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.HK

2023
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Sun Fengquan
(Chairman and Chief Executive Officer)
(re-designated from co-chairman to chairman on 28 November 2023)
Dr. Lam Lee G. *(Deputy Chairman)*
(re-designated from co-chairman to deputy chairman on 28 November 2023)
Ms. Ku Ka Lee Clarie *(Vice Chairman)*
H.H. Shaikh Mohammed Maktoum Juma Al-Maktoum
(appointed on 28 November 2023)
Dr. Fabio Favata
(appointed on 28 November 2023)
Mr. Ma Fujun
Mr. Lam Kin Fung Jeffrey
(resigned on 28 November 2023)

NON-EXECUTIVE DIRECTORS

Mr. Alhamedi Mnahi F Alanezi
(appointed on 28 November 2023)
Professor Christian Feichtinger
(appointed on 28 November 2023)
Professor Guo Huadong
(appointed on 28 November 2023)
Dr. Mazlan Binti Othman
Mr. Niu Aimin
Dr. Yip Chung Yin
(resigned on 28 November 2023)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Barbara Jane Ryan
(appointed on 28 November 2023)
Mr. David Gordon Eldon
(appointed on 28 November 2023)
Mr. Hung Ka Hai Clement
Mr. Juan de Dalmau-Mommertz
Mr. Marwan Jassim Sulaiman Jassim Alsarkal
(appointed on 28 November 2023)
Professor Wang Jianyu
(appointed on 28 November 2023)
Mr. Brooke Charles Nicholas
(resigned on 28 November 2023)
Professor Chan Ka Keung, Ceajer
(resigned on 28 November 2023)
Dr. Yuen Kwok Keung
(resigned on 28 November 2023)

AUDIT COMMITTEE

Mr. Hung Ka Hai Clement *(Chairman)*
Mr. Marwan Jassim Sulaiman Jassim Alsarkal
(appointed as member on 28 November 2023)
Professor Wang Jianyu
(appointed as member on 28 November 2023)
Mr. Brooke Charles Nicholas
(resigned as member on 28 November 2023)
Professor Chan Ka Keung, Ceajer
(resigned as member on 28 November 2023)

NOMINATION COMMITTEE

Mr. Sun Fengquan *(Chairman)*
Dr. Lam Lee G.
Ms. Barbara Jane Ryan
(appointed as member on 28 November 2023)
Mr. Hung Ka Hai Clement
Mr. Juan de Dalmau-Mommertz
(appointed as member on 28 November 2023)
Dr. Yuen Kwok Keung
(resigned as member on 28 November 2023)

REMUNERATION COMMITTEE

Professor Wang Jianyu *(Chairman)*
(appointed as chairman on 28 November 2023)
Dr. Lam Lee G.
Mr. Juan de Dalmau-Mommertz
(appointed as member on 28 November 2023)
Professor Chan Ka Keung, Ceajer
(resigned as chairman on 28 November 2023)
Mr. Brooke Charles Nicholas
(resigned as member on 28 November 2023)
Dr. Yuen Kwok Keung
(resigned as member on 28 November 2023)

AUTHORISED REPRESENTATIVES

Mr. Sun Fengquan
Ms. Cheng Ka Yan

COMPANY SECRETARY

Ms. Cheng Ka Yan

CORPORATE INFORMATION

REGISTERED OFFICE IN CAYMAN ISLANDS

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

15/F, Data Technology Hub
5 Chun Cheong Street
Tseung Kwan O Industrial Estate
New Territories, Hong Kong

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

No. 11, Qingli Second Road
Shuikou Street
Huicheng District
Huizhou, Guangdong
PRC

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Sparkasse Heidelberg
Shanghai Pudong Development Bank

CAYMAN ISLANDS PRINCIPAL REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISERS

Michael Li & Co.

AUDITORS

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

SHARE LISTING

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

STOCK CODE

1725

STOCK NAME

USPACE Tech

COMPANY WEBSITE

www.uspace.com

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of USPACE Technology Group Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I would like to present to the shareholders of the Company ("**Shareholders**") the annual report of the Group for the year ended 31 December 2023 (the "**Reporting Period**").

The Company is an investment holding company and the Group is principally engaged in (i) aerospace business (the "**Aerospace Business**"), which includes (1) satellite manufacturing; (2) satellite communication; (3) satellite measurement and controlling; and (4) satellite launch; and (ii) electronics manufacturing services business (the "**EMS Business**"), which includes assembling and production of printed circuit boards assemblies (the "**PCBAs**") and fully-assembled electronic products.

BUSINESS REVIEW

During the Reporting Period, the global economic instability has had a certain impact on the Group's business. Due to the tense global trade situation, currency fluctuations, and intensified geopolitical risks, our customers and suppliers have been facing certain challenges. These factors not only affected the Group's overall revenue but also increased the cost of foreign currency debt, putting pressure on the Group's financial results.

During the Reporting Period, a turnover of approximately RMB593.5 million was recorded by the Group, representing a decrease of approximately 6.6% as compared to that of the same period in 2022; while the loss for the year attributable to equity holders of the Company of approximately RMB211.1 million was recorded as compared to that of approximately RMB154.3 million for the corresponding period in 2022. This was mainly due to (i) the increase in depreciation expenses on right-of-use assets and building management fee in the Aerospace Business, representing the lease for establishment of the Hong Kong satellite manufacturing centre and the Hong Kong satellite operation control and application centre at the Advanced Manufacturing Centre located at Tseung Kwan O Industrial Estate, Hong Kong ("**AMC**"); (ii) the increase in employee benefit expenses by reason of additional headcount to accommodate with the expected expansion of the Aerospace Business; (iii) share-based payments related to the issuance of convertible notes; and (iv) impairment losses on certain properties, plant and equipment.

Business Strategies and Outlook

In the context of global economic instability, the Group is facing various challenges. To address these challenges, the Group will adopt the following business strategies to maintain long-term growth in our Aerospace Business and EMS Business:

- Globalization: the Group will actively expand its Aerospace Business to international markets and reduce reliance on specific regions. By expanding its customer and supplier networks, it can mitigate the impact of trade tensions, currency fluctuations, and geopolitical risks on the businesses of the Group;

- Developing new markets and customer groups: the Group will strengthen cooperation with suppliers and partners to obtain more resources and support to our Aerospace Business and EMS Business. The Group will also invest in research and development of new technologies and products to meet changing market demands; and

- Cost control: the Group will strengthen cost management and reduce operating costs. By optimizing the supply chain, improving overall production efficiency, and adjusting procurement strategies, we can reduce foreign currency debt costs and increase profit margins accordingly.

CHAIRMAN'S STATEMENT

Looking ahead, the Board remains optimistic and confident about the future prospects of the Aerospace Business as aerospace industry will be one of the key trends in the coming decades. In the meantime, the construction work in the Hong Kong satellite manufacturing centre and the Hong Kong satellite operations control and applications centre at AMC has been substantially completed. With the commencement of operation of the two new facilities, the Group will continue to strengthen its research and development investment, improve its technical level and product quality. By introducing advanced manufacturing equipment, testing equipment and research and development facilities, we can enhance our competitiveness and expand our market share accordingly. The Group believes that these two new facilities will bring long-term benefits to the entire Group's Aerospace Business as they will increase our production capacity and enable us to undertake larger projects.

Simultaneously, the Group anticipates huge business opportunities for our future Aerospace Business with the continuous progress of aerospace technology and the rapid development of the global aerospace sector. The Group has identified many potential business opportunities and collaborations, particularly in the Middle East region. Taking the Abu Dhabi Space Eco City project as an example, the Group will expand its Aerospace Business in this region and target to create a modern space conglomerate that integrates research and development, manufacturing, testing and business offices to promote innovation and development of the global aerospace industry and become an integrated aerospace eco-city. As an important partner of the project, the Group will fully leverage its strengths and professional capabilities to contribute to the smooth progress of the project.

In addition, the Group will actively explore other international markets and participate in aerospace projects in other regions, including satellite manufacturing, satellite communications, remote sensing monitoring and satellite launching. Through cooperation with local industry-related enterprises and professional institutions, the Group will establish partnerships with various international bodies to jointly promote the development of the aerospace industry and further expand our business network to enhance the Group's market competitiveness.

Gratitude

On behalf of the Company, I would like to express my sincere gratitude to all our valued Shareholders, customers, suppliers, banks, and to our management and employees for their continuous trust and support to our Group. In the future, the Group will continue to focus on customers by constantly improving our product quality and service standards, aiming to create greater value for both customers and Shareholders alike. At the same time, the Group will remain confident and move forward with determination to strive for sustainable development of the Group.

By order of the Board

Sun Fengquan
Chairman & Chief Executive Officer

Hong Kong, 27 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

Revenue by Customers' Geographical Location

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

	2023 *RMB'000*	2022 *RMB'000*
Chinese Mainland	477,720	465,866
India	27,689	26,281
Germany	26,363	15,160
Australia	15,375	21,702
South Korea	14,894	35,556
Hong Kong	10,411	12,326
The United States of America ("**USA**")	9,307	20,441
Austria	4,989	6,434
Vietnam	3,662	20,611
United Kingdom	–	10,530
Others	3,098	525
	593,508	635,432

Revenue by Product Type

During the Reporting Period, revenue of the EMS Business was generated by two principal product types. The table below summarises the amount of revenue generated and as a percentage of total revenue from each product category for the Reporting Period and for the year ended 31 December 2022 respectively:

	Revenue for the year ended 31 December			% of total revenue for the year ended 31 December		
	2023 *RMB'000*	2022 *RMB'000*	Change *%*	2023	2022	Change
PCBAs	416,773	495,040	(15.8)	70.2	77.9	(7.7)
Fully-assembled electronic products	176,735	140,392	25.9	29.8	22.1	7.7
Total	593,508	635,432	(6.6)	100	100	–

PCBAs

Based on the usage of the final electronic products embedded with PCBAs, PCBAs can be broadly applied to electronic end products for three principal industries, namely, banking and finance, telecommunications and smart device. The revenue generated from the sales of PCBAs decreased by approximately 15.8% from approximately RMB495.0 million for the year ended 31 December 2022 to approximately RMB416.8 million for the Reporting Period, primarily due to the demand for home appliances and smart home devices returned to normal level, compared to the increased demand during the pandemic and lockdowns last year.

Fully-assembled electronic products

The fully-assembled electronic products that are embedded with PCBAs primarily manufactured by the Company in-house mainly include mobile phones, mPOS, photovoltaic inverters, tablets and street lamp controllers, which are sold under the respective brands of the customers or the brands of their ultimate customers. The revenue generated from sales of fully-assembled electronic products increased by approximately 25.9% from approximately RMB140.4 million for the year ended 31 December 2022 to approximately RMB176.7 million for the Reporting Period primarily due to increased orders from new customers developed during the Reporting Period.

Gross Profit and Gross Profit Margin by Product Type

Gross profit of the Group for the Reporting Period was approximately RMB64.7 million, representing an increase of approximately RMB38.7 million or 148.5% as compared with approximately RMB26.0 million for the year ended 31 December 2022. Overall gross profit margin increased from 4.1% for the year ended 31 December 2022 to 10.9% for the Reporting Period.

	Gross profit for the year ended 31 December			Gross profit margin for the year ended 31 December		
	2023	2022	Change	**2023**	2022	Change
	RMB'000	*RMB'000*	*%*	***%***	*%*	*%*
PCBAs	**51,895**	25,350	104.7	**12.5**	5.1	7.4
Fully-assembled electronic products	**12,814**	692	1,751.7	**7.3**	0.5	6.8
Total	**64,709**	26,042	148.5	**10.9**	4.1	6.8

PCBAs

The gross profit derived from the sales of PCBAs increased by approximately 104.7% to approximately RMB51.9 million for the Reporting Period (2022: approximately RMB25.4 million). The gross profit margin increased to approximately 12.5% for the Reporting Period (2022: approximately 5.1%), which primarily resulted from the (i) decrease in material costs compared with the high price during the pandemic; (ii) increase in the use of manpower services resulting in overall decreased labour costs; and (iii) reversal of inventory provision during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Fully-assembled electronic products

The gross profit derived from the sales of fully-assembled electronic products increased by approximately 1,751.7% to approximately RMB12.8 million for the Reporting Period (2022: approximately RMB0.7 million). The gross profit margin increased to approximately 7.3% for the Reporting Period (2022: approximately 0.5%), which was mainly due to the Group charging higher prices with higher gross profit margins for new customers and also the decrease in material costs and labour costs during the Reporting Period.

Other Income

Other income of the Group for the Reporting Period of approximately RMB6.7 million comprises discretionary government grants, rental income and sundry income. The increase of other income is mainly due to the increase of sundry income and rental income attributable to property being rented out during the Reporting Period.

Other Losses, Net

Other losses, net of the Group for the Reporting Period of approximately RMB1.0 million mainly represented one-off gain on disposal of subsidiaries, partially offset by exchange loss.

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) transportation charges; (iii) sales commission paid to the sales agents in respect of customer introduction; and (iv) other expenses. For the Reporting Period, selling and distribution expenses amounted to approximately RMB21.4 million (2022: approximately RMB21.3 million). Selling and distribution expense against revenue ratio remained at a very similar level, with approximately 3.6% for the Reporting Period and approximately 3.4% for the year ended 31 December 2022.

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) depreciation expenses on right-of-use assets and properties, plant and equipment; (iii) impairment losses on properties, plant and equipment; (iv) legal and professional fees; and (v) other expenses. For the Reporting Period, general and administrative expenses amounted to approximately RMB250.2 million (2022: approximately RMB143.3 million), representing an increase of approximately 74.6% as compared to the year ended 31 December 2022. The increase in general and administrative expenses was mainly due to (i) the increase in depreciation expenses on right-of-use assets and building management fees in relation to leased premises for the establishment of the Hong Kong satellite manufacturing centre and satellite operation control and application centre; (ii) the increase in employee benefit expenses resulting from additional headcount for the Aerospace Business; (iii) share-based payments related to the issuance of convertible notes; and (iv) impairment losses on certain properties, plant and equipment.

Impairment Losses on Financial Assets

Impairment losses on financial assets represented the provision of impairment of trade and bills receivables. For the Reporting Period, impairment of approximately RMB6.3 million (2022: impairment RMB1.7 million) was made against the trade and bills receivables which were difficult to be recovered.

Finance Costs, Net

The finance costs mainly comprised interest expenses on bank and other borrowings, bonds payable and lease liabilities while the finance income mainly represented interest income on cash and cash equivalents and pledged bank deposits. For the Reporting Period, finance costs, net of the Group were approximately RMB19.2 million (2022: approximately RMB12.1 million) representing an increase of approximately 58.7% as compared to the year ended 31 December 2022. The increased finance costs, net was primarily due to the increased interest expenses in relation to lease for right-of-use assets, especially properties, and no capitalisation of interest expenses on qualifying assets for the Reporting Period.

Income Tax Credit/(Expense)

Income tax credit amounted to approximately RMB3.9 million for the Reporting Period (2022: income tax expense approximately RMB1.3 million). The income tax credit is primarily attributable to the increase in deductible temporary differences between the tax bases of certain properties, plant and equipment and their carrying amounts in the consolidated balance sheet.

Loss Attributable to Equity Holders of the Company

As a result of the factors discussed above, loss attributable to equity holders of the Company amounted to approximately RMB211.1 million for the Reporting Period as compared with that for the corresponding period in 2022 of approximately RMB154.3 million.

LIQUIDITY AND CAPITAL RESOURCES

The Group funds its capital expenditure and working capital requirement for the conduct of its normal course of business by using a mix of internal resources and bank and other borrowings. The management of the Group closely monitors the Group's liquidity position to ensure the Group has a sufficient level of cash and banking facilities to meet its funding needs.

Net Current Liabilities

The Group had net current liabilities of approximately RMB339.3 million as at 31 December 2023 (2022: approximately RMB71.7 million). The current ratio of the Group decreased from approximately 0.9 as at 31 December 2022 to approximately 0.5 as at 31 December 2023.

Borrowings, the Pledge of Assets and Restricted Cash

The bank and other borrowings of the Group amounted to approximately RMB247.0 million as at 31 December 2023 (31 December 2022: approximately RMB249.4 million). The weighted average interest rate per annum of the Group's bank and other borrowings as at 31 December 2023 was 3.93% (31 December 2022: 4.33%). As at 31 December 2023, the bank and other borrowings were secured by properties, equipment, land-use rights, shares of the Company's subsidiary, corporate guarantees provided by the Company and the Company's subsidiaries and a personal guarantee provided by one of the Directors, Mr. Ma Fujun. As at 31 December 2022, the bank and other borrowings were secured by pledged bank deposit, properties, equipment, land-use rights, shares of the Company's subsidiary, corporate guarantees provided by the Company and the Company's subsidiaries and a personal guarantee provided by one of the Directors, Mr. Ma Fujun. As at 31 December 2023, bank deposits amounted to approximately RMB10.0 million were pledged for a performance bond provided for customer contract (31 December 2022: bank deposits amounted to approximately RMB17.5 million were pledged, where RMB7.5 million were pledged for the facilities granted by the banks to the Group and RMB10.0 million were pledged for a performance bond provided for customer contract). As at 31 December 2023 and 2022, the cash and cash equivalents, pledged bank deposits and restricted cash and bank and other borrowings were mainly denominated in Renminbi ("RMB"), Hong Kong Dollar ("HK$"), United States Dollar ("USD") and Euro ("EUR").

MANAGEMENT DISCUSSION AND ANALYSIS

The Group had unutilised banking facilities of approximately RMB125.1 million as at 31 December 2023 (31 December 2022: approximately RMB8.3 million).

Gearing Ratio

The gearing ratio, which is calculated by total bank and other borrowings divided by total equity, was approximately 121.4% and 101.5% as at 31 December 2023 and 31 December 2022, respectively. The increase in gearing ratio was due to decrease in equity contributed by loss for the Reporting Period.

Capital Structure

As at 31 December 2023, the Company's issued share capital was HK$3,153,778 and the number of issued shares of the Company was 315,377,800 ordinary shares of HK$0.01 each.

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 Reporting Period, the Group had capital expenditure of approximately RMB154.2 million (2022: RMB384.5 million). The capital expenditure was mainly related to the construction of the Hong Kong satellite manufacturing centre and the Hong Kong satellite operation control and application centre.

DIVIDEND

The Board does not recommend payment of final dividend for the Reporting Period (2022: Nil).

The Company is not aware of any arrangement under which a Shareholder has waived or agreed to waive any dividends.

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 31 December 2023, the Group had 823 employees with a total remuneration of approximately RMB161.4 million during the Reporting Period (2022: approximately RMB151.8 million). The salaries of the employees were determined with reference to individual performance, work experience, qualification and current industry practices.

CAPITAL COMMITMENT

As at 31 December 2023, the Group's capital commitment amounted to approximately RMB196.2 million (2022: RMB296.2 million). The capital commitment was mainly related to (i) fitting-out contracts and procurement and installation contracts for the establishment of the Aerospace Business in Hong Kong and (ii) satellite procurement contracts.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2023 (2022: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 31 December 2023.

EVENTS AFTER THE REPORTING PERIOD

On 9 January 2024, the Company entered into a non-legally binding term sheet (the "**AD Ports Term Sheet**") with Abu Dhabi Ports Company PJSC in relation to the establishment of a chain of international aerospace technology innovation and space trade centres with the concept of a mega-space city hub in Abu Dhabi, United Arab Emirates. The project aims to provide commercial aerospace enterprises worldwide to jointly develop a global aerospace ecological chain. Details of the AD Ports Term Sheet are set out in the announcement of the Company dated 9 January 2024.

The Company announced on 16 November 2022, that it had entered into a memorandum of understanding with Asia-Pacific Space Cooperation Organization ("**APSCO**") on all aspects of cooperation, including satellite manufacturing, satellite data, aerospace industry supply chain, aerospace education and training, and organizing international conferences and forums. Subsequently, on 23 January 2024, the Company further strengthened its relationship with APSCO by entering into a binding master contract (the "**APSCO Contract**") with APSCO in relation to the purchase of remote sensing satellite data of the "Golden Bauhinia Satellite Constellation" from the Group. Details of the APSCO Contract are set out in the announcement of the Company dated 23 January 2024.

On 1 February 2024, the Company entered into a joint venture agreement ("**JV Agreement**") with Aspace Satellite Technology Manufacturing Company ("**Aspace Saudi**"), Aerospace Satellite Technology Limited ("**Aspace HK**"), and Masarrah Investment Company (the "**Investor**") in relation to Aspace Saudi's joint business. Pursuant to the terms of the JV Agreement, the shareholding ratio of Aspace HK and the Investor in Aspace Saudi will remain at 85:15. It is expected that the Investor will assist Aspace Saudi in building its satellite manufacturing facilities in the Kingdom of Saudi Arabia and its future business operations. This cooperation is part of the Company's participation in the Saudi Vision 2030 program, which aims to promote the economic, social, and cultural diversification of Saudi Arabia. Details of the JV Agreement are set out in the announcement of the Company dated 1 February 2024.

Following the change of company name and change of stock short name of the Company with effect from 24 November 2023, the Company has adopted a new logo and changed its official website with effect from 12 January 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS, DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND SIGNIFICANT INVESTMENTS

On 30 December 2022, Total United Holdings Limited ("**Total United**"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Vast Project Limited ("**Vast Project**"), pursuant to which Total United has conditionally agreed to sell, and Vast Project has conditionally agreed to purchase the entire equity interest of Positive Expert Limited ("**Positive Expert**"), the then wholly-owned subsidiary of Total United at the consideration of HK$75 million (the "**Positive Expert Disposal**"). Completion of the Positive Expert Disposal took place on 30 May 2023, and upon completion, the Company ceased to hold any equity interest in Positive Expert. As one or more of the applicable percentage ratios (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")) in respect of the Positive Expert Disposal exceed 5% but are less than 25%, the Positive Expert Disposal constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Details of the Positive Expert Disposal are set out in announcements of the Company dated 30 December 2022 and 30 May 2023 respectively.

On 11 July 2023, Aspace Satellite Technology Limited ("**Aspace**"), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement with a company wholly-owned by Utmost International Isle of Man Limited (the "**Subscriber**"), pursuant to which Aspace has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for 9,800 ordinary shares in the share capital of Aspace at the subscription price of US$20.5 million (equivalent to HK$159.9 million) (the "**Aspace Subscription**"). Completion of the Aspace Subscription took place on 11 September 2023, and upon completion, Aspace was indirectly owned as to 51% by the Company and as to 49% by the Subscriber. The Aspace Subscription constituted a deemed disposal pursuant to Rule 14.29 of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Aspace Subscription exceed 5% but are less than 25%, the Aspace Subscription constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Details of the Aspace Subscription are set out in announcements of the Company dated 11 July 2023 and 11 September 2023 respectively.

Save as disclosed in this annual report, there were no material acquisitions, disposals of subsidiaries, associates and joint ventures and significant investments during the Reporting Period.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company as at the date of this annual report are set out as follows:

EXECUTIVE DIRECTORS

Mr. Sun Fengquan ("Mr. Sun")

Mr. Sun, aged 59, was appointed as an executive Director, the Co-Chairman of the Board, the chief executive officer of the Company ("**Chief Executive Officer**") and the chairman of the Nomination Committee in June 2021 and was re-designated as the chairman of the Board ("**Chairman**") in November 2023.

Mr. Sun has over 30 years of experience in business management. From 2015 to 2019, he was the chairman of Hong Kong Financial Assets Management Limited. He was also the chairman of Far East International Capital Management Limited from 1993 to 2013. Prior to this, Mr. Sun was the deputy manager of Jincheng Asset Management Limited from 1990 to 1993.

Dr. Lam Lee G. *BBS, JP* ("Dr. Lam")

Dr. Lam, aged 64, was appointed as a non-executive Director in May 2021 and was further appointed as co-chairman of the Board and a member of the Remuneration Committee in June 2021. Dr. Lam was re-designated as an executive Director and appointed as a member of the Nomination Committee in January 2022. He was re-designated as the deputy chairman of the Board in November 2023.

Dr. Lam has extensive international experience in corporate management, strategy consulting, corporate governance, direct investment, investment banking and asset management. Dr. Lam served as chairman of Hong Kong Cyberport, a member of the Committee on Innovation, Technology and Re-Industrialization, the Sir Murray MacLehose Trust Fund Investment Advisory Committee and the Development Bureau Common Spatial Data Advisory Committee, and a part-time member of the Central Policy Unit of the Hong Kong Government. Actively participating in community service and international cooperation, Dr. Lam is a member of the Chief Executive's Policy Unit Expert Group, the Governance Committee of the Hong Kong Growth Portfolio and the Green Technology and Finance Development Committee of the Hong Kong Government, and convenor of the panel of advisors on Building Management Disputes of the Hong Kong Government Home Affairs Department. He is also a member of the Belt and Road and Greater Bay Area Committee of the Hong Kong Trade Development Council, advisor to Our Hong Kong Foundation, chair of the United Nations ESCAP Sustainable Business Network, vice chairman of Pacific Basin Economic Council, and a member of the board of directors and chairman of the Permanent Commission on Economic and Financial Issues of the World Union of Small and Medium Enterprises.

Dr. Lam holds a Bachelor of Science (BSc) in sciences and mathematics, Master of Science (MSc) in systems science and Master of Business Administration (MBA) from the University of Ottawa in Canada, Bachelor of Laws (LLB) (Hons.) in law from Manchester Metropolitan University in the United Kingdom (the "**UK**"), the Postgraduate Certificate in Laws (PCLL) from the City University of Hong Kong, Master of Laws (LLM) in law from the University of Wolverhampton in the UK, Master of Public Administration (MPA) and a Doctor of Philosophy (PhD) from the University of Hong Kong. Dr. Lam is also a solicitor of the High Court of Hong Kong (and formerly a member of the Hong Kong Bar Association), an accredited mediator of the Centre for Effective Dispute Resolution, a fellow of Certified Management Accountants (CMA) Australia, the Hong Kong Institute of Arbitrators and the Hong Kong Institute of Directors, an international affiliate of the Hong Kong Institute of Certified Public Accountants (HKICPA), an honorary fellow of Certified Public Accountants (CPA) Australia, the Hong Kong Institute of Facility Management and the University of Hong Kong School of Professional and Continuing Education, and a distinguished fellow of the Hong Kong Innovative Technology Development Association.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Lam is currently an independent non-executive director of each of Mei Ah Entertainment Group Limited (stock code: 391), Hang Pin Living Technology Company Limited (stock code: 1682), Kidsland International Holdings Limited (stock code: 2122), Greenland Hong Kong Holdings Limited (stock code: 337), RENHENG Enterprise Holdings Limited (stock code: 3628) and Sinohope Technology Holdings Limited (stock code: 1611) and a non-executive director of Mingfa Group (International) Company Limited (stock code: 846, re-designated from independent non-executive director on 23 April 2020), the shares of all of which are listed on the Stock Exchange. He is also an independent non-executive director of Asia-Pacific Strategic Investments Limited (stock code: 5RA), the shares of which are listed on the Singapore Exchange; an independent non-executive director of AustChina Holdings Limited (stock code: AUH), whose shares are listed on the Australian Securities Exchange, and a non-executive director of Jade Road Investments Limited (stock code: JADE), whose shares are listed on the London Securities Exchange.

In the past three years, Dr. Lam was a non-executive director of Sunwah Kingsway Capital Holdings Limited (stock code: 188) up to February 2024, China Hong Kong Power Smart Energy Group Limited (stock code: 931, formerly known as China LNG Group Limited) up to February 2024, National Arts Group Holdings Limited (stock code: 8228) up to July 2022, and Tianda Pharmaceuticals Limited (stock code: 455) up to August 2021, and he was also an independent non-executive director of Huarong International Financial Holdings Limited (stock code: 993) up to March 2024, CSI Properties Limited (stock code: 497) up to March 2024, Vongroup Limited (stock code: 318) up to February 2024, MOS House Group Limited (stock code: 1653) up to February 2024, Elife Holdings Limited (stock code: 223) up to February 2024 and Haitong Securities Company Limited (stock code: 6837, it is also listed on the Shanghai Stock Exchange stock code: 600837) up to October 2023, the shares of all of which are listed on the Stock Exchange. He was an independent non-executive director of each of Thomson Medical Group Limited (stock code: A50) up to November 2023, Alset International Limited (stock code: 40V, re-designated from non-executive director on 2 July 2020) up to November 2023, Beverly JCG Ltd. (listed on the Singapore Exchange, stock code: VFP) up to April 2023 and Top Global Limited (stock code: BHO) up to August 2021 (delisted on the Singapore Exchange since August 2021), Sunwah International Limited (stock code: SWH, listed on the Toronto Stock Exchange) up to June 2021 and TMC Life Sciences Berhad (stock code: 0101, listed on the Bursa Malaysia) up to 31 May 2023.

Ms. Ku Ka Lee Clarie ("Ms. Ku")

Ms. Ku, aged 67, was appointed as an executive Director and the vice chairman of the Board in July 2021. She was the former Deputy Secretary for Financial Services & the Treasury of the Hong Kong government. During her public service tenure, she had taken up various senior positions dealing with trade, industry & technology development, energy and housing.

During 2001 and 2002, Ms. Ku was selected as the global President of the Financial Action Task Force (FATF) on Anti-Money Laundering. After the September 11 Attacks, she steered and led the FATF member jurisdictions, as well as other international organizations such as the International Monetary Fund (IMF), World Bank, UN Security Council, Basel Committee, etc. to formulate policies on counter terrorist financing. In 2007, Ms. Ku assisted the Honourable Mr. Tung Chee Hwa to form the China-United States Exchange Foundation as its chief executive officer (until October 2010) and remains a Counsellor of the Foundation thereafter. Ms. Ku has also taken up various senior positions in the banking, FinTech and luxury retail sectors.

In 2003, the then Chief Executive of Hong Kong awarded Ms. Ku the Chief Executive's Commendation for Public Service. Ms. Ku was an official Justice of the Peace. In 1998, she was appointed as a board member of the Singapore National Council Against Drug Abuse and received a special award from the Singapore Minister for Home Affairs in 2003.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Ku is currently the President of International Women's Forum Hong Kong and Co-Chair of the Belt & Road Culture Exchange Foundation for Women. She also advises on environmental, social and governance ("**ESG**") issues at the Board level.

Ms. Ku holds Master of Laws from University of London, Master of Science in Management from Stanford University and Bachelor of Business Administration from The Chinese University of Hong Kong. She also completed graduate programs at Oxford University, Tsinghua University and Harvard Business School.

H.H. Shaikh Mohammed Maktoum Juma Al-Maktoum ("H.H. Al-Maktoum")

H.H. Al-Maktoum, aged 42, was appointed as an executive Director in November 2023.

H.H. Al-Maktoum is a member of the Dubai's royal family. H.H. Al-Maktoum holds a bachelor's degree in finance from the University of Dubai and has exposure spanning across multiple sectors including technology, aviation, sports consultancy, healthcare, education, oil & gas services, real estate, logistics, agriculture, and fashion. H.H. Al-Maktoum is currently the chairman of the UAE Rugby Federation.

Dr. Fabio Favata ("Dr. Favata")

Dr. Favata, aged 62, was appointed as an executive Director in November 2023.

Dr. Favata is an astrophysicist who has worked from 1998 until 2023 with the European Space Agency ("**ESA**"), where he has held different positions and responsibilities. He first worked as an active scientist at ESA's technical center in the Netherlands. From 2008, he became responsible for the strategy, coordination and planning of the Scientific Programme of ESA at the ESA's Headquarters in Paris, France. In this role, he defined the strategy of ESA's Scientific Programme, and managed the interaction with all the stakeholders. He is a visiting Professor at Imperial College in London, UK.

Dr. Favata obtained his degree in physics from the University of Palermo, Italy in 1985. During the course of his research career, he published over 150 refereed papers, of which 37 as first author, covering a range of topics, including stellar activity, stellar formation, galactic structure, and artificial intelligence. His scientific production has received more than 6,500 citations in scientific literatures.

He has held and holds a number of science policy roles, including membership of the scientific committee of the Italian National Institute for Astrophysics, and a senior advisor role for the International Space Science Institute in Beijing, China. He is associated with the Italian National Institute for Astrophysics, and continues to pursue research in astronomy and in science policy.

Mr. Ma Fujun ("Mr. Ma")

Mr. Ma, aged 50, was first appointed as a Director in March 2017, and was re-designated as an executive Director in February 2018. He also held the positions as the Chairman and Chief Executive Officer until June 2021.

Mr. Ma has over 18 years of experience in electronics engineering. He attended Xi'an University of Technology from September 1994 to July 1997 and obtained a Junior College Education Degree in Mechatronic Engineering in July 1997. From March 2001 to May 2011, Mr. Ma served as the general manager, legal representative and chairman of the board of directors of Shenzhen Active Tactics Electronics Company Limited.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Alhamedi Mnahi F Alanezi ("Mr. Alanezi")

Mr. Alanezi, aged 58, was appointed as a non-executive Director in November 2023.

Mr. Alanezi is a general secretariat of League of Arab States, a president and chief executive officer of Arab Satellite Communications Organization (ARABSAT) and a board member of Global Satellite Operator's Association (GSOA), Sudatel Telecom Group, Ltd and SAMENA Telecommunications Council. Mr. Alanezi holds a bachelor's degree in computer engineering in 1990 and a master's degree in executive management MBA in 2012, both from King Fahd University of Petroleum & Minerals.

