USPACE Technology Group Limited
洲 際 航 天 科 技 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1725)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the "**Board**") of directors (the "**Director(s)**") of USPACE Technology Group Limited (the "**Company**") announces the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2024 (the "**Review Period**"), together with the comparative figures for the six months ended 30 June 2023 as follows.

FINANCIAL HIGHLIGHTS

- Revenue from continuing operations of the Group for the Review Period was approximately RMB148.0 million, representing a decrease of approximately 12.8% as compared with approximately RMB169.7 million for the corresponding period in 2023.

- Gross profit from continuing operations of the Group for the Review Period was approximately RMB15.8 million, representing an increase of approximately 23.3% as compared with approximately RMB12.8 million for the corresponding period in 2023.

- Loss attributable to equity holders of the Company from continuing and discontinued operations for the Review Period decreased to approximately RMB71.6 million from approximately RMB87.3 million for the corresponding period in 2023.

- Basic and diluted loss per share attributable to equity holders of the Company from continuing operations is RMB21.44 cents for the Review Period.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2024

		Unaudited six months ended 30 June	
		2024	2023
	Notes	***RMB'000***	*RMB'000*
			(restated)
Continuing operations			
Revenue	*5*	**148,038**	169,680
Cost of sales	*6*	**(132,241)**	(156,865)
Gross profit		**15,797**	12,815
Other income	*7*	**3,313**	2,478
Other gains, net	*8*	**2,538**	3,555
Selling and distribution expenses	*6*	**(7,430)**	(8,191)
General and administrative expenses	*6*	**(92,108)**	(84,657)
Reversal of/(provision for) impairment on financial assets	*6, 13*	**1,707**	(897)
Operating loss		**(76,183)**	(74,897)
Finance income		**120**	127
Finance costs		**(8,994)**	(9,747)
Finance costs, net		**(8,874)**	(9,620)
Loss before income tax		**(85,057)**	(84,517)
Income tax expense	*9*	**(149)**	(3,507)
Loss from continuing operations		**(85,206)**	(88,024)
(Loss)/profit from discontinued operation		**(1,192)**	730
Loss for the period		**(86,398)**	(87,294)

CONDENSED CONSOLIDATED INCOME STATEMENT (CONTINUED)

For the six months ended 30 June 2024

	Unaudited six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
		(restated)
Loss for the period attributable to:		
Equity holders of the Company	**(71,637)**	(87,293)
Non-controlling interest	**(14,761)**	(1)
	(86,398)	(87,294)
(Loss)/profit attributable to equity holders of the Company arises from:		
Continuing operations	**(70,445)**	(88,023)
Discontinued operation	**(1,192)**	730
	(71,637)	(87,293)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Note	Unaudited six months ended 30 June 2024 RMB'000	2023 RMB'000 (restated)
Loss for the period		**(86,398)**	(87,294)
Other comprehensive (loss)/income:			
Item that will not be reclassified to profit or loss			
Currency translation differences		**3,368**	6,255
Item that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(2,341)**	(5,403)
Total comprehensive loss for the period		**(85,371)**	(86,442)
Total comprehensive loss for the period attributable to:			
Equity holders of the Company		**(70,610)**	(86,441)
Non-controlling interest		**(14,761)**	(1)
		(85,371)	(86,442)
Total comprehensive (loss)/income for the period attributable to equity holders of the Company arises from:			
Continuing operations		**(69,418)**	(87,171)
Discontinued operation		**(1,192)**	730
		(70,610)	(86,441)
Loss per share attributable to equity holders of the Company arises from continuing operations			
Basic and diluted	*10*	**RMB(21.44) cents**	RMB(28.49) cents
Loss per share attributable to equity holders of the Company			
Basic and diluted	*10*	**RMB(21.80) cents**	RMB(28.25) cents

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2024

	Note	**Unaudited 30 June 2024** *RMB'000*	Audited 31 December 2023 *RMB'000*
Assets			
Non-current assets			
Properties, plant and equipment	*12*	**536,287**	520,459
Right-of-use assets	*12*	**154,398**	173,477
Investment properties		**5,463**	5,610
Intangible assets		**4,513**	4,972
Restricted cash		**2,683**	2,683
Financial assets at fair value through profit or loss		**919**	917
Prepayments and deposits		**47,386**	45,891
Deferred tax assets		**3,486**	3,781
		755,135	757,790
Current assets			
Inventories		**59,626**	106,706
Trade and bills receivables	*13*	**95,140**	159,231
Prepayments, deposits and other receivables		**86,758**	50,801
Amount due from a related company		**137**	17
Current income tax recoverable		**105**	113
Pledged bank deposits		**–**	10,000
Cash and cash equivalents		**31,375**	70,225
		273,141	397,093
Assets classified as held for sale	*16*	**89,066**	–
		362,207	397,093
Total assets		**1,117,342**	1,154,883
Equity			
Equity attributable to equity holders of the Company			
Share capital		**3,438**	2,751
Share premium		**418,536**	326,330
Accumulated losses		**(379,778)**	(307,389)
Reserves		**149,921**	152,637
		192,117	174,329
Non-controlling interest		**14,287**	29,048
Total equity		**206,404**	203,377

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2024

	Note	**Unaudited 30 June 2024** *RMB'000*	Audited 31 December 2023 *RMB'000*
Liabilities			
Non-current liabilities			
Deferred government grants		**8,668**	9,004
Lease liabilities		**113,318**	131,983
Provision for reinstatement cost	*15*	**22,801**	22,268
Bank and other borrowings		**37,580**	51,036
Deferred tax liabilities		**814**	796
		183,181	215,087
Current liabilities			
Trade payables	*14*	**66,574**	85,153
Other payables and accruals	*15*	**121,650**	115,800
Contract liabilities	*15*	**20,332**	18,492
Lease liabilities		**52,246**	36,648
Bank and other borrowings		**176,899**	195,932
Bonds payable		**18,786**	17,809
Loan from related companies		**209,631**	258,140
Current income tax liabilities		**6,846**	8,445
		672,964	736,419
Liabilities directly associated with assets classified as held for sale	*16*	**54,793**	–
		727,757	736,419
Total liabilities		**910,938**	951,506
Total equity and liabilities		**1,117,342**	1,154,883

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 15 March 2017 as an exempted company with limited liability under the Companies Act (Cap. 22, Act 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman, KY1–1111, Cayman Islands.

The Company is an investment holding company and the Group is principally engaged in (A) aerospace business (the "**Aerospace Business**"), comprising (1) satellite manufacturing, (2) satellite component manufacturing, (3) precision electronics manufacturing, (4) satellite data applications, (5) satellite telemetry, tracking, and controlling (TT&C), and (6) satellite launch; and (B) electronics manufacturing services business (the "**EMS Business**"), including assembling and production of printed circuit boards assemblies (the "**PCBAs**") and fully-assembled electronic products.

