the Company and its subsidiaries had other borrowings of HK\$1,444,157,000.

### OPERATING EXPENSES

The administrative expenses of the Company and the subsidiaries in 2022 were HK\$451,894,000, representing an increase of 8.37% compared to last year, mainly due to higher labour costs and depreciation and amortization expenses. The finance costs amounted to HK\$76,243,000, similar to that of last year.

### CONTINGENT LIABILITIES

During the year ended 31 December 2022, Shenzhen Aerospace is defendant in a claim by its major tenant for the operating loss in the past. The Directors of the Company, after considering the legal advice from its legal adviser in the PRC regarding the claim, conclude that no provision is required as Shenzhen Aerospace should not be liable for the claim in accordance with the lease agreement. However, since there is uncertainty about the court's decision, the claim is then disclosed as contingent liabilities to the Company. Further details of the litigation were set out in the Company's announcements dated 12 May 2022, 14 June 2022, 5 July 2022 and 30 September 2022.

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

### FINANCIAL RATIOS

|                          | <b>2022</b>             | 2021             |
|--------------------------|-------------------------|------------------|
| Gross Profit Margin      | <b>21.97%</b>           | 22.65%           |
| Return on Net Assets     | <b>(2.58%)</b>          | 3.72%            |
|                          | <b>31 December 2022</b> | 31 December 2021 |
| Assets-Liabilities Ratio | <b>35.90%</b>           | 35.72%           |
| Current Ratio            | <b>1.70</b>             | 2.39             |
| Quick Ratio              | <b>1.44</b>             | 1.96             |

### LIQUIDITY

The source of funds of the Company and the subsidiaries mainly relies on internal resources and banking and financial institution facilities. As at 31 December 2022, the cash and bank balance and short-term bank deposits amounted to HK\$2,021,327,000, the majority of which were in Hong Kong Dollars and Renminbi.

### CAPITAL EXPENDITURE

As at 31 December 2022, the capital commitments of the Company and the relevant subsidiaries contracted for but not provided in the consolidated financial statements was approximately HK\$150,274,000, 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**

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

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

As at 31 December 2022, the Company and the subsidiaries had a total of approximately 7,489 employees based in the mainland, Hong Kong and Vietnam respectively.

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

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

## **CORPORATE GOVERNANCE**

During the year, Ms Leung Sau Fan, Sylvia, an Independent Non-Executive Director of the Company, retired from the conclusion of the Annual General Meeting on 24 June 2022. Upon which, (i) the number of Independent Non-Executive Directors fell below the minimum number required under Rule 3.10(1) of the Listing Rules and one-third of the Board as required under Rule 3.10A; (ii) the number of members of the Audit Committee fell below the minimum number required under Rule 3.21 of the Listing Rules; (iii) the Remuneration Committee did not comprise a majority of Independent Non-Executive Director and the Chairman of the Remuneration Committee became vacant, which did not fulfil the requirement under Rule 3.25 of the Listing Rules; and (iv) the Nomination Committee did not comprise a majority of Independent Non-Executive Director as required under Rule 3.27A of the Listing Rules. After consideration by the Board and appointment of Ms Chen Jingru as an Independent Non-Executive Director, the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee on 30 August 2022, the Company has fully complied with the requirements under Rules 3.10(1), 3.10A, 3.21, 3.25 and 3.27A of the Listing Rules. For details, please refer to the Company's announcements dated 17 June 2022, 24 June 2022 and 30 August 2022.

Save for the disclosure above, the Company had complied with the provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules for the year ended 31 December 2022.

## **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 Code and Enforcement Details for Securities Transactions by Directors" of the Company 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 said standards in 2022.

As at 31 December 2022, none of the directors, chief executives or their associates have any beneficial or non-beneficial interests or short positions in the share capital, warrants and options of the Company or its subsidiaries or any of its associated corporations which is required to be recorded in the Register of Directors' Interests pursuant to Part XV of the Securities & Futures Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

## **AUDIT COMMITTEE**

In 2022, the Audit Committee comprises Mr Luo Zhenbang (Chairman), Ms Chen Jingru (appointed on 30 August 2022) and Ms Leung Sau Fan, Sylvia (retired on 24 June 2022), being Independent Non-Executive Directors; and Mr Mao Yijin, being a Non-Executive Director. The major functions of the Audit Committee include serving as a focal point for communication between the Directors and external auditors, 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 also reviewed, discussed and approved the financial statements for the year ended 31 December 2022.

## **REMUNERATION COMMITTEE**

In 2022, the Remuneration Committee comprises Ms Chen Jingru (appointed on 30 August 2022) (Chairman) and Ms Leung Sau Fan, Sylvia (retired on 24 June 2022) (Chairman) and Mr Wang Xiaojun, all being Independent Non-Executive Directors, and Mr Hua Chongzhi, being a Non-Executive Director. 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**

In 2022, the Nomination Committee comprises Mr Zhou Limin (Chairman), being the Chairman and Executive Director, and Mr Liu Xudong, being a Non-Executive Director, and Mr Luo Zhenbang, Mr Wang Xiaojun, Ms Chen Jingru (appointed on 30 August 2022) and Ms Leung Sau Fan, Sylvia (retired on 24 June 2022), all being Independent Non-Executive Directors. Main functions of the Nomination Committee are to review the structure, size and composition of the Board in order to implement the Company's strategy.