Mr. Alanezi has over 27 years of experience in Saudi Arabia, Gulf Cooperation Council (GCC) region and the Middle East and North Africa in structuring, and leading business in multiple sectors such as investment, banking, financial service, and information technology. He has been the system development manager in National Commercial Bank from 1996 to 2001 and then moved to Al Rajhi Bank to work as e-commerce business head from 2001 to 2004. Mr. Alanezi has then worked in MasterCard as vice president & country manager in Saudi Arabia for 6 years and became a board member in Connecal from 2011 to 2014. He later joined First Recycling Co. Exitcom Middle East as chief executive officer from 2012 to 2017, Network International as general manager of Saudi Arabia from 2019 to 2021 and CREALOGIX as managing director of Middle East region from 2021 to 2023.

Professor Christian Feichtinger ("Prof. Feichtinger")

Prof. Feichtinger, aged 60, was appointed as a non-executive Director in November 2023.

Prof. Feichtinger graduated from the Graz University of Technology and earned a Doctor of Philosophy (PhD) in space experimentation. From September 2021 onwards, Prof. Feichtinger has been a member of the Group's aerospace technology development steering committee. In 2020, Prof. Feichtinger was awarded the "Executive Director of the Year 2020" by the Association of Association Executives. He became head of the ESA Permanent Mission in the Russian Federation in 2007, and from 2009 to 2011, he was ESA's senior advisor on exploration. Since 2012, he has been the executive director of the International Astronautical Federation (IAF), a globally active federation, which was founded in 1951 to foster dialogue between scientists around the world and support international cooperation in all space-related activities and continues to connect space people worldwide.

During the early 1990s and within the Institute of Applied Systems Technology of Joanneum Research, Graz, Prof. Feichtinger became technical manager of the first Austro-Soviet manned space mission to MIR "AUSTROMIR" and the follow-on missions "AUSTROMIR-E" and "AUSTROMIR MEDF". In 1993, he became an integrated member of the ESA's EUROMIR-94 and EUROMIR-95 Mission Management Team at European Space Research and Technology Centre (ESTEC), The Netherlands, and eventually becoming resident in Moscow as the EUROMIR-95 flight operations manager at the Russian Mission Control Centre. He joined the ESA in 1997 as its human spaceflight, microgravity and exploration programme representative in Moscow.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Professor Guo Huadong ("Prof. Guo")

Prof. Guo, aged 73, was appointed as a non-executive Director in November 2023.

Prof. Guo is the director general of the International Research Center of Big Data for Sustainable Development Goals (CBAS), and a professor of the Chinese Academy of Sciences ("**CAS**") Aerospace Information Research Institute. He is an academician of CAS, a foreign member of the Russian Academy of Sciences, a foreign member of the Finnish Society of Sciences and Letters, a fellow of the World Academy of Sciences (TWAS), and a fellow of the International Science Council ("**ISC**"). He presently serves as honorary president of the International Society for Digital Earth ("**ISDE**"), director of the International Center on Space Technologies for Natural and Cultural Heritage under the Auspices of UNESCO, member of the ISC Global Commission on Science Missions for Sustainability, chair of Digital Belt and Road Program (DBAR), editor-in-chief of two scientific journals International Journal of Digital Earth and Big Earth Data, and a member of the Group's satellite application expert committee, a position that he has held since September 2021. He served as a member of the United Nations 10-Member Group to support the Technology Facilitation Mechanism for Sustainable Development Goals (2018–2021), president of ISDE (2015–2019) and ISC Committee on Data for Science and Technology (2010–2014). Prof. Guo specializes in remote sensing, radar for earth observation, and digital earth science. He has published more than 500 papers and 24 books, and is the awardee of 20 international and domestic prizes.

Dr. Mazlan Binti Othman ("Dr. Othman")

Dr. Othman, aged 71, was appointed as an independent non-executive Director in July 2022 and was re-designated as non-executive Director in October 2022.

Dr. Othman obtained a Doctor of Philosophy (PhD) in Astrophysics from the University of Otago, New Zealand in 1981, and became a lecturer at the Universiti Kebangsaan Malaysia ("**UKM**") in 1981. Dr. Othman was seconded to the Prime Minister's Department in 1990 to set up and head the Planetarium Division, which subsequently became the Space Science Studies Division in 1993. She was appointed by UKM as Professor of Astrophysics in 1994. She was appointed as a Director of the United Nations Office for Outer Space Affairs ("**UNOOSA**") in Vienna, Austria in 1999. Dr. Othman returned to Malaysia to become the founding Director General of the National Space Agency (ANGKASA) in July 2002. In this capacity she established the National Observatory in Langkawi and National Space Centre in Selangor. She headed the National Angkasawan (Astronaut) Programme which saw the launch of the first Malaysian to the International Space Station in 2007. She was responsible for the launch of Malaysia Remote Sensing Satellites: TiungSAT and RazakSAT. She attended the Advanced Management Programme (AMP169) at Harvard Business School in 2005.

Dr. Othman resumed her post as director of UNOOSA in December 2007 upon retirement from Malaysian Civil Service. She was appointed as the deputy director-general of the United Nations Office at Vienna (UNOV) in June 2009 and she retired from the United Nations in December 2013. Dr. Othman was appointed as the project director, Mega Science 3.0 at Academy of Sciences Malaysia ("**ASM**") from 2014 to 2016. She became the professor emeritus at UKM in 2015 and was a Fulbright Scholar at the Space Policy Institute of George Washington University from 2015 to 2016. Dr. Othman was elected as senior fellow of ASM in 2016. She was the director of the ISC Regional Office for Asia and the Pacific (ROAP) from 2017 to 2021.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Niu Aimin ("Mr. Niu")

Mr. Niu, aged 57, was appointed as non-executive Director and a member cum secretary of the international cooperation committee of the Company, both with effect from July 2022.

Mr. Niu respectively received his master's degree in aeronautical and aerospace system engineering in 1991 and bachelor's degree in aerospace mechanical engineering with specialization of airplane and engine in 1988. He was also an alumnus in space business and management from International Space University in 2005.

Mr. Niu has been undertaking international cooperation in space technology and its applications as well as space exploration since 1998. From 2021 to 2022, he assumed leadership roles at the BeiDou International Cooperation Center to promote applications of BeiDou/Global Navigation Satellite System (GNSS) in various industries all over the world.

Mr. Niu served the UNOOSA as senior expert from 2011 to 2014 and scientific affairs officer (P4) from 2017 to 2020 respectively, where he helped launch the United Nations Human Space Technology Initiative and the Access to Space for All Initiative, opened China Space Station to the world, implemented various scientific and technical projects, and organized United Nations workshops and expert meetings, in cooperation with different partners and all United Nations Member States.

During his career at China Manned Space Agency from 1997, Mr. Niu assumed important roles in promoting international cooperation in human space flight and space exploration with rest of the world, software product quality assurance, procurement, planning and budgeting, satellite overall design, radio frequency and orbital resources applications and coordination. He has been a FRINCE2 practitioner in project management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Barbara Jane Ryan ("Ms. Ryan")

Ms. Ryan, aged 72, was appointed as an independent non-executive Director and a member of the Nomination Committee in November 2023.

Ms. Ryan holds master's degrees in geography from the University of Denver and in civil engineering from Stanford University, respectively and has been awarded an honorary doctor of science degree from her alma mater, the State University of New York at Cortland. Since January of 2021, she has become the second executive director of the World Geospatial Industry Council (WGIC), a non-profit trade association of private-sector companies working in the geospatial and earth observation ecosystem, a position from which she retired on 31 October 2023. She serves on several boards and advisory committees including for two start-ups Azimuth1 and Data for Development Insights (D4DInsights), the Ecological Sequestration Trust, the International Centre for Earth Simulation (ICES), the International Symposium for Remote Sensing of Environment (ISRSE), and from 2018–2021, the Jane Goodall Institute.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Ms. Ryan has served as chair of the International Committee on Earth Observation Satellites (CEOS). She has been named an honorary fellow of the American Geographical Society, in 2017 she was one of 10 global leaders to be named to the Geospatial World Forum's Hall of Fame, and in 2019 she was awarded the United States Department of Interior and National Aeronautics and Space Administration (NASA)'s Pecora Award. Ms. Ryan began her career in the United States Geological Survey (USGS), the largest natural resource science and civilian mapping agency in the United States. From 2008 to 2012, she was director of the World Meteorological Organization (WMO) Space Programme, and from 2012 to 2018, Ms. Ryan was the secretariat director of the intergovernmental group on Earth Observations (GEO) in Geneva, Switzerland.

Mr. David Gordon Eldon *GBS CBE JP* ("Mr. Eldon")

Mr. Eldon, aged 78, was appointed as the independent non-executive Director in November 2023.

Mr. Eldon commenced his career in banking in London in 1964. In 1968 he joined the HSBC Group, and subsequently took up various position within the group in different countries including the United Arab Emirates, Saudi Arabia, Oman and Bahrain, Malaysia and Hong Kong. Mr. Eldon was made an executive director of The Hongkong and Shanghai Banking Corporation Limited in January 1994, chief executive officer in 1996 and chairman in 1999. In 1996, Mr. Eldon was made chairman of Hang Seng Bank Ltd., a member of the HSBC Group and was appointed as a director of HSBC Holdings plc in 1999. He retired from the HSBC Group in 2005.

Mr. Eldon returned to banking in 2011 to become non-executive chairman of HSBC Bank Middle East Limited, and between 2013–2017 was chairman of HSBC Bank Oman. In 2017 he added the roles of non-executive chairman for HSBC Bank Egypt, HSBC Bank Turkey AS, and HSBC Middle East Holdings. He stepped down from all those roles during 2021. In 2021 he was appointed to the role of deputy chairman of HSBC Asia Pacific, and sits on several board committees. He is advisor to the chief executive officer of HSBC's Global Commercial Bank.

Mr. Eldon was Chairman of the Dubai International Financial Centre Authority between 2005 and 2011, and a member of the DIFC Higher Board until 2020. He was senior adviser at PricewaterhouseCoopers from 2005 to 2014, and is an adviser to Singapore-based Southern Capital Group a private equity firm, and to Hong Kong-based but international property group RIBCA Holdings. Between 2016 and 2019 he was an adviser to Thailand's CP Group on their corporate governance committee, and from 2016 to 2022, was chairman of Octopus Holdings Limited and Octopus Cards Ltd in Hong Kong. In 2023, he was appointed as an adviser to the Hong Kong-Middle East Business Chamber and the Government of Hong Kong's Hong Kong Academy for Wealth Legacy.

Mr. Eldon is a fellow of the Chartered Institute of Bankers (FCIB). He was conferred honorary doctor of business administration by the City University of Hong Kong in 2003. He was awarded the Gold Bauhinia Star (GBS) by the Hong Kong Government in 2004, and in 2005 he was made a Commander of the British Empire (CBE) for his contribution to banking and awarded honorary citizenship of Seoul in recognition of his work for the city. In 2011 Mr. Eldon was conferred honorary doctor of the Hong Kong Academy for Performing Arts. Mr. Eldon is a Justice of the Peace (JP).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Hung Ka Hai Clement ("Mr. Hung")

Mr. Hung, aged 68, was appointed as an independent non-executive Director, a member of the Audit Committee, the chairman of the Remuneration Committee and a member of the Nomination Committee in July 2021. He was further appointed as the chairman of the Audit Committee and resigned as the chairman of the Remuneration Committee in January 2022.

He obtained a bachelor of arts degree from the University of Huddersfield (now known as University of Lincoln), UK in 1980. Mr. Hung had served Deloitte China for 31 years. He served as chairman of Deloitte China from 2014 to 2016 and retired from Deloitte China with effect from June 2016. Prior to that, he had assumed various leadership roles, including the managing partner of Deloitte Shenzhen office and Guangzhou office, a member of the China management team of Deloitte China and the head of audit of South China and deputy managing partner of South China (including Hong Kong, Macau, Shenzhen, Guangzhou, Xiamen and Changsha). He was also a board member of Deloitte Global.

Mr. Hung served as the Guangzhou Institute of Certified Public Accountants consultant from 2004 to 2014 and is a life member of The Institute of Chartered Accountants in England and Wales. He also served as a member of the Political Consultative Committee of Luohu District, Shenzhen, China from 2006 to 2011. After his retirement as the chairman of Deloitte China, he was appointed as an expert consultant of The Ministry of Finance in the People's Republic of China.

Mr. Hung has directorships in certain listed companies whose shares are listed on the Stock Exchange. He is currently an independent non-executive director of each of JX Energy Ltd. (stock code: 3395), Skyworth Group Limited (stock code: 751), Huarong International Financial Holdings Limited (stock code: 993), Starjoy Wellness and Travel Company Limited (formerly known as Aoyuan Healthy Life Group Company Limited) (stock code: 3662), China East Education Holdings Limited (stock code: 667) and a non-executive director of High Fashion International Limited (stock code: 608). He is also an independent supervisor of the supervisory committee of Ping An Insurance (Group) Company of China, Ltd. (stock code: 2318) and the shares of which are also listed on the Shanghai Stock Exchange (stock code: 601318).

In the past three years, Mr. Hung was an independent non-executive director of each of Gome Finance Technology Co., Ltd. (stock code: 628) up to December 2023, Ye Capital Limited (stock code: 6069) up to July 2022 and Tibet Water Resources Ltd. (stock code: 1115) up to June 2021.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Juan de Dalmau-Mommertz ("Mr. de Dalmau")

Mr. de Dalmau, aged 65, was appointed as an independent non-executive Director in September 2022. He was appointed as a member of the Remuneration Committee and a member of the Nominating Committee in November 2023.

Mr. de Dalmau obtained a master's degree in mechanical and industrial engineering from the Technical University of Catalonia (translation of Universitat Politècnica de Catalunya) in Barcelona, Catalonia, Spain. He also completed courses of business administration in the USA and multidisciplinary space studies in France respectively between 1981 and 1989.

Mr. de Dalmau has been a faculty member of the International Space University ("**ISU**") since 1993, during which he held the positions of director at space studies program from July 2002 to August 2005 and the president of ISU from September 2018 to August 2021. In addition, Mr. de Dalmau held various senior management positions, including head of communication office at ESA in Netherlands from October 2010 to July 2018; general manager at Community of Ariane Cities in France form October 2005 to May 2011; director of Aerospace Research and Technology Centre in Spain from October 2005 to September 2010; and director of operations of Guiana Space Centre of the French Space Agency in French Guiana from 1988 to 1992. Mr. de Dalmau has over 35 years of experience in research, education, outreach, operations, and facilities management in international environments.

Mr. Marwan Jassim Sulaiman Jassim Alsarkal ("Mr. Alsarkal")

Mr. Alsarkal, aged 44, was appointed as the independent non-executive Director and a member of the Audit Committee in November 2023.

Mr. Alsarkal obtained a higher diploma in advanced accounting and a bachelor's degree in applied science from Higher Colleges of Technology in Dubai in 1999 and 2011 respectively. He served as executive chairman in Sharjah Investment & Development Authority (Shurooq) from 2009 to 2022. Mr. Alsarkal also held the position of chief executive officer at Al Qasba Development Authority from 2006 to 2009 and worked as the head of auditing at Sharjah Electricity and Water Authority from 1999 to 2003. From 2003 to 2006, he served as the finance director for Dubai Shopping Festival.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Professor Wang Jianyu ("Prof. Wang")

Prof. Wang, aged 64, was appointed as the independent non-executive Director, a member of the Audit Committee and the chairman of the Remuneration Committee in November 2023.

Prof. Wang is an academician of the CAS and researcher professor of the Shanghai Institute of Technical Physics ("**SITP**"), CAS. He obtained his bachelor of science in physics from Hangzhou University, Hangzhou, China in 1982, his master of engineering in photoelectric technique and doctor of philosophy in photoelectric Technique from SITP in 1987 and 1990 respectively. Prof. Wang is the associate editor of "Journal of Infrared and Millimetre Wave" and "Journal of Applied Science" and serves as a member of the Committee on Space Research (COSPAR) Chinese Committee and chairman of SPIE Asia Pacific Conference on multispectral/hyperspectral remote sensing technology and application. Prof. Wang was appointed as the deputy director of SITP from 1997 to 2020, director of SITP from 2000 to 2008, vice president of the Shanghai Branch of CAS from 2008 to 2017 and president of the Shanghai Branch of CAS from 2017 to 2020. He was also held various positions at SITP, he was appointed as assistant professor from 1990 to 1993, associate professor from 1993 to 1995 and professor from 1995 onwards.

COMPANY SECRETARY

Ms. Cheng Ka Yan ("Ms. Cheng")

Ms. Cheng, aged 39, was appointed as the company secretary of the Company ("**Company Secretary**") in June 2021.

Ms. Cheng has over 14 years of accumulated working experience in accounting, audit, company secretaryship, corporate finance management and financial reporting. Ms. Cheng is an independent non-executive director and audit committee member of Bortex Global Limited (stock code: 8118.HK) since 30 December 2020, the shares of which are listed on GEM of the Stock Exchange, and she has been re-designated as audit committee chairman since 10 March 2022.

Ms. Cheng had also worked for various listed companies, she was a company secretary and financial controller for Hong Kong Casin Holdings Limited from 2017 to 2018, which is a fellow subsidiary of Casin Real Estate Development Group Co Ltd (stock code: 838.SZ), the securities of which are listed on The Shenzhen Stock Exchange. Ms. Cheng was the company secretary and financial controller of DIT Group Limited (stock code: 726.HK) from 2016 to 2017 and the company secretary and accounting manager of Imagi International Holdings Limited (stock code: 585.HK) from 2014 to 2016, the shares of both of which are listed on the Main Board of the Stock Exchange. Before that, Ms. Cheng worked for Deloitte Touche Tohmatsu from 2010 to 2014.

Ms. Cheng graduated from The Hong Kong Polytechnic University and obtained a master's degree in corporate governance in 2017 and a bachelor of business administration degree in accountancy in 2007. She is also a member of The Hong Kong Chartered Governance Institute and The Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company recognises the value and importance of achieving high corporate governance standards to enhance corporate performance, transparency and accountability, earning the trust of Shareholders and the public. The Board strives to adhere to the principles of corporate governance and adopt sound corporate governance codes to meet the legal and commercial standards by focusing on areas such as internal control, adequate disclosure and accountability to all Shareholders.

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

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. 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors' securities transactions. Having made specific enquiry with all Directors by the Company, each of them confirmed his/her compliance with the required standard set out in the Model Code during the Reporting Period.

CORPORATE GOVERNANCE REPORT

THE BOARD

Composition

As at the date of this annual report, the Board comprised seventeen Directors, including six executive Directors, five non-executive Directors and six independent non-executive Directors. The composition of the Board during the Reporting Period and up to the date of this annual report is set out as follows:

Executive Directors

Mr. Sun Fengquan *(Chairman and Chief Executive Officer)*
(re-designated from co-chairman to chairman on 28 November 2023)
Dr. Lam Lee G. *(Deputy Chairman)*
(re-designated from co-chairman to deputy chairman on 28 November 2023)
Ms. Ku Ka Lee Clarie *(Vice Chairman)*
H.H. Shaikh Mohammed Maktoum Juma Al-Maktoum
(appointed on 28 November 2023)
Dr. Fabio Favata
(appointed on 28 November 2023)
Mr. Ma Fujun
Mr. Lam Kin Fung Jeffrey ("**Mr. Lam**")
(resigned on 28 November 2023)

Non-executive Directors

Mr. Alhamedi Mnahi F Alanezi
(appointed on 28 November 2023)
Professor Christian Feichtinger
(appointed on 28 November 2023)
Professor Guo Huadong
(appointed on 28 November 2023)
Dr. Mazlan Binti Othman
Mr. Niu Aimin
Dr. Yip Chung Yin ("**Dr. Yip**")
(resigned on 28 November 2023)

Independent Non-executive Directors

Ms. Barbara Jane Ryan
(appointed on 28 November 2023)
Mr. David Gordon Eldon
(appointed on 28 November 2023)
Mr. Hung Ka Hai Clement
Mr. Juan de Dalmau-Mommertz
Mr. Marwan Jassim Sulaiman Jassim Alsarkal
(appointed on 28 November 2023)
Professor Wang Jianyu
(appointed on 28 November 2023)
Mr. Brooke Charles Nicholas ("**Mr. Brooke**")
(resigned on 28 November 2023)
Professor Chan Ka Keung, Ceajer ("**Prof. Chan**")
(resigned on 28 November 2023)
Dr. Yuen Kwok Keung ("**Dr. Yuen**")
(resigned on 28 November 2023)

None of the members of the Board is related to one another. The biographical details of the Directors are set out in the section of "Biographical Details of Directors and Senior Management" on pages 13 to 22 of this annual report.

During the Reporting Period, the Company complied at all times with the requirements of the Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing at least one-third of the Board), of which at least one of the independent non-executive Director possesses appropriate professional qualifications, or accounting or related financial management expertise.

Roles And Responsibilities

The Board is collectively responsible for leadership, direction, supervision, and control of the Company's affairs, aiming to promote the long-term success of the Group. It makes decisions objectively in the best interests of the Company and the Shareholders to achieve the strategic business objectives with a focus on value creation while managing business risks. The Board also sets internal policies to monitor and control the operating and financial performance of the Group.

Executive Directors have extensive experience in corporate management and professional knowledge. They participate in the day-to-day business operations of the Company. Non-executive Directors and independent non-executive Directors contribute a wide range of business, technological and financial experience, expertise, and international perspectives to the Board discussion. Independent non-executive Directors have years of experience in finance, audit, and corporate governance. They are involved in scrutinising the Group's performance, providing independent opinions and views, upholding corporate standards of conduct and monitoring reporting processes to achieve agreed corporate goals and strategic objectives.

The Board has delegated the authority and responsibilities to the Board committees and the senior management for formulating business plans, exploring new business opportunities, implementing strategies, and managing daily business administration and operations. The Board is monitoring and reviewing the performance of the delegated functions and work tasks on a regular ongoing basis proactively through reporting and meeting with the senior management.

All Board members are provided with sufficient resources to discharge their duties and have access to the senior management of the Company for requesting further information and documents related to the matters be discussed in the Board meetings, upon reasonable request, to seek independent professional advice under appropriate circumstances, at the Company's expense. All Directors also have access to the Company Secretary, who is responsible for ensuring the Board procedures and all applicable rules and regulations are complied with.

DIRECTORS AND OFFICERS LIABILITY INSURANCE

The Company has arranged appropriate Directors and Officers Liability Insurance in respect of legal action against the Directors and officers of the Company. The insurance coverage is reviewed on an annual basis.

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the consolidated financial statements of the Group for the year ended 31 December 2023, which gave a true and fair view of the financial position of the Group in accordance with the applicable accounting standards.

Save as disclosed in note 2.1(a) to the consolidated financial statements, the Directors are unaware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the independent auditor of the Company about its reporting responsibilities for the consolidated financial statements set out in the Independent Auditor's Report on pages 125 to 131 of this annual report.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions of corporate governance. The Board and/or its committees, the latter of which have adopted terms of references including at least the functions and responsibilities as set out in code provision A.2.1 of the CG Code, constantly reviewed and discussed the corporate governance practices and policies of the Company, the code of conduct applicable to the Directors and the employees, the training and the continuous professional development of the Directors and the compliance with the CG Code and the disclosure in this Corporate Governance Report.

During the Reporting Period, the Board performed the duties relating to the abovementioned corporate governance matters and was satisfied with the effectiveness of the corporate governance policy of the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman is responsible for leading and overseeing the performance of the Board, ensuring effective communication with Shareholders, and representing the Company with external parties. The Chief Executive Officer oversees the daily leadership and management of the business by implementing the strategies and direction set by the Board.

Mr. Sun currently serves as both the Chairman and Chief Executive Officer. In consideration of the emerging global business environment, the Board is of the view that conferring the roles of both the Chairman and Chief Executive Officer on Mr. Sun will offer the Group consistent and effective leadership while empowering comprehensive business planning and timely decision-making.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors are highly skilled professionals with a broad range of expertise and experience in the fields of accounting, technology, finance, and corporate governance. Their skills, expertise and the number on the Board ensure that strong independent views and judgement are brought into the Board's deliberation and that such vulnerable inputs carry weight in the Board's decision-making process. Their presence and participation also enable the Board to maintain a high standard of compliance with financial and other mandatory reporting requirements and provide adequate checks and balances to safeguard the interests of the Company and the Shareholders.

The Company has received from each of the independent non-executive Directors an annual confirmation of his/her independence under Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors independent during the Reporting Period.

All independent non-executive Directors confirmed that they have devoted sufficient time to perform their duties as Directors and have given enough attention to the Company affairs during their tenure of office.

BOARD MEETINGS

Board meeting is an occasion structured for open discussion and frank debate between Board members on matters related to the development and affairs of the Company. The Board meets regularly and communicates as and when required. During the Reporting Period, the Board held four regular meetings. Sufficient notices are given to all Directors at least 14 days before the regular Board meetings. All Directors are consulted on whether to include each of the matters in the agenda. Agenda and accompanying Board papers are given to all Directors in a timely manner before the date of regular Board meetings. Drafts and final versions of Board minutes are circulated to all Directors for comments, approval and record.

PROCEEDINGS OF BOARD MEETINGS AND BOARD COMMITTEE MEETINGS

The Board may meet for the dispatch of business, adjourn and otherwise regulate its meeting and proceedings as it thinks fit and may determine the quorum necessary for the transaction of business and, unless so fixed at any other number, shall be at least two. A meeting of the Board or any committee of the Company may be held by means of telephone, electronic or other communication facilities so as to facilitate the participation of all relevant persons in the meeting.

Any Director who has a conflict of interest in a matter to be considered by the Board will be dealt with by a physical Board meeting rather than a written resolution. When a Director and the enterprise(s) involved in a proposal of a Board meeting have connected relations, such Director shall abstain from voting and not be counted in the quorum at meetings for approving such transactions. Independent non-executive Directors who, and whose close associates, have no material interest in a matter should be present at the Board meeting.

CORPORATE GOVERNANCE REPORT

Set out below are the attendance record of Board meetings, Board committee meetings and general meetings of the Company for the Reporting Period:

	Number of meetings attended/held					
Name of Directors	**Board Meeting**	**Audit Committee Meeting**	**Nomination Committee Meeting**	**Remuneration Committee Meeting**	**Annual General Meeting**	**Extraordinary General Meeting**
Executive Directors						
Mr. Sun Fengquan *(Chairman & CEO)*	4/4*	–	1/1*	–	1/1*	2/2
Dr. Lam Lee G.	4/4	–	1/1	1/1	1/1	2/2*
Ms. Ku Ka Lee Clarie	4/4	–	–	–	1/1	2/2
H.H. Shaikh Mohammed Maktoum Juma Al-Maktoum *(Appointed on 28 November 2023)*	0/0	–	–	–	0/0	0/0
Dr. Fabio Favata *(Appointed on 28 November 2023)*	0/0	–	–	–	0/0	0/0
Mr. Ma Fujun	2/4	–	–	–	1/1	2/2
Mr. Lam Kin Fung Jeffrey *(Resigned on 28 November 2023)*	4/4	–	–	–	1/1	2/2
Non-executive Directors						
Mr. Alhamedi Mnahi F Alanezi *(Appointed on 28 November 2023)*	0/0	–	–	–	0/0	0/0
Professor Christian Feichtinger *(Appointed on 28 November 2023)*	0/0	–	–	–	0/0	0/0
Professor Guo Huadong *(Appointed on 28 November 2023)*	0/0	–	–	–	0/0	0/0
Dr. Mazlan Binti Othman	2/4	–	–	–	1/1	1/2
Mr. Niu Aimin	4/4	–	–	–	1/1	2/2
Dr. Yip Chung Yin *(Resigned on 28 November 2023)*	4/4	–	–	–	1/1	2/2
Independent non-executive Directors						
Ms. Barbara Jane Ryan *(Appointed on 28 November 2023)*	0/0	–	0/0	–	0/0	0/0
Mr. David Gordon Eldon *(Appointed on 28 November 2023)*	0/0	–	–	–	0/0	0/0
Mr. Hung Ka Hai Clement	4/4	3/3*	1/1	–	1/1	2/2
Mr. Juan de Dalmau-Mommertz	1/4	–	0/0	0/0	0/1	0/2
Mr. Marwan Jassim Sulaiman Jassim Alsarkal *(Appointed on 28 November 2023)*	0/0	0/0	–	–	0/0	0/0
Professor Wang Jianyu *(Appointed on 28 November 2023)*	0/0	0/0	–	0/0*	0/0	0/0
Mr. Brooke Charles Nicholas *(Resigned on 28 November 2023)*	3/4	3/3	–	1/1	1/1	2/2
Professor Chan Ka Keung, Ceajer *(Resigned on 28 November 2023)*	4/4	3/3	–	1/1	1/1	2/2
Dr. Yuen Kwok Keung *(Resigned on 28 November 2023)*	2/4	–	1/1	1/1	1/1	1/2

* representing respective chairman of the Board, the Board Committees and general meetings as at 31 December 2023

In accordance with code provision C.2.7 of the CG Code, the Chairman held one meeting with the independent non-executive Directors without presence of other Directors during the Reporting Period.

CONTINUOUS PROFESSIONAL DEVELOPMENT

Every newly appointed Director will receive comprehensive trainings materials provided by the Company upon the appointment to ensure that he/she has appropriate and adequate understanding of the Group's business and of his/her director duties and responsibilities under the Listing Rules and the relevant applicable statutory and regulatory requirements.

The Company provides regular updates and reports to Directors on the business development and financial position of the Company to facilitate the Directors to discharge their duties and foster decision-making process.

Pursuant to the code provision C.1.4 of the CG Code, all directors should participate in a programme of continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the board remains informed and relevant. The Company should be responsible for arranging and funding training, placing an appropriate emphasis on the roles, functions and duties of the Directors. During the Reporting Period, the Company had arranged to provide trainings to all the Directors.

For the Reporting Period, all Directors, being Mr. Sun, Dr. Lam, Ms. Ku, H.H. Al-Maktoum, Dr. Favata, Mr. Ma, Mr. Alanezi, Prof. Feichtinger, Prof. Guo, Dr. Othman, Mr. Niu, Ms. Ryan, Mr. Eldon, Mr. Hung, Mr. de Dalmau, Mr. Alsarkal, Prof. Wang, Mr. Lam, Dr. Yip, Mr. Brooke, Prof. Chan and Dr. Yuen, participated in training on corporate governance, director's duties, environment, social and governance, and/or kept up with relevant regulatory update.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

All Directors are appointed for a specific term. Each of the Directors has entered into a service contract or letter of appointment with the Company for a fixed term.

According to Article 84(1) of the Articles of Association of the Company (the "**Articles**"), at each annual general meeting, one third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Article 84(2) of the Articles further provides that the Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Article 83(3) of the Articles provides that the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to the above provisions of the Articles, Mr. Sun, Dr. Lam, Ms. Ku, H.H. Al-Maktoum, Dr. Favata, Mr. Ma, Mr. Alanezi, Prof. Feichtinger, Prof. Guo, Dr. Othman, Mr. Niu, Ms. Ryan, Mr. Eldon, Mr. Hung, Mr. de Dalmau, Mr. Alsarkal and Prof. Wang will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting to be held on 25 June 2024 (the "**AGM**").

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity on the Board to strengthen its effectiveness and corporate governance. The Company recognises and embraces the benefits of a diverse Board with a balance of skills, experience and diversity of perspectives to enhance the quality of its performance. All Board appointments will be considered against selection criteria.

The Company considers board diversity through a range of perspectives in the selection process of Board members, including but not limited to gender, age, ethnicity, cultural and educational background, experience (professional or otherwise), skills and knowledge. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Board currently consists of three female Directors. It will continue to take opportunity to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for appointment of Directors. The Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices, with the ultimate goal of bringing the Board to gender parity.

The nomination committee of the Company ("**Nomination Committee**") will review and monitor the implementation of the Board Diversity Policy annually, to ensure the effectiveness of the Board Diversity Policy and discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval. During the Reporting Period, the Board reviewed the implementation and effectiveness of the Board Diversity Policy and agreed that the diversity in respect of the Board taking into account the business model and specific needs of the Company is satisfactory.

DIVERSITY AT WORKFORCE LEVEL

The Group has taken and continues to take steps to promote diversity at all levels of its workforce. The opportunities for recruitment, promotion, training, and career development are equally open to all eligible employees without discrimination. As at 31 December 2023, the ratio of male to female in the workforce (including the executive Directors and senior management) of the Group is 2:1. The details of workforce composition in the PRC or Hong Kong were disclosed under ESG Report on pages 38 to 112 of this annual report. The Board considers that gender diversity in the Group's workforce is currently achieved.

BOARD COMMITTEE

The Board has established three committees, namely, the audit committee of the Company ("**Audit Committee**"), the remuneration committee of the Company ("**Remuneration Committee**") and the Nomination Committee (collectively, the "**Board Committees**"), for overseeing aspects of the Company's affairs. All Board Committees have been established with defined written terms of reference, which were posted on the websites of Stock Exchange (www.hkex.com.hk) and of the Company (www.uspace.com). All Board Committees should report to the Board on their decisions or recommendations made.