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

This condensed consolidated interim financial information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**"), unless otherwise stated. This interim financial information was approved for issue on 28 August 2024.

2 BASIS OF PREPARATION

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants as well as the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The interim financial information does not include all the notes of the type normally included in an annual report. Accordingly, this interim financial information is to be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards.

Use of going concern basis

The Directors have given careful consideration to the future liquidity and cash flows of the Group in assessing whether the Group will have sufficient resources to continue as a going concern. For this purpose, the management has prepared a forecast covering a period of 12 months from 30 June 2024 taking into account the followings:

(i) On 2 May 2024, the Company entered into a subscription agreement (the "**May Subscription Agreement**") with Mr. Li Xiaofei ("**Mr. Li**"), an individual investor, pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Li has conditionally agreed to subscribe for 30,000,000 new Shares under the general mandate at the subscription price of HK$1.51 per Share (the "**May Subscription**"). Completion of the May Subscription took place on 17 May 2024 in accordance with the May Subscription Agreement. The net proceeds of the May Subscription amounted to approximately HK$45 million which was intended to be applied for the general working capital of the Group;

(ii) On 14 June 2024, the Company entered into a subscription agreement (the "**June Subscription Agreement**") with Mr. Ren Ran ("**Mr. Ren**"), an individual investor, pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Ren has conditionally agreed to subscribe for 31,800,000 new Shares under the general mandate at the subscription price of HK$1.01 per Share (the "**June Subscription**"). Completion of the June Subscription took place on 26 June 2024 in accordance with the June Subscription Agreement. The net proceeds of the June Subscription amounted to approximately HK$31.8 million which was intended to be applied for the general working capital of the Group;

(iii) On 15 March 2024, the Group obtained a letter of undertaking (the "**Undertaking Letter**") from Mr. Sun Fengquan ("**Mr. Sun**"), the chairman of the Board and an executive Director, pursuant to which Mr. Sun has irrevocably undertaken to provide the Group with an unsecured and interest-free revolving loan up to HK$500 million (approximately RMB465.4 million). The Undertaking Letter is valid and subsisting up to 1 April 2025 and any loan drawn thereunder shall be repayable on 1 April 2025;

(iv) In April 2022 and January 2023, the Group entered into loan agreements with Vision International Group Limited ("**Vision**"), a company wholly-owned by Mr. Sun, pursuant to which Vision has agreed to provide the Company with an unsecured and interest-free loan facilities of HK$300 million (approximately RMB279.2 million) ("**Vision facilities**") in total. Up to 30 June 2024, the Group drew a total of approximately RMB187.6 million from the Vision facilities;

(v) In June 2022, the Group entered into a loan agreement with Hong Kong Aerospace Technology Holdings Limited ("**HKATH (BVI)**"), a company wholly-owned by Vision, pursuant to which HKATH (BVI) has agreed to provide the Company with an unsecured and interest-free loan facility of HK$100 million (approximately RMB93.1 million) ("**HKATH (BVI) facility**"). Up to 30 June 2024, the Group drew a total of approximately RMB26.3 million from the HKATH (BVI) facility;

(vi) On 15 March 2024, the Group obtained the confirmations from Vision and HKATH (BVI) that they would not seek for repayment of the loans, as mentioned in notes (iv) and (v) above, due to them by the Group unless and until the Group is in a position to repay. As such, the Group considers that these loans would not be repaid before 31 December 2024 despite the terms of such loans are repayable on demand;

(vii) In July and October 2021, the Group entered into legally binding agreements with an independent third-party lender (the "**Lender**") for loans in the aggregate sum of approximately RMB98.2 million (the "**Loans**"). In March 2022 and March 2024, the Group has entered into supplemental agreements with the Lender to extend the repayment date of the Loans to 7 March 2024 and further to 7 March 2025 respectively. As at 30 June 2024, the Loans amounted to approximately RMB93.3 million;

(viii) In May 2023, the Group entered into a convertible notes subscription agreement with Macquarie Bank Limited ("**Macquarie**"), pursuant to which the Group has received net proceeds of approximately RMB40.4 million up to 30 June 2024. The conversion rights attached to the convertible notes subscribed by Macquarie is exercisable until 18 October 2024, and Macquarie is entitled at its own discretion to convert up to 42,120,400 shares of the Company (the "**Shares**") at a subscription price of 95% of the volume weighted average price of the Shares as traded on the Stock Exchange on the trading day immediately preceding the subscription date with an additional 2% redemption discount on net proceeds. The Group expects to receive more proceeds from Macquarie for share subscription under the arrangement before its expiry date;

(ix) The Group will substantially improve its cash flow position by reducing its net operating cash outflows from operation for the next twelve months by implementing various business strategies including (i) the EMS Business being able to secure contracts from new customers with higher margins; and (ii) the Aerospace Business being successful in its business development effort to expand its businesses abroad and also to secure new customers worldwide and generate cash inflows to offset the cash outflows from the necessary operating costs and expenses;

(x) The Group is in negotiation with existing lenders in respect of renewal of existing borrowings as well as certain potential lenders in respect of new borrowings; and

(xi) The Group is in negotiation with certain potential investors for raising new capital by the way of issuing new equity and/or debt securities.

The Directors have reviewed the Group's cash flow projections prepared by the management, which cover a period of twelve months from 30 June 2024. In the opinion of the Directors, taking into account the anticipated cash flows to be generated from the Group's operations as well as the above-mentioned plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 30 June 2024. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2023, as described in those annual consolidated financial statements, except for the estimation of income tax and the adoption of amended standards as set out below. Taxes on income in the Review Period are accrued using the tax rate that would be applicable to expected total annual earnings.

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

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

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

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

4 ESTIMATES

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

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements in the annual report for the year ended 31 December 2023.

5 REVENUE AND SEGMENT INFORMATION

The Company is an investment holding company and the Group is principally engaged in (A) the Aerospace Business, comprising (1) satellite manufacturing, (2) satellite component manufacturing, (3) precision electronics manufacturing, (4) satellite data applications, (5) satellite telemetry, tracking, and controlling (TT&C), and (6) satellite launch; and (B) the EMS Business, including assembling and production of PCBAs and fully-assembled electronic products.

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

During the six months ended 30 June 2024, the Group had two reportable segments being:

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

(ii) Aerospace Business

The EMS Business — Smart home devices segment was being considered as discontinued from 28 June 2024. Information about this discontinued segment is disclosed in note 16.