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

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

## **DIVIDEND**

The Board recommended a final dividend of HK2 cents per share for the year ended 31 December 2022 (2021: HK2 cents) payable to the shareholders whose names appeared on the Register of Members of the Company on Friday, 30 June 2023.

## STATEMENT OF COMPLIANCE

The financial information relating to the years ended 31 December 2021 and 2022 included in the Announcement does not constitute the Company's statutory annual consolidated financial statements for those years 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 2021 to the Hong Kong Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2022 to the Hong Kong Registrar of Companies in due course. The Company's auditor has reported on the financial statements of the Company and the subsidiaries for both years ended 31 December 2021 and 2022. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Wednesday, 21 June 2023. Notice of which will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company and dispatched to the shareholders of the Company in such manner as required under the Listing Rules.

## CLOSURE OF REGISTER OF MEMBERS

To ensure shareholders the right to attend and vote at the Annual General Meeting and to qualify for the distribution of final dividend, the Register of Members of the Company will be closed and details of which are as follows:

(1) To ensure Shareholders the right to attend and vote at the Annual General Meeting:

|  |   |  |
|--|---|--|
| Latest time for lodging transfers of shares and related documents for registration | : | 4:30 p.m. on Thursday, 15 June 2023  |
| Closure of Register of Members   | : | from Friday, 16 June 2023 to Wednesday, 21 June 2023 (both days inclusive) |
| Record Date  | : | Wednesday, 21 June 2023  |

(2) To ensure Shareholders the right to qualify for the distribution of final dividend:

|  |   |  |
|--|---|--|
| Latest time for lodging transfers of shares and related documents for registration | : | 4:30 p.m. on Tuesday, 27 June 2023   |
| Closure of Register of Members   | : | from Wednesday, 28 June 2023 to Friday, 30 June 2023 (both days inclusive) |
| Record Date  | : | Friday, 30 June 2023   |

The Register of Members of the Company will be closed at the abovementioned periods. To ensure Shareholders the right to attend and vote at the Annual General Meeting and to qualify for the distribution of final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Standard Limited of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration on or before 4:30 p.m. on Thursday, 15 June 2023 and Tuesday, 27 June 2023 respectively. Subject to approval by the Shareholders at the Annual General Meeting, dividend warrants are expected to be despatched to the Shareholders by post on or around Tuesday, 18 July 2023.

## **POST PERIOD EVENTS**

In respect of the litigations between Shenzhen Aerospace and Hangke Houhai, including the complaint filed by Shenzhen Aerospace against Hangke Houhai to claim for arrears of rent and penalty for breach of contract (the "First Hangke Houhai Litigation") and the claim filed by Hangke Houhai against Shenzhen Aerospace in relation to the alleged whole-lease operation loss incurred due to delay in inspection for acceptance and confirming completion of construction works (the "Second Hangke Houhai Litigation"), both sides have submitted additional claim and counter-claim during the trial proceedings of the two cases, including an additional claim by Hangke Houhai for a refund from Shenzhen Aerospace for overpaid rent since pandemic of approximately RMB49,800,000 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 of approximately RMB74,200,000 (the "Third Hangke Houhai Litigation"). The Hangke Houhai litigations have been heard by the court and are pending judgment of the first instance. In addition, Shenzhen Aerospace has filed a complaint against Huabaorun with the court for a sum of approximately RMB252,913,000 in aggregate, being arrears of rent of approximately RMB52,509,000, the rental late charges in arrears of approximately RMB138,715,000 (accrued up to 31 October 2022 and actual amount be accrued up to the date of settlement), and the sum of approximately RMB61,689,000 being penalty for breach of the whole-lease contract, the performance bonds, the legal fees, and the rentals refund for the rent-free period etc. The complaint is pending a hearing by the court. For details, please refer to the Company's announcement dated 14 February 2023.

In addition to the aforesaid litigations, Shenzhen Aerospace has filed a claim against Hangke Houhai for losses incurred arising from vacant property due to early termination of lease, and for the pre-paid rent collected by Hangke Houhai from the sub-tenants for a total amount of approximately RMB80,984,000 (the "Fourth Hangke Houhai Litigation"). The claim has been accepted by the court and is pending for hearing. In addition, Shenzhen Aerospace has filed an additional claim against Huabaorun for the losses incurred arising from vacant property due to early termination of lease, and for the pre-paid rent collected by Huabaorun from the sub-tenants for a total amount of approximately RMB16,035,000 (the "Second Huabaorun Litigation"), which, together with the litigation against Huabaorun as mentioned in the Company's announcement dated 14 February 2023 (the "First Huabaorun Litigation"), will result in a combined claim of approximately RMB268,948,000 by Shenzhen Aerospace against Huabaorun. These proceedings are pending a hearing by the court.

## **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 Mr Jin Xuesheng, Mr Liu Xudong and Mr Mao Yijin for their great contributions to the company during their tenure as Executive Director and President, Non-Executive Directors, 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, especially those who stuck to their posts with unremitting efforts during the difficult time of the spread of the novel coronavirus. 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, 24 March 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.*