AUDIT COMMITTEE

The Audit Committee was established on 25 July 2018 with terms of reference in compliance with the CG Code 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 systems of the Group. As at 31 December 2023, the Audit Committee comprises three members, all being independent non-executive Directors, namely, Mr. Hung (chairman), Mr. Alsarkal and Prof. Wang. The Group's accounting principles and policies, financial statements and related materials for the Reporting Period had been reviewed by the Audit Committee.

For the Reporting Period, the Audit Committee held three meetings to discuss and review with the external auditor and senior management for, inter alia, the interim and annual results of the Group and approve the appointment of internal audit and its scope of services. The work performed by the Audit Committee during the Reporting Period included: (i) discuss of the accounting principles and practices being adopted together with auditing and financial reporting matters; (ii) discuss of the nature and scope of the audit and determined the scope and extent of the interim review with the external auditor; (iii) review of the interim and annual financial statements of the Group, including true and fairness, integrity and significant financial reporting judgements contained therein; (iv) review the risk management and internal control review report; and (v) review of and recommendations to the Board on the re-appointment of the external auditor after considering on the terms of engagement of the external auditor. Full minutes of the Audit Committee meetings are kept by the Company Secretary. Draft and final versions of the minutes of the Audit Committee meetings are circulated to all members of the Audit Committee for comments and approval and all decisions of the Audit Committee are reported to the Board subject to applicable restriction.

The external auditor was invited to attend the Audit Committee meetings held during the Reporting Period to discuss with the Audit Committee members on the audit and financial reporting related matters. The chairman of the Audit Committee provided the Board with a briefing on the significant issues after Audit Committee meetings.

The annual results of the Group for the Reporting Period had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee had also reviewed this annual report, and confirmed that this annual report is completed and accurate, and has complied with the Listing Rules. There is no disagreement between the Directors and the Audit Committee regarding the selection and appointment of the external auditors.

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged PricewaterhouseCoopers, as the external auditor of the Group for the year ended 31 December 2023. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. During the Reporting Period, auditor's remuneration related to audit services amounted to approximately RMB3.0 million and those for non-audit services, which includes agreed-upon procedures, internal control review and ESG assessment, amounted to approximately RMB0.5 million.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

The Company does not have an internal audit department and is currently of the view that there is no immediate need to set up an internal audit department within the Group in light of the size, nature and complexity of the Group's business and structure. The Board is responsible for maintaining an adequate internal control system to safeguard the investments of the Shareholders and Group's assets and reviewing the effectiveness of such through the Audit Committee on an annual basis. The Audit Committee oversees the internal control system of the Group, reports to the Board on any material issues and makes recommendations accordingly. Annual reviews of the effectiveness of the internal control system of the Group are conducted.

The Company has engaged Pricewaterhouse Coopers to carry out an annual review on the internal control system and risk management system of the Group for the year ended 31 December 2023. The review involves all material monitoring aspects, including but not limited to finance, operation, compliance and risk management. The adviser has conducted analysis and independent assessment on the adequacy and the effectiveness of the internal control system and risk management of the Group, and has submitted the findings and recommendations to the Audit Committee and the Board. The Board is of the view that the internal control measures in place are adequate and effective to safeguard the interest of Shareholders and the Group's assets.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 25 July 2018 with terms of reference (revised on 30 December 2022) in compliance with the CG Code for the purpose of making recommendations to the Board on the overall remuneration policy and structure relating to the Directors and senior management of the Group, to review and evaluate their performance in order to make recommendations on the remuneration package of each of the Directors and senior management as well as other employee benefit arrangements based on their experience, level of responsibility and general market conditions, to review and/or approve matters relating to share schemes. As at 31 December 2023, the Remuneration Committee comprises one executive Director, namely Dr. Lam and two independent non-executive Directors, namely Prof. Wang (chairman) and Mr. de Dalmau.

During the Reporting Period, the Remuneration Committee held one meeting. Full minutes of the Remuneration Committee meetings are kept by the Company Secretary. At the meeting, the Remuneration Committee had reviewed and made recommendation to the Board on the remuneration policies of the Directors and the senior management as well as the remuneration packages for the year ended 31 December 2023 and the performance of the Directors. Draft and final versions of the minutes of the Remuneration Committee meetings are circulated to all members of the Remuneration Committee for comments and approval and all decisions of the Remuneration Committee are reported to the Board subject to applicable restriction.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration of Directors and senior management during the Reporting Period are set out in notes 9, 38 and 40 to the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee was established on 25 July 2018 with terms of reference in compliance with the CG Code for the purpose of making recommendations to the Board on the appointment of Directors and the succession of the Board. As at 31 December 2023, the Nomination Committee consists of two executive Directors, namely, Mr. Sun (chairman) and Dr. Lam; and three independent non-executive Directors, namely, Ms. Ryan, Mr. Hung and Mr. de Dalmau.

During the Reporting Period, the Nomination Committee held one meeting. At the meeting, the Nomination Committee had reviewed the structure, size and composition of the Board, assessing the independence of the independent non-executive Directors, reviewed the Board Diversity Policy, made recommendations to the Board on retirement and re-election of Directors and other matters of the Company. Full minutes of the Nomination Committee meetings are kept by the Company Secretary. Draft and final versions of the minutes of the Nomination Committee meetings are circulated to all members of the Nomination Committee for comments and approval and all decisions of the Nomination Committee are reported to the Board subject to applicable restriction.

Nomination Policy

The Nomination Committee is responsible for reviewing and providing recommendations to the Board on the nomination policy, evaluate and assess the optimal composition of the Board, considering the Group's strategies and objectives and take up a key role in recruitment of Board members.

Selection Criteria

The factors listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate:

(1) reputation for integrity;

(2) accomplishment and experience in the business in which the Group is engaged in;

(3) commitment in respect of available time and relevant interest;

(4) diversity in all its aspects, including but not limited to race, gender, age (18 years or above),educational background, professional experience, skills and length of service;

(5) qualifications which include professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;

(6) the number of existing directorships and other commitments that may demand the attention of the candidate;

(7) requirement for the Board to have independent non-executive Directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules;

(8) the Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and

(9) such other perspectives appropriate to the Company's business.

CORPORATE GOVERNANCE REPORT

Director Nomination Procedure

Subject to the provisions in the Articles and the Listing Rules, if the Board recognises the need for an additional Director or a member of senior management, the following procedure will be followed:

(1) The Nomination Committee and/or the Board will identify potential candidates based on the criteria as set out in the selection criteria, possibly with assistance from external agencies and/or advisors;

(2) The Nomination Committee and/or the Company Secretary will then provide the Board with the biographical details and details of the relationship between the candidate and the Company and/or the Directors, directorships held, skills and experience, other positions which involve significant time commitment and any other particulars required by the Listing Rules, the Companies Act of the Cayman Islands and other regulatory requirements for any candidate for appointment to the Board;

(3) The Nomination Committee would then make recommendation to the Board on the proposed candidate(s) and the terms and conditions of the appointment;

(4) The Nomination Committee should ensure that the proposed candidate(s) will enhance the diversity of the Board, being particularly mindful of gender balance;

(5) In the case of the appointment of an independent non-executive Director, the Nomination Committee and/or the Board should obtain all information in relation to the proposed Director to allow the Board to adequately assess the independence of the Director in accordance with the factors set out in Rules 3.08, 3.09 and 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time; and

(6) The Board will then deliberate and decide on the appointment based upon the recommendation of the Nomination Committee.

COMPANY SECRETARY

Ms. Cheng has been appointed as the Company Secretary and financial controller of the Company since 4 June 2021. In the opinion of the Board, Ms. Cheng possesses the necessary qualifications and experience, and is capable of performing the functions of the company secretary.

During the Reporting Period, Ms. Cheng completed over 15 hours of professional training and confirmed that she complied with the requirements under Rule 3.29 of the Listing Rules.

CONSTITUTIONAL DOCUMENTS

There had been no changes in the constitutional documents of the Company during the Reporting Period.

The second amended and restated Articles of the Company is available on the websites of the Stock Exchange and the Company.

COMPANY CULTURE

The unique company culture evolved from the core values of "people-oriented, science and technology innovation; aerospace exploration, society contribution". It is shaped by the Group's employees, business partners and customers. In turn, the Company's culture shapes the employees, strategies and dictates the way the Group operates, solving problems and developing new satellites technologies.

The Company's culture not only enhances employees' continuing passion towards work, but also helps attract and retain new recruits from different backgrounds with similar values. The brand identity, in turn, solidifies hearts and drives endless innovations, so that a benevolent circle can be ensured.

During the Reporting Period, the Company continued to strengthen the cultural framework and exploit the advantages of its distinguishable culture in its strategic planning process. It assists the Company in assessing the opportunities and challenges that the Company might face.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. The annual general meeting of the Company shall be held once in each year and at the place as may be determined by the Board. A general meeting, other than the annual general meeting, shall be called an extraordinary general meeting.

Shareholders to Convene an Extraordinary General Meeting

Pursuant to Article 58 of the Articles, any one or more Shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may convene a physical meeting at only one location which will be the principal meeting place, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Enquiries by Shareholders to the Board

Shareholders may send written enquiries to the Company for the attention of the Company Secretary at the Company's principal place of business in Hong Kong.

Procedures for Putting Forward Proposals by Shareholders at Shareholders' Meetings

Shareholders are requested to follow Article 58 of the Articles for including a resolution at an extraordinary general meeting. The requirements and procedures are set out above in the paragraph headed "Shareholders to Convene an Extraordinary General Meeting".

Pursuant to Article 85 of the Articles, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by that person (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Hong Kong branch share registrar and transfer office of the Company provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven days and that (if then notices are submitted after the despatch of the notice of the general meeting appointed for such election)the period for lodgement of such notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

INVESTORS RELATIONS

The Company believes that effective communication with the investors is essential for enhancing investors' relations and understanding of the Group's business operations, performances and strategies. Information of the Company is disseminated to the Shareholders in the following manner:

— Delivery of annual and interim results and reports to all Shareholders;

— Publication of announcements on the annual and interim results on the websites of the Company and Stock Exchange, and issue of other announcements and Shareholders' circulars in accordance with the continuing disclosure obligations under the Listing Rules; and

— The general meetings of the Company are also an effective communication channel between the Board and Shareholders.

The Company keeps on promoting investor relations and enhancing communication with the existing Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's head office in Hong Kong. The Company also maintains a website at www.uspace.com where up-to-date information and updates of the Company's operations, performances and strategies are available to public access. The Board reviewed the implementation and effectiveness of the abovementioned arrangements during the Reporting Period. The corporate website is updated on a regular basis and the shareholders can access the latest information of the Company through the corporate website. Information released by the Company to the Stock Exchange is also posted on the corporate website as soon as reasonably practicable thereafter. The Shareholders are provided with the opportunities to communicate with the Directors directly at general meetings. Enquires from the Shareholder will be responded to within a specific timeframe. Based on the above, the Board was of the view that the arrangements regarding shareholders' communication were effective during the Reporting Period.

DIVIDEND POLICY

The Company has adopted a dividend policy that aims to provide the guidelines for the Board to determine whether dividends are to be declared and paid to the shareholders and the level of dividend to be paid. Under the dividend policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, among others,

(1) the Group's actual and expected financial performance;

(2) the Group's expected working capital requirements, capital expenditure requirements and future expansion plans;

(3) retained earnings and distributable reserves of the Company and each of the members of the Group;

(4) the Group's liquidity position;

(5) interest of Shareholder;

(6) taxation consideration;

(7) potential effect on creditworthiness;

(8) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(9) any other factors that the Board deems appropriate.

The declaration and payment of dividends by the Company shall remain to be determined at the sole discretion of the Board and is also subject to any restrictions under the Companies Act of the Cayman Islands, the Listing Rules, the laws of Hong Kong and the Company's memorandum of association and the Articles and any other applicable laws and regulations. The Company does not have any pre-determined dividend distribution ratio. The Company's dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

The Company will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend and/or modify the dividend policy at any time, and the dividend policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1.0 ABOUT THE ESG REPORT

1.1 Introduction

USPACE Technology Group Limited (hereinafter referred to as "**USPACE**", "the **Group**" or "**We**") is pleased to publish the 2023 Environmental, Social and Governance (ESG) Report (the "**Report**"). The Report, USPACE's sixth ESG report, aims to describe the Group's ESG investment and performance in 2023, in response to stakeholders' expectations for USPACE's sustainable development and information disclosure.

1.2 Basis of Preparation

The Report was prepared in accordance with Appendix C2 *Environmental, Social and Governance Reporting Guide* (the "**Guide**") set out in the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and based on the actual situation of the Group. For the disclosure requirements and content of the Guide, please refer to Appendix II: *Index to the Contents of the Environmental, Social and Governance Reporting Guidelines in the Report*.

1.3 Scope and Boundaries of the Report

This Report covers USPACE and its subsidiaries, including USPACE Headquarters, Gang Hang Ke (Shenzhen) Space Technology Limited., Huizhou Eternity Technology Company Limited and Eternity Technology (Xiamen) Company Limited. We regularly review the scope of the Report to ensure that significant impacts on the Group's overall business portfolio are covered.

This Report has been prepared through the identification of material issues based on most significant impact on the Group's sustainability and the areas of greatest interest or concern to stakeholders. The Report covers the period from 1 January 2023 to 31 December 2023, unless otherwise specified. Some textual information goes beyond this scope and is explained where it is involved.

1.4 Principles of Preparation

We strictly adhere to the reporting principles outlined in the UN Sustainable Development Goals (SDGs) and ESG Reporting Guide to define the content of the Report, and ensure that ESG topics of concern to our stakeholders are covered and that the content is explicit, quantitative and comparative. The statistics and cases in the Report are mainly sourced from USPACE's official documents, statistical reports and relevant public information. The Group undertakes that there is no false record or misleading statement in the Report, and bears responsibility for the authenticity, accuracy and completeness of its content. The specific reporting principles are as follows:

Consistency	The Report will ensure that the scope of disclosures and the reporting method remain broadly consistent on an annual basis to facilitate stakeholders' comparisons of our performance.
Materiality	The Group identifies the current major sustainable development topics by fully considering the stakeholders' interests and expectations and the Group's development strategy and business operations.
Quantification	The Report contains quantitative disclosures of key environmental and social performance indicators, with all quantitative data checked, verified and presented with textual explanations.
Balance	The Report details the positive and negative performance trends for the year, avoiding any potential inappropriate influence on readers' decisions or judgements.

1.5 Feedback

Your comments and suggestions on the Report would be greatly appreciated. Please e-mail us at ir@uspace.com to provide your feedback. The Report is published in both Chinese and English versions. In case of any discrepancy between the two versions, the English version shall prevail. As part of our ongoing resource conservation initiatives, we do not issue hard copies of the Report. You can download the PDF version from the HKEX website https://www.hkexnews.hk or our website https://www.uspace.com "Investor Relations".

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2.0 ABOUT US

2.1 Introduction to the Group

As the first aerospace hi-tech enterprise in Hong Kong specializing in satellite manufacturing and applications, the Group has been actively expanding its business territory, with its headquarter located in Dubai, UAE and Hong Kong, China respectively, and was listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**") on August 16, 2018, Stock Code: 1725.HK. The Group adheres to the corporate philosophy of "People Oriented, Science and Technology Innovation; Aerospace Exploration and Giving Back to Society", and continues to cultivate the aerospace ecosystem. With the corporate philosophy of "people-oriented, technological innovation; aerospace exploration, contributing to the society", the Group has continued to plough into the aerospace ecosystem, focusing on the businesses of satellite precision manufacturing, measurement, operation and control, and precision electronic manufacturing ("**EMS**"). Through continuous expansion of the global market, the Group drives the aerospace ecosystem through technological innovation and strives to build an international commercial aerospace technology platform with leading technology and core competitiveness. Meanwhile, the Group promotes the long-term development of precision electronic instrument manufacturing and builds up a diversified scene, contributing social value through the wisdom cluster and innovation of aerospace science and technology.

2.2 Main Business and Products

The Group insists on innovation to drive the high quality development of the enterprise and has always been committed to in-depth exploration of aerospace eco-business related areas. As a representative member of the International Astronautical Federation (IAF) in Hong Kong, we have not only actively participated in various aerospace science and technology exchanges, but also promoted and applied the Group's scientific and technological achievements globally. The Group's business covers a wide range of areas such as Abu Dhabi Space Eco City, intercontinental eco-star chain, satellite manufacturing ecosystem, satellite measurement, transportation and control ecosystem, satellite application technology ecosystem, satellite launching service ecosystem, precision electronics manufacturing ecosystem and aerospace industry trade ecosystem, etc. In the Abu Dhabi Aerospace Eco City project, the Group and its local partners jointly built an aerospace science and technology park integrating research and development, production and living, providing a platform for global aerospace science and technology talents to interact and cooperate. In the Intercontinental Eco-Satellite Chain project, advanced satellite technology is utilized to provide global high-speed and stable Internet access services. In projects such as the satellite manufacturing ecosystem, satellite measurement, transportation and control ecosystem and satellite application technology ecosystem,

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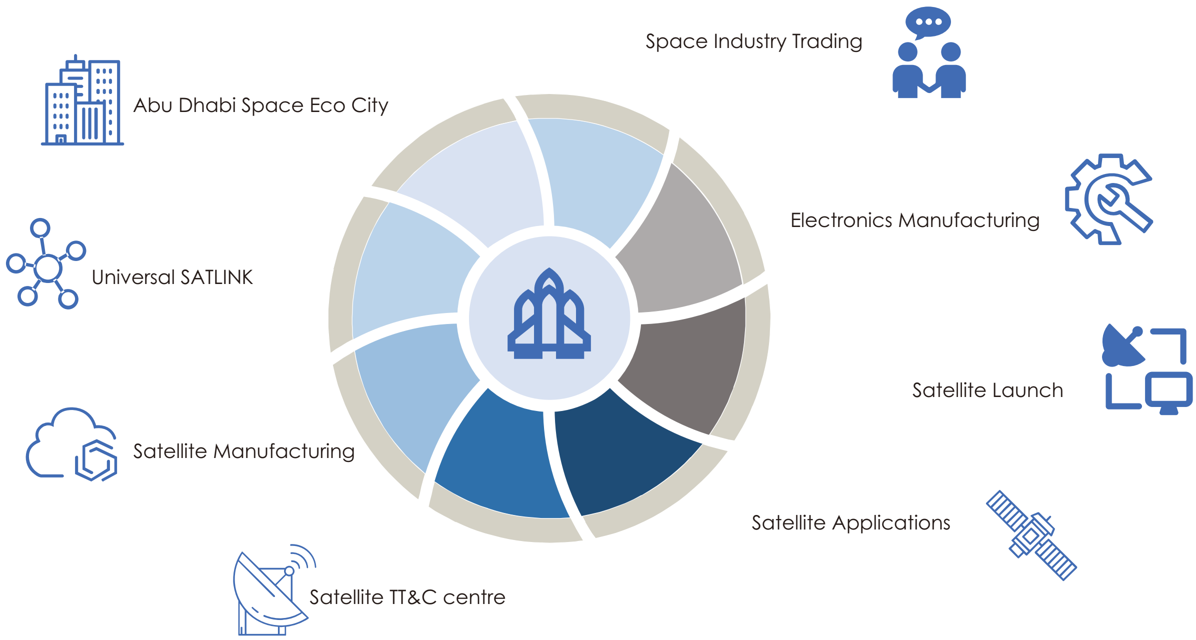
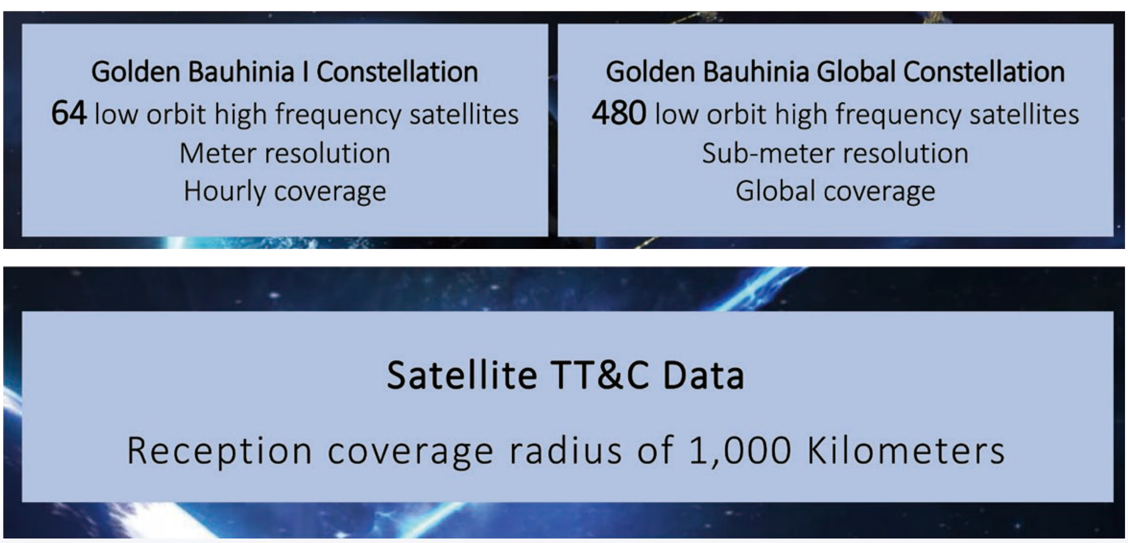
the Group continues to innovate and improve our technologies and products to satisfy the needs of different customers and to actively promote the continuous innovation and development of commercial aerospace industry and technology.



USPACE Main Services

In 2023, we are actively constructing a "Communications & Remote Sensing" integrated star chain project composed of 600 near-Earth orbit (NEO) satellites to provide Internet cellular access and remote sensing services to parts of Africa, Asia and Latin America that are not affected by weather such as clouds and rain. To connect the space industry, we propose establishing the Abu Dhabi Space Eco City (the UAE Space Eco Fund) and continue to exert efforts in areas like satellite manufacturing, satellite Telemetry, Tracking and Command (TT&C), satellite applications, satellite launch and space industry trading to achieve sustainable development of the Group's aerospace industry.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In addition, our EMS business primarily offers Printed Circuit Board Assemblies (PCBAs) services for the banking and finance industry, telecommunications and smart devices, as well as a full range of assembly and production services for electronic products, actively building up a precision electronics manufacturing ecosystem. We provide clients with end-to-end refinement services, covering design optimization and validation, technical consultation and engineering solutions, raw material selection and procurement, quality control, logistics and distribution, and after-sales services. Our goal is to provide high-quality products to satisfy the diverse needs of our clients, thereby establishing a good reputation in the market.

2.3 Global Distribution

The Group strives to provide better services to its global customers and has established business divisions and factories in Mainland China, Hong Kong, the PRC and the United Arab Emirates. In addition, we are also building a multi-level ecological chain involving satellite launch, satellite manufacturing, satellite TT&C, satellite applications, etc. and continuously promoting technological progress and space exploration.

In July 2023, the Group successfully established the first satellite manufacturing center in Hong Kong, marking an important breakthrough in our satellite manufacturing field. Meanwhile, We were awarded the National Aerospace Industrial Licence and were officially registered by the Ministry of Commerce of KSA. This becomes the first aerospace industry company in Saudi Arabia, and the first company to obtain the Aerospace Industry and Defence Investment Licence.


وزارة الاستثمار
Ministry of Investment

Minister of Investment and CEO of Saudi Space Agency of Saudi Arabia Awarded ASPACE Investment Licence

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Furthermore, we have successfully established a prominent international satellite TT&C centre in Hong Kong. We will also be setting up similar systems in Brazil, Egypt, Malaysia, Nigeria, Saudi Arabia, Turkey, and the United Arab Emirates to ensure the continuity and reliability of our global services.

2.4 Honours & Awards

With its excellent performance and outstanding contributions to the space industry, USPACE has won many honours and recognition both within and outside the industry.

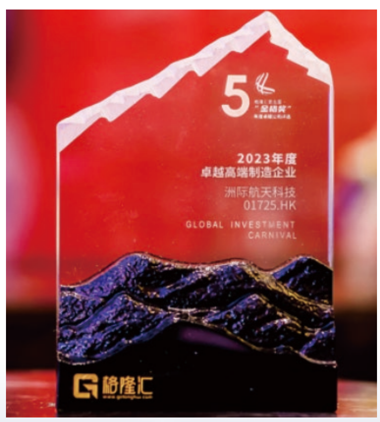
- In September 2023, the "Key Technologies and Applications of Radar Remote Sensing Monitoring and Intelligent Interpretation of Major Infrastructure Deformation" project jointly applied by Hong Kong Aerospace Technology Group Limited (HKATG) won the 2023 China Geographic Information Science and Technology Progress Award – Special Award.

- In October 2023, HKATG officially became the Patron Member of the World Geospatial Industry Council (WGIC).


WGIC
Certificate of Membership
This is to certify that
Hong Kong Aerospace Technology Group Limited
is an
Patron Member
Of
The World Geospatial Industry Council (WGIC)
registered in The Netherlands Chamber of Commerce Business Registers on July 4, 2018 (CCI No. 72060883)
And
HKATG is entitled to all privileges and merits thereof; as stipulated in the Articles of Association, By-laws and Adopted Resolutions of the Council
Membership Tenure: 2023 to Present
(Subject to receipt of Annual Membership dues)
Bryn Fosburgh
PRESIDENT
John Renard
SECRETARY GENERAL

- In November 2023, HKATG won the "New Economy Corporate – Outstanding Award" for the second time since last year at the "Standard Chartered Corporate Achievement Awards" organised by Standard Chartered Bank. As the only commercial space company in Hong Kong, HKATG has won such corporate achievement award for two consecutive years.

- In December 2023, USPACE won the "Outstanding High-End Manufacturing Enterprise" Award at the Annual Global Investment Carnival of Guru Club.



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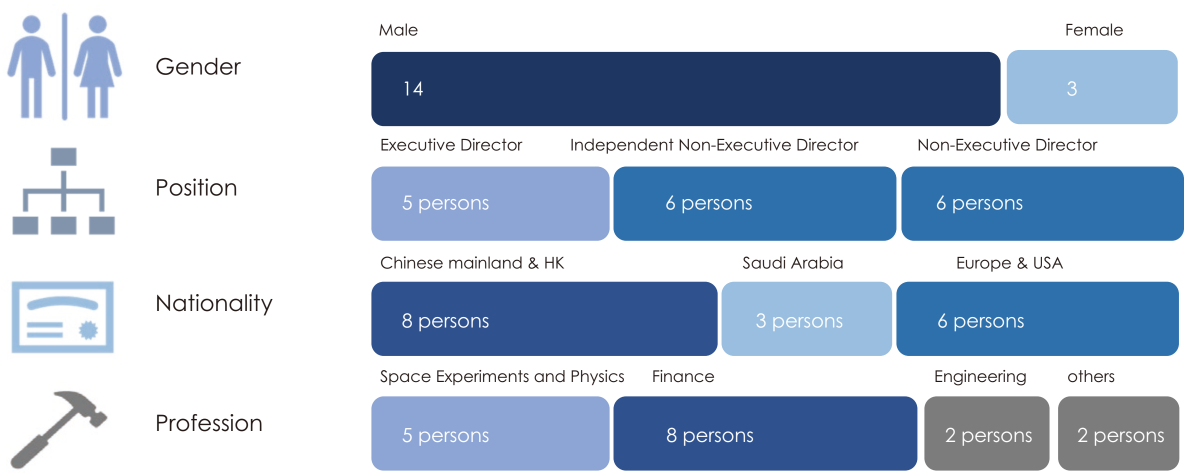
- We was nominated for Caring Company in 2023, a significant achievement that demonstrates our social and environmental excellence.

3.0 SUSTAINABLE DEVELOPMENT MANAGEMENT

USPACE is committed to continuously improving the corporate structure and the ESG governance while driving the development of business and steady improvement in economic efficiency. We respond to the UN SDGs actively, fuel ESG development in a balanced manner, and create a sustainable and better future.

3.1 Corporate Governance Structure

The Group is committed to establishing and continuously improving the corporate governance with the aim to essentially separate ownership and management rights. To this end, we has set up key functional departments such as the general meeting of shareholders and the board of directors, each performing its own duties and highly coordinated to ensure the steady operation of daily business activities. The Group takes diversity into account in the selection of directors and attracts professionals with diverse backgrounds to the governance level, covering various disciplines such as physics, finance, space experiments, etc., with rich academic backgrounds ranging from bachelor's degree to doctorate. As of the end of 2023, there are 3 female directors on the Board of Directors, accounting for 17.6% of the total, reflecting our efforts and achievements in gender equality. Through continuous improvement of the governance structure, we promote the sustainable and healthy development of the Group and lay a solid foundation for achieving the Sustainable Development Goals.



Composition of the Board of Directors

The Board of Directors includes three specialised committees: the Remuneration Committee, the Audit Committee and the Nomination Committee. The Remuneration Committee is responsible for formulating and reviewing the Company's remuneration policies and programmes to ensure the soundness and fairness of the Company's remuneration system. The Audit Committee, for its part, is responsible for overseeing the Company's financial reporting and internal and external audits to ensure the transparency and accuracy of the Company's financial affairs. The Nomination Committee is responsible for researching and recommending candidates for directors and senior management to ensure the quality and competence of the Company's leadership. These committees enable the Board of Directors to fulfil its duties more professionally and efficiently, providing strong support for the long-term development of the Group.

Remuneration Committee	• Formulate the Company's policy and structure for the remuneration of all directors and senior management; • Establish and advise on including formal and transparent procedures in remuneration policy.
Audit Committee	• Monitor the completeness of the Company's financial statements and accounts of annual reports, interim reports and quarterly reports, and review significant judgements relating to financial reporting; • Make recommendations to the Board of Directors on the appointment, reappointment and removal of external auditors, and formulate and enforce the system for hiring external auditors.
Nomination Committee	• Review the structure, size and composition of the Board of Directors annually and make recommendations; • Nominate candidates for the Board of Directors; • Make recommendations to the appointment or new appointment of directors and the director succession plan.

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USPACE has continuously strengthened its internal governance checks and balances, clearly defined the scope of responsibilities and legal responsibilities of shareholders, directors and senior management, and established the authorization criteria for the management of legal persons, shareholders' meetings and the board of directors to ensure the compliance and transparency of the company's operations. In addition, we have further improved the communication channels between the Board and the management to promote the efficient and standardized operation of the Group and enhance the efficiency of decision-making and execution. During the year, the Group held 3 general meetings of shareholders and 4 meetings of the Board of Directors.

During the reporting period, the Group held a total of 3 general meetings and 4 Board of Directors' meetings.

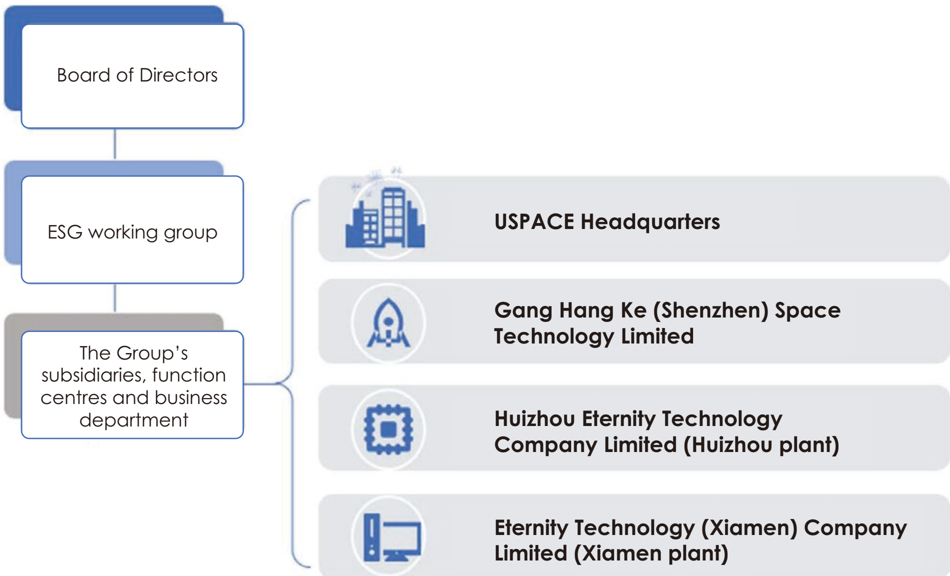
The Group discloses information in a true, accurate, complete and timely manner in strict accordance with the requirements of relevant laws and regulations and the company's system to ensure that all shareholders and other stakeholders have equal access to information. Additionally, in order to keep in touch with investors, we provide a variety of contact methods, including email and phone, so that investors can receive the latest information and share valuable advice with us. We will adjust the frequency of information disclosure in response to actual needs and market changes, ensuring that investors can be informed in a timely manner about the company's latest developments. At the same time, we will also keep a close eye on industry development trends and changes in regulatory policies, to deliver relevant information to investors at the earliest.

During the reporting period, the Group issued a total of 10 documents on the HKEx official website, revealing the Company's operation from multiple angles.