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

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

	EMS Business *RMB'000*	Aerospace Business *RMB'000*	Total *RMB'000*
For the six months ended 30 June 2024 (unaudited)			
Continuing operations			
Segment revenue	**148,311**	**–**	**148,311**
Inter-segment revenue	**(273)**	**–**	**(273)**
Segment cost of sales	**(132,241)**	**–**	**(132,241)**
Segment gross profit	**15,797**	**–**	**15,797**
Other segment information:			
Depreciation of properties, plant and equipment	**6,843**	**3,360**	**10,203**
Depreciation of right-of-use assets	**667**	**16,171**	**16,838**
Amortisation of intangible assets	**530**	**–**	**530**
Additions to non-current segment assets*	**1,892**	**24,260**	**26,152**
For the six months ended 30 June 2023 (unaudited) (restated)			
Continuing operations			
Segment revenue	171,153	–	171,153
Inter-segment revenue	(1,473)	–	(1,473)
Segment cost of sales	(156,865)	–	(156,865)
Segment gross profit	12,815	–	12,815
Other segment information:			
Depreciation of properties, plant and equipment	9,244	5,350	14,594
Depreciation of right-of-use assets	1,619	15,594	17,213
Amortisation of intangible assets	512	–	512
Additions to non-current segment assets*	6,031	89,759	95,790

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

(b) Segment assets and liabilities

	EMS Business *RMB'000*	Aerospace Business *RMB'000*	Total *RMB'000*
As at 30 June 2024 (unaudited)			
Continuing operations			
Segment assets	**414,683**	**609,083**	**1,023,766**
Segment liabilities	**297,269**	**551,216**	**848,485**
As at 31 December 2023 (audited) (restated)			
Continuing operations			
Segment assets	446,045	601,685	1,047,730
Segment liabilities	311,715	559,362	871,077

Reportable segment assets are reconciled to total assets as follows:

	Unaudited 30 June 2024 ***RMB'000***	Audited 31 December 2023 *RMB'000* (restated)
Segment assets	**1,023,766**	1,047,730
Assets relating to discontinued operation	**89,066**	102,637
Financial assets at fair value through profit or loss	**919**	917
Current income tax recoverable	**105**	113
Deferred tax assets	**3,486**	3,486
Total assets	**1,117,342**	1,154,883

Reportable segment liabilities are reconciled to total liabilities as follows:

	Unaudited 30 June 2024 ***RMB'000***	Audited 31 December 2023 *RMB'000* (restated)
Segment liabilities	**848,485**	871,077
Liabilities relating to discontinued operation	**54,793**	71,188
Current income tax liabilities	**6,846**	8,445
Deferred tax liabilities	**814**	796
Total liabilities	**910,938**	951,506

(c) Disaggregation of revenue from contracts with customers

	Unaudited six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
		(restated)
Continuing operations		
Timing of revenue recognition:		
At a point in time — sales of goods	**148,038**	169,680

(d) Revenue by customers' geographical location

The Group's revenue from continuing operations by geographical location, which is determined by the location of customers, is as follows:

	Unaudited six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
		(restated)
Continuing operations		
The People's Republic of China (the "**PRC**" or "**China**")	**92,898**	136,403
India	**12,522**	8,997
Vietnam	**9,601**	3,662
South Korea	**9,490**	–
Germany	**8,290**	7,447
Hong Kong	**7,066**	877
Australia	**3,340**	6,633
The United States of America (the "**USA**")	**3,148**	95
Others	**1,683**	–
Austria	**–**	4,981
Brazil	**–**	585
	148,038	169,680

(e) Non-current assets by geographical location

The total amounts of non-current assets, other than financial instruments and deferred tax assets from continuing operations of the Group as at 30 June 2024 and 31 December 2023 are located in the following regions:

	Unaudited 30 June 2024	Audited 31 December 2023
	RMB'000	*RMB'000* (restated)
Continuing operations		
The PRC	**195,997**	185,645
Hong Kong	**535,285**	547,035
Germany	**11**	243
	731,293	732,923

(f) Major customers

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

	Unaudited six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000* (restated)
Continuing operations		
Customer A	**29,268**	29,809
Customer B	**10,397**	18,462
Customer C	**18,226**	9,875

The five largest customers accounted for approximately 52.8% of revenue from continuing operations for the Review Period (six months ended 30 June 2023: 47.4%).

6 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, general and administrative expenses and (reversal of)/provision for impairment on financial assets from continuing operations are analysed as follows:

	Unaudited six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
		(restated)
Continuing operations		
Cost of raw materials used	**86,144**	100,774
Consumables	**5,642**	996
Subcontracting charges	**–**	1,502
Employee benefit expenses and manpower service expenses, including Directors' emoluments	**75,113**	61,831
Rental expenses of short-term leases in respect of machinery and properties	**6,449**	4,278
Building management fee	**5,668**	5,377
Utilities	**4,035**	2,069
Depreciation of properties, plant and equipment *(Note 12)*	**10,203**	14,594
Depreciation of right-of-use assets *(Note 12)*	**16,838**	17,213
Amortisation	**530**	512
Auditor's remuneration		
— Audit services	**930**	1,334
— Non-audit services	**110**	133
Professional fees	**4,016**	8,463
Provision for inventories	**624**	8,591
Other tax and surcharges	**1,937**	4,893
Transportation	**239**	230
Travelling expenses	**2,499**	3,309
(Reversal of)/provision for impairment on financial assets *(Note 13)*	**(1,707)**	897
Service charge	**634**	324
Advertising	**88**	1,190
Entertainment expenses	**1,344**	2,790
Bank charges	**124**	275
Service fees for product development	**901**	3,384
Others	**7,711**	5,651
Total cost of sales, selling and distribution expenses, general and administrative expenses and (reversal of)/provision for impairment on financial assets	**230,072**	250,610

7 OTHER INCOME

	Unaudited six months ended 30 June 2024 RMB'000	Unaudited six months ended 30 June 2023 RMB'000 (restated)
Continuing operations		
Government grants	**686**	1,664
Service income	**1,887**	–
Sundry income	**740**	814
	3,313	2,478

8 OTHER GAINS, NET

	Unaudited six months ended 30 June 2024 RMB'000	Unaudited six months ended 30 June 2023 RMB'000 (restated)
Continuing operations		
Exchange differences	**2,835**	654
Loss on disposal of properties, plant and equipment	**(30)**	(567)
Gain on disposal of subsidiaries	**–**	3,468
Others	**(267)**	–
	2,538	3,555

9 INCOME TAX EXPENSE

Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department of Hong Kong from the year of assessment 2019/20 onwards, the Group's first HK$2 million of assessable profits under Hong Kong profits tax is subject to a tax rate of 8.25%. The Group's remaining assessable profits above HK$2 million will continue to be subject to a tax rate of 16.5%.