3.2 ESG Governance Structure

On the basis of solid financial performance, the Group closely monitors policy developments and continues to gain in-depth insight into industry trends, actively fulfills its social responsibilities, and promotes the balanced development of environmental, social and governance aspects. We are committed to integrating the core concept of sustainable development into every aspect of our business operations. In addition, we continuously promote the Environmental, Social and Governance Working Group (hereinafter referred to as the ESG Working Group) to implement initiatives that are in light with our own business operations and development strategies, thus fully ensuring the Group's long-term and stable development.

We continue to strengthen ESG governance capabilities, and continuously establish and improve the top-down ESG governance structure. The Board of Directors attaches great importance to USPACE's sustainable development and effectively guides the daily work of the ESG Working Group. The ESG Working Group formulates annual ESG initiatives that address the ESG-related risks and opportunities affecting USPACE's development. It reports to the Board of Directors regularly. In addition, it works with the subsidiaries, function departments and business departments to effectively implement ESG-related initiatives and actively respond to ESG risks. By taking these measures, we aim to achieve our sustainable development goals.



Notes:

(1) USPACE's Headquarters and Gang Hang Ke (Shenzhen) Space Technology Co., Ltd. subsidiaries of the Group, are responsible for the aerospace business of the Group.

(2) Huizhou Eternity Technology Company Limited and Eternity Technology (Xiamen) Company Limited, both subsidiaries of the Group, are EMS providers. Since ShenZhen Hengchang Sheng Technology Co., Ltd. has ceased operations in the current year, Huizhou Plant and Xiamen Plant are our main EMS manufacturing bases.

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The responsibilities of the Board of Directors and the ESG Working Group are as follows:

Board of directors

- To assess ESG-related risks and opportunities;
- To oversee and review the Group's ESG management approach, objectives, priorities, and strategies, and to explain how they relate to the Company's business;
- To ensure that appropriate and effective environmental, social and governance risk management and internal control systems are in place and to oversee the Group's ESG performance;
- To review the Group's compliance with the Environmental, Social and Governance Reporting Guidelines;
- To approve the content of the Group's ESG reports.

ESG Working Group

- To assist the Board in its work and report to the Board on ESG-related matters;
- To oversee and develop the Group's ESG management approach, objectives, priorities, and strategies;
- To assess and identify material ESG risks associated with the Group's businesses;
- To explore ESG disclosures associated with the Group's businesses and prepare annual ESG reports;
- To set annual sub-objectives, annual work and action plans based on the Group's environmental objectives;
- To research, discuss and make decisions on specific sustainability topics;
- To prepare ESG reports.

The Group's subsidiaries, function centres and business departments

- To implement the Group's ESG initiatives;
- To discharge their respective ESG responsibilities;
- To actively enhance the Group's ability for sustainable development.

3.3 Respond to the United Nations Sustainable Development Goals ("SDGs")

The Group highly values and actively responds to the United Nations Sustainable Development Goals (SDGs) , committing to creating value for stakeholders in five areas, namely product responsibility, environmental responsibility, talent responsibility, partnership responsibility and community responsibility. We deeply identify and implement the SDGs priorities related to our operations, fulfilling our corporate social responsibilities, and driving the sustainable development of the Group. To achieve this goal, we will increase our investment and efforts in the following areas:

Chapter	Responding to SDGs	Responding to issues of materiality	Key actions
Care for Employees to Create a Harmonious Workplace	3 GOOD HEALTH AND WELL-BEING	Occupational Health and Safety	• Caring the Mental and Physical Health of Our Employees • Identifying occupational health and safety risks • Making more efforts on occupational health and safety risks training • Providing a safe and healthy working environment
Care for Employees to Create a Harmonious Workplace	5 GENDER EQUALITY	Employee Benefits Training and Education	• Creating an equal employment environment • Eliminating occupational discrimination • Creating a harmonious working environment
Green Development and Low-carbon Operation	6 CLEAN WATER AND SANITATION	Use of Water Resources	• Practising water conservation • Strengthening resource usage management
Care for Employees to Create a Harmonious Workplace	8 DECENT WORK AND ECONOMIC GROWTH	Employee Benefits Training and Education	• Formulating employee cultivation plans • Providing multiple career development paths • Establishing a reasonable remuneration system

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Chapter	Responding to SDGs	Responding to issues of materiality	Key actions
Innovation-driven and Quality-led Development	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Product Innovation Satellite Monitoring Capabilities	• Enhancing capability of product innovation • Providing high quality solutions
Innovation-driven and Quality-led Development	11 SUSTAINABLE CITIES AND COMMUNITIES	Technology Application Product Quality Community Investment	• Promoting Technology Enabled Products • Enhancing Product Quality Management • Enhancing Intellectual Property Protection • Love for the Community
Innovation-driven and Quality-led Development **Responsible Procurement and Win-win Cooperation with Suppliers**	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Compliance Operation Product Quality Data Security and Privacy Protection	• Optimising supplier assessment standards • Enhancing supplier assessment system • Promoting communication with suppliers
Green Development and Low-carbon Operation	13 CLIMATE ACTION	Energy Consumption Greenhouse Gas Emissions Energy Saving and Emission Reduction	• Practising green operation • Active response to climate change

4.0 STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

4.1 Stakeholder Engagement

We identify stakeholders and pay attention to the impact of the Group's operations on stakeholders. We maintain smooth communication with stakeholders through various channels such as shareholder meetings, site visits, meetings with government agencies, interviews, and social announcements, thereby continuously improving our sustainability performance. The Group adopts an active communication approach and encourages shareholders, investors, customers, employees, suppliers, government agencies, and communities to give suggestions and feedbacks, so as to contribute our efforts to sustainable development.

Types	Shareholders and investors	Customers	Employees	Suppliers	Governmental bodies	Community
Concerns	• Corporate development plan • Legal and compliance operation • Return on investment	• Product research & development and technological innovation • After-sales services • Legal and compliance operation	• Equal employment opportunities • Smooth career development path • Safe and healthy working environment • Perfect education and training system	• Integrity and fairness • Stable supply demand • Fair pricing	• Compliance with laws and regulations • Tax payment in accordance with laws • Environmental protection • Economic development	• Charity
Communication Channels	• General meetings • Annual reports and interim reports • Announcements, circulars and press releases • Periodic meetings • Reply to media enquiries • Press conferences	• Investigation and visits • Customer meetings • Customer service hotline and email	• Performance appraisal • Occupational health and safety training • Regular meetings between the management and employees • Suggestion box, email and bulletin board	• Annual business review meetings • Regular supplier review and performance review • Purchasing arrangements	• Meetings and interviews • Participating in government projects	• Information reporting • Community notices
Response	• Periodic disclosure of business consulting • Maintaining good profitability • Constantly improving corporate governance	• Strictly controlling research & development, procurement, production and other parts • Enhancing quality management system • Quick response to customer needs • Committed to providing high-quality customer service standards • Customer satisfaction poll	• Holding employee activities • Paying attention to employee health • Offering training opportunities • Ensuring a safe working environment	• Open tender • Establishing supplier management system • Responsible procurement initiatives • Improving management efficiency • Building a culture of integrity	• Complying with laws and regulations • Expanding new markets, and increasing sales and tax revenue	• Disaster relief

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4.2 Material Issues Assessment

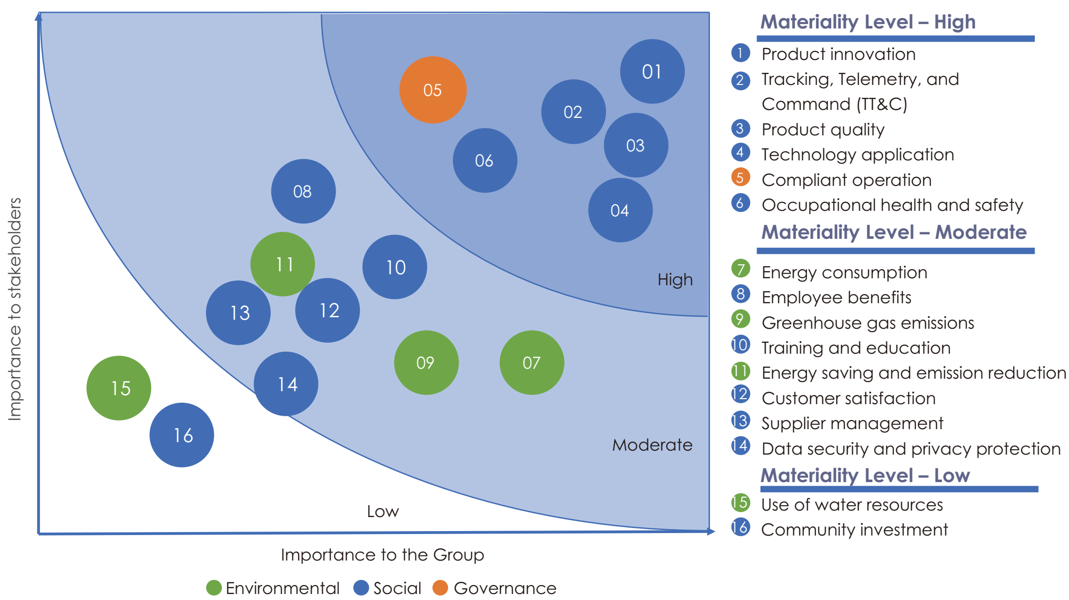
Materiality Assessment

To continuously improve ESG management, the Group, based on research on social responsibility standards at home and abroad, internal and external stakeholder research findings, and the Group's development strategy, identifies issues with significant impact to both the Group and its stakeholders. The specific assessment steps are as follows:

Identification of material issues	• Based on the actual situation and business characteristics of the Group's business development, and taking into account the characteristics of the industry, 16 ESG-related issues were identified with reference to the requirements of the Stock Exchange's ESG Reporting Guidelines.
Assessment of materiality	• Based on the daily operation process and survey on internal stakeholders such as management and staff, the requirements and expectations of different stakeholders are collected. After conducting peer benchmarking and trend analysis, the Group conducts interviews with departments involved in key issues to determine the ranking and matrix of material issues.
Confirmation of assessment results	• Based on the results of the material issues assessment, management and the ESG working group review and determine the disclosure priorities for the Year's ESG Report.

Material Issues Assessment Steps

Compared with 2022, our material topics have changed this year. Against the backdrop of global business development, we place greater emphasis on product innovation and satellite TT&C capabilities, and correspondingly increased the weight of these two topics in terms of their importance. Therefore, in 2023, the Group's materiality in ESG issues matrix is as follows:



Based on the Group's business development in 2023 and the results of the stakeholder survey, the Group has listed product innovation, satellite TT&C capabilities, product manufacturing quality, technology application, compliance operations, and occupational health and safety as the topics of the Group's greatest concern. These issues will continue to receive attention in the Group's sustainability management and will be highlighted in this report.

5.0 INTEGRITY AND COMPLIANCE OPERATIONS

5.1 Anti-Corruption and Business Ethics

We strictly abide by the *Company Law, the Securities Law, the Code of Governance for Listed Companies* and other relevant laws and regulations to ensure compliance and strict self-discipline management. We adhere to the principle of anti-corruption and improve the system of supervision, restraint and supervision. Meanwhile, we uphold the spirit of contract and integrity culture, abide by global business logic and ethics, advocate fair competition, and require the Group's employees, suppliers, customers and other partners to strictly abide by relevant regulations to jointly create a healthy business ecosystem.

In respect of anti-corruption, in order to develop the culture of anti-corruption and integrity and to enhance the punishment of corrupt incidents, we continuously review and update our internal anti-corruption system in accordance with the Group's business characteristics and organisational structure and have clarified the requirements for anti-corruption and fraud in the "Anti-fraud Management System". To fulfil our anti-fraud supervision responsibilities for the Group's business, we require management to establish effective internal control mechanisms and implement control measures to prevent fraud. In addition, we have set up an anti-fraud organisation and require the responsible departments to carry out daily supervision. In addition, we regularly provide anti-corruption training to our directors and staff to enhance their awareness of integrity and risk prevention. In the event of a fraud incident, the anti-fraud department will conduct an investigation and report its findings to the President or the Board of Directors for risk assessment.

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In terms of business ethics, we are committed to professionalism, honesty and integrity in all our business dealings and relationships. We conduct our business in accordance with the highest standards of business ethics and operate on a level playing field. We strictly comply with the *Anti-Unfair Competition Law of the People's Republic of China* and the *Civil Code of the People's Republic of China* and other relevant laws and international standards on anti-monopoly and anti-unfair competition, aiming to create a fair, transparent and honest working and business environment and prohibiting any activity that damages the integrity and reputation of the Group. We require every customer, employee, and partner supplier to comply with our business ethics rules.

Fair competition

We effectively fulfil the work requirements of fair trading, and integrity and compliance. During the reporting period, there was no incident in which the Group was penalised for violating the *Anti-Monopoly Law of the People's Republic of China* and the *Anti-Unfair Competition Law of the People's Republic of China*.

Employee integrity requirements

We provide guiding principles for our employees to act with integrity, fairness and honesty in our "Agreement on Commitment to Integrity on Entry", "Employee Confidentiality Agreement", and "Employee Integrity Agreement on Professional Conduct", which strictly prohibit our employees from engaging in any form of unethical business practice, including accepting any form of gift from our suppliers or customers in the name of the Group.

Supplier integrity requirements

We require new suppliers to sign a "Social Responsibility Commitment" and to comply with the contents of the commitment on anti-discrimination, prohibition of child and forced labour, and respect for employees' freedom of association and right to collective bargaining etc., so as to prevent suppliers from conducting any corrupt and fraudulent practices against business ethics in the procurement process.

Whistleblower protection

In order to protect whistleblowers and enable internal and external whistleblowers to exercise their legitimate rights, we keep their identities strictly private and confidential. Besides,we impose administrative or economic penalties on those who divulge the information that leads to the disruption of the investigation. In serious cases, we will refer the matter to the judicial authorities.

We have set up reporting channels, including phones and emails, to obtain relevant clues to monitor ethics incidents and to conduct compliance investigations of reported incidents in accordance with the policies.

6.0 INNOVATION-DRIVEN AND QUALITY-LED DEVELOPMENT

High-quality products and services are the beginning of the pursuit of excellence and the key to driving the Group's sustainable development. The Group has always been adhering to lean quality and technological innovation, constantly exploring digital and intelligent operation and management modes, and continuing to create high-quality product experiences for customers.

6.1 Product Innovation and Quality Management

6.1.1 Satellite and Aerospace Business

In terms of satellite products and services, the "Golden Bauhinia Constellation" project of the Group's aerospace business is dedicated to providing users in the Guangdong-Hong Kong-Macao Greater Bay Area with an overall solution for smart cities through satellite remote sensing data, and helping cities to realise refined management and full-cycle monitoring of ecological environment construction. During the year, we have successfully launched five satellites, namely, Golden Bauhinia Satellite 3, 4, 6, 37 and 38. The successful networking of Golden Bauhinia marked a new level of the Group's constellation construction and satellite service capability.

- Golden Bauhinia 3 and 4 are large-width optical remote sensing satellites in the "Golden Bauhinia" constellation. Golden Bauhinia 3 is equipped with the first domestic aerospace-grade RISC-V high-reliability chip, which significantly improves the computing power of the original satellite computer and effectively reduces the efficiency of the platform.

- Golden Bauhinia 6, the first optical test satellite in the Golden Bauhinia Qilu Agricultural Constellation, with a resolution of sub-metre, focuses on verifying the satellite-ground integrated measurement and control service capabilities and intelligent image processing algorithms, providing the technical basis and operation plan for the subsequent large-scale operation of the Golden Bauhinia Constellation, and providing remote sensing services for agricultural monitoring in Shandong Province.

- Golden Bauhinia satellites 37 and 38 are small-sized and lightweight high-resolution optical remote sensing satellites, which adopt a new generation of high-performance imaging technology, and can effectively enhance detection capabilities and system integration while substantially reduce their weight and volume. These satellites are characterized by rapid batch production, intelligent operation and superior cost/performance ratio.

The Group is building a number of specialised production centres around the world to create an ecological chain of satellite manufacturing to meet the growing market demand. In July 2023, Aspace's first satellite manufacturing centre in Hong Kong was officially opened, which is also one of the world's largest satellite intelligent manufacturing factories. The centre is equipped with 18 sets of sub-systems and more than 200 sets of precision equipment, covering a variety of integrated intelligent manufacturing production and testing systems, such as satellite overall structure, optical calibration, vibration, mechanical properties, electromagnetic compatibility, thermal control and precision. It is estimated that over 200 commercial satellites of 30 to 1,000 kilograms, can be batch-produced annually, and will provide global customers with one-stop overall solutions for satellite payload design, manufacturing, testing and verification, satellite launch, operation control, and satellite data application, facilitating the development of global commercial aerospace and meeting the global commercial aerospace needs.

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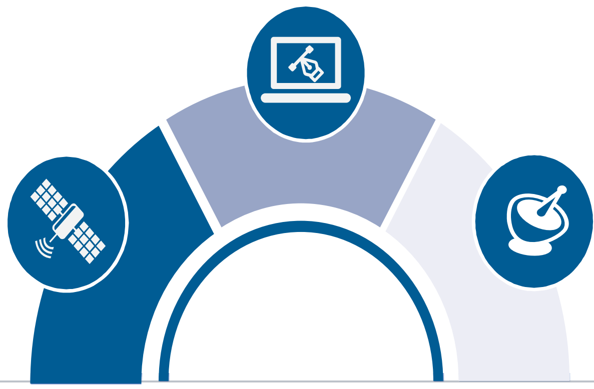
The Group focuses on product innovation and R&D, and continuously improves our technical capabilities and service levels. During the reporting period, we continued to strengthen our investment in the research and development of new-generation satellite technologies, and application of satellite assembly digitization technology can reduce the satellite assembly cycle up to 50%. At the same time, we are expected to reduce development costs by more than 30% by replacing component assembly tests with digital pre-assembly and assembly process simulation and optimisation technology.

We are committed to developing data processing and analysis platforms to provide customers with high-quality data processing, image analysis and smart solutions by integrating satellite data, geographic information systems and artificial intelligence technologies. Our goal is to help our customers make better use of satellite data to solve problems and make strategic decisions.

R&D of Next-generation Satellite Technology

Data Processing and Analysis Platform

Space Communications Services



We have invested considerable resources in the R&D of next-generation satellite technologies, including higher-resolution remote sensing satellites and more advanced communications satellites. These satellites will have enhanced performance and functionality to meet customer needs invarious fields.

We will continue to improve the reliability and efficiency of our space communication services. We will introduce more advanced satellite communication technologies, expand satellite communication coverage and provide more flexible and customisable communications solutions.

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To meet the growing needs of our customers, we will continue to focus on product innovation and service improvement in the future. Our plan is to constantly promote the innovation and development of satellite products and services, providing customers with more advanced and reliable solutions through the following priorities.

01 New Product Development

We will continue to develop new satellite products, including higher-resolution and more sensitive remote sensing satellites, as well as smarter and more reliable communications satellites. We will continue to drive innovation in satellite technology to meet the needs of different industries and fields.

02 Data Applications and Solutions

We will strengthen the R&D of data applications and solutions, and provide customers with more customised data products and intelligent solutions through satellite data and artificial intelligence technologies, to help them achieve more efficient and smarter decision-making and operations.

03 Service Optimisation and Expansion

We will further improve our existing services and expand into new service areas. We will enhance the functionality and performance of our data processing and analysis platform, expand the coverage of satellite communications services, and strengthen cooperation and communication with our customers to better meet their needs.

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6.1.2 EMS Business

In the Electronics Manufacturing, one of the Group's eight major services, USPACE adheres to quality first, strictly abides by the relevant laws and regulations of the regions in which we operate such as the *Product Quality Law of the People's Republic of China* and the international quality, environment, safety and other management system standards, continuously improves technology and product quality. The Group constantly reviews and updates its quality management system. Through the implementation of strict product quality standards, we ensure the effective implementation of quality management measures in all aspects of production and manufacturing and provide customers with products of higher quality. In 2023, both Huizhou Plant and Xiamen Plant of the Group's EMS business obtained a number of quality system certifications, including the ISO9001 quality management system certification, the IATF16949 automotive quality management system certification, and the ISO13485 quality management system certification for medical device manufacturing.

Huizhou Plant Quality Management System Certificate

IATF16949 Quality Management System Certification

ISO9001 Quality Management System Certification

ISO13485 Medical Device Quality Management System Certification

Xiamen Plant Quality Management System Certificate

IATF16949 Quality Management System Certification

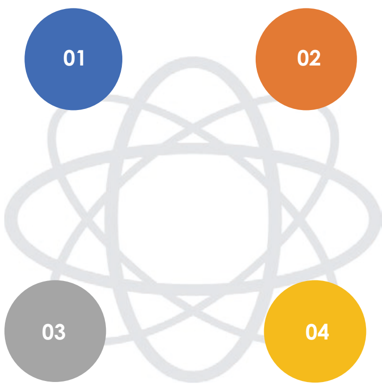
ISO9001 Quality Management System Certification

ISO13485 Medical Device Quality Management System Certification

The Group adheres to the quality management method of "Rapid response and Quality control". During the reporting period, the Group continued to optimise the internal management systems and procedures related to product quality, and issued a series of quality management system documents such as the "Quality Incentive Management Regulations", "Measures for Escalation Management" and "Operational Guidelines for Printed Board Strain Testing", and updated the "Quality/Environmental/Occupational Health and Safety/Hazardous Substances Process Management Manual". We comprehensively control product quality through three lines of defence: quality control of incoming materials from suppliers, quality management of production processes, and quality management of finished products for shipment.

The Group promoted ESD (Electrostatic Discharge) site improvement and system certification and obtained CCC certificate (Certificate for China Compulsory Product Certification) from the customer.

The Group carried out the QIT improvement project (Quality, Improvement and Team), where all employees can send suggestions for enhancement and improvement in lean manufacturing to the project team via the QR code.



The Group introduced new dispensing machines and laser engraving machines, which also improved the quality and production efficiency of the Company's products, with the product qualified rate increased by 0.5% in 2023 compared with 2022.

The Group carried out on-site trainings on "IE (Industrial Engineering) Basic Knowledge and IE Seven Techniques" to quality engineers.

2023 Quality Management Key Initiatives

The Group's EMS production base carries out quality performance control in the areas of incoming material inspection and finished product inspection based on the product positioning, process characteristics and development needs of the plant. Moreover, we decompose the quality control work piece by piece and allocate it to the main departments of the relevant processes to build up a quality management target system linked to the performance of each department. In 2023, the qualified rate of incoming materials inspection of the Group's EMS products in the month reached 99.01%, the qualified rate of finished product batches reached 98.67%, and the on-time delivery rate of products reached 98.67%, which has reached our expected goals. During the reporting period, we did not experience any product recalls due to product quality and health and safety issues.

6.1.3 Intelligent Quality Management and Control

In order to strengthen the efficiency of quality management, the Group has launched the enterprise resource planning software system (SAP system) and manufacturing execution system (MES system) to realise the whole process management from incoming materials to product release, vertically connecting the quality information chain of the Group's EMS plants and upstream and downstream suppliers, and horizontally running through the quality business chain of procurement, production and testing, so as to realise the interoperability of quality information, paperless quality inspection and

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transparent quality management, and comprehensively improve the quality management level of the Group.

In 2023, the Group further optimised the SAP system modules in terms of inventory analysis, order control, report analysis and cross-factory information sharing. Also, we continuously improved the traceability and intelligent management of all aspects of production and manufacturing, and gradually promoted the optimisation of the operation and management of the production planning and manufacturing processes, so as to improve production efficiency.

01

Enhancing Product Traceability

Traceability is one of the key functions of the MES system, which provides data support for quality traceability by sorting out and recording product material information, manufacturing process, quality monitoring, product release and other information.

02

Enhancing Production Efficiency

The MES system can track material usage and automatically transmit data back to the SAP system when in and out of storage, enabling timely data collection, thus enhancing production scheduling and workflow efficiency.

03

Enhancing Order Control

The time for placing orders for external procurement is strictly controlled. Inventory is reduced by working backwards from the demand date to subtract the range of days the purchase will take to convert the purchase request to the purchase order.

6.2 Protection of Intellectual Property Rights

The Group is committed to establishing a comprehensive intellectual property system to safeguard its brand, goodwill and protection of intellectual property achievements. We strictly comply with the *Copyright Law of the People's Republic of China*, the *Patent Law of the People's Republic of China,* the *Trademark Law of the People's Republic of China*, as well as the *Patent Ordinance and the Trademark Ordinance* of Hong Kong and other relevant laws and regulations of operational regions. In order to ensure the effective management of intellectual property, we have formulated and enacted a series of internal management manuals and systems, including the "Practice Guidelines on the Protection of Intellectual Property Rights", to establish a sound intellectual property management system, and to continuously optimise relevant work and operation.

The Group not only attaches great importance to the protection of its own intellectual property rights, but also respects the rights and interests of intellectual property rights of all parties. We purchase genuine products during our procurement. We also incorporate clauses relating to the protection of intellectual property rights into our contracts when selecting suppliers, so as to ensure that the products procured do not infringe the intellectual property rights of others. In addition, we require all employees of the Group involved in the protection of intellectual property rights to sign a "Confidentiality Agreement". By regulating the behaviour of our employees, we reduce the risk of potential infringement of others' intellectual property rights and the risks of plagiarism, theft and illegal appropriation of the Group's intellectual property rights.

In order to raise employees' awareness of intellectual property protection, the Group provides relevant trainings from time to time. The Group rewards individuals who have made outstanding contributions to the formation, protection and management of intellectual property rights and the transformation of scientific and technological achievements, or who have effectively stopped infringement, as well as those who have made significant achievements in the protection of the legitimate rights and interests of the Company's intellectual property rights. Rewards include bonuses, promotions, and other material and spiritual incentives. The group always adhere to the principle of protecting intellectual property rights, striving to create a work environment that respects knowledge and innovation for our employees, while providing high-quality and compliant products and services for our customers.

2023

The Group had a total of **66** R&D personnel.
Cumulative number of patent applications was **32**, of which **5** were new patents.
Cumulative number of granted patents was **32**, of which **5** were new patents.

6.3 Quality Service

Focusing on quality services, the Group continues to strengthen its pre-sales, in-sales and after-sales services under the service concept of "customer-centric" and strive to enhance customer satisfaction.

In strict compliance with the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* and other relevant laws and regulations, the Group has established internal working guidelines on customer satisfaction and customer complaints. We maintain close communication with our customers through various channels to gain insight into their needs. Before business development, we fully communicate with customers to confirm their requirements and expectations for products. For ensuring the quality of our products, we have designated a specialised QE (Quality Engineer) to follow up the quality problems encountered in the process of new product development and mass production. We receive on-site customer reviews or third-party reviews from time to time every year. In 2023, the customer review pass rate was 100%.

In order to improve the quality assurance of the industrial chain and reduce the management risk of the supply chain, we continue to improve the quality management level of suppliers to ensure that the product quality and production technology of suppliers meet the quality management requirements of customers. Meanwhile, we have established a dedicated customer service team with strong business ability and high professional quality, led by senior project managers and experts in various fields, respectively, docking with customers in professional fields, and responding to and meeting customer demands through cross-departmental collaboration.

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In terms of handling customer complaints, in 2023, our EMS business received a total of 30 customer complaints, of which 11 were for mass production. In response to the complaints, our Quality Department dealt with them uniformly, formulating corrective plans and solutions. So far, all customer complaints have been 100% resolved and revisited, forming a closed-loop process for handling complaints.

In order to strengthen the communication with customers and to obtain customers' objective evaluation of the Group's products and services, the Group's EMS business regularly conducts customer satisfaction surveys to all customers on a yearly basis. The survey items mainly cover 10 scoring points, including product quality, delivery, production capacity, after-sales service, environmental protection requirements and technical support, which are mainly in the form of a paper survey report with a ten-point scale. In the second half of 2023, we conducted questionnaire surveys to 15 customers, and the survey results reached an average of 90.5 points. In response to the issues raised by customers, the Group held internal meetings to discuss rectification policies to ensure timely and effective solutions to customer feedback. The timeliness and feasibility of the rectification measures were also assessed by the quality tracking system, and continuous improvement and tracking were followed up for closed-loop processing.

We respect and protect our customers' intellectual property rights, strictly adhere to relevant laws and regulations, and ensure the safety of our customers' technical and commercial secrets. In terms of quality inspection and product recall, we rigorously implement the national and industry standards, promptly recall and deal with non-compliant products to ensure product quality and customer interests. We also actively fulfil our social responsibilities, care about consumer rights, and provide quality, safe, and environmentally friendly products and services. Additionally, we have established a dedicated oversight department to regularly review and assess internal management and business processes, ensuring compliant and efficient company operations.

6.4 Data Security and Privacy Protection

The Group is highly concerned about the information security of our customers, employees and ourselves as well as the security of business data. The Group strictly complies with laws and regulations such as the *Cybersecurity Law of the People's Republic of China and the Personal Data (Privacy) Ordinance* of Hong Kong. In order to regulate the use and management of computers and maintain the normal operation of network systems and information systems, we revised the "Regulations on Computer and Network Management" during the year to further clarify the relevant operating procedures and job responsibilities in terms of internal network and email usage, software management, equipment management, account password management, document management, server room management and others, to build up a strong information security system and to ensure the information security of the Company's information infrastructure, information application systems, products and customers.

Data management based on grading and classification

All centres and departments should classify and categorise users in accordance with the principles of "the need for position, equal rights and responsibilities, and unified authorisation", clarify the responsibilities of users at each level, and strictly control the scope of authority

Data backup

We develop a data backup policy to periodically back up servers and properly store the backup tapes

Data security operations and maintenance

We have appointed a dedicated server room administrator, responsible for the daily maintenance and management of various facilities and equipment, as well as the daily inspection and recording of servers and other equipment

Attack and defence drills

We use a firewall to protect our network security, review security vulnerabilities once a week, and regularly conduct attack and defence drills

Data security training

New employees are required to receive trainings on internal computer usage norms and information system introduction before receiving a computer and applying for an account

Prevention of computer viruses

The Group has equipped technical staff with encryptable removable hard drives and strictly prohibits the use of any external CD-ROMs, floppy disks and removable storage devices that are not approved by IT.

Key Data Security Initiatives

We well understand the importance of data security and privacy protection, and are committed to protecting the data of the Group and our customers against leakage of trade secrets and personal information. To this end, we require all employees to handle, store and archive confidential documents properly, and all data is strictly prohibited from being used for other purposes without permission. During the year, to prevent the leakage of confidential data or information, our information technology systems have been equipped with firewalls and anti-virus software, and the software is constantly updated.

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In respect of EMS business, we have prepared the visiting policy and the visiting confidentiality agreement this year to effectively control information security risks, requiring visitors to be familiar with the visiting policy and sign the visiting confidentiality agreement. At the same time, we have updated the "Information Exchange Procedure" and added relevant regulations on customer protection to prevent the disclosure of customer privacy. We have signed a general information security confidentiality agreement with key talents, prohibiting anyone from illegally obtaining, disclosing, tampering with, destroying or selling the personal data and information of customers and employees, and prohibiting anyone from accessing customer systems and equipment without authorisation, collecting, holding, processing or modifying the data and information stored in the network and equipment.

The Group attaches great importance to the information security awareness training of employees and continues to strengthen information security publicity efforts. In addition to regular security system training for new employees, we held an on-site network security training for product engineers and technicians in November 2023, with a total of 2 courses. Through this training, employees' awareness of network information security and data compliance has been effectively enhanced.

On-site network security training

In 2023, there were no customer data breaches and no confirmed complaints concerning customer privacy and loss of customer data.

6.5 Industry Exchange and Talent Training

The Group maintains close cooperation with global elite partners, continuously deepens industry exchanges, and jointly cultivates industry talents. We aims to achieve prosperity and development of the industrial chain on the basis of mutual benefits and win-win results.

6.5.1 Industry Exchange

01

In March 2023, the ZeroG Lab entered into a contract for the "One-Rocket-Thirty-Satellites" project with SZ Gang Hang Ke, a wholly-owned subsidiary of the Group. The ZeroG Lab undertakes the overall coordination services of "Golden Bauhinia Constellation" project, including the R&D, manufacture, launch and in-orbit delivery of 30 satellites (Nos. 7 to 36). At the same time, it assists the Company's Hong Kong Satellite Manufacturing Centre to jointly carry out satellite design, assembly, integration and testing, and assists the Company's satellite TT&C centre to achieve joint measurement and control, and operation & maintenance of satellites.

02

In September 2023, a strategic cooperation agreement was signed with EOS to build an aerospace 3D printing innovation and application centre. Through the sharing of resources, knowledge and technology, the introduction of advanced additive manufacturing equipment and advanced manufacturing solutions, this cooperation will achieve breakthroughs in various aspects, including satellite structure optimisation, lightweight design, complex structure manufacturing, reducing material waste and manufacturing risks, reducing cost and increasing efficiency, and promoting material innovation, thereby further accelerating the satellite development cycle.

03

In October 2023, HKATG and Alya entered into a contract for the Alya-1 system, under which the Group provided the overall constellation design, satellite manufacturing, satellite launch coordination and facilities for the construction of the Alya-1 system for the South American Communications and remote sensing constellation (Alya-1 system), which includes the manufacture of 108 integrated communications and remote sensing constellation, construction of the satellite management centre, satellite data processing centre, as well as two ground stations, at a total contract sum of approximately USD675 million.

In 2023, industry groups such as the Asia-Pacific Space Cooperation Organization (APSCO), the Hong Kong Productivity Council, the United Arab Emirates Space Agency, and the Thales Group successively visited the Group's satellite manufacturing center and satellite measurement and control center, providing an opportunity for discussions, consultations, and exploration of potential collaborations. At the same time, our group has reached a consensus on co-establishing the Aerospace 3D Printing Innovation Application Center. In the future, we will use respective technical advantages, integrate resources, and help boost the innovative application of 3D printing in satellite manufacturing.

In addition, the Group signed a memorandum of cooperation with the Technological Park of Sorocaba to promote cooperation in the development and operation of commercial satellites, and to provide construction proposals; signed a memorandums of understanding with institutions and organisations of many countries and regions, including the Agencia Espacial Mexicana (AEM) and the National Space Research and Development Agency (NASRDA), to carry out continuous cooperation in satellite manufacturing, win-win aerospace industry chain and talent training.

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The Group showcased the "Power of Aerospace Technology" at the 2023 Hong Kong Innovation and Technology Expo

In June 2023, the "Second Hong Kong Innovation and Technology Expo", themed "Big Ideas, Co-creation", sponsored by the Hong Kong Innovation Fund, took place at the Hong Kong Convention and Exhibition Centre. We were invited to participate in the exhibition.

As the first commercial aerospace company in Hong Kong, we were dedicated to leading the audience through this exhibition to deepen their understanding of the Group's current aerospace industry development achievements and latest breakthroughs. We exhibited product models of the Bauhinia Series Satellites and the precision processing of satellite components on-site, attracting the attention of numerous exhibitors. Additionally, audience could see live dynamic videos of the Bauhinia satellite constellation, comparative diagrams of multi-type satellite applications, and real-effect diagrams of services for smart city construction and living environment governance, which further strengthened the Hong Kong community's understanding of commercial satellites, boosting a sense of pride and well-being among residents in Hong Kong.

Former Chief Executive Donald Tsang Yam-kuen and his wife participate in the Hong Kong Science and Technology Fair 2023

6.5.2 Talent Training

The Group attaches importance to talent training, and continues to expand the school-enterprise cooperation platform. Through the establishment of cooperative relationships with a number of local universities in Hong Kong, we recruit talents in aeronautical engineering, big data, artificial intelligence and other fields. At the same time, the Group strives to promote the integration of industry, education and research to reserve professional talents for the sustainable and stable development of the business.

In 2023, we decided to form a deep collaboration with universities. Among them, we co-hosted a lecture concerning space satellites with the City University of Hong Kong (CityU), aiming to introduce the basic knowledge, latest developments and new economic opportunities of space satellites to the public. In addition, we collaborated with CityU to offer a Bachelor's degree programme in Aerospace Engineering. This discipline not only provides students with professional aerospace engineering knowledge and skills, but also serves as an important investment in our future talent training and education, boosting our industry overall competitiveness.

Co-hosting a lecture on space satellites with CityU

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The Group has reached a series of in-depth collaborations with the Hong Kong Polytechnic University (PolyU)

In July 2023, The Group signed a memorandum of cooperation with PolyU. Both parties will embark on comprehensive cooperation in talent development, scientific research innovation, and technology transfer, jointly nurturing more talents for Hong Kong's new economy and aerospace technology development. The cooperation will help the Group expand business field, improve product design and quality, while also providing internship and employment opportunities for PolyU students, achieving a win-win situation.

In August 2023, we held an appreciation ceremony with PolyU, further consolidating our cooperative relationship.

POLYU Collaboration Memorandum Signing Ceremony Site

HKATG and Jiangxi Normal University announced the establishment of “Joint Laboratory for Space Science and Technology”

In October 2023, we jointly completed the unveiling ceremony of the “Joint Laboratory of Space Science and Technology” with Jiangxi Normal University. Through establishing the “Joint Laboratory of Space Science and Technology”, we could attract more aerospace science and technology talents on multiple levels, both domestically and internationally. Meanwhile, the collaboration help us to build an international innovative science cooperation platform and to further promote the country’s plan to deepen international industry-academia-research-application collaborations.

The unveiling ceremony of the “Joint Laboratory of Space Science and Technology”

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Additionally, in 2023, the group organized recruitment fairs titled "Entering the Campus" at both the Hong Kong University of Science and Technology and the Hong Kong Polytechnic University. The Group was seeking to hire fresh graduates to join as satellite manufacturing engineers, payload R&D engineers, remote sensing data processing engineers and AI algorithm engineers, among others. At the same time, students from the University of Hong Kong and the Chinese University of Hong Kong were invited to visit the Group for exchanges, and we successful hired some specialized talents. The activity represents one of the Group's significant steps in prioritizing talent recruitment and proactively expanding markets.

Participating in the campus recruitment lecture at Hong Kong Polytechnic University

7.0 GREEN DEVELOPMENT AND LOW-CARBON OPERATION

USPACE continuously follows the latest trend of global climate action and practices green operation model with multiple measures. We are committed to improving resource utilisation efficiency and strictly limiting emissions. We also actively respond to climate change based on the Task Force on Climate-Related Financial Disclosures ("**TCFD**") framework, and work together with all parties to build a harmonious and coexisting environment.

In order to ensure compliance with environmental protection, the Group strictly complied with the *Law of the People's Republic of China on Environmental Protection*, the *Law of the People's Republic of China on Environmental Impact Assessment*, the *Law of the People's Republic of China on Prevention and Control of Air Pollution*, the *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste*, the *Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution,* other relevant laws and regulations. On this basis, we have also formulated and enhanced systems and guidelines such as the "Provisions on Waste Management", "Provisions on Hygiene Management of Canteen Environment", "Procedures for Control of Energy Consumption", "Procedures for the Disposal of Waste", and "Procedures for Monitoring and Measuring of Environmental Occupational Health and Safety Performance". Additionally, we actively performed our environmental protection responsibilities in accordance with the requirements of the government where we operate. In order to further enhance the standard of environmental management, the Group has obtained ISO 14001 environmental management system certification. During the reporting period, the Group strictly complied with the environmental protection laws and regulations and did not commit any violation of the relevant environmental protection laws and regulations.

CQC

ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFICATE

Certificate No. 00121E34501R0M/4403

We hereby certify that

Eternity Technology (Xiamen) Co.,Ltd.

Registered Address:2F,3F No.7 South Fangsha Road Xiang'an Industrial Zone Torch High -Tech Zone Xiamen City Fijian Province P.R.China

Operation Address: 1-5F No.7 South Fangshan Road Xiang'an Industrial Zone Torch High -Tech Zone Xiamen City Fijian Province P.R.China

by reason of its

Environmental Management System

has been awarded this certificate for compliance with the standard

GB/T 24001-2016 / ISO 14001:2015

The Environmental Management System Applies in the following area:

Production of PCBA, Manufacture of Security Series Products(Door Entry System and Smart Home control panel), Emergency Lighting for Export and Related Management Activities

Certified since: November 4, 2021 Valid from: November 4, 2021 Valid until: November 3, 2024

After a surveillance cycle, the certificate is valid only when used together with an Acceptance Notice of Surveillance Audit issued by CQC. Please access www.cqc.com.cn for checking validity of the certificate. This certificate and its relevant information can query in the website of Certification and Accreditation Administration of the People's Republic of China (www.cnca.gov.cn).

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CHINA QUALITY CERTIFICATION CENTRE

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ISO14001 Environmental Management System Certificate

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7.1 Energy and Resource Usage Management

USPACE is committed to implementing the concept of sustainable development in its daily productions and operations. We strictly comply with the requirements of the *Law of the People's Republic of China on Energy Conservation* and other laws and regulations. We aim for energy conservation, energy efficiency and energy management, significantly reducing wastewater, waste gas emissions and environmental pollution from packaging materials. In this way, we fulfil our commitment to green and low-carbon development.

As a satellite manufacturing and EMS manufacturing company, we are aware of the environmental impact of resource utilization and consumption of energy and resources. Therefore, we will strengthen the management of electricity and water consumption in our Hong Kong office as well as the use of electricity, water resources, packaging materials and office paper in our Huizhou and Xiamen factories. To strengthen the management of energy consumption, the Group continuously monitors and analyses the consumption status of resources and energy in production and operations. We also conduct unscheduled inspections of the environmental management of various departments to optimise the Group's resource utilisation and achieve green and sustainable development.

To effectively improve resource utilisation and enforce green office practices, we have set up environmental management targets in three aspects, namely energy conservation, water conservation and use of consumables:

Save energy and reduce consumption

- Actively exploring technologies for save energy and reduce consumption, renewable energy use and more sustainable modes of operation to promote green office and improve energy efficiency. Meanwhile, we will use energy-efficient equipment and technologies in the satellite manufacturing process to reduce energy consumption in the production process.

Water conservation

- Strengthen the daily maintenance of water-using facilities and equipment, and actively advocate all staff to raise their awareness of water conservation, implement water-saving measures and use water resources rationally. In the EMS manufacturing process, we will optimize the use of water resources to reduce water wastage in the production process.

Use of consumables

- Reduce the use of office paper and packaging materials, enhance the recycling of materials and strengthen the awareness of resource recycling. In the process of satellite manufacturing and EMS manufacturing, we will use recyclable and biodegradable materials as much as possible to minimize pollution to the environment.

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Slogan for Electricity Saving and Environmental Protection

In addition, we will strengthen cooperation with governments, industry organizations and other enterprises to jointly promote the development of the green manufacturing industry and contribute to the realization of global sustainable development.

7.1.1 Energy Management

The Group attaches great importance to the scientific and rational use of energy. The electricity consumed by each business segment is mainly supplied by the municipal grid of the cities in which they operate. To ensure the effectiveness of energy saving and to strengthen energy management, the Group has formulated a series of daily energy saving measures and has executed equipment renovations. In addition, relevant departments regularly compile statistics on energy consumption costs and usage.

The Hong Kong headquarters has taken active measures to promote energy conservation and consumption reduction. These include but are not limited to the following:

Daily energy management	• After the air has been purified by air conditioner under turbo mode, it will switch to ECO mode for purification to save power. • Establish a mechanism to monitor and manage energy consumption, set up a reporting system to monitor the efficiency of energy consumption in real time, and propose targeted improvement measures. • Encourage employees to take energy-saving measures whenever appliances are in use, such as using and switching off appliances appropriately.
Energy saving equipment renovation	• Maintain and inspect equipment regularly to ensure that filters and fans are in optimal condition to reduce electricity consumption.

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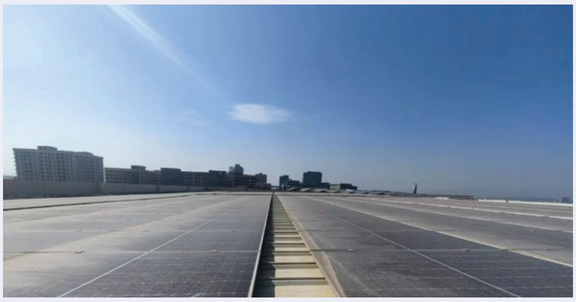
In respect of the EMS business, the Group has likewise adopted various measures to enforce daily energy consumption management and to renovate energy-saving equipment, which include but are not limited to the following:

Daily Energy Management	• Gradual replacement of lighting in production and office areas with LED energy saving lamps. • Strict control of air conditioning on time and temperature settings to avoid unnecessary electricity usage. • Encourage staff to turn off the power in the office area at the end of their shift to lower electricity consumption. • Promote resource conservation by posting related slogans in visible areas.
Energy Saving Equipment Renovation	• All production plants are actively carrying out energy-saving renovation of facilities and equipment and optimisation of energy management processes to maximise energy efficiency and achieve low resource consumption, cost reduction and efficiency gains.

Roof-Mounted Photovoltaic Power Generation Project

In 2022, the Group's EMS business segment, Huizhou Plant, installed rooftop photovoltaic to promote the use of cleaner resources, reduce costs and increase efficiencies. In 2023, the Group's total photovoltaic generation amounted to 754,418.05 kilowatt hours.

In addition, during the year, the Group has decided to install photovoltaic for the Xiamen Plant of the EMS segment. So far, we have already reached agreement with a photovoltaic installation company and the installation will be started soon.



Roof-Mounted Photovoltaic Power Generation

During the year, the Group's total energy consumption amounted to 6,542.74 kilowatt hours. Of which, the Group's total electricity consumption was 5,837.68 kilowatt hours, representing an 38.83% decrease as compared with 2022, mainly due to the relocation of the Shenzhen Plant's operations and the implementation of various energy-saving measures at the Huizhou Plant, including rooftop photovoltaic power generation. For details of total energy consumption and energy intensity, please refer to Appendix I of this report: ESG KPIs Table.

Energy Type	Unit	Consumption
Direct energy (non-renewable fuels)	kWh	705.06
Indirect energy (purchased electricity)	kWh	5,837.68

7.1.2 Water Resources Management

A reliable water supply is essential for the sound operations of the Group in the aerospace and precision electronics industries. We have implemented a series of water conservation management measures to enhance the efficiency of water resource utilisation from various fronts. Specific measures at the Hong Kong Headquarters are as follows:

✓ Put up slogans in places such as office areas and pantries to advocate water conservation among our employees;

✓ Monitor and analyse water usage and enhance internal training to optimise the water utilisation efficiency and reduce waste.

Additionally, in respect of the EMS business, the Group has likewise taken various measures to encourage the conservation of water and electricity, which include but are not limited to the following:

✓ Repair leaking taps and other water equipment in a timely manner and supervise staff to report water leaks in a timely manner;

✓ Put up slogans in places such as office areas and pantries to advocate water conservation among our employees;

✓ Install showers to improve the water utilisation efficiency and reduce waste;

✓ Prioritise the installation of water saving devices such as sensor taps and dual-flush energy-saving toilets in the washrooms to reduce water waste.

Slogan for Water Saving and Environmental Protection

The Group's water source was mainly urban tap water for domestic and production purposes. The Group's total water consumption was 57,022.31 tonnes during the reporting period, representing an 8.73% decrease as compared with 2022, mainly due to the closure of the Shenzhen plant operations and lower water consumption. For details of water consumption and intensity, please refer to Appendix I of this report: ESG KPIs Table.

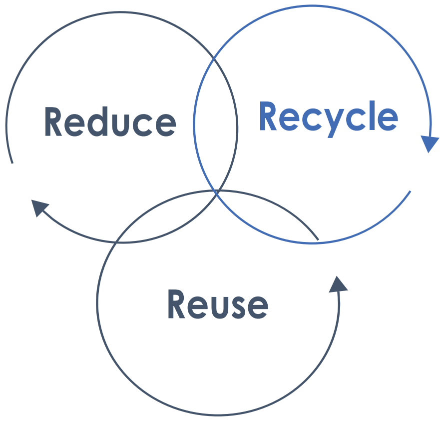
Water Use	**Unit**	**2023**
Water consumption	tonne	57,022.31

The Group strictly complies with all laws and regulations on wastewater discharge, and highly values the compliant treatment of wastewater. In this way, we strive to reduce the generation and discharge of domestic wastewater. To reduce domestic wastewater from daily office operations, staff dormitories and canteens, we strictly limit the use of detergents containing phosphorus and ensure that domestic wastewater generated from toilets in the Company is discharged to municipal sewers in a compliant manner. The wastewater is then treated by specialised municipal wastewater treatment plants to ensure that it does not affect the water quality of the water outlet discharge channel in any way. In addition, to further control water pollution, the Group has invited a third party institution to conduct tests. The results of which indicate that the domestic wastewater discharged from the plant has met the discharge standards of the place of operation after pre-treatment and will not pose any threat to the local ecology or natural source water. Moreover, due to the clean nature of the Group's business, we do not generate or discharge any industrial wastewater in our production process.

In order to continuously improve our environmental protection work, we will continue to optimize our wastewater treatment facilities, increase the efficiency of wastewater treatment, and strengthen communication and cooperation with government departments, industry associations and environmental protection organizations to jointly promote green development. Meanwhile, we will actively promote the concept of environmental protection, raise the environmental awareness of our employees, and encourage them to participate in energy-saving and emission reduction activities, so as to contribute to the protection of the Earth's natural environment.

7.1.3 Packaging Materials

Based on the "3R" principle, i.e. Reduce, Recycle and Reuse, the Group endeavours to promote the efficient use of packaging materials and strictly enforce internal guidelines such as the "Resource and Energy Management Procedures". In our construction projects, such as the Hong Kong Satellite Manufacturing Centre, we recycle the wooden boards and boxes used for equipment packaging, achieving a utilization rate of 20%.



"3R" Principle

In respect of the EMS business, the packaging materials involved were mainly cartons, anti-static shielding bags, plus cotton and cushion gaskets for packaging and transportation of electronic products. We have taken a number of measures to reduce package waste. These include reducing waste of raw materials, increasing the reuse rate of packages, and reusing and recycling all pallets, unused cartons and inflatable bags used in the production and packaging process. For details of the amount of packaging materials used during the year, please refer to Appendix I of this report: ESG KPIs Table.

7.1.4 Green Office

The Group is well aware of the scarcity and preciousness of paper and continues to improve and enforce its "Resources and Energy Management Procedures". For example, we advocate the use of office supplies on a need basis, double-sided printing, paperless office, and release daily notices, announcements and internal policies with the OA office system. We do this to ensure that we reduce the burden on the environment while satisfying the needs for daily operations.

7.2 Emission Management and Data

The Group continues to strengthen the monitoring and management of emissions. We strictly comply with the relevant laws and regulations and actively enforce the control and prevention of air pollution, the monitoring and reduction of GHG emissions, and the recycling and proper disposal of waste. By doing so, we aim to improve resource efficiency, reduce production costs, deliver both financial and environmental benefits, and work together with all parties to build a better ecological environment.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

7.2.1 Emission Reduction Goals and Measures

Air pollution prevention and control and carbon reduction are important tasks for the Group in addressing climate change and realising sustainable development. We always adhere to energy conservation and emission reduction as our core goal and continue to promote emission reduction in our daily operations and manufacturing. Besides, we actively explore low energy consumption technologies and continue to strengthen the awareness of energy conservation and emission reduction among all staff, so as to contribute to green development.

7.2.2 Air Pollution Prevention and Control

The Group's air pollutant emissions are mainly from the combustion of gasoline consumed by its own vehicles during its operation, including sulphur oxides, nitrogen oxides and suspended particulates. Besides, there is a small amount of less concentrated exhaust gases generated from the process of glue bonding and wave soldering for PCBAs patch in the EMS business segment.

To filter exhaust gases and reduce air pollutant emissions, the Group uses innovative technologies and equipment such as advanced UV photolysis and activated carbon adsorption, so as to improve the treatment efficiency of organic exhaust gas.

We set stricter standards than the emission control standards. We regularly invite third parties to conduct annual exhaust gas testing on our own and continuously track the monitoring data of various pollutants to ensure that all exhaust gas emissions are in compliance with the regulations.

The Group also prohibits the use of leaded petrol and we strictly comply with local government regulations, requiring motor vehicles to undergo annual audits. We strictly prohibit the use of vehicles that have failed their annual audit to ensure safety and compliance.

7.2.3 GHG Emissions

The Group's strategy focuses on measuring and reducing carbon emissions, primarily comprising Scope 1 direct emissions from the use of official vehicles and Scope 2 indirect emissions from purchased electricity, as outlined in the chart below:

Scope of greenhouse gas emissions	Year ended 31 December 2021 Emissions (Tonnes of CO_2 equivalent)	Year ended 31 December 2021 Intensity (tCO_2e/person)	Year ended 31 December 2022 Emissions (Tonnes of CO_2 equivalent)	Year ended 31 December 2022 Intensity (tCO_2e/person)	**Year ended 31 December 2023 Emissions (Tonnes of CO_2 equivalent)**	**Year ended 31 December 2023 Intensity (tCO_2e/person)**
Scope 1 Direct emissions	211.08	0.316	84.76	0.073	**194.31**	**0.236**
Scope 2 Indirect emissions	5,445.44	8.152	5,556.45	4.774	**3,402.90**	**4.135**
Total	5,656.52	8.468	5,641.21	4.846	**3,597.21**	**4.371**

7.2.4 Waste Management

The Group strictly complies with relevant laws and regulations such as *the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* and has formulated internal systems such as the "Procedures for the Disposal of Waste" for standardised waste management and classification. We attach importance to the management of waste generated from the production process and the daily operation and implement relevant management and disposal standards according to the characteristics of different types of waste in order to achieve standardised waste management and objective classification. During the reporting period, the Group did not have any violation of relevant laws and regulations in respect of waste management.

During the year, the Group actively responded to the advocacy of waste separation by strictly complying with regulations on waste management. We make sure that waste is located and sorted according to regulations and that special waste is separated from ordinary waste for disposal.

According to the characteristics of our business, the waste generated by us is mainly classified as hazardous waste and non-hazardous waste. Non-recyclable hazardous waste includes waste tubes, waste organic solvents, waste batteries and waste activated carbon; non-hazardous waste mainly includes waste cartons, waste paper and domestic waste.

For the hazardous waste generated in the course of electronics manufacturing, we strictly require and review the government-approved qualifications of waste disposal departments. Recyclable waste is recycled as far as possible in accordance with the internally formulated "Procedures for the Disposal of Waste", while waste that cannot be recycled is handled and disposed of in compliance with the relevant management regulations.

We also incorporate waste management into the performance appraisal of our warehouses so as to raise the awareness of material safety and responsibility of warehouse staff and further ensure the standardised waste management and classification.

Goals and Measures for Waste Reduction

The Group is committed to actively promoting and implement waste separation, enhancing material recycling and reducing waste generation. In the aerospace business, we closely monitor and record data on hazardous waste as well as general waste at our plants. We track our waste reduction and recycling performance, identify and optimise waste management processes, and effectively evaluate the effectiveness of waste reduction measures based on the data collected, so as to facilitate timely adjustment and improvement of our waste reduction strategies.

In respect of the EMS business, we reduce waste generation at source by improving production processes and procedures, and we continue to increase the utilisation of recyclable resources by recycling and reusing waste. At the same time, we raise the awareness of waste reduction among all staff through training and education, so that employees can understand the importance of waste reduction and actively participate in it.

Waste reduction at source

- Control of raw material consumption: production departments shall set quality control targets to reduce raw material wastage due to poor processing. Statistics on raw material wastage due to poor processing are kept and announced and serve as a cautionary notice for all staff, so as to raise their awareness on resources saving.
- Control of the consumption of auxiliary materials for production: we purchase auxiliary materials according to planned usage to prevent overstocking and expiry. Besides, we set targets to enhance usage control to reduce wastage of auxiliary materials due to improper use.

Waste classification

- Optimise waste records management: regularly record the amount of hazardous and general waste generated in the production plant and keep proper and complete records of waste disposal for subsequent data analysis and improvement.
- Segregated storage of waste: waste generated is classified and collected separately and hazardous waste is appropriately marked and labelled, clearly indicating the status of different types of waste for better identification and management.

Recycle

- Improve waste recycling efficiency: consider recycling or reuse of production waste and other recyclable waste as far as possible to save usage and reduce waste and achieve sustainable use of resources.

Waste reduction awareness

- Enhance thematic education and training: we deliver continuous education and training for staff and management on waste reduction, waste classification and recycling to raise awareness of waste management among all staff.
- Multi-channel publicity: we constantly remind staff of waste separation and disposal in our daily work by putting up waste classification posters and slogans, thus promoting the development of good waste reduction habits among all staff.

Disposal of Hazardous Waste

The hazardous wastes of the Group are mainly waste tubes, waste organic solutions, waste batteries and waste activated carbon. Of which, the hazardous waste refers to waste that may cause significant harm to the environment or human health due to its chemical, physical or biological properties. In respect of the Group's business, the hazardous waste mainly contains waste cleaning agents, waste motor oil, waste gloves and waste activated carbon. To ensure the effective management of hazardous waste, the Group updates its hazardous waste management plan annually in accordance with the requirements of policies and its production status and establishes a waste disposal list for the comprehensive tracking and disposal of hazardous waste. At the same time, we procure and use raw materials in strict accordance with the requirements of the **Reach** (the Regulation Concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals) and the **RoHs** (the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment). The Group has strict requirements on the storage environment for hazardous waste. We have set up an independent hazardous waste warehouse, requiring all hazardous waste generated during the electronics manufacturing process to enter the hazardous waste warehouse and be managed in a unified manner. Besides, we have commissioned a qualified third-party organization to treat and transfer hazardous waste through the Qinqing platform on the Fujian province government website to ensure that the waste is handled in a compliant manner.

During the year, hazardous waste generated during the manufacturing process of the EMS business segment was the main source of our hazardous waste, with hazardous waste output totalling 400 kg. We continue to strengthen the management of hazardous waste to ensure the standardised treatment of all waste, so as to contribute to our sustainable development.

Disposal of Non-hazardous Waste

During the reporting period, the Group generated non-hazardous waste mainly in the form of packaging materials generated in the production process and domestic waste generated in office areas, staff dormitories and canteens. We have strictly implemented and complied with relevant laws and regulations of the place of operation and placed separate waste collection bins in the electronic manufacturing production plant, staff dormitories and office areas, and clearly required the employees to put out waste in accordance with the classification requirements. The vast majority of the non-hazardous waste generated by the Group has been recycled or is taken away for disposal on a daily basis by companies licensed to operate, so as to ensure compliant waste disposal and resource utilisation. In June 2023, we invited a third party to carry out environmental testing of the company, including organised and unorganised VOCs emissions, organised and unorganised tin, and its compounds emissions.

In May 2023, we replaced the activated carbon in the VOCs adsorption system to ensure that the adsorption rate was above

50%

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

7.3 Addressing Climate Change

The Group is fully aware of the seriousness and urgency of the climate change issues and is actively exploring a number of measures to address climate change. We refer to the recommendations of the "TCFD" to disclose climate change related work programmes and progress in four main areas: governance, strategy, risk management, indicators and targets.

Governance

The risks posed by climate change have significant implications for the future sustainability of USPACE. We continue to improve our ESG management mechanism. The Board of Directors attaches great importance to the actualities of ESG development and has set up an ESG team to identify and supervise ESG-related risks and opportunities that have a significant impact on our business. The subsidiaries, functional departments and business divisions have implemented ESG-related work on a multilevel basis, so as to proactively respond to ESG risks and ensure the smooth realisation of our sustainable development goals.

Strategy

USPACE comprehensively improves its strategies and policies and continuously pays attention to changes in relevant laws. We have established and improved the "Typhoon and Rainstorm Contingency Plan", conducted regular emergency drills, and optimised the contingency procedures, in order to ensure the safety of the employees and customers. During the year, USPACE strictly complied with all applicable environmental protection laws and regulations, and there were no incidents that adversely affected the climate.

Risk Management

Taking into account the characteristics of the Group's own business, the Group sorts out and identifies the risks of climate change in the aerospace and electronics assembly markets as well as long-term emerging risks that have a significant impact on its future business and develops mitigation measures accordingly. Meanwhile, we are actively working with governments, industry organizations and other stakeholders to address the challenges of climate change.

Types of risks	Sources of risks	Management measures
Physical risks	Acute risk Frequent extreme weather (heat, typhoon, heavy rains, flooding, etc.) may lead to equipment malfunction, damage, or failure, impact on human health, and consequently, it may affect production processes, resulting in production stoppages or reductions, and loss of assets.	• Formulation of typhoon and rainstorm contingency plan • Protection and maintenance of machinery and equipment
	Chronic risk Long-term climate change can lead to increased operating costs such as energy costs, and persistent hot weather may affect the health and safety of employees and the operation and maintenance of equipment.	• Continuous optimisation of response procedures to improve the resilience of plant operations • Regular emergency drills • Continuous attention paid to climate change and timely adjustment of response measures

Types of risks	Sources of risks	Management measures
Transition risk	Climate-related policy and regulatory risks The introduction of climate and environmental related policies may lead to limits on GHG emissions and higher costs, which could result in higher compliance and regulatory costs for companies.	• Continuous attention paid to changes in relevant regulations to ensure compliant operations • Regular reviews and establishment of countermeasures in advance
	Upstream supplier risks The impact of extreme weather may lead to insufficient supply from raw material suppliers or transport difficulties, resulting in delays in the shipment of raw materials and an increase in product and operating costs.	• Reserve diversified sources of materials to reduce the risk of dependence on a single supplier, to ensure smooth production and supply
	Downstream market risks Customers' preference towards eco-friendly and low-carbon products leads to a reduction in demand for existing products, thus reducing revenues.	• Continuous attention paid to customer needs • More efforts in the research and development of green products
	Technology risk Increasingly strict requirements and regulation of products and services require efficient production technology and processing method, which leads to higher product costs.	• More efforts in the research and development of green products • Control and avoidance of harmful substances

<table>
<tr><th>Future opportunity</th><th>Potential impact</th><th>Response</th></tr>
<tr><td rowspan="2">Transformation opportunity</td><td>Market opportunity
Consumers' continuous focus on climate change and sustainability policies promotes the development of eco-friendly products and brands committed to responsible business practices, which will lead to new market opportunities.</td><td rowspan="2">• USPACE will pay close attention to and respond in a timely manner to the relevant national policies on sustainable development, adapt to the ever-changing market, and insist on promoting the green transformation and development of its business to actively respond to climate change while urging the industry to take a high-quality and low-carbon path.</td></tr>
<tr><td>Business transformation
Upstream, downstream and peers in the industry are developing low-carbon, energy-saving and eco-friendly technologies. The technological advances have offered great opportunities for cost reduction, contributing to industry transformation and upgrading.</td></tr>
</table>

Indicators and Goals

In order to achieve the low carbon development goal, the Group has set a series of specific and measurable indicators and targets. These indicators cover a wide range of aspects, especially in terms of carbon emissions. The Group strictly discloses the greenhouse gas emission data of Scope 1 and Scope 2, and keeps focusing on the measures to reduce emissions in Scope 3, and actively advocates our staff to adopt low-carbon and green modes of transportation, such as walking, cycling or taking public transportation. In addition, we promote the teleconferencing system in a timely manner to minimize unnecessary travel and related indirect GHG emissions.

The Group has always taken responding to climate change as a crucial strategic task in corporate development. Through continuous improvement in governance, strategy, risk management, indicators, and objectives, we strive to achieve low-carbon, green, sustainable development. We will continue to collaborate with all parties to address climate change challenges and contribute to the construction of a beautiful earthly homeland.

8.0 CARE FOR EMPLOYEES TO CREATE A HARMONIOUS WORKPLACE

We believe that talent is a valuable asset for the long-term development of the Group. Adhering to the people-oriented approach, we create a diverse and equitable working environment for our employees. We attach importance to the health and safety of our employees, organise a wealth of training activities, and provide appropriate resources to support their planning of a clear career path. Meanwhile, we care about the life of our employees and organise various cultural and sports activities for them. In addition to the statutory benefits, we also provide other benefits. We listen to the demands of our employees and do our best to create a good working environment for them.

8.1 Diversity and Equal Employment

We strictly comply with the laws and regulations of the countries and regions in which we operate, including the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China* and the *Employment Ordinance* of Hong Kong. We have formulated and put into use a series of human resource management systems, including the "Recruitment and Onboarding Management Regulations" and the "Employee Handbook", establishing a human resource management system based on respect for human rights. The Group upholds a fair and respectful attitude in selecting and employing talents, prohibits to differentiate between candidates on the basis of their personal information, such as gender and sexual orientation, and is committed to creating an equal and inclusive working environment. At the same time, we strictly prohibit child labour or any form of forced labour. To prevent illegal employment, we check the identity documents of applicants when they join the Group. With regard to the prohibition of forced labour, we have clearly stipulated the 8-hour schedule in the "Employee Handbook" and do not force employees to work overtime. In 2023, there were no incidents of child labour, forced labour, discrimination, harassment or human rights violations.

We adhere to the principles of fairness and diversity in employment and seek suitable talents through various channels to build a diversified and professional team. We have three major recruitment channels: external recruitment, internal recruitment and labour dispatch, of which external recruitment includes campus, social, and online recruitment, while internal recruitment is mainly based on referral by departments and employees. We use a variety of channels to recruit talents, expecting to find more talents that meet the job requirements, so as to improve the organisation's efficiency and contribute to the quality development of the Company. In the aerospace business, we co-operate with a number of universities in Hong Kong to find appropriate talents in satellite applications, measurement and control, and remote sensing data analysis.