During the six months ended 30 June 2024, 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 2024 and 2023, Gang Hang Ke (Shenzhen) Space Technology Co., Limited* ("**SZ Gang Hang Ke**"), the Group's major operating subsidiary for the Aerospace Business in the PRC, has been qualified for small-scale enterprises with minimal profits status and is subject to an applicable tax rate of 20%.

During the six months ended 30 June 2024 and 2023, Shenzhen Hengchang Sheng Technology Company Limited*, the Group's major operating subsidiary for the EMS Business in the PRC, has qualified for high and new technology enterprises status and is therefore subject to a preferential income tax rate of 15%.

During the six months ended 30 June 2024 and 2023, other Group's entities in the PRC were subject to the PRC corporate income tax ("**CIT**") at the tax rate of 25%.

* *For identification purpose only*

	Unaudited six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
		(restated)
Continuing operations		
Current income tax		
— The PRC CIT	**149**	1,911
— Withholding tax	**–**	13
Total current income tax	**149**	1,924
Deferred income tax	**–**	1,583
Income tax expense	**149**	3,507

10 LOSS PER SHARE

From continuing operations

The basic earnings per share attributable to equity holders of the Company arises from continuing operations is calculated by dividing the loss attributable to the equity holders arises from continuing operations of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2024 and 2023.

	Unaudited six months ended 30 June	
	2024	2023
Loss attributable to equity holders of the Company *(RMB'000)*	**(71,637)**	(87,293)
Add/(less): Loss/(profit) attributable to equity holders of the Company arises from discontinued operation *(RMB'000)*	**1,192**	(730)
	(70,445)	(88,023)
Weighted average number of ordinary shares in issue *(thousands of shares)*	**328,602**	309,000
Basic and diluted loss per share *(RMB cents)*	**(21.44)**	(28.49)

From continuing and discontinued operations

The basic loss per share attributable to equity holders of the Company arises from continuing and discontinued operations is calculated by dividing the loss attributable to equity holders from continuing and discontinued operations of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2024 and 2023.

	Unaudited six months ended 30 June	
	2024	2023
Loss attributable to equity holders of the Company *(RMB'000)*	**(71,637)**	(87,293)
Weighted average number of ordinary shares in issue *(thousands of shares)*	**328,602**	309,000
Basic and diluted loss per share *(RMB cents)*	**(21.80)**	(28.25)

From discontinued operation

Basic loss per share attributable to equity holders of the Company arises from the discontinued operation is approximately RMB0.36 cents (for the six months period ended 2023: profit per share of approximately RMB0.24 cents) per share, based on loss for the period from discontinued operation of approximately RMB1.2 million (for the six months period ended 2023: profit for the period of approximately RMB0.7 million) and the denominator detailed above for basic earnings per share.

There were no differences between the basic and diluted loss per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2024 and 2023.

11 DIVIDEND

No dividend has been paid or declared by the Company during the six months ended 30 June 2024 and 2023.

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

	Properties, plant and equipment	Right-of-use assets	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January 2024 (audited)			
Cost	**595,416**	**236,996**	**832,412**
Accumulated depreciation	**(74,957)**	**(63,519)**	**(138,476)**
Net book amount	**520,459**	**173,477**	**693,936**
Six months ended 30 June 2024 (unaudited)			
Opening net book amount	**520,459**	**173,477**	**693,936**
Additions	**23,532**	**2,659**	**26,191**
Depreciation	**(11,509)**	**(18,527)**	**(30,036)**
Disposals	**(2,369)**	**(229)**	**(2,598)**
Assets classified as held for sale *(Note 16)*	**(3,920)**	**(6,193)**	**(10,113)**
Exchange difference	**10,094**	**3,211**	**13,305**
Closing net book amount	**536,287**	**154,398**	**690,685**
As at 30 June 2024 (unaudited)			
Cost	**584,282**	**226,991**	**811,273**
Accumulated depreciation	**(47,995)**	**(72,593)**	**(120,588)**
Net book amount	**536,287**	**154,398**	**690,685**
As at 1 January 2023 (audited)			
Cost	508,142	237,628	745,770
Accumulated depreciation	(83,468)	(28,193)	(111,661)
Net book amount	424,674	209,435	634,109
Six months ended 30 June 2023 (unaudited)			
Opening net book amount	424,674	209,435	634,109
Additions	91,129	–	91,129
Depreciation	(15,809)	(18,902)	(34,711)
Disposals	(1,086)	–	(1,086)
Exchange difference	13,781	7,134	20,915
Closing net book amount	512,689	197,667	710,356
As at 30 June 2023 (unaudited)			
Cost	611,859	246,190	858,049
Accumulated depreciation	(99,170)	(48,523)	(147,693)
Net book amount	512,689	197,667	710,356

As at 30 June 2024, properties, plant and equipment included buildings, furniture and fixtures, office equipment, plant and machinery, motor vehicles, satellites, leasehold improvements and construction in progress; whereas right-of-use assets included land-use rights and properties.

During the six months ended 30 June 2024, additions to properties, plant and equipment mainly represented additions to construction in progress for Hong Kong satellite manufacturing centre and Hong Kong satellite operation control and application centre at the Advanced Manufacturing Centre located at Tseung Kwan O Industrial Estate, Hong Kong (the "**AMC**").

13 TRADE AND BILLS RECEIVABLES

	Unaudited 30 June 2024 *RMB'000*	Audited 31 December 2023 *RMB'000*
Trade receivables	**106,499**	163,125
Bills receivables	**516**	9,545
Less: provision for impairment of trade and bills receivables	**(11,875)**	(13,439)
Trade and bills receivables	**95,140**	159,231

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

As at 30 June 2024 and 31 December 2023, the aging analysis of trade and bills receivables, based on invoice date, was as follows:

	Unaudited 30 June 2024 *RMB'000*	Audited 31 December 2023 *RMB'000*
Within 3 months	**74,287**	141,925
Over 3 months	**32,728**	30,745
	107,015	172,670
Less: provision for impairment of trade and bills receivables	**(11,875)**	(13,439)
	95,140	159,231

As at 30 June 2024 and 31 December 2023, the carrying amounts of trade and bills receivables approximated their fair values.

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

	Unaudited six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
At beginning of the period	**13,439**	7,130
Reversal of provision for impairment of trade receivables on individual basis, net	**(670)**	–
(Reversal of)/provision for impairment of trade and bills receivables on collective basis	**(1,037)**	897
Exchange difference	**143**	259
At end of the period	**11,875**	8,286

14 TRADE PAYABLES

	Unaudited	Audited
	30 June	31 December
	2024	2023
	RMB'000	*RMB'000*
Trade payables	**66,574**	85,153

As at 30 June 2024 and 31 December 2023, the aging analysis of trade payables, based on invoice date, was as follows:

	Unaudited	Audited
	30 June	31 December
	2024	2023
	RMB'000	*RMB'000*
Within 3 months	**54,042**	75,755
Over 3 months	**12,532**	9,398
	66,574	85,153

As at 30 June 2024 and 31 December 2023, the carrying amounts of trade payables approximated their fair values.