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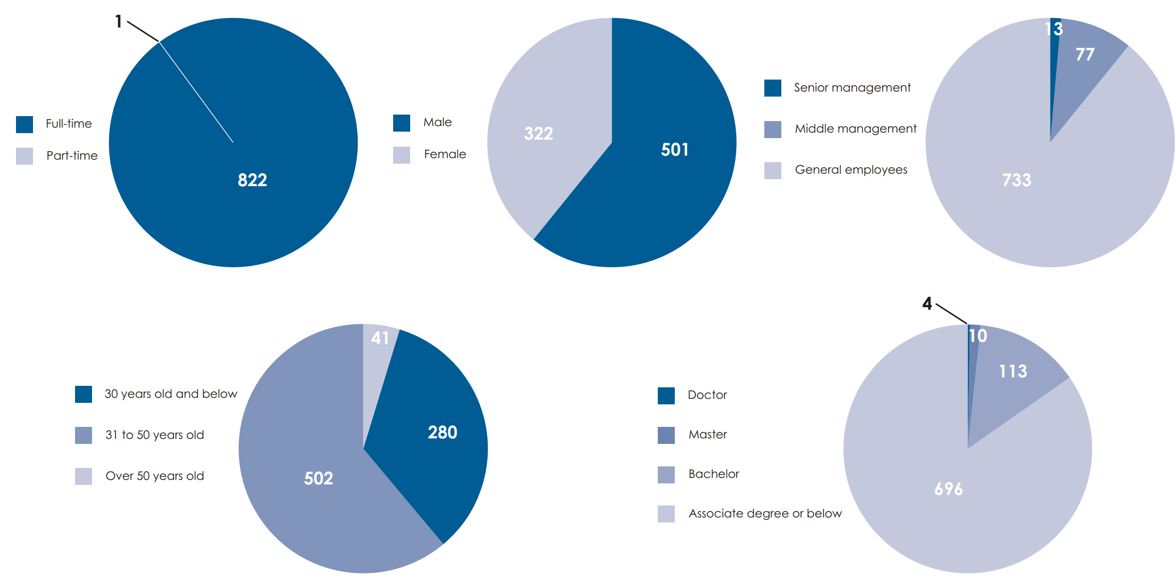
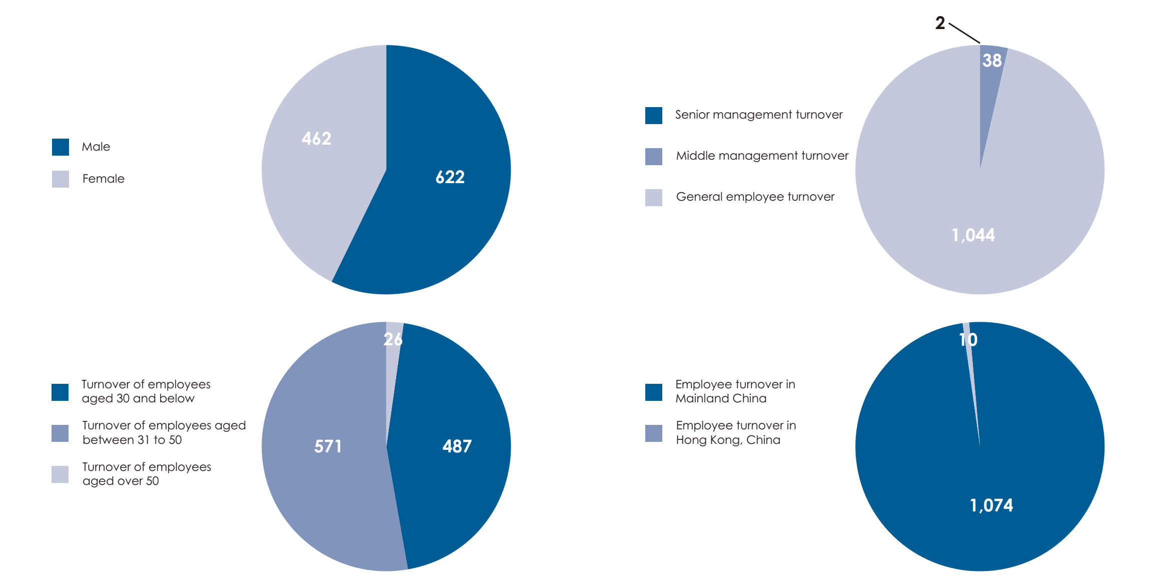
As of 31 December 2023, the Group had a total of 823 employees, of which 798 were from Mainland China, 20 were from Hong Kong, China and 5 were from other regions. The classification of employees by gender, employment type, job level, age, and education is shown as follows:

USPACE 2023 Employment Statistics



We attach importance to the employee turnover rate and will consider relevant human resource management strategies in the light of the actual situation, in a bid to improve employee satisfaction. During the probationary period, we will conduct monthly interviews to understand new employees' feelings and opinions about the work environment, work contents and company management.

USPACE 2023 Employee Turnover Statistics



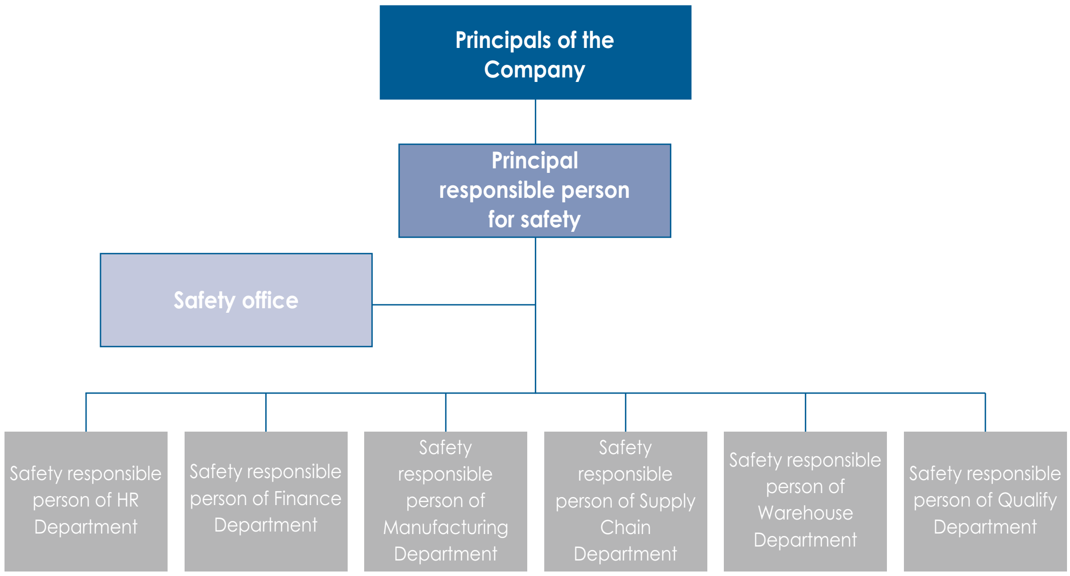
8.2 Occupational Health and Safety

8.2.1 Employee Safety Management System

Creating a safe and healthy working environment for the employees is a key part of our work. In accordance with the *Fire Protection Law of The People's Republic of China*, the *Law of the People's Republic of China on Work Safety*, and the *Occupational Safety and Health Ordinance* (Chapter 509 of the Laws of Hong Kong), we have formulated the "Regulations on Work Safety Management" to prevent, reduce and control accidents, and to clarify responsibility and implementation.

To protect the safety and health of all employees and to implement the concept of work safety, we have appointed a direct responsible person for safety in each department and have detailed the safety responsibility for each team and position.

Organisational Structure of the Fire Safety, Work Safety and Occupational Health Management Committee



ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Departmental Safety Responsibilities

Department	Main Safety Responsibility
Principals of the Company	• Establish a comprehensive assurance system for work safety and industrial hygiene and safety • Hold regular meetings on work safety topics • Organise the establishment of specific indicators and targets for work safety and industrial hygiene
Office	• Develop and implement safety education training programmes • Regularly organise various forms of safety education training courses in accordance with work schedules • Incorporate work safety performance into employee performance appraisal
Workshop	• Prepare production plans, taking into account technical security measures, and implement and review production plans in conjunction with the check of safety measures • Arrange production tasks, take reasonable consideration of the capacity of production equipment, carry out balanced production and control overtime work
Finance Department	• Carefully implement the national regulations on the funding of safety and technical measures in enterprises, earmark funds for specific purposes and account for them regularly

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We attach great importance to work safety. During the year, we carried out a series of control initiatives in the chemical management for our warehouses and access management for our workshops. Besides, we posted safety signs in our workplaces to remind our employees to be aware of work safety at all times. In order to strengthen the safety management of hazardous chemicals and protect the lives of our employees, we have formulated the "Regulations on the Safety Management of Hazardous Chemicals", which regulates the storage, use and disposal of hazardous chemicals, and specifies the departments responsible for the safety of storage, use and transport of hazardous chemicals. In addition, we strictly control the entry and exit of personnel in workshops and warehouses. We monitor and record the entry and exit of employees through SOP and OA systems and manual management, so as to prevent hazardous chemicals in warehouses from being out of the monitoring and control, and warehouse supplies from being lost or destroyed.

Safety Signs

In order to implement the relevant national technical safety standards and regulations, and to detect and eliminate potential dangers in equipment and facilities, workplaces and operations in a timely manner, we have formulated the "Safety Inspection and Potential Hazard Detection, Handling, Archiving, and Monitoring System", which sets out detailed requirements for work safety inspection to avoid the occurrence of work-related accidents and to protect the health and safety of the employees.

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We carry out inspections on the implementation of the safety management systems, safety work records, and safety hazards at work sites mainly through safety management inspections and on-site safety inspections. At the company level, the Safety Committee and the Environmental Safety Committee are responsible for safety inspections at the end of each quarter and before holidays. At the departmental level, each workshop and team carry out weekly and daily inspections of equipment and facilities. If potential safety hazards are identified during safety inspections, we require the department that needs to carry out rectification to complete the rectification within a specified period of time in accordance with the Potential Hazard Rectification Notice or the Safety Rectification Implementation Plan issued by the inspection department. The inspection department will review the rectification results in order to prevent recurrence of the hazards. After the safety inspection, for the problems identified during the inspection, each department will use the "Production Express", as well as reports, pictures, posters and other forms to inform and educate the employees about the potential hazards around them, so that they would consciously pay attention to the hazards and make rectification.

During the reporting period, the Group has obtained the Occupational Health and Safety Management System Certification. We will continue to optimise our safety management model. The Group exercises stringent control over work safety, puts the safety and health of the employees at the forefront of our efforts, and promotes full participation in work safety.


CQC

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM CERTIFICATE

Certificate No. 00121S33364R0M/4403

We hereby certify that

Eternity Technology (Xiamen) Co.,Ltd.

Registered Address:2F,3F No.7 South Fangsha Road Xiang'an Industrial Zone Torch High -Tech Zone Xiamen City Fujian Province P.R.China

Operation Address: 1-5F No.7 South Fangshan Road Xiang'an Industrial Zone Torch High -Tech Zone Xiamen City Fujian Province P.R.China

has been awarded this certificate for compliance with the standard

GB/T 45001-2020 / ISO45001:2018

The Occupational Health and Safety Management applies in the following area:

Production of PCBA, Manufacture of Security Series Products(Door Entry System and Smart Home control panel), Emergency Lighting for Export and Related Management Activities

Certified since: November 4, 2021 Valid from: November 4, 2021 Valid until: November 3, 2024

After a surveillance cycle, the certificate is valid only when used together with an Acceptance Notice of Surveillance Audit issued by CQC. Please access www.cqc.com.cn for checking validity of the certificate.

This certificate and its relevant information can query in the website of Certification and Accreditation Administration of the People's Republic of China (www.cnca.gov.cn).

IAF CNAS IQNet

CHINA QUALITY CERTIFICATION CENTRE

Section 9, No.188, Nansihuan(the South Fourth Ring Road) Xilu(West Road), Beijing 100070,China

http://www.cqc.com.cn

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Occupational Health and Safety management System Certification

8.2.2 Safety Education and Training

The Group has formulated the "Safety Education and Training Management System" in accordance with the *Law of the People's Republic of China on Work Safety* and regularly conducts safety education and training for all employees. We aim to make our employees aware of work safety and internalise the concept of work safety through diversified forms of training, such as instructor training and company visits. In addition to organising safety education and training for our employees, we also conduct emergency drills at each of our plants every year, including fire safety drills and emergency drills for hazardous chemical leakage, to raise the safety awareness among our staff, strengthen their emergency response skills, and to ensure the stability and safety of our operations.

2023 Safety Education and Training

Safety Education and Training

- On 15 June 2023, we organised all our staff to watch a safety awareness video and to publicise the contents of the work safety system and the safety responsibility system. At the same time, we carried out a two-hour safety education and training for personnel in certain positions on new processes, technologies, materials and equipment.
- On 13 November 2023, we organised all staff to watch and study according to the *Notice on Organising the Watching of Feature Programme on Investigation and Rectification of Major Accident Hazards in Huicheng District*.

Fire Safety Training

- On 31 August 2023, we organised a fire safety training for 26 employees. Through this training, they learned more about fire safety and improved their fire safety skills.
- On 7 November 2023, we organised a one-hour comprehensive fire safety drill training, in which they learnt about fire safety tips and escape routes.

In order to strengthen new employees' awareness of work safety, the Group requires new employees to receive no less than 24 hours of three-level safety education, namely, the company level, department level, and team level, before commencing work. New employees are allowed to start work only after they have understood the national and Group work safety policies workshop production processes and precautions, and post safety and technical regulations. In addition, we require special workers to obtain relevant qualifications before commencing work.

Three-level Safety Education and Training for New Employees

Level 1 Company level safety education	Level 2 Department level safety education	Level 3 Team level safety education
• Organised by the Group's EMS business production with the assistance of all departments. • The contents include: the Party and the State's guidelines, policies, regulations, systems regarding work safety and the significance of work safety, general safety knowledge, the characteristics of our production, and case studies of major accidents. Only after passing the exam can they be assigned to the production and non-production departments of the Company.	• Organised by the department heads. • The contents include: workshop production characteristics, processes and procedures, performance of major equipment, safety technical regulations and systems, lessons learned from accidents, the use of dust and poison prevention and anti-scorching facilities and safety tips. Only after passing the exam can they be assigned to work sections and teams.	• Organised by the team leaders. • The contents include: job positions, characteristics, the structure and working principle of main equipment, operation tips, post responsibility system, post safety and technical regulations, accident cases and preventive measures, safety devices and tools, personal protective equipment, protective tools and the correct use of fire equipment.

To strength communication with the government and the industry on work safety education, we actively participate in exchanges with local governments, fire brigades, labour bureaus and other government agencies. Besides, we are invited to participate in the safety guidance activities of the industry peers, to enhance the industry's understanding of work safety, communicate the work safety concept and promote work safety management across the industry.

Exchanges on Work Safety

8.2.3 Occupational Disease Prevention and Control

To effectively prevent, control and eliminate occupational disease hazards in the working environment, regulate occupational health supervision and prevent the occurrence of occupational diseases, we have formulated the "Occupational Disease Prevention and Management System" in accordance with the "three simultaneous" policy, which makes clear provisions for the prevention and management of occupational disease hazards in the working environment, the health supervision of workers exposed to occupational disease hazards and the diagnosis and treatment of such diseases.

The Group pays close attention to the occupational health of the employees. We have equipped employees exposed to toxic and harmful substances with sufficient protective equipment and arrange annual health examination for all employees. For potential occupational hazards such as industrial toluene, methanol and organometallic compounds, we appoint external testing agencies to carry out occupational health, safety and environmental assessments and provide testing reports. At the same time, we organise occupational disease screening for employees in relevant positions and pay long-term attention to those who may have such diseases, so as to take full care of their health in the workplace and create a safe and friendly working environment.

Besides, we attach great importance to the physical and mental health of our female employees. In strict compliance with the "Special Rules on the Labour Protection of Female Employees", the Group conducts a risk assessment of the hazards that pregnant and breastfeeding female employees may be exposed to, to avoid their exposure to toxic and harmful substances. We provide pregnant female employees with anti-radiation aprons to avoid possible effects of computer radiation on the foetus and transfer them to other positions to avoid potential lung damage caused by dust in the workshop.

To raise the employees' awareness of occupational disease prevention and control, in 2023, we organised an occupational health training for our staff. During the training, we introduced the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases* and the responsibility of employers for employees' occupational health examinations. We also offered several suggestions on the prevention of occupational diseases, such as improving personal protection, developing good hygiene habits, and strictly following safe operating procedures.

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8.2.4 Coping with Extreme Weather

Climate risk has a complex impact on the Group's physical operations, supply chain integrity and other production and operational processes. With the increasing occurrence of extreme weather events, the Group's management of extreme weather events plays an important role in the Group's operations, which helps to ensure that the Group is adequately prepared to deal with climate risks and to minimise their impact on the Group.

Case: Emergency response plan to Typhoon Doksuri
In order to actively respond to Typhoon Doksuri in July 2023, the Group organised the management of the Company to conduct factory inspections prior to the arrival of the typhoon and arranged for the reinforcement of advertisement boards, the roof of the loading platform, the roof-top exhaust gas treatment facilities and the air-conditioning units, to protect the health of the employees and ensure the safety of the Company's properties.

8.3 Employee Training and Promotion

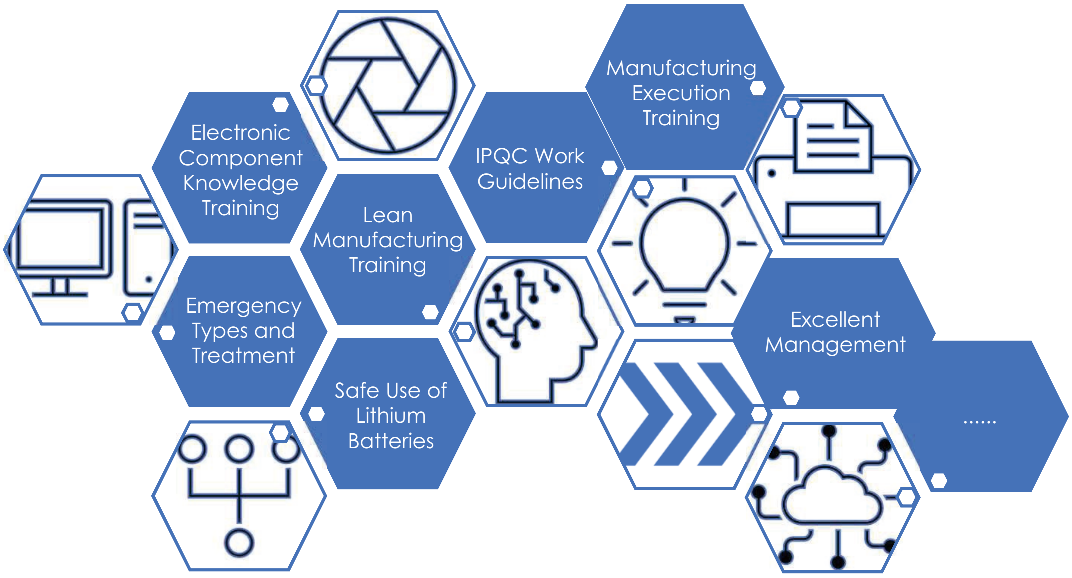
8.3.1 Employee Training

We firmly believe that the high matching degree of talent and position is the key factor for employees to help enterprises create higher value, in order to allow employees in management positions or technical positions to obtain good career development according to their personal characteristics, we have formulated the "Training Management Control Procedures" and annual training plan, and divided the training methods into employee induction training, pre-job training, on-the-job training and agreement training, to provide employees with diversified vocational skills training. Meanwhile, we regularly evaluate the effectiveness of training to meet the growth needs of employees in different career positions and development stages.

In the aerospace business segment, in order to meet the needs of high-end business development, we have organised several skills training for personnel in R&D, manufacturing and data positions, bringing relevant skills and knowledge to our employees in anticipation of their continuous learning and contribution to the Group's aerospace business development.

Satellite Manufacturing Technology Training Exchange site

In 2023, we organized more than 106 training activities for all employees in the EMS business, with a total of 17,156.11 training hours throughout the year. The training topics cover management talent training and professional skills training, effectively enhancing the Group's management skills, production management capabilities and team cohesiveness. Through these efforts, we continue to grow potential talents and strengthen the core competitiveness of the Group.



Training Project for Employees of EMS Business

8.3.2 Employee Promotion

To enable employees to clearly understand and plan their own career development paths, we have developed a specific, measurable and achievable performance appraisal plan. According to the key performance indicators and corresponding weights of different departments, we have set up 4 performance appraisal levels, aiming to achieve a fair and just evaluation of employees' work performance with a more scientific and reasonable evaluation.

Among them, especially for positions that require high-level operational skills and have complex responsibilities, we have developed a "Key Position Personnel Management Plan". In this plan, we have divided complex positions into 3 levels, and within each level, we have further divided into 3 distinct types of positions. Based on different job skill requirements and individual expectations, we have established assessment measures, promotion mechanisms and provided the opportunity for same-level technicians to switch positions. Moreover, we offer corresponding key position subsidies to different levels of technicians based on their skill levels and job performances. For those highly skilled workers, we not only provide promotion opportunities but also offer more development opportunities. Through these measures, we hope to build a robust talent team to provide solid support for the Group's development.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

8.4 Employee Care and Communication

8.4.1 Employee Activities with Our Care

We treasure the physical and mental health of our employees and attach importance to their spiritual lives. We keep an eye on their expectations and demands in their work and life and respond to their needs in an active manner. By organising recreational and sports activities in various forms with rich contents for employees, their lives are enriched their needs for a better life are fulfilled. We have fostered a happy working and living environment, thereby enhancing employees' sense of belonging.

Employee Activities

To alleviate working pressure and enhance employees' well-being, we organise a birthday party on a monthly basis, inviting the birthday employees to celebrate together and presenting them with birthday gifts. Additionally, we host the Family Day and other activities, inviting staff to participate in parent-child games with their children, in a bid to enhance parent-child interaction and nurture familial bonds.

Employee Birthday Party

The Family Day

8.4.2 Employee Remuneration and Benefits

The Group strictly abides by the relevant laws and regulations of the People's Republic of China, and continuously optimizes the remuneration and benefits system for employees in accordance with the relevant provisions of the Social Insurance Law of the People's Republic of China and the Regulations on the Administration of Housing Provident Fund. In accordance with the relevant regulations of the local government, we pay five social insurances and one housing fund for our employees on time and in full, and at the same time, we follow the Hong Kong Employment Ordinance to pay the mandatory provident fund for Hong Kong employees. In addition, we also provide a range of non-pay benefits, such as paid annual leave, marriage leave and holiday holidays. We effectively protect the basic rights and interests of employees, such as labor remuneration and social insurance, and strive to build harmonious labor relations.

8.4.3 Communication with Employee

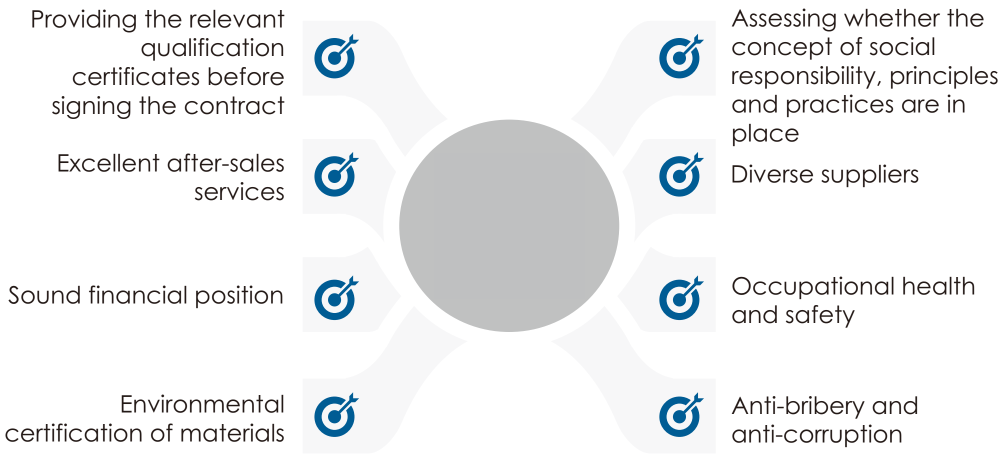
We highly value the opinions and suggestions from our employees. In addition to monthly interview with new employees during their probation period, we also regularly collect feedbacks from employees. Employees may give their feedback via channels such as morning meetings, complaints to the Management Department and the General Manager's email. In this way, we enhance the sense of understanding, belonging and accomplishment of our employees, and create a workplace of mutual respect, communication and trust, as well as harmonious labour-management relations. During the reporting period, we invited some of our employees to take satisfaction surveys on the workplace, workload, working hours and others, and received 174 copies of feedback.

To better meet the needs of our employees, we will continue to improve the Group's benefits policy based on their feedback and suggestions. At the same time, we will strengthen internal communication and increase opportunities for employees to participate in company decision-making, letting them feel the company's appreciation and care. Through these measures, we hope to further enhance our employees' satisfaction and loyalty, laying a solid foundation for the company's long-term development.

9.0 RESPONSIBLE PROCUREMENT AND WIN-WIN COOPERATION WITH SUPPLIERS

9.1 Cooperation with Suppliers

To establish a sustainable and win-win strategic partnership with our suppliers, we strictly comply with the *Civil Code of the People's Republic of China*, the *Tender Law of the People's Republic of China*, and other laws and regulations. In addition, we have adopted a standardised supplier management system to continuously optimise the lifecycle management process of our suppliers and to improve their delivery quality and services. In addition, to reduce supply chain risks and create a more resilient and sustainable supply chain, we always practice social responsibility in the improvement and operation of our supply chain, and include factors like environment, health and safety, employee rights, and business ethics in our supplier evaluation criteria.



Principles for the Overall Management of Suppliers to the Aerospace Business

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2023, to fulfil the requirements of our expanding space business and highly sophisticated technologies such as satellite manufacturing, we have partnered with nine suppliers to undertake the overall mission of satellite development, manufacturing, launch and in-orbit delivery for the "Golden Bauhinia Constellation" project. During the year, to improve the satellite development and manufacturing and to reduce manufacturing risks and material waste, we signed strategic cooperation agreements and system contracts with a number of domestic and foreign partners and space agencies. By sharing resources, knowledge and technologies during the cooperation, we have further optimised the design of satellites, reduced material waste and provided advanced satellite measurement, control and operation and maintenance solutions.

For our EMS business, our sourcing scope covers the upstream and downstream industries of IC manufacturing, including production equipment, maintenance parts for production equipment, raw materials for production, plant facilities, fire protection facilities and engineering. We seek to co-operate with a wider range of suppliers, and in the procurement process, we rigorously monitor the procurement quality requirements and utilise procurement preferences to meet our needs for IC manufacturing devices.

As of 31 December 2023, we maintained strict management of our suppliers, ensuring stable quality and safety of supply. Our supplier pool consists of 890 qualified suppliers, distributed across regions as follows:

Number and percentage of supplier source distribution for the aerospace ecology business and EMS business

Region	number	percentage
Chinese Mainland	779	87.53%
Hong Kong	82	9.21%
Taiwan	3	0.34%
Overseas	26	2.92%

9.2 Supply Chain Management

Suppliers are vital partners in our business and play a key role in our ability to deliver high-quality products and services. Therefore, we attach great importance to the selection and management of suppliers. We continuously improve comprehensive supply chain management and have currently established a full life cycle management system that covers supplier development, admission, selection, evaluation, and exit. We hope to build stable strategic partnerships with partners who share our values to provide quality products to our customers jointly.

In aerospace ecology business, we focus on the compliance and sustainability of supply chain management, enhance supplier screening and risk control, and strive to reduce supply risks. In the process of supplier admission and daily procurement, we emphasize intellectual property protection and enhance supply chain risk control capabilities. Meanwhile, we proactively adopt suppliers that follow ESG related international guidelines to achieve greener and more environmentally friendly operations.

Full Lifecycle Management System for Aerospace Business Suppliers

Improve supplier management

The Group continues to monitor all aspects of the supply chain in order to avoid possible problems in the supply chain in advance.

- Approach suppliers before working with them to assess their compliance with ESG principles and exclude those who are unable or unwilling to meet the criteria.
- Actively seek out potential suppliers who can eliminate process safety risks through technical means and tools at an early stage of product design.
- Carefully examine the associated risks and assess potential problems as we enter the production delivery process.

Enhance supplier selection

The Group engages suppliers based on technical requirements, considering criteria such as:

- The quality of the service or product and the impact on the Group's business
- The proposed price or cost compared with the Group's relevant budget
- The supplier's reputation and brand image
- Financial soundness
- Adequate after-sales service or support

Regulate procurement management

The Group takes into account sustainable development criteria in its procurement decisions. From time to time, suppliers are required to update the environmental parameters of their products and services for evaluation. Suppliers who fail to meet safety and environmental targets are required to provide improvement plans and to do so within a certain time frame.

Full Lifecycle Management System for Aerospace Business Suppliers

Conduct internal control procedures

The Group has implemented effective internal control procedures, adhered to an anti-corruption philosophy and strictly prohibited unethical business practices. Any procurement transactions are subject to an approval process to comply with internal control procedures. This includes, but is not limited to, (1) compliance with fair procurement policies; (2) compliance with all relevant rules and regulations; (3) clear reporting channels and whistleblowing protection policies; (4) risk management to eliminate all corrupt practices.

Enhance supplier assessment

The Group may only source services and products from suppliers who are on a registered and qualified supplier list. This list is subject to regular review and updated from time to time.

Cooperate with environmentally friendly suppliers

In order to achieve our sustainable development goals, the Group gives preference to suppliers who have green policies for their products to reduce waste and protect the environment in our supplier selection process. We also (1) have a dedicated sustainability working group to provide assistance and guidance; (2) source products that do not have a negative impact on the environment as far as possible; (3) provide products that have the least environmental impact over their useful life; (4) avoid packaging or use minimal packaging, reduce energy or water consumption, and reduce or avoid toxic substances.

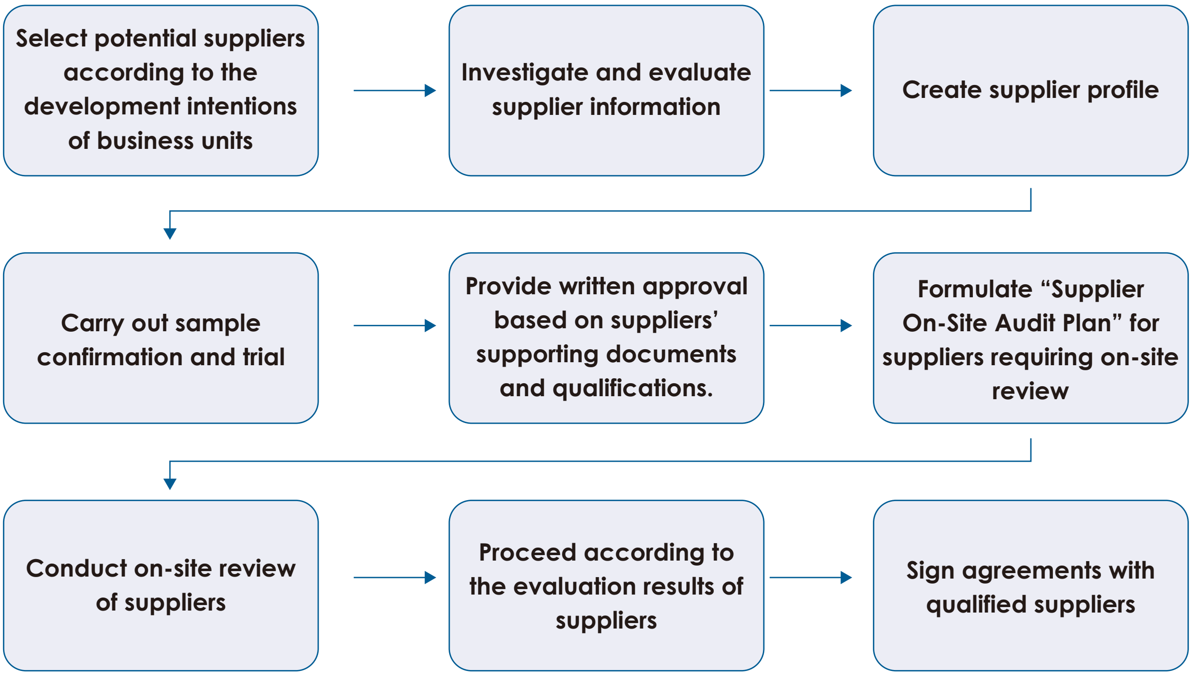
Intellectual Property Protection

When engaging suppliers, the Group will ensure that the contract terms include the protection of intellectual property rights. In the course of business, when purchasing and customising products and services, the Group will only purchase genuine intellectual property rights and will respect all legal or eligible intellectual property rights registered or created by existing copyright owners.

In the EMS business, to enhance the quality of our products and services, we revised the "Supplier Development and Introduction Control Procedures" during the reporting period. We have added supplier types and refined the assessment standards of various suppliers, thus allowing a more rigorous review and comprehensive evaluation of the introduction of suppliers.

To ensure the quality of suppliers' delivery, service level and development efficiency, we conduct strict audits on the introduction of new suppliers, including product quality and safety, business ethics, and we also require potential suppliers to provide quality management system and environmental management certifications, and if necessary, we will also conduct on-site audits.