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

	Unaudited 30 June 2024 *RMB'000*	Audited 31 December 2023 *RMB'000*
Current portion		
Payables for construction works	**52,120**	26,094
Payables for acquisition of properties, plant and equipment	**1,860**	1,632
Interest payable	**2,816**	4,727
Other tax payables	**5,535**	2,021
Other payables	**14,641**	12,031
Accrued salaries and bonus	**15,087**	30,209
Accrued expenses	**25,591**	8,979
Refundable customer deposits	**–**	19,107
Deposit received for construction works	**4,000**	11,000
Contract liabilities	**20,332**	18,492
	141,982	134,292
Non-current portion		
Provision for reinstatement cost	**22,801**	22,268
	164,783	156,560

As at 30 June 2024 and 31 December 2023, the carrying amounts of contract liabilities, other payables and accruals approximated their fair values. They were unsecured, interest free and repayable on demand.

16 DISCONTINUED OPERATION

On 28 June 2024, the Group entered into the share sale and purchase agreement (the "**Agreement**") with a third party in relation to the disposal of the entire equity interest of Productive Glory Limited (a wholly-owned subsidiary of the Company) which, together with its subsidiaries (the "**Productive Group**"), for a consideration of HK$37,387,000 (equivalent to approximately RMB34,300,000). As at 30 June 2024, the completion of the disposal was still subject to various conditions as set out in the Agreement.

Pursuant to the Agreement, the disposal (the "**Disposal**") is expected to be completed no later than 31 December 2024 and constitutes a discontinued operation under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as the disposal group.

Upon completion of the Disposal, the Group will cease to have beneficial interest in the disposal group, and all the companies in the disposal group will cease to be subsidiaries of the Company. The financial results of the disposal group were no longer consolidated into the condensed consolidated financial statements of the Company.

The Productive Group was reported as a discontinued operation in the condensed consolidated financial statements for the six months ended 30 June 2024. The assets and liabilities of the Productive Group have been presented separately in the condensed consolidated balance sheet as at 30 June 2024.

(a) Assets and liabilities of the disposal group classified as held for sale

The following assets and liabilities in relation to the disposal group were reclassified as held for sale as at 30 June 2024:

	Unaudited 30 June 2024 *RMB'000*
Assets classified as held for sale	
Properties, plant and equipment	3,920
Right-of-use assets	6,193
Inventories	32,716
Trade and bills receivables	31,254
Prepayments, deposits and other receivables	3,073
Pledged bank deposits	10,000
Cash and cash equivalents	1,615
Deferred tax assets	295
Total assets of disposal group classified as held for sale	89,066
Liabilities directly associated with assets classified as held for sale	
Trade payables	19,444
Other payables and accruals	6,461
Current income tax liabilities	2,395
Lease liabilities	6,693
Bank borrowings	19,800
Total liabilities of disposal group classified as held for sale	54,793

(b) Financial performance and cash flow information

Financial information related to the discontinued operation is set out below:

	Unaudited six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
Revenue	**71,069**	65,294
Cost of sales	**(68,793)**	(60,767)
Gross profit	**2,276**	4,527
Other income	**2,144**	779
Other losses, net	**(56)**	(16)
Selling and distribution expenses	**(383)**	(461)
General and administrative expenses	**(3,586)**	(3,094)
Finance costs, net	**(909)**	(1,005)
Income tax expense	**(678)**	–
(Loss)/profit from discontinued operation	**(1,192)**	730
Net cash flows from operating activities	**6,976**	8,919
Net cash flows used in investing activities	**(40)**	(2,132)
Net cash flows used in financing activities	**(11,398)**	(2,685)
Net (decrease)/increase in cash flow from discontinued operation	**(4,462)**	4,102

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Review Period, the global economy continued to decline and recovery was slow, thereby significantly impacting the Group's business. Despite these challenges, the Group made substantial progress in the Aerospace Business, laying a solid foundation for future development.

During the Review Period, turnover from continuing operations of approximately RMB148.0 million was recorded by the Group, representing a decrease of approximately 12.8% as compared with approximately RMB169.7 million for the corresponding period in 2023; while the loss attributable to equity holders of the Company from continuing and discontinued operations of approximately RMB71.6 million was recorded as compared with loss attributable to equity holders of the Company of approximately RMB87.3 million for the corresponding period in 2023. The decrease in the loss for the Review Period was mainly due to the deemed disposal of 49% equity interest in Aspace Satellite Technology Limited ("**Aspace**") completed in September 2023, and as a result the Group only shared 51% loss of Aspace during the Review Period.

During the Review Period, the Group was working hard on testing various satellite manufacturing and testing equipments, which have now successfully entered into production. This effort demonstrates our relentless pursuit and technological strength in the aerospace field. The Group also successfully entered into a disposal agreement to divest part of our EMS Business in the PRC, which will help the Group concentrate resources and enhance overall operational efficiency.

In the midst of a continuously sluggish global economy, the Group has shifted our focus on the business opportunities in the Middle East regions. The Group has been actively building relationships with different strategic partners in the Middle East for the development of its Aerospace Business in those regions.

Business Strategies and Outlook

In light of the global economic downturn and the competitive market environment, the Group aims to re-position its business strategy to go for globalization and commercialization of the satellites and related products by delivering excellency of professional services and products.

In July 2024, the Group successfully rolled out 6 types of low-priced commercial optical satellites. These satellites offer resolutions ranging from 5 meters to 0.5 meters and are priced between USD35,000 and USD990,000. The Group also planned to offer nearly a hundred types of satellite components and application services, including separation seats, multi-satellite dispensers, and 0.5-meter resolution lightweight cameras. In view of the rapid development of emerging technologies such as the Internet of Things and artificial intelligence, the demands for satellite remote sensing data, communication services, and navigation and positioning are increasing rapidly. With the huge market demand, the Group's commercial optical satellites with competitive advantages will effectively lower the barriers to entry for various satellite applications and unleashing market potential. The rollout of the commercial optical satellites signified a new milestone in the Group's satellite mass production and commercialization efforts, representing a significant step forward in its globalization strategy and will create tremendous commercial value to the Group.

Looking ahead, despite the challenges in the global economic environment, the Group remains optimistic and confident in the prospects of both the Aerospace Business and the EMS Business. The Group will continue to implement the following business strategies to ensure long-term stable growth:

Aerospace Business Development:

- Continue to advance the operations of the satellite operation control and application centre, as well as the production and deployment of satellite equipments at the satellite manufacturing centre to achieve new revenue growth.

- Continue to expand and develop the production of satellite and satellite components business.

- Continue to develop the satellite communications business, satellite internet communications, and satellite data application services.

Technological Research and Development:

- Continuously increase investment in the research and development of new technologies and products to enhance market competitiveness.

Globalization Strategy:

- Actively expand the market in the Middle East and surrounding regions, strengthen cooperation with local enterprises and governments, and establish a solid business foundation.

- Reduce reliance on specific regions by expanding the customer and supplier network to mitigate the impact of trade tensions and geopolitical risks on the business.

Develop New Markets and Customer Bases:

- Continue to expand the potential customer base for both the Aerospace Business and the EMS Business to broaden revenue sources and diversify business risks.

Cost Control:

- Strengthen cost management and reduce operational costs, optimize the supply chain, improve overall production efficiency, and enhance profit margins.

OPERATING RESULTS

Revenue by Customer's Geographical Location

The Group's revenue from continuing operations by geographical location, which is determined by the location of customers, is as follows:

	Unaudited six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
		(restated)
Continuing operations		
The PRC	**92,898**	136,403
India	**12,522**	8,997
Vietnam	**9,601**	3,662
South Korea	**9,490**	–
Germany	**8,290**	7,447
Hong Kong	**7,066**	877
Australia	**3,340**	6,633
The USA	**3,148**	95
Others	**1,683**	–
Austria	**–**	4,981
Brazil	**–**	585
	148,038	169,680

Revenue by Product Type

During the Review Period and the corresponding period in 2023, the revenue from continuing operations was generated by two principal product types. The table below summarises the amount of revenue generated and as a percentage of total revenue from each product type for the Review Period and the corresponding period in 2023 respectively:

	Revenue for the six months ended 30 June			**% of total revenue for the six months ended 30 June**		
	2024	2023	Changes	**2024**	2023	Changes
	RMB'000	*RMB'000*	%			
		(restated)			(restated)	
PCBAs	**113,067**	130,618	(13.4)	**76.4**	77.0	(0.6)
Fully-assembled electronic products	**34,971**	39,062	(10.5)	**23.6**	23.0	(0.6)
Total	**148,038**	169,680	(12.8)	**100**	100	

PCBAs

Based on the usage of the final electronic products embedded with the PCBAs, the PCBAs can broadly apply to electronic end products for three principal industries: banking and finance, telecommunications and smart devices. The revenue from continuing operations generated from the sales of the PCBAs decreased by approximately 13.4% from approximately RMB130.6 million for the corresponding period in 2023 to approximately RMB113.1 million for the Review Period. The decrease in revenue is primarily attributable to a reduction in orders with a lower gross profit margin, which resulted in a diminished volume of sales. Additionally, there was a notable decline in demand from banking and finance sector during the Review Period.

Fully-assembled electronic products

The fully-assembled electronic products embedded with the PCBAs are primarily manufactured by the Company in-house mainly, including mobile phones, mobile point-of-sale ("**mPOS**"), photovoltaic inverters, tablets and street lamp controllers, 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 10.5% from approximately RMB39.1 million for the corresponding period in 2023 to approximately RMB35.0 million for the Review Period. The decrease in revenue is primarily due to the decrease in demand from mobile phone and tablet manufacturers who did not continue to produce new models and place related new orders during the Review Period.

Gross Profit and Gross Profit Margin by Product Type

Gross profit from continuing operations of the Group for the Review Period was approximately RMB15.8 million, representing an increase of approximately RMB3.0 million or 23.3% as compared with approximately RMB12.8 million for the corresponding period in 2023. Overall gross profit margin increased from 7.6% for the corresponding period in 2023 to 10.7% for the Review Period.

	Gross profit for the six months ended 30 June			**Gross profit margin for the six months ended 30 June**		
	2024	2023	Changes	**2024**	2023	Changes
	RMB'000	*RMB'000*	%	%	%	%
		(restated)			(restated)	
PCBAs	**11,500**	11,163	3.0	**10.2**	8.5	1.7
Fully-assembled electronic products	**4,297**	1,652	160.1	**12.3**	4.2	8.1
Total	**15,797**	12,815	23.3	**10.7**	7.6	3.1

PCBAs

The gross profit derived from the sales of the PCBAs increased by approximately 3.0% to approximately RMB11.5 million for the Review Period (six months ended 30 June 2023: approximately RMB11.2 million). The gross profit margin increased to approximately 10.2% for the Review Period (six months ended 30 June 2023: approximately 8.5%), this improvement was caused by a more strategic approach in order management, i.e. focusing on optimising the order mix, which helped in reducing the proportion of lower-margin sales during the Review Period.

Fully-assembled electronic products

The gross profit derived from the sales of fully-assembled electronic products increased by approximately 160.1% to approximately RMB4.3 million for the Review Period (six months ended 30 June 2023: approximately RMB1.7 million). The gross profit margin increased to approximately 12.3% for the Review Period (six months ended 30 June 2023: approximately 4.2%), which was mainly due to a strategic realignment in customer relationships, focusing on partnerships that offer higher profitability and phasing out engagements with customers contributing lower gross profit margins.

Other Income

Other income from continuing operations of the Group for the Review Period mainly represented discretionary government grants received by the Group of approximately RMB0.7 million (six months ended 30 June 2023: approximately RMB1.7 million) and service income of approximately RMB1.9 million (six months ended 30 June 2023: Nil).

Other Gains, Net

During the Review Period, other gains from continuing operations mainly represented gains on exchange differences of approximately RMB2.8 million (six months ended 30 June 2023: other gains on disposal of subsidiaries of approximately RMB3.5 million and exchange differences of approximately RMB0.7 million).

Selling and Distribution Expenses

Selling and distribution expenses mainly comprised (i) employee benefit expenses which include salaries and allowance, social insurance contributions and staff welfare expenses for sales staff; (ii) sales commission paid to the sales agent in respect of customer introduction; (iii) advertising expenses; and (iv) entertainment expenses. For the Review Period, selling and distribution expenses from continuing operations amounted to approximately RMB7.4 million (six months ended 30 June 2023: approximately RMB8.2 million), representing a decrease of approximately 9.3% as compared to that for the corresponding period in 2023. The decrease in the selling and distribution expenses was mainly due to the significant decrease in advertising expenses for the EMS Business.