Application and Review Process for New Suppliers



9.2.1 Supplier Assessment

In respect of the EMS business, to continuously track the delivery capability and product quality of our suppliers, we conduct an annual QDCSTE (Quality, Delivery, Cost, Service, Technology, and Environment) assessment of our qualified suppliers to perform a comprehensive assessment of our suppliers' performance and relationship, and separate scores are given for labour management, social ethics, health and safety, and environmental standards to verify the competence of our suppliers in each sector. Suppliers with severe quality and environmental violations, or with two or more breaches of safety standard specifications or quality issues within three months may be disqualified. After the disqualification, for suppliers with sincere cooperation intentions who promise to make rectification within a prescribed time limit and have achieved effective results, we may decide whether or not to reinstate them as qualified supplier via quality review.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Evaluation dimensions	Evaluation indicators
Quality (25 points)	Lot reject rate ("**LRR**") Defect parts per million ("**DPPM**") Number of and timeliness of response to material vendor corrective action request ("**VCAR**")
Delivery (20 points)	On-time delivery rate ("**ODR**") Down line hours
Cost (25 points)	Does a supplier meet the Company's cost reduction expectations Does a supplier meet the Company's AMS60-day settlement expectations Comparison of cost (price)
Service (10 points)	Scoring by IQC/SQE, sourcing engineers and procurement merchandisers, respectively
Engineering capability (10 points)	Scoring by the engineering department
Environmental protection (10 points)	Environmental protection RoHS Reach No Halogen

9.2.2 Green Procurement

We actively fulfil responsible sourcing and require suppliers to sign a "Supplier Environmental Protection Agreement" when establishing cooperative relationships with new suppliers. The agreement stipulates that the parts, assemblies and ancillary materials supplied to us by our suppliers must comply with and meet the latest directives and regulations of each country and market on relevant environmental laws, regulations and standards. For hazardous substances such as lead and lead compounds, mercury and mercury compounds, we also set clear limits for suppliers.

In addition to providing us with RoHS, REACH and other reports when necessary, suppliers also need to ensure that their environmentally friendly products should be labelled on the packaging. We promote the concept of green development by strictly requiring suppliers to provide materials that meet environmental protection requirements, and jointly integrate sustainable development and environmental protection concepts into our business to contribute to the green development of the industry. We have made corresponding requirements of our suppliers to respect employees' freedom of association and collective bargaining rights, combat discrimination, uphold fair employee wage, compensation and reasonable working hours, etc. We also encourage suppliers to regularly review their adherence to the Code of Conduct, make it public to all their employees, and enhance the employees' attention towards violations of the Code of Conduct. In this way, we can better meet and even exceed the requirements set by social responsibility mandates.

The Group has been committed to maintaining effective communication with suppliers through face-to-face meetings, email exchanges and other channels. In the process of continuous improvement, with the aim of achieving win-win cooperation, we provide suggestions to suppliers who are unqualified or underperforming, and discuss win-win product improvement plans together.

10.0 DELIVERY OF SUPPORT WITH COMMITMENT TO PUBLIC WELFARE

10.1 Community Contribution and Public Welfare

Since its establishment, the Group has been upholding humanistic ideals and taking practical actions to fulfil its corporate social responsibilities and convey warmth to the people. We insist on launching a series of public welfare activities and actively promote the construction of sustainable communities, to activate and convey the power of public welfare and build a harmonious society of sharing and mutual benefit

During the reporting period, the Group participated in the corporate membership programme of Foodgrace 2023 – "Green Member" and donated $18,000 to the programme to improve the environment and build sustainable communities in Hong Kong. We continue to promote public awareness of the environmental and sustainability policies in Hong Kong, and encourage residents to reduce waste and opt for a low-carbon lifestyle.

— Green Corporate Membership —

USPACE TECHNOLOGY GROUP LIMITED

In addition, we are honored to be nominated for the Caring Company Award for the year 2023, which fully reflects our efforts and achievements in corporate social responsibility. We will continuously devote to promoting the development of social welfare and contribute to building a better future.

USPACE Invites Local Universities to Visit Satellite Manufacturing Center and Satellite Operation and Control Center

In May 2023, our group invited teachers and students from the University of Hong Kong to visit our satellite manufacturing center and satellite operation and measurement control center located at the Advanced Manufacturing Center. We actively provide practical opportunities and educational resources for local universities, helping young students broaden their horizons and enhance their capabilities. Meanwhile, we also hope to promote knowledge dissemination and technical exchanges within the community through such activities, contributing to the prosperity and development of the community.

Department of Physics, Faculty of Science, The University of Hong Kong came to visit

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

APPENDIX I: ESG KPIS FOR 2023

Environmental

KPIs		Unit	2023	2022	2021
Exhaust gas emission	Sulphur oxide	kg	1.12	0.48	0.77
	Nitrogen oxide	kg	231.36	100.74	123.30
	Particulate matter	kg	21.72	9.40	11.68
GHG emission	GHG emission (Scope 1)	tCO_2	194.31	84.76	211.08
	GHG emission (Scope 2)	tCO_2	3,402.90	5,556.45	5,445.44
	Total GHG emission	tCO_2	3,597.21	5,641.21	5,656.52
	Total GHG Emission intensity	tCO_2/employee	4.37	4.85	8.47
Hazardous waste	waste consumption	kg	639.67	1,103.70	55.00
	Intensity of hazardous waste	kg/employee	0.78	0.95	0.08
Non-hazardous waste	Total Non-hazardous waste consumption	kg	103,443.00	121,191.70	3,318.11
	Intensity of Non-hazardous waste	kg/employee	125.69	104.12	5.00
Use of energy	Total electricity consumption	kwh	5,837,679.22	9,543,044.03	6,773,710.50
	Total energy consumption	MWh	6,542.74	9,843.95	7,445.00
	Electricity intensity	MWh/employee	7.95	8.46	11.15
Use of water	Total water consumption	t	57,022.31	62,479.00	30,006.45
	Water intensity	t/employee	69.29	53.68	44.92
Use of packaging materials	Total amount of packaging box	t	38.99	42.53	/

The description of Environmental data and coefficient:

1. The environmental information was collected from 1 January 2023 to 31 December 2023 and covers USPACE Headquarters, Gang Hang Ke (Shenzhen) Space Technology Limited., Huizhou Eternity Technology Company Limited and Eternity Technology (Xiamen) Company Limited. ShenZhen Hengchang Sheng Technology Co., Ltd. has ceased operations in the current year.

2. Greenhouse gas emissions (Scope I) are mainly derived from fuel consumption of official vehicles, while greenhouse gas emissions (Scope II) are generated from consumption of purchased electricity, sourced from payment slips of relevant fees and administrative statistical ledgers. The emission factor for purchased electricity refers to the average emission factor of 0.5703t CO_2/MWh for the national power grid in 2022, as stated in the "Notice on the Management of Greenhouse Gas Emission Reporting for Enterprises in the Power Generation Industry for the Years 2023-2025" issued by the Ministry of Ecology and Environment of the PRC. For other emission factors, reference is made to the "Guidelines for Reporting of Environmental Key Performance Indicators" issued by the Stock Exchange of Hong Kong Limited.

3. The types of energy consumed by the Group in 2023 include fuel for official vehicles and purchased electricity. The sources of information are the payment slips of the relevant expenses and the administrative statistics ledger. The energy factors refer to the conversion factors provided by the International Energy Agency and the national "General Rules for Calculating Comprehensive Energy Consumption GB/T2589-2008".

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Social

KPIs		2023	
Total number of employees by gender, age group, region			
		Number of employees (persons)	**Percentage (%)**
By gender	Male	501	60.87
	Female	322	39.13
By age group	Below 30	280	34.02
	31-50 years old	502	61.00
	Over 50	41	4.98
By region	Chinese Mainland	798	96.96
	Overseas, Hong Kong, Macao and Taiwan regions	25	3.04
Total number of employees		823	
Employee turnover ratio by gender, age group, region			
		Number of employee turnover (persons)	**Total employee turnover ratio (%)**
By gender	Male	622	55.39
	Female	462	58.93
By age group	Below 30	487	63.49
	31-50 years old	571	53.22
	Over 50	26	38.81
By region	Chinese Mainland	1,074	57.37
	Overseas, Hong Kong, Macao and Taiwan regions	10	33.33
Health and Safety			
Number of work-related fatalities in past 3 years		0	
Rate of work-related fatalities		0	
Lost days due to work injury		0	

Percentage of employees trained by gender and position			
		Proportion of employees trained (%)	Average training hours per capita (h)
By gender	Male	57.38%	18.57
	Female	42.62%	36.27
By position	Senior and middle management	5.02%	7.27
	Non-middle and senior management	94.98%	27.11
Supply Chain Management			
Number of suppliers by region	Chinese Mainland	779	
	Hong Kong, Macao and Taiwan regions	85	
	Overseas	26	
Total number of suppliers		890	
Product Responsibility			
Number of products and service-related complaints received (case)		30	
Number of return (case)		30	
Community Investment			
Total amount of investment (HK dollar)		18,000	

The description of social data and coefficients:

1. The time span of social data is from January 1, 2023 to December 31, 2023, and the data collection scope covers USPACE Headquarters, Gang Hang Ke (Shenzhen) Space Technology Limited, Huizhou Eternity Technology Company Limited and Eternity Technology (Xiamen) Company Limited. During the year, Shenzhen Hengchang Sheng Technology Co., Ltd. has ceased operations.

2. Due to the seasonal changes in the employment of the Group's EMS business and the suspension of operation of the Shenzhen EMS production base during the Reporting Period, the turnover rate of the year increased compared with previous years.

3. Turnover rate calculation formula = Number of resignations / (Number of resignations + Total number of employees at the end of the year) * 100%

APPENDIX II: INDEX TO THE CONTENTS OF THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDELINES

ESG indicator		Disclosure	Location in report
A1 General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Disclosed	GREEN DEVELOPMENT AND LOW-CARBON OPERATION
A1.1	The types of emissions and respective emissions data.	Disclosed	Appendix I
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix I
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix I
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix I
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Disclosed	GREEN DEVELOPMENT AND LOW-CARBON OPERATION
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Disclosed	GREEN DEVELOPMENT AND LOW-CARBON OPERATION

ESG indicator		Disclosure	Location in report
A2 General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Disclosed	GREEN DEVELOPMENT AND LOW-CARBON OPERATION
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix I
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix I
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Disclosed	GREEN DEVELOPMENT AND LOW-CARBON OPERATION
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Disclosed	GREEN DEVELOPMENT AND LOW-CARBON OPERATION
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Disclosed	Appendix I
A3 General disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Disclosed	GREEN DEVELOPMENT AND LOW-CARBON OPERATION
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed	GREEN DEVELOPMENT AND LOW-CARBON OPERATION
A4 General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Disclosed	GREEN DEVELOPMENT AND LOW-CARBON OPERATION
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Disclosed	GREEN DEVELOPMENT AND LOW-CARBON OPERATION

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG indicator		Disclosure	Location in report
B1 General disclosure	Policies on remuneration and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare and compliance with relevant laws and regulations that have a significant impact on issuers.	Disclosed	CARE FOR EMPLOYEES TO CREATE A HARMONIOUS WORKPLACE
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Disclosed	CARE FOR EMPLOYEES TO CREATE A HARMONIOUS WORKPLACE Appendix I
B1.2	Employee turnover rate by gender, age group and geographical region.	Disclosed	CARE FOR EMPLOYEES TO CREATE A HARMONIOUS WORKPLACE Appendix I
B2 General disclosure	Policies on providing a safe working environment and protecting employees from occupational hazards and compliance with relevant laws and regulations that have a significant impact on issuers.	Disclosed	CARE FOR EMPLOYEES TO CREATE A HARMONIOUS WORKPLACE
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Disclosed	Appendix I
B2.2	Lost days due to work injury.	Disclosed	Appendix I
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Disclosed	CARE FOR EMPLOYEES TO CREATE A HARMONIOUS WORKPLACE
B3 General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Disclosed	CARE FOR EMPLOYEES TO CREATE A HARMONIOUS WORKPLACE
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Disclosed	Appendix I
B3.2	The average training hours completed per employee by gender and employee category.	Disclosed	Appendix I

ESG indicator		Disclosure	Location in report
B4 General disclosure	Policies on preventing child and forced labour and compliance with relevant laws and regulations that have a significant impact on issuers.	Disclosed	CARE FOR EMPLOYEES TO CREATE A HARMONIOUS WORKPLACE
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Disclosed	STAFF CARE AND HARMONIOUS WORKPLACE
B4.2	Description of steps taken to eliminate such practices when discovered.	Not Applicable	Not Applicable
B5 General disclosure	Policies on managing environmental and social risks of the supply chain.	Disclosed	RESPONSIBLE PROCUREMENT AND WIN-WIN COOPERATION WITH SUPPLIERS
B5.1	Number of suppliers by geographical regions.	Disclosed	Appendix I
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Disclosed	RESPONSIBLE PROCUREMENT AND WIN-WIN COOPERATION WITH SUPPLIERS
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Disclosed	RESPONSIBLE PROCUREMENT AND WIN-WIN COOPERATION WITH SUPPLIERS
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Disclosed	RESPONSIBLE PROCUREMENT AND WIN-WIN COOPERATION WITH SUPPLIERS
B6 General disclosure	Policies on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress and compliance with relevant laws and regulations that have a significant impact on issuers.	Disclosed	RESPONSIBLE PROCUREMENT AND WIN-WIN COOPERATION WITH SUPPLIERS
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Disclosed	Appendix I
B6.2	Number of products and service related complaints received and how they are dealt with.	Disclosed	RESPONSIBLE PROCUREMENT AND WIN-WIN COOPERATION WITH SUPPLIERS Appendix I

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG indicator		Disclosure	Location in report
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Disclosed	INNOVATION-DRIVEN AND QUALITY-LED DEVELOPMENT
B6.4	Description of quality assurance process and recall procedures.	Disclosed	INNOVATION-DRIVEN AND QUALITY-LED DEVELOPMENT
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Disclosed	INNOVATION-DRIVEN AND QUALITY-LED DEVELOPMENT
B7 General disclosure	Policies on bribery, extortion, fraud and money laundering and compliance with relevant laws and regulations that have a significant impact on issuers.	Disclosed	INTEGRITY AND COMPLIANCE OPERATIONS
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Not Applicable	Not Applicable
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Disclosed	INTEGRITY AND COMPLIANCE OPERATIONS
B7.3	Description of anti-corruption training provided to directors and staff.	Disclosed	INTEGRITY AND COMPLIANCE OPERATIONS
B8 General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Disclosed	DELIVERY OF SUPPORT WITH COMMITMENT TO PUBLIC WELFARE
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Disclosed	DELIVERY OF SUPPORT WITH COMMITMENT TO PUBLIC WELFARE
B8.2	Resources contributed (e.g. money or time) to the focus area.	Disclosed	DELIVERY OF SUPPORT WITH COMMITMENT TO PUBLIC WELFARE

REPORT OF DIRECTORS

The Directors are pleased to present to the Shareholders the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Group is principally engaged in (i) Aerospace Business, which includes (1) satellite manufacturing; (2) satellite communication; (3) satellite measurement and controlling; and (4) satellite launching; and (ii) EMS Business which includes assembling and production of PCBAs and fully-assembled electronic products. Details of the principal activities of the Company's subsidiaries are set out in notes 1 and 32 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2023 is set out in the sections of Chairman's Statement, Management Discussion and Analysis, ESG Report, Financial Summary and the paragraphs below. The Group complies with the requirements under the Hong Kong Companies Ordinance, the Listing Rules and the Securities and Futures Ordinance (the "**SFO**") for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance and ordinances relating to occupational safety for the interest of employees of the Group.

KEY RISK FACTORS

The following sections list out the key risks and uncertainties faced by the Group. There may be other risks and uncertainties further to the key risk areas outline below. This is a non-exhaustive list.

Concentration of customers

The Group has a concentration of customers and any decrease or loss of business from these major customers could adversely and substantially affect our operations and financial conditions.

Fluctuations in the price of raw materials

As the EMS Business involves a large number of electronic components and materials, the prices of these raw materials are affected by various factors such as the international market, supply and demand relationship, policy changes, etc., resulting in uncertainty of sales costs, which in turn has a negative impact on business operations and profitability.

Financial Risks

The financial risks of the Group had been exposed to are shown in note 3 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2023 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 132 to 135, and 221.

The Board does not recommend payment of final dividend for the year ended 31 December 2023 (2022: nil).

REPORT OF DIRECTORS

SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2023 are set out in note 32 to the consolidated financial statements.

PROPERTIES, PLANT AND EQUIPMENT

Details of movements in the properties, plant and equipment of the Group during the Reporting Period are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in note 24 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to its existing Shareholders.

TAX RELIEF

The Company is not aware of any relief from taxation available to its Shareholders by reason of their holding in the shares.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Reporting Period are set out in the consolidated statement of changes in equity on pages 136 to 137 of this annual report.

CHARITABLE DONATIONS

During the Reporting Period, the Group made a donation of approximately RMB20,000 (2022: Nil).

MANAGEMENT CONTRACTS

During the Reporting Period, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company or its subsidiaries were entered into or existed.

MAJOR SUPPLIERS AND CUSTOMERS

During the Reporting Period, sales to the single largest customer of the Group and the five largest customers of the Group accounted for approximately 19.9% and 56.7% (2022: approximately 24.9% and approximately 65.3%) of the total sales of the year, respectively. During the Reporting Period, purchases from the single largest supplier of the Group and the five largest suppliers of the Group in aggregate accounted for approximately 13.7% and 40.6% (2022: approximately 5.3% and approximately 21.4%) of the total purchases of the year, respectively. None of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

The Directors during the Reporting Period and up to the date of this report were:

Executive Directors

Mr. Sun Fengquan *(Chairman and Chief Executive Officer)*
(re-designated from the Co-Chairman to the Chairman on 28 November 2023)
Dr. Lam Lee G. *(Deputy Chairman)*
(re-designated from the Co-Chairman to Deputy Chairman on 28 November 2023)
Ms. Ku Ka Lee Clarie *(Vice Chairman)*
H.H. Shaikh Mohammed Maktoum Juma Al-Maktoum (appointed on 28 November 2023)
Dr. Fabio Favata (appointed on 28 November 2023)
Mr. Ma Fujun
Mr. Lam Kin Fung Jeffrey (resigned on 28 November 2023)

Non-executive Directors

Mr. Alhamedi Mnahi F Alanezi (appointed on 28 November 2023)
Prof. Christian Feichtinger (appointed on 28 November 2023)
Prof. Guo Huadong (appointed on 28 November 2023)
Dr. Mazlan Binti Othman
Mr. Niu Aimin
Dr. Yip Chung Yin (resigned on 28 November 2023)

Independent Non-executive Directors

Ms. Barbara Jane Ryan (appointed on 28 November 2023)
Mr. David Gordon Eldon (appointed on 28 November 2023)
Mr. Hung Ka Hai Clement
Mr. Juan de Dalmau-Mommertz
Mr. Marwan Jassim Sulaiman Jassim Alsarkal (appointed on 28 November 2023)
Prof. Wang Jianyu (appointed on 28 November 2023)
Mr. Brooke Charles Nicholas (resigned on 28 November 2023)
Prof. Chan Ka Keung, Ceajer (resigned on 28 November 2023)
Dr. Yuen Kwok Keung (resigned on 28 November 2023)

REPORT OF DIRECTORS

Article 84(1) of the Articles provides that every Director shall be subject to retirement at annual general meeting at least once every three years and for this purpose, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest one-third but not less than one-third shall retire from office by rotation. Article 84(2) of the Articles of provides that the Directors to retire by rotation in every year will be those who have been longest in office since their last re-election or appointment but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Subject to the Articles, a retiring Director shall be eligible for re-election at the meeting at which he or she retires. For avoidance of doubt, each Director shall retire at least once every three years.

Article 83(3) of the Articles provides that the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to the above provisions of the Articles, Mr. Sun, Dr. Lam, Ms. Ku, H.H. Al-Maktoum, Dr. Favata, Mr. Ma, Mr. Alanezi, Prof. Feichtinger, Prof. Guo, Dr. Othman, Mr. Niu, Ms. Ryan, Mr. Eldon, Mr. Hung, Mr. de Dalmau, Mr. Alsarkal and Prof. Wang will retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of Directors and the senior management of the Group are set out on pages 13 to 22 of this annual report.

DIRECTORS' SERVICE CONTRACTS

During the Reporting Period, each of the executive Directors, non-executive Directors and independent non-executive Directors has entered into a service contract or letter of appointment with the Company for an initial term of one year or three years commencing from their respective date of appointment and shall continue to hold office thereafter (subject to retirement by rotation and re-election at least once every three years in accordance with the Articles).

Save as aforesaid, none of the Directors proposed for re-election at the AGM has entered into any service contract with the Company which is not determinable by the Company within one year without payment or compensation, other than statutory compensation.

INDEMNITY OF DIRECTORS

The Company has maintained appropriate directors and officers' liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Reporting Period.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There was no transaction, arrangement or contract of significance to which the Company, or any of its holding companies, subsidiaries, fellow subsidiaries or controlling Shareholders was a party, and in which a Director or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (as defined in Part XV of the SFO) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interests in the Company

Name of directors	Nature of interest	Number of shares held/ interested[(1)]	Approximate percentage of shareholding *(%)*
Mr. Sun	Interest of a controlled corporation[(2)]	98,929,553 (L)	31.37
Dr. Lam	Interest of spouse[(3)]	4,257,002 (L)	1.35

Notes:

(1) The letter "L" denotes the person's long position in the shares.

(2) These shares are directly held as to 20,586,000 shares, representing 6.53% of the total number of the issued shares, by Vision International Group Limited ("**Vision**") and 78,343,553 shares, representing 24.84% of the total number of the issued shares, by Hong Kong Aerospace Technology Holdings Limited ("**HKATH (BVI)**"), a company incorporated in the British Virgin Islands with limited liability. The entire issued share capital of HKATH (BVI) is owned by Vision and Vision is wholly-owned by Mr. Sun. Therefore, Mr. Sun is deemed or taken to be interested in the shares held by both Vision and HKATH (BVI) under the SFO.

(3) Ms. Chung Yuen Yee, Kathy, spouse of Dr. Lam, was interested in 4,257,002 shares, representing 1.35% of the total number of the issued shares and hence Dr. Lam is deemed or taken to be interested in the shares under the SFO.

REPORT OF DIRECTORS

(ii) Interests in the ordinary shares of associated corporation

Name of directors	Name of associated corporation	Nature of interest	Number of shares interested[(1)]	Approximate percentage of shareholding *(%)*
Mr. Sun[(2)]	HKATH (BVI)	Interest of a controlled corporation	1 (L)	100
Mr. Sun	Vision	Beneficial owner	200,000,000 (L)	100

Notes:

(1) The letter "L" denotes the person's long position in the shares of the relevant associated corporation.

(2) HKATH (BVI) is wholly-owned by Vision and Vision is wholly-owned by Mr. Sun. Therefore, Mr. Sun is deemed or taken to be interested in the 78,343,553 shares held by HKATH (BVI) and 20,586,000 shares held by Vision under the SFO.

Save as disclosed above, as at 31 December 2023, none of the Directors or chief executive of the Company and/or any of their respective associates had registered any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporations, or any of their spouses or children under the age of 18 recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURE

Saved as disclosed in the section "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" in this annual report, at no time during the Reporting Period was the Group, or the Company's holding company or any subsidiary of its holding company a party to any arrangements to enable the Directors, or any of their spouses or children under the age of 18 to acquire by means of acquisition of shares in, or debt securities, and including debentures, of the Group or any other body corporate.

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

So far as the Directors are aware, as at 31 December 2023, the following corporations/persons (other than the Directors and chief executives of the Company) had interests of 5% or more in the issued shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Nature of interest	Number of Shares held/ interested[(1)]	Approximate percentage of shareholding *(%)*
HKATH (BVI)	Beneficial owner	78,343,553 (L)	24.84
Vision	Beneficial owner; Interest of a controlled corporation[(2)]	98,929,553 (L)	31.37
Macquarie Group Limited[(3)]	Interest of controlled corporation	55,503,600 (L)	17.60

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Vision was directly interested in 20,586,000 shares, representing 6.53% of the total number of the issued shares. HKATH (BVI) was directly interested in 78,343,553 shares, representing 24.84% of the total number of the issued shares and the entire issued share capital of HKATH (BVI) is owned by Vision. Therefore, Vision is deemed or taken to be interested in the shares held by HKATH (BVI) under the SFO.

(3) Pursuant to the subscription agreement dated 12 May 2023 (as amended and supplemented by the supplemental agreement dated 31 August 2023), Macquarie Bank Limited is the holder of the convertible notes (the "**Convertible Notes**") in the principal sum of HK$700,000,000 which entitled it to convert into the maximum number of 61,750,000 new shares. During the year ended 31 December 2023, Macquarie Bank Limited had converted certain Convertible Notes into 6,246,400 Shares and subsequently disposed of those shares. Therefore, as at 31 December 2023, the Convertible Notes entitled Macquarie Bank Limited to convert the same up to the maximum number of 55,503,600 shares. Macquarie Bank Limited is indirectly wholly-owned by Macquarie Group Limited. Hence, Macquarie Group Limited is deemed or taken to be interested in the shares held by Macquarie Bank Limited under the SFO.

Save as disclosed above, as at 31 December 2023, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company, other than the Directors and chief executive of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

None of the Directors or any of their respective associates has engaged in or has any interest in any business that competes or may compete with the business of the Group, or has any other conflict of interest with the Group need to be disclosed pursuant to Rules 8.10 of the Listing Rules during the Reporting Period and up to the date of this report.

REPORT OF DIRECTORS

SHARE OPTION SCHEME

A share option scheme was conditionally adopted by the Company on 25 July 2018 (the "**Share Option Scheme**"), which became effective on 16 August 2018 and shall remain valid and effective for a period of 10 years from its date of adoption. The Share Option Scheme is designed to provide the eligible participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate the eligible participants to optimise their performance efficiency for the benefit of the Group; (ii) attract and retain or otherwise maintain an on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group; and (iii) align the interests of the Group's senior management and Shareholders, so that the senior management will pay more attention to the long-term development of the Group.

The eligible participants include the Group's service providers, directors, officers and employees of any members of the Group as determined or approved by the Board and the Remuneration Committee from time to time and in compliance with the Listing Rules and the latest amendments under Chapter 17 regarding Share Option Schemes. The maximum entitlement of each participant under the scheme in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company in issue as at the date of grant. An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. Upon acceptance of the option, the grantee shall pay HK$1.00 to our Company by way of consideration for the grant on or before its prescribed acceptance date. The subscription price of options granted shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of: (i) the official closing price of the shares of the Company on the date of grant; (ii) the average closing prices of the shares of the Company for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company. Details of the Share Option Scheme are set out in the listing documents of the Company dated 3 August 2018.

As detailed in the Company's listing documents dated 3 August 2018, and in line with the latest Listing Rules, the total number of shares available for issue under the Share Option Scheme as of 31 December 2023 was 30,000,000, representing 10% of the issued share capital of the Company as at the listing date and approximately 9.51% of the issued share capital of the Company as of 31 December 2023. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the adoption of the Share Option Scheme and during the Reporting Period and up to the date of this report.

EQUITY-LINKED AGREEMENTS

In view of the funding needs for future capital requirement and operation of the Group, in particular the capital intensive nature of the Group's Aerospace Business, and having considered, among others, the benefits of introducing a reputable institutional investor and the existing financial position of the Group, on 12 May 2023, the Company and Macquarie Bank Limited (the "**Macquarie Bank**") entered into a subscription agreement (the "**CN Subscription Agreement**"), pursuant to which the Company agreed to issue and Macquarie Bank agreed to subscribe at the subscription price of HK$686,000,000 (the "**Subscription Price**"), for the collateralised convertible notes (the "**Convertible Notes**") in the principal amount of HK$700,000,000 with 0.5% coupon and due on the first anniversary of the closing date, being a business day that is no later than five business days after the date on which all conditions under the CN Subscription Agreement are satisfied, in accordance with the terms and conditions of the CN Subscription Agreement (the "**CN Subscription**"). Completion of the CN Subscription took place on 18 October 2023.

Based on the terms and conditions of the Convertible Notes, the Subscriber is entitled to, during the conversion period stipulated in the Convertible Notes, convert the Convertible Notes into ordinary shares of HK$0.01 each in the share capital of the Company at the conversion price representing 95% of the volume weighted average prices of the shares as traded on the Stock Exchange on the trading day immediately preceding the conversion date. Assuming that there will be no change in the issued share capital of the Company before exercise of the conversion rights, the maximum number of shares of the Company to be issued to Macquarie Bank will be 61,750,000 shares (the "**Conversion Shares**").

Pursuant to a credit support agreement dated 12 May 2023 entered into between the Company and Macquarie Bank, the Company is obligated to transfer to Macquarie Bank cash collateral in the amount equivalent to the Subscription Price as credit support provided by the Company to secure the Company's obligations under the Convertible Notes and the Company shall receive the respective subscription money after the conversion of the Convertible Notes. Assuming all the Convertible Notes has been converted into the Conversion Shares, the aggregate gross proceeds from the CN Subscription are expected to be approximately HK$686 million and the net proceeds (after deduction of the professional and other related expenses) will be up to approximately HK$684.2 million, which shall be utilised as to 50% for the Group's working capital of the operation of the Group's Hong Kong satellite manufacturing centre and Hong Kong satellite operation control and application centre located at the AMC and 50% for the general working capital of the Group.

As at 31 December 2023, Macquarie Bank had converted the Convertible Notes in the principal amount of HK$24,000,000 into 6,377,800 Conversion Shares, representing an aggregate nominal value of HK$63,778, at the average conversion price of HK$3.76, raising net proceeds of approximately HK$23,520,000.

The following set forth a summary of the allocation of the net proceeds of the CN Subscription and its utilisation as at 31 December 2023:

Use of proceeds	**Net proceeds assuming all Convertible Notes have been fully converted** *(HK$'000)*	**Actual net proceeds from converted Convertible Notes as at 31 December 2023** *(HK$'000)*	**Actual use of net proceeds as at 31 December 2023** *(HK$'000)*	**Unutilised net proceeds as at 31 December 2023** *(HK$'000)*
Group's working capital of the operation of the Group's Hong Kong satellite manufacturing centre and Hong Kong satellite operation control and application centre located at the AMC	342,100	2,352	2,352	–
General working capital of the Group	342,100	–	–	–
Total	684,200	2,352	2,352	–

For details of the CN Subscription, please refer to the announcements of the Company dated 12 May 2023, 31 August 2023 and 18 October 2023 and the circular of the Company dated 18 September 2023.

REPORT OF DIRECTORS

Save as disclosed above, the section headed "Share Option Scheme" and the notes pertaining to Share Based Payment in the "Notes to The Consolidated Financial Statements" in this annual report, no equity-linked agreements were entered into during the Reporting Period or subsisted by the Company at the end of Reporting Period.

RELATED PARTY TRANSACTIONS

Details of material related party transactions entered into by the Group during the Reporting Period are set out in note 38 to the consolidated financial statements. For the year ended 31 December 2023, none of these related party transactions is connected transaction which is subject to the reporting, disclosure and independent shareholders' approval requirements of Chapter 14A of the Listing Rules in respect of such transactions.

FUTURE PROSPECT AND DEVELOPMENT

With reference to the Business Strategies and Outlook section of the Chairman's Statement, the Group remains steadfast in its pursuit of long-term growth in both the Aerospace Business and EMS Business. We are committed to enhancing our production capabilities and operational efficiency to capitalize on emerging opportunities. Moreover, innovation lies at the core of our strategy, and we will continue to develop cutting-edge technologies and products to meet evolving market demands and stay ahead of the competition.

Expanding into international markets is a key focus, and the Group is dedicated to forging strategic partnerships to explore new commercial avenues. Concurrently, we prioritize maintaining a harmonious balance of interests among Shareholders, employees, and customers as we progress towards sustainable long-term development.

AUDIT COMMITTEE

The Company established 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 advice in respect of the financial reporting process, and to oversee the internal control procedures of the Group. The Audit Committee now comprises three members, all being independent non-executive Directors, namely, Mr. Hung (chairman), Mr. Alsarkal and Prof. Wang.

The Audit Committee had reviewed the audited annual results of the Group for the year ended 31 December 2023.

AUDITOR

PricewaterhouseCoopers, the auditor of the Company, will retire at the forthcoming AGM and will not seek for re-appointment.

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 25 July 2018 with terms of reference (as revised on 30 December 2022) in compliance with the CG Code for the purpose of making recommendations to the Board on the overall remuneration policy and structure relating to the Directors and senior management of the Group, to review and evaluate their performance in order to make recommendations on the remuneration package of each of the Directors and senior management personnel as well as other employee benefit arrangements. The Remuneration Committee now comprises three members, one executive Director, namely Dr. Lam and two independent non-executive Directors, namely, Mr. de Dalmau and Prof. Wang (chairman).

NOMINATION COMMITTEE

The Company established the Nomination Committee on 25 July 2018 with terms of reference in compliance with the CG Code for the purpose of making recommendations to the Board on the appointment of Directors and the management of the Board succession. The Nomination Committee now comprises five members, two executive Directors, namely, Mr. Sun (chairman) and Dr. Lam and three independent non-executive Directors, namely, Ms. Ryan, Mr. Hung and Mr. de Dalmau.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

The Group believes that the remuneration package to its employees is in line with local industries. It offers its employees medical insurance coverage. The Group also offers its employees discretionary bonus depending on their respective performance and profitability of the Group. This approach not only encourages individual excellence but also fosters a collaborative work environment that contributes to departmental success. Details of the remuneration of the Directors are set out in note 40 to the consolidated financial statements. The emoluments of the Directors are reviewed and approved by the Remuneration Committee, having regard to factors including remuneration paid by comparable companies, time commitment, job duties and responsibilities of the Directors and performance of the Group in respect of the relevant positions.