General and Administrative Expenses

General and administrative expenses mainly represented (i) employee benefit expenses which include salaries and allowance, social insurance contributions and staff welfare expenses of administrative staff; (ii) legal and professional fees; (iii) building management fee; and (iv) other administrative expenses. For the Review Period, general and administrative expenses from continuing operations amounted to approximately RMB92.1 million (six months ended 30 June 2023: approximately RMB84.7 million), representing an increase of approximately 8.8% as compared to that for the corresponding period in 2023. The increase in general and administrative expenses for the Review Period was mainly due to the significant increase in staff cost of administrative staff.

Finance Costs, Net

Finance costs from continuing operations mainly comprised interest expenses on bank borrowings, finance lease liability and lease liabilities while the finance income mainly represented interest income on cash and cash equivalents and pledged bank deposits. For the Review Period, the net finance costs of the Group was approximately RMB8.9 million (six months ended 30 June 2023: approximately RMB9.6 million). The decreased net finance costs was primarily due to the decrease in balances of bank and other borrowings during the Review Period.

Income Tax Expense

Income tax expense from continuing operations amounted to approximately RMB0.1 million for the Review Period (six months ended 30 June 2023: approximately RMB3.5 million). The decrease in income tax expenses is mainly due to less assessable profit generated by the Group during the Review Period.

Loss Attributable to Equity Holders of the Company

As a result of the factors discussed above, loss attributable to the equity holders of the Company for the Review Period decreased to approximately RMB71.6 million from approximately RMB87.3 million for the corresponding period in 2023.

LIQUIDITY AND CAPITAL RESOURCES

Net Current Liabilities

The Group had net current liabilities of approximately RMB365.6 million as at 30 June 2024 (31 December 2023: approximately RMB339.3 million). The current ratio of the Group slightly decreased from approximately 0.54 as at 31 December 2023 to approximately 0.50 as at 30 June 2024.

Borrowings, the Pledge of Assets and Restricted Cash

The bank and other borrowings of the Group amounted to approximately RMB214.5 million as at 30 June 2024 (31 December 2023: approximately RMB247.0 million). The weighted average interest rate per annum of the Group's bank and other borrowings as at 30 June 2024 was 4.21% (31 December 2023: 3.93%). As at 30 June 2024 and 31 December 2023, the bank and other borrowings were secured by properties, plant and equipment, pledged bank deposit, land-use rights, shares of the Company's subsidiary, corporate guarantees provided by the members of the Group and a personal guarantee by Mr. Ma Fujun, an executive Director. As at 30 June 2024, the bank deposits included in assets classified as held for sale amounting to RMB10 million were pledged to banks for a performance bond provided for customer contract. As at 31 December 2023, the bank deposits amounting to RMB10 million were pledged to banks for a performance bond provided for customer contract. As at 30 June 2024, the cash and cash equivalents, pledged bank deposits, restricted cash and bank and other borrowings were mainly denominated in RMB, Hong Kong Dollars ("**HK$**"), United States Dollars ("**USD**") and Euros ("**EUR**").

Gearing Ratio

The gearing ratio, which is calculated by total borrowings (excluding bank and other borrowings which included in liabilities directly associated with asset classified as held for sale), divided by total equity, was approximately 103.9% and 121.4% as at 30 June 2024 and 31 December 2023, respectively. The decrease in gearing ratio was due to the decrease in bank and other borrowings by approximately RMB32.5 million.

Capital Structure

As at 30 June 2024, the Company's issued share capital was HK$3,894,208 and the number of issued shares of the Company was 389,420,800 ordinary shares of HK$0.01 each ("**Share(s)**"), representing an increase from 31 December 2023, when the issued share capital was HK$3,153,778 and the total number of shares was 315,377,800 ordinary shares of HK$0.01 each share(s).

Foreign Exchange Exposure and Exchange Rate Risk

The Group's assets, liabilities and transactions are mainly denominated in RMB, HK$, USD and EUR, and there are no significant assets and liabilities denominated in other currencies. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in a currency other than the respective functional currencies of the Group's entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The management closely monitors the foreign currency exposure from time to time.

Capital Expenditure

For the Review Period, the Group had capital expenditure of approximately RMB26.2 million (six months ended 30 June 2023: approximately RMB91.1 million). The capital expenditure was related to the additions of furniture and fixtures, plant and machinery, and construction of manufacturing plant.

INTERIM DIVIDEND

The Board does not recommend payment of interim dividend for the Review Period (six months ended 30 June 2023: Nil).

EMPLOYEES AND EMOLUMENTS POLICY

The key components of the Group's remuneration package include basic salary, and where appropriate, other allowances, commission, bonuses and the Group's contribution to mandatory provident funds or state-managed retirement benefits scheme.

As at 30 June 2024, the Group had approximately 675 employees from continuing operations with a total remuneration of approximately RMB75.1 million during the Review Period (six months ended 30 June 2023: approximately RMB61.8 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 2024, the Group's capital commitment amounted to approximately RMB204.5 million (31 December 2023: approximately RMB196.2 million). The capital commitment was mainly related to (i) the fitting-out contracts and procurement and installation contracts for the establishment of the Aerospace Business and (ii) satellite procurement contracts.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as of 30 June 2024 (31 December 2023: Nil).

EQUITY FUND RAISING ACTIVITIES AND USE OF NET PROCEEDS

First subscription of new Shares under general mandate

For the reason of replenishing the capital of the Company and strengthen the Group's financial position in view of the capital need of the Group and the capital-intensive nature of the aerospace business industry, on 2 May 2024, the Company entered into a subscription agreement (the "**May Subscription Agreement**") with Mr. Li Xiaofei ("**Mr. Li**"), an individual investor, pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Li has conditionally agreed to subscribe for 30,000,000 new Shares (the "**May Subscription Shares**") under the general mandate at the subscription price of HK$1.51 per Share (the "**May Subscription**"), representing a discount of approximately 19.68% to the closing price of HK$1.88 per Share as quoted on the Stock Exchange on the date of the May Subscription Agreement. The aggregate nominal value of the May Subscription Shares was HK$300,000. Completion of the May Subscription took place on 17 May 2024 in accordance with the May Subscription Agreement. The net proceeds of the May Subscription amounted to approximately HK$45 million, representing a net subscription price of HK$1.50 per Share, which was intended to be applied for the general working capital of the Group. Details of the May Subscription are set out in the announcements of the Company dated 2 May 2024 and 17 May 2024 respectively.

Second subscription of new Shares under general mandate

To raise further capital to replenish part of the Group's capital shortfall and to fund the short to medium term working capital needs of the Group, on 14 June 2024, the Company entered into a subscription agreement (the "**June Subscription Agreement**") with Mr. Ren Ran ("**Mr. Ren**"), an individual investor, pursuant to which the Company has conditionally agreed to allot and issue, and Mr. Ren has conditionally agreed to subscribe for 31,800,000 new Shares (the "**June Subscription Shares**") under the general mandate at the subscription price of HK$1.01 per Share (the "**June Subscription**"), representing a discount of approximately 14.41% to the closing price of HK$1.18 per Share as quoted on the Stock Exchange on the date of the June Subscription Agreement. The aggregate nominal value of the June Subscription Shares was HK$318,000. Completion of the June Subscription took place on 26 June 2024 in accordance with the June Subscription Agreement. The net proceeds of the June Subscription amounted to approximately HK$31.8 million, representing a net subscription price of HK$1.00 per Share, which was intended to be applied for the general working capital of the Group. Details of the June Subscription are set out in the announcements of the Company dated 14 June 2024 and 26 June 2024 respectively.

Use of proceeds

Set out below is a summary of the allocation and utilization of the net proceeds of the May Subscription and June Subscription, and the proceeds brought forward from any issue of debt/equity securities (including securities convertible into equity securities) in previous financial year(s):

Fund raising activity	Use of proceeds	Approximate net proceeds(Note) *(HK$'000)*	Actual use of approximate net proceeds as at 30 June 2024 *(HK$'000)*	Unutilised approximate net proceeds as at 30 June 2024 *(HK$'000)*	Expected timetable for utilization of unutilized net proceeds
The subscription by Macquarie of the collateralized convertible notes (the "**Convertible Notes**") issued by the Company in the principal amount of HK$700,000,000 with 0.5% coupon and due on the first anniversary of the closing date, which entitled the holder of the Convertible Notes to convert into a maximum number of 61,750,000 new Shares, in accordance with the terms of and conditions of the Convertible Notes subscription agreement dated 12 May 2023 (the "**CN Subscription Agreement**")	The Group's working capital for the operation of the Group's Hong Kong satellite manufacturing centre and Hong Kong Satellite operation control and application centre	21,750	21,750	–	N/A
	General working capital	21,750	21,750	–	N/A
The May Subscription	General working capital	45,000	45,000	–	N/A
The June Subscription	General working capital	31,800	–	31,800	By the end of October 2024

Note:

Pursuant to the CN Subscription Agreement and its ancillary agreements, the Company only received proceeds upon the conversion of the Convertible Notes. From the date of issue of the Convertible Notes (i.e. 18 October 2023) and up to and inclusive of 30 June 2024, the total net proceeds in connection with the conversion of the Convertible Notes amounted to approximately HK$43.5 million.

Save as disclosed, the Company has not conducted any equity fund raising activities during the Review Period and there are no other proceeds brought forward from any issue of equity securities (including securities convertible into equity securities) in previous financial year(s).

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENTS

On 28 June 2024, Total United Holdings Limited, a wholly-owned subsidiary of the Company (the "**Vendor**"), entered into an agreement (the "**SPA**") with Stable Brand Limited (the "**Purchaser**"), pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the sale shares, representing the entire issued shares of Productive Glory Limited (the "**Target Company**" together with its subsidiaries, the "**Target Group**"), for a consideration of HK$37,387,000 (the "**Disposal**"). Completion of the Disposal shall take place within sixty days after the date on which the conditions precedent under the SPA had been completely fulfilled or waived no later than 31 December 2024. As at the date of this announcement, the Disposal has not been completed. Upon completion, the Vendor will no longer hold any equity interest in the Target Company, and the Target Group will cease to be subsidiaries of the Group. The financial results of the Target Group will therefore no longer be consolidated into the Group's financial statements. Details of the SPA and the Disposal are set out in the announcement of the Company dated 28 June 2024.

Save as disclosed in this announcement, the Group did not have other material acquisitions or disposals and the Group did not hold any significant investments during the Review Period.

EVENTS AFTER THE REVIEW PERIOD

The entering into of Strategic Partnership Agreement with Egyptian Space Agency

On 14 August 2024, the Company entered into a strategic partnership agreement with Egyptian Space Agency ("**EgSA**"), pursuant to which, the Company and EgSA intended to establish a joint venture in Cairo, Egypt, focusing on satellite manufacturing, testing, and other space-related technologies. This partnership is expected to significantly expand the Company's presence in the African aerospace market. Details of the said cooperation are set out in the announcement of the Company dated 14 August 2024.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") in force during the Review Period as set out in Appendix C1 to the Listing Rules during the Review Period except the following deviations:

(a) Pursuant to code provision C.2.1 of the CG Code, the role(s) of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Sun currently serves as both the chairman and the chief executive officer of the Company. 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.

(b) During the period from 27 April 2024 (the effective date of resignation of a former independent non-executive Director, Mr. David Gordon Eldon) to 10 May 2024, the Company did not meet the minimum number of independent non-executive Directors required under Rule 3.10A of the Listing Rules. On 10 May 2024, following the change of Directors, the number of independent non-executive Directors represents not less than one-third of the Board and the Company re-complied with such requirement thereafter.

AUDIT COMMITTEE

The Company established the audit committee of the Board (the "**Audit Committee**") on 25 July 2018 with terms of reference in compliance with the CG Code to the Listing Rules for the purpose of making recommendations to the Board on the appointment and removal of the external auditor, to review the financial statements and related materials and provide independent advice in respect of the financial reporting process, and to oversee the risk management and internal control system of the Group. The Audit Committee comprises three members, all being independent non-executive Directors, namely, Mr. Hung Ka Hai Clement (chairman), Mr. Marwan Jassim Sulaiman Jassim Alsarkal and Professor Wang Jianyu.

The condensed consolidated interim financial statements of the Company for the six months ended 30 June 2024 have not been audited or reviewed by the Company's external auditor, but they have been reviewed by the Audit Committee and have been duly approved by the Board under the recommendation of the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors' securities transactions. All Directors have confirmed that, following specific enquiry by the Company, they have compiled with the required standard set out in the Model Code during the Review Period.

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.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.uspace.com). The interim report of the Company for the Review Period will be published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
USPACE Technology Group Limited
Sun Fengquan
Chairman and Chief Executive Officer

Hong Kong, 28 August 2024

As at the date of this announcement, the Board comprises Mr. Sun Fengquan (Chairman and Chief Executive Officer), H.H. Shaikh Mohammed Maktoum Juma Al-Maktoum (Deputy Chairman), Dr. Fabio Favata and Mr. Ma Fujun as executive Directors; Mr. Alhamedi Mnahi F Alanezi, Prof. Christian Feichtinger, Prof. Guo Huadong, Dr. Mazlan Binti Othman and Mr. Nathan Earl Whigham as non-executive Directors; and Ms. Barbara Jane Ryan, Mr. Hung Ka Hai Clement, Mr. Juan de Dalmau-Mommertz, Mr. Marwan Jassim Sulaiman Jassim Alsarkal and Prof. Wang Jianyu as independent non-executive Directors.