CORPORATE GOVERNANCE PRACTICES

Corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 23 to 37 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

COMPLIANCE WITH LAWS AND REGULATIONS

During the Reporting Period, to the best knowledge of the Directors, the Group has complied with all the relevant laws and regulations that have a significant impact on the Group.

REPORT OF DIRECTORS

RELATIONSHIPS WITH STAKEHOLDERS

Employees are the assets of the Group. The Group provides competitive remuneration package and a pleasant workplace environment to attract and motivate the employees. An annual performance evaluation will be conducted annually based on individual's contributions and achievements throughout the year and the Group will make necessary adjustments based on the result of the performance evaluation. The Group provides periodical trainings for staff to keep them abreast of the latest developments in the market and industry, in the form of both internal trainings and trainings provided by experts from external organisations, to ensure that our staff stays up-to-date with the latest market and industry trends.

The Group understands the importance of maintaining a good relationship with its business partners, including customers, suppliers, bankers and other financial institutions. The Group believes that building these relationships requires providing exceptional service to our customers and maintaining open lines of communication with all stakeholders. By doing so, the Group can foster trust and collaboration, which are essential for long-term success in today's fast-paced business environment.

ENVIRONMENTAL POLICY AND SOCIAL RESPONSIBILITY

The Group understands the importance of environmental sustainability and protection and has adopted policies on pollution prevention, preservation of natural resources and adherence to environmental laws and regulations. Please refer to the ESG Report on pages 38 to 112 for details of our ESG performance.

By order of the Board

Sun Fengquan
Chairman & Chief Executive Officer

Hong Kong, 27 March 2024

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Shareholders of USPACE Technology Group Limited
(formerly known as Hong Kong Aerospace Technology Group Limited)
(incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of USPACE Technology Group Limited (formerly known as Hong Kong Aerospace Technology Group Limited) (the "**Company**") and its subsidiaries (the "**Group**"), which are set out on pages 132 to 226, comprise:

- the consolidated balance sheet as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

INDEPENDENT AUDITOR'S REPORT

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw your attention to Note 2.1(a) to the consolidated financial statements, which states that the Group recorded a net loss of RMB222,781,000 and a net cash outflow from operating activities of RMB132,871,000 for the year ended 31 December 2023. As at 31 December 2023, the Group's current liabilities exceeded its current assets by RMB339,326,000 while the Group's cash and cash equivalents amounted only to RMB70,225,000; as at 31 December 2023, the financial covenant for the Group's bonds payable amounted to RMB17,809,000 was not met and the bondholders have the right to serve a notice to the Group and to demand for immediate redemption of the bonds which were originally due on various dates from August to December 2024; in addition, subsequent to 31 December 2023 and up to the date of this report, the Group's rental payments from January to March 2024 amounted to RMB13,284,000 have been in arrears for the leases of various premises in Hong Kong, where on-premise construction is still in progress to set up the Group's satellite manufacturing, communication, measurement and controlling centre. Accordingly, the lessor has the right to exercise its power of re-entry to these premises under the terms of the rental contracts; furthermore, the Group had significant capital expenditures commitment under various contractual and other arrangements as at 31 December 2023.

These conditions, along with other events and conditions as set forth in Note 2.1(a) to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition for the sales of goods
- Impairment of trade and bills receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition for the sales of goods Refer to Notes 2.2.22 and 5 to the consolidated financial statements. During the year ended 31 December 2023, revenue of approximately RMB593,508,000 was recognised in the Group's consolidated income statement. Revenue from the sales of goods at a point in time is recognised when the control of goods has transferred, being when the Group has delivered the products to the customers and the customers have accepted the products. We focused on this area due to the magnitude of revenue transactions occurred. Hence significant audit resources were allocated to audit this area.	Our audit procedures performed on revenue recognition for the sale of goods included: • We understood, evaluated and validated the key controls in respect of revenue recognition for the sales of goods; • We reviewed, on a sample basis, the sales contracts with customers and identified the terms and conditions relating to the timing of transfer of controls of goods, to assess if the Group's revenue recognition policies were in accordance with the requirements of the prevailing accounting standards; • We compared, on a sample basis, revenue transactions recognised during the year with delivery documents, customers' acknowledgement of sales and underlying sales invoices to determine whether revenue from the sales of goods had been recognised in accordance with the Group's revenue recognition policies; • We tested, on a sample basis, revenue transactions from the sales of goods recognised before and after the financial year-end to delivery documents, customers' acknowledgement of sales and underlying sales invoices to determine whether revenue from the sales of goods had been recognised in the appropriate financial period; and • We assessed the adequacy of the disclosures related to revenue recognition in the context of the applicable financial reporting framework. Based upon the above procedures performed, we considered that the recognition of revenue from the sales of goods was supported by the available evidence.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade and bills receivables Refer to Notes 2.2.10, 2.2.11, 3.1(c) and 21 to the consolidated financial statements. As at 31 December 2023, the Group had gross trade and bills receivables of approximately RMB172,670,000, against which an allowance for impairment of approximately RMB13,439,000 was recorded. Management applied judgement and estimates to measure the expected credit losses allowance. The trade and bills receivables were grouped based on similar credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the geographical locations that the customers are operating in, their ageing category and past collection history. The expected credit loss rates were determined based on historical default rates and were adjusted to reflect forward-looking information in the macroeconomic environment that may affect the ability of the customers to repay. We focused on auditing the impairment of trade and bills receivables including the related disclosures because of the magnitude of the impairment of trade and bills receivables and the high degree of estimation uncertainty subject to. The inherent risk in relation to the impairment assessment of trade and bills receivables is considered significant due to the subjectivity of significant assumptions used and significant judgements involved in data selection for the above estimation.	Our audit procedures performed on impairment of trade and bills receivables included: • We obtained an understanding of the management's internal control and assessment process of impairment of trade and bills receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors; • We performed retrospective review by comparing previous estimates to actual outcome. We evaluated the outcome of prior period assessment of impairment of trade and bills receivables to assess the effectiveness of management's estimation process; • We evaluated and validated the key controls over impairment of trade and bills receivables, such as credit control and debt collection; • We assessed the appropriateness of the expected credit loss methodology adopted by management with reference to historical payment records, ageing analysis and default rates; • We tested, on a sample basis, the accuracy of key historical data inputs; • We evaluated the reasonableness of the forward-looking information including relevant macroeconomic variables and assessed the sensitivity;

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
	• We assessed the adequacy of the disclosures related to impairment of trade and bills receivables in the context of the applicable financial reporting framework; and • We also considered whether the judgements made in the grouping of trade and bills receivables and the selection of significant assumptions and data in the determination of expected credit loss rates would give rise to indicators of possible management bias. Based upon the above procedures performed, we considered that management's judgement and assumptions applied in respect of the impairment of trade and bills receivables were supportable by the evidence obtained and procedures performed.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon. We have obtained some of the other information including environmental, social and governance report and management discussion and analysis prior to the date of this auditor's report. The remaining other information, including the corporate information, chairman's statement, biographical details of directors and senior management, corporate governance report and report of directors to be included in the annual report, are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining other information to be included in the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate action considering our legal rights and obligations.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheng Lap Yam.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 March 2024

CONSOLIDATED INCOME STATEMENT

For The Year Ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Revenue	5	**593,508**	635,432
Cost of sales	6	**(528,799)**	(609,390)
Gross profit		**64,709**	26,042
Other income	7	**6,735**	5,084
Other losses, net	8	**(977)**	(5,673)
Selling and distribution expenses	6	**(21,405)**	(21,327)
General and administrative expenses	6	**(250,237)**	(143,280)
Impairment losses on financial assets	6	**(6,266)**	(1,688)
Operating loss		**(207,441)**	(140,842)
Finance income		**360**	560
Finance costs		**(19,604)**	(12,699)
Finance costs, net	10	**(19,244)**	(12,139)
Loss before income tax		**(226,685)**	(152,981)
Income tax credit/(expense)	11	**3,904**	(1,310)
Loss for the year		**(222,781)**	(154,291)
Loss for the year attributable to:			
Equity holders of the Company		**(211,141)**	(154,290)
Non-controlling interest		**(11,640)**	(1)
		(222,781)	(154,291)
Loss per share attributable to equity holders of the Company			
Basic and diluted	12	**(RMB68.19 cents)**	(RMB49.93 cents)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2023

	2023 *RMB'000*	2022 *RMB'000*
Loss for the year	**(222,781)**	(154,291)
Other comprehensive income/(loss):		
Item that will not be reclassified to profit or loss		
Currency translation differences	**4,018**	15,822
Item that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(2,417)**	(7,192)
Total comprehensive loss for the year	**(221,180)**	(145,661)
Total comprehensive loss for the year attributable to:		
Equity holders of the Company	**(208,852)**	(145,660)
Non-controlling interest	**(12,328)**	(1)
	(221,180)	(145,661)

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Assets			
Non-current assets			
Properties, plant and equipment	13	520,459	424,674
Right-of-use assets	13	173,477	209,435
Investment properties	14	5,610	–
Intangible assets	15	4,972	5,511
Restricted cash	20	2,683	2,683
Financial asset at fair value through profit or loss	17	917	1,172
Prepayments and deposits	18	45,891	29,789
Deferred tax assets	25	3,781	3,162
		757,790	676,426
Current assets			
Inventories	19	106,706	129,199
Trade and bills receivables	21	159,231	127,450
Prepayments, deposits and other receivables	18	50,801	54,116
Amount due from a related company	38	17	17
Current income tax recoverable		113	141
Pledged bank deposits	20	10,000	17,500
Short-term bank deposits	20	–	187
Cash and cash equivalents	20	70,225	41,471
		397,093	370,081
Assets classified as held for sale	22	–	180,844
		397,093	550,925
Total assets		1,154,883	1,227,351
Equity			
Equity attributable to equity holders of the Company			
Share capital	24	2,751	2,693
Share premium	24	326,330	304,492
Accumulated losses		(307,389)	(96,562)
Reserves		152,637	35,260
		174,329	245,883
Non-controlling interest		29,048	(1)
Total equity		203,377	245,882

CONSOLIDATED BALANCE SHEET

As at 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Liabilities			
Non-current liabilities			
Deferred government grants	23	9,004	12,223
Lease liabilities	13(b)	131,983	166,546
Provision for reinstatement cost	27	22,268	8,402
Bank and other borrowings	28	51,036	167,611
Deferred tax liabilities	25	796	4,094
		215,087	358,876
Current liabilities			
Trade and bills payables	26	85,153	103,504
Other payables and accruals	27	115,800	96,151
Contract liabilities	27	18,492	19,630
Lease liabilities	13(b)	36,648	34,331
Bank and other borrowings	28	195,932	81,837
Bonds payable	29	17,809	16,291
Loan from the ultimate holding company	38	–	62,969
Loans from related companies	38	258,140	44,220
Loan from the immediate holding company	38	–	14,214
Loan from a director	38	–	3,538
Amount due to a related company	38	–	17
Current income tax liabilities		8,445	7,843
		736,419	484,545
Liabilities directly associated with assets classified as held for sale	22	–	138,048
		736,419	622,593
Total liabilities		951,506	981,469
Total equity and liabilities		1,154,883	1,227,351

The consolidated financial statements on pages 132 to 226 were approved by the Board of Directors on 27 March 2024 and were signed on its behalf.

Sun Fengquan
Director

Lam Lee G.
Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2023

	Attributable to equity holders of the Company									
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Share-based payment reserve RMB'000	Other reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total RMB'000
Balance at 1 January 2023	2,693	304,492	14,285	-	13,997	6,978	(96,562)	245,883	(1)	245,882
Comprehensive loss										
Loss for the year	-	-	-	-	-	-	(211,141)	(211,141)	(11,640)	(222,781)
Other comprehensive income/(loss)										
Currency translation differences	-	-	-	-	-	4,018	-	4,018	-	4,018
Exchange differences on translation of foreign operations	-	-	-	-	-	(1,729)	-	(1,729)	(688)	(2,417)
Total comprehensive income/(loss)	-	-	-	-	-	2,289	(211,141)	(208,852)	(12,328)	(221,180)
Transactions with owners										
Issuance of share subscription rights *(Note 34)*	-	-	-	13,970	-	-	-	13,970	-	13,970
Issuance of ordinary shares *(Note 24)*	58	21,838	-	(469)	-	-	-	21,427	-	21,427
Appropriation *(Note)*	-	-	(314)	-	-	-	314	-	-	-
Disposal of subsidiaries *(Note 31)*	-	-	-	-	-	(2,054)	-	(2,054)	1	(2,053)
Changes in ownership interest in subsidiary without change of control *(Note 33)*	-	-	-	-	103,955	-	-	103,955	41,376	145,331
Total transactions with owners	58	21,838	(314)	13,501	103,955	(2,054)	314	137,298	41,377	178,675
Balance at 31 December 2023	2,751	326,330	13,971	13,501	117,952	7,213	(307,389)	174,329	29,048	203,377

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2023

	Attributable to equity holders of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Statutory reserve *RMB'000*	Other reserve *RMB'000*	Exchange reserve *RMB'000*	Retained earnings/ (accumulated losses) *RMB'000*	Sub-total *RMB'000*	Non-controlling interest *RMB'000*	Total *RMB'000*
Balance at 1 January 2022	2,693	304,492	14,524	13,997	(1,652)	57,489	391,543	–	391,543
Comprehensive loss									
Loss for the year	–	–	–	–	–	(154,290)	(154,290)	(1)	(154,291)
Other comprehensive income/(loss)									
Currency translation differences	–	–	–	–	15,822	–	15,822	–	15,822
Exchange differences on translation of foreign operations	–	–	–	–	(7,192)	–	(7,192)	–	(7,192)
Total comprehensive income/(loss)	–	–	–	–	8,630	(154,290)	(145,660)	(1)	(145,661)
Transaction with owners									
Appropriation *(Note)*	–	–	(239)	–	–	239	–	–	–
Total transaction with owners	–	–	(239)	–	–	239	–	–	–
Balance at 31 December 2022	2,693	304,492	14,285	13,997	6,978	(96,562)	245,883	(1)	245,882

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash used in operations	30(a)	**(133,790)**	(92,855)
Income tax refunded/(paid)		**559**	(734)
Interest received		**360**	560
Net cash used in operating activities		**(132,871)**	(93,029)
Cash flows from investing activities			
Purchase of properties, plant and equipment		**(189,958)**	(194,564)
Proceeds from disposal of properties, plant and equipment	30(b)	**2,733**	145
Purchase of intangible assets		**(359)**	(2,654)
Purchase of financial assets at fair value through profit or loss		**–**	(8,500)
Proceeds from disposal of financial asset at fair value through profit or loss		**–**	6,600
Proceeds from disposals of subsidiaries	31	**67,171**	–
Receipt of government grants		**–**	4,966
Net cash used in investing activities		**(120,413)**	(194,007)
Cash flows from financing activities			
Proceeds from bank borrowings	30(c)	**165,634**	219,497
Repayments of bank and other borrowings	30(c)	**(130,526)**	(95,243)
Payment of interest on bank and other borrowings	30(c)	**(6,741)**	(13,476)
Repayment to the ultimate holding company	30(c)	**–**	(186)
Repayment to the then immediate holding company	30(c)	**–**	(3,143)
Proceeds from bonds issuance	30(c)	**–**	15,641
Payment of interest on bonds payable	30(c)	**(1,669)**	(33)
Transaction with non-controlling interest	33	**145,331**	–
Advance from the immediate holding company	30(c)	**–**	13,855
Proceed from loan from a director	30(c)	**–**	44,829
Repayment of loan from a director	30(c)	**(3,618)**	(41,381)
Proceed from loan from the ultimate holding company	30(c)	**–**	61,382
Proceeds from loans from related companies	30(c)	**311,798**	43,105
Repayments of loans from related companies	30(c)	**(179,998)**	–
Repayment of principal elements of lease liabilities	30(c)	**(33,268)**	(9,356)
Repayment of interest elements of lease liabilities	30(c)	**(7,679)**	(2,644)
Change in short-term bank deposits		**187**	(48)
Proceeds from issuance of shares	24	**20,536**	–
Net cash generated from financing activities		**279,987**	232,799

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Net increase/(decrease) in cash and cash equivalents		**26,703**	(54,237)
Cash and cash equivalents at beginning of the year		**41,471**	91,433
Cash and cash equivalents included in disposal group classified as held for sale	22	**–**	(407)
Currency translation differences		**2,051**	4,682
Cash and cash equivalents at end of the year	20	**70,225**	41,471

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

USPACE Technology Group Limited (formerly known as Hong Kong Aerospace Technology Group Limited) (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.

On 24 November 2023, the name of the Company was changed from "Hong Kong Aerospace Technology Group Limited" to "USPACE Technology Group Limited".

The Company is an investment holding company and its subsidiaries (the "**Group**") are principally engaged in (i) aerospace business (the "**Aerospace Business**"), which includes (1) satellite manufacturing; (2) satellite communication; (3) satellite measurement and controlling; and (4) satellite launching; and (ii) electronics manufacturing services ("**EMS**") business (the "**EMS Business**") which includes assembling and production of printed circuit board 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 on 16 August 2018.

These consolidated financial statements are presented in unit of Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**"), unless otherwise stated. These consolidated financial statements were approved for issue by the board of directors ("**Directors**") on 27 March 2024.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the group consisting of USPACE Technology Group Limited and its subsidiaries.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong). The consolidated financial statements have been prepared on a historical cost convention as modified by the revaluation of financial asset at fair value through profit or loss which is carried at fair value and assets classified as held for sale which is measured at the lower of carrying amount and fair value less costs to sell.

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Basis of preparation – use of going concern basis

The Group recorded a net loss of RMB222,781,000 and a net cash outflow from operating activities of RMB132,871,000 for the year ended 31 December 2023. As at 31 December 2023, the Group's current liabilities exceeded its current assets by RMB339,326,000 while the Group's cash and cash equivalents amounted only to RMB70,225,000.

As at 31 December 2023, the financial covenant for the Group's bonds payable amounted to RMB17,809,000 was not met. As a result, the bondholders have the right to serve a notice to the Group and to demand for immediate redemption of the bonds which were originally due on various dates from August to December 2024.

In addition, the Group's rental payments from January to March 2024 amounted to RMB13,284,000 have been in arrears, as at the approval date of these financial statements, for the leases of the second and the eighth floors of the Advanced Manufacturing Centre ("**AMC**") in Tseung Kwan O, Hong Kong, where on-premise construction is still in progress to set up the Group's satellite manufacturing, communication, measurement and controlling centre ("**the Aerospace business**"), and of the Group's head office in Hong Kong. According to the terms of the rental contracts, if rental payments are in arrears for fourteen days after they have been due, lessor has the right to exercise its power of re-entry under the terms of the rental contracts, and in such situation, the Group will not be able to continue its operations on such premises, and the Group's plan to establish its Aerospace business would be significantly and adversely affected.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Basis of preparation – use of going concern basis (Continued)

Furthermore, the Group has entered into (1) a number of fitting-out contracts and procurement and installation contracts for the setting up of the Aerospace business in Hong Kong and (2) procurement contracts for satellites. As at 31 December 2023, the Group's capital expenditures commitment expected to be payable within the next twelve months amounted to approximately RMB196,202,000.

The Group will need to secure a substantial amount of funding in the near future to finance its financial obligations and capital expenditures. These facts and circumstances indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

In view of these circumstances, the Directors have given careful consideration of 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 not less than twelve months from the end of the reporting period taking into account of the followings:

(i) On 15 March 2024, the Group obtained a letter of undertaking (the "**Undertaking Letter**") from Mr. Sun Fengquan ("**Mr. Sun**"), chairman and an executive director who is also a major shareholder of the Company, 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 RMB454.5 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;

(ii) 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 unsecured and interest-free loan facilities of HK$300 million (approximately RMB272.7 million) ("**Vision facilities**") in total. The Vision facilities are valid and subsisting up to April 2023 and January 2024, respectively, and any loan drawn thereunder shall be repayable on demand. Up to 27 March 2024, the Group drew a total of approximately RMB266.5 million from the Vision facilities;

(iii) 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 an unsecured and interest-free loan facility of HK$100 million (approximately RMB91 million) ("**HKATH(BVI) facility**"). The HKATH(BVI) facility is valid and subsisting up to June 2023, and any loan drawn thereunder shall be repayable on demand. Up to 27 March 2024, the Group drew a total of approximately RMB34.8 million from the HKATH(BVI) facility;

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Basis of preparation – use of going concern basis (Continued)

(iv) 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 (ii) and (iii) 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;

(v) 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 31 December 2023, the Loans amounted to approximately RMB91.1 million;

(vi) In May 2023, the Group entered into a share-subscription financing arrangement with Macquarie Bank Limited ("**Macquarie**") as detailed in Note 34, pursuant to which the Group has received net proceeds of approximately RMB21.4 million during the year ended 31 December 2023. The arrangement is effective until 18 October 2024, and Macquarie is entitled at its own discretion to subscribe up to 52,436,200 more shares at a subscription price of 95% of the volume weighted average price of the shares of the Company (the "**Shares**") as traded on the Hong Kong Stock Exchange on the trading day immediately preceding the subscription date with an additional 2% redemption discount on net proceeds, provided that the Company shall be entitled to reject the exercise of the conversion right at a conversion price which is lower than the floor price at HK$6.50 per Share. Subsequently in January and February 2024, the Group received approximately RMB5.3 million from Macquarie's subscription of additional shares. The Group expects to receive more proceeds from Macquarie for share subscription under the arrangement from March to October 2024;

(vii) The Group plans to repay bonds payable amounted to approximately RMB17,809,000 as at 31 December 2023 based on their original due dates from August to December 2024. As at 27 March 2024, the Company has not received any notice to demand for immediate redemption from the bondholders;

(viii) The Group plans to settle all of the outstanding rental payments from January to March 2024 for the leases of the second and the eighth floors of AMC and the Group's head office in Hong Kong by the second quarter of 2024. As at 27 March 2024, the Group has not received any written notice from the lessor in relation to any of the lessor's action in respect of the rent in arrears;

(ix) In December 2023, the Company has announced that it has resolved to proceed with a potential dual listing of the shares of the Company on a stock exchange in the Middle East (the "**Potential Dual Listing**"). As at 27 March 2024, the Group has not submitted the application for the Potential Dual Listing. Nevertheless, the Group believes that the Potential Dual Listing, if successful, will provide the potential to broaden the Group's shareholder base in the Middle East as well as its fundraising channels in the future;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(a) Basis of preparation – use of going concern basis (Continued)

(x) 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 Group's EMS Business being able to secure contracts from new customers with higher margins; and (ii) the Group's 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;

(xi) 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

(xii) 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, which cover a period of not less than twelve months from 31 December 2023. In the opinion of the Directors, assuming the successful and timely implementation of the above 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 31 December 2023. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, a material uncertainty exists as to whether the Group is able to successfully implement its plans and measures as described above. Whether the Group will be able to continue as a going concern depends upon the Group's ability to generate adequate net cash inflows through:

a) Successfully obtaining adequate funding, as and when needed, from Mr. Sun as mentioned in note (i) above;

b) Successfully sustaining the commitment from Vision and HKATH (BVI) that they would not seek for repayment of the loans due to them by the Group unless and until the Group is in a position to repay as mentioned in note (iv) above;

c) Successfully repaying the outstanding bonds payable and rental payments; completing the on-premise construction of the Group's satellite manufacturing, communication, measurement and controlling centre in Hong Kong, commencing the commercial operation of the Aerospace business, carrying out the Group's various business strategies and substantially improving its cashflows for the twelve months to 31 December 2024 as mentioned in notes (vii), (viii) and (x) above; and

d) Successfully obtaining adequate funding through existing financing arrangements or new borrowings, renewing existing borrowings, and the issuance of new equity and/or debt securities as mentioned in notes (vi), (ix), (xi) and (xii) above.

Should the Group fail to achieve the above plans and measures, it might not be able to continue as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New and amended standards adopted by the Group

The Group has adopted the following new and amended standards for the first time for their annual reporting period commencing 1 January 2023:

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies
HKAS 8 (Amendments)	Definition of Accounting Estimates
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction
HKAS 12 (Amendments)	International Tax Reform — Pillar Two Model Rules
HKFRS 17	Insurance Contracts
HKFRS 17 (Amendments)	Amendments to HKFRS 17

In June 2022, the Hong Kong Government enacted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") which will be effective from 1 May 2025 (the "**Transition Date**"). Under the Amendment Ordinance, any accrued benefits attributable to the employer's mandatory contributions under mandatory provident fund scheme ("**MPF Benefits**") of an entity would no longer be eligible to offset against its obligations on long service payment ("**LSP**") for the portion of the LSP accrued on or after the Transition Date. There is also a change in the calculation basis of last monthly wages for the portion of the LSP accrued before the Transition Date.

Prior to 1 January 2023, the Group applied practical expedient in HKAS 19 paragraph 93(b) (the "**practical expedient**") to account for the offsetable MPF Benefits as deemed employee contributions to reduce the current service costs in the period in which the related services were rendered.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" (the "**Guidance**") which provides clarified and detailed guidance on the accounting considerations relating to the abolition of the offsetting mechanism. The Guidance clarified that following the enactment of the Amendment Ordinance, LSP is no longer a 'simple type of contributory plans' to which the practical expedient had been intended to apply.

By following the Guidance, the Group has therefore changed its accounting policy and ceased to apply the practical expedient and reattribute the deemed employee contributions on a straight-line basis from the date when services by employees first lead to their benefits in terms of the LSP legislation in accordance with HKAS 19 paragraph 93(a). This change in accounting policy upon the cessation in applying the practical expedient has resulted in a catch-up adjustment for past service costs and a corresponding increase in the Group's LSP obligations in the year of enactment of the Amendment Ordinance (i.e. year ended 31 December 2022). The cumulative effect of recognising this adjustment was not material and hence no adjustment was made to the beginning retained earnings, or other component of equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) New and amended standards adopted by the Group (Continued)

The amendments to HKAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations, and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with right-of-use assets and lease liabilities.

The cumulative effect of recognising these adjustments as of 31 December 2022 was not material and hence no adjustment was made to the beginning retained earnings, or other component of equity.

The adoption of these new and amended standards did not have any significant impact on the Group's accounting policies and did not require retrospective adjustments.

(c) Amended standards and interpretation issued but not yet adopted by the Group

The following amended standards and interpretation have been published that are not mandatory for the Group's financial periods beginning 1 January 2023 and have not been early adopted by the Group.

		Effective for accounting period beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayments on Demand Clause	1 January 2024
HKAS 7 and HKFRS 7 (Amendments)	Supplier finance arrangements	1 January 2024
HKAS 21 (Amendments)	Lack of Exchangeability	1 January 2025
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture	To be determined

The Group is in process of making an assessment of the impact of the amended standards and interpretation upon initial application, and has concluded on a preliminary basis that these are not expected to have a significant impact on the Group's results of operations or financial position.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies

2.2.1 Subsidiaries

(a) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combination

Except for the reorganisation upon listing, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquired entity's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date. Any gains or losses arising from such re-measurement are recognised in the profit or loss.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financer under comparable terms and conditions.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability are recognised in the consolidated income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.1 Subsidiaries (Continued)

(a) Consolidation (Continued)

(i) Business combination (Continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non- controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(b) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.2 Segment reporting

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the directors who make strategic decisions.

2.2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in RMB, which is the Group's presentation currency. The Company's functional currency is Hong Kong Dollar ("**HK$**").

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognised in the consolidated income statement.

All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within 'other losses, net'.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the consolidated income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.3 Foreign currency translation (Continued)

(c) Group companies

The results and financial positions of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign operations are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to the consolidated income statement, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.4 Properties, plant and equipment

Properties, plant and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation of properties, plant and equipment is calculated using the straight-line method to allocate their costs, net of their residual value, over their estimated useful lives, as follows:

Buildings	20 years
Furniture and fixtures	5 years
Office equipment	3 to 5 years
Plant and machinery	3 to 10 years
Motor vehicles	3 to 5 years
Satellites	3 to 5 years
Leasehold improvements	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain or loss on disposal are determined by comparing proceeds with carrying amount and are recognised in the consolidated income statement.

Construction-in-progress (the "**CIP**") represents properties and plant under construction and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition and capitalised borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the cost are transferred to relevant categories of properties, plant and equipment and depreciated in accordance with the policy as stated above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.5 Investment property

Investment property, principally comprising the building, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group.

Investment property is initially recognised at cost and subsequently carries at cost less accumulated depreciation and accumulated impairment loss. Depreciation is calculated using a straight-line method to allocate the depreciation amounts over the estimated useful lives, as follows:

Buildings	20 years

The residual value and useful life of investment property are reviewed, and adjusted as appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.2.7).

Gains and losses on disposal are determined by comparing the proceeds with the carrying amounts and are recognised in the profit or loss.

2.2.6 Intangible assets

System software

Acquired system software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using straight-line method over their estimated useful lives of 3 to 5 years.

Membership right

Membership right represents the initial payment to club for right to use its services or facilities. Membership right is carried at cost less impairment for indefinite life assets and cost less amortisation over its specific useful life of 15 years.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.7 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.2.8 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in consolidated income statement or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.8 Financial assets (Continued)

(b) Recognition and measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated income statement.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in the consolidated income statement and presented in 'other losses, net' together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the consolidated income statement. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the consolidated income statement and recognised in 'other losses, net'. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in 'other losses, net' and impairment expenses are presented as separate line item in the consolidated income statement.

- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in consolidated income statement and presented net within 'other losses, net' in the period in which it arises.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.8 Financial assets (Continued)

(b) Recognition and measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to consolidated income statement following the derecognition of the investment.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated income statement within 'other losses, net' in the period in which they arise. Dividend income from financial assets at fair value through consolidated income statement is recognised within 'other income' when the Group's right to receive payments is established.

(c) Derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and reward of ownership.

2.2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.2.10 Impairment of financial assets

The Group's financial assets measured at amortised cost are subject to HKFRS 9's expected credit loss model. The Group assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 3.1(c) sets out the details on how the Group determines whether there has been a significant increase in credit risk.

For trade and bills receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The provision matrix is determined based on historical observed default rates over the expected life of the trade and bills receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

For other receivables, the Group measures the impairment as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of the other receivables has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.11 Trade, bills and other receivables

Trade and bills receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade, bills and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade, bills and other receivables are recognised initially of fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted-average method. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.2.13 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash at banks and on hand.

2.2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.2.15 Trade, bills and other payables

Trade and bills payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and bills payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade, bills and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in interest expense over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the year-end date.

2.2.17 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All borrowing costs are recognised in consolidated income statement in the period in which they are incurred.

2.2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.19 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.20 Employee benefits

(a) *Short-term obligations*

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the consolidated balance sheet.

(b) *Other long-term employee benefit obligations*

The liabilities for annual leave are not expected to be settled wholly within twelve months after the end of the period in which the employees render the related service.

The obligations are presented as current liabilities in the consolidated balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(c) *Defined contribution plans*

The Group pays contributions to state-managed pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(d) *Bonus plans*

The Group recognises a liability and an expense for bonuses based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(e) *Long service payments*

The Group's net post-employment benefit obligation in respect of long service payments to its employees in Hong Kong upon cessation of their employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefits that the employees have earned in return for their services in the current and prior periods.

The obligation is calculated using the projected unit credit cost method, discounted to its present value and reduced by entitlements accrued under the Group's retirement schemes that are attributed to contributions made by the Group. The discount rate is the yield at each balance sheet date of Hong Kong Government's Exchange Fund Notes which have terms to maturity approximating the terms of the related liability. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.20 Employee benefits (Continued)

(e) Long service payments (Continued)

The current service cost of the long service payment scheme, recognised in the consolidated statement of comprehensive income reflects the increase in the long service payment's obligation as a result of employee service in the current year, benefit changes, curtailments and settlements. Past-service costs are recognised immediately in the consolidated statement of comprehensive income. The interest cost is calculated by applying the discount rate to the balance of the long service payment's obligation. Actuarial gains and losses arising from experience adjustment and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

2.2.21 Share-based payments

The Company has a share-based compensation arrangement, under which the Group receives unidentifiable benefits from other counterparty as consideration for share subscription rights of the Company. The fair value of the share subscription rights are recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the subscription right granted with the consideration of market performance conditions (for example, the Company's share price).

When the share subscription rights are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the share subscription rights are exercised.

2.2.22 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts for the sale of goods in the ordinary course of the Group's activity. Revenue is shown net of returns and after eliminating sales within the Group.

The Group does not expect to have any contracts where the period between the transfer of the promised goods to the customers and the payment by the customers exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

When either party to a contract has performed, the Group presents the contract in the consolidated balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.22 Revenue recognition (Continued)

A contract asset is the Group's right to consideration in exchange for goods that the Group has transferred to a customer. Incremental costs incurred to obtain a contact, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers the promised goods to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer the promised goods to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Revenue is recognised when specific criteria have been met for the Group's activity as described below:

Sales of goods

Sales of goods transferred at a point in time are recognised when control of the goods has transferred, being when the Group has delivered the products to the customers and the customers have accepted the products. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

2.2.23 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.2.24 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss and at fair value through other comprehensive income. Dividends are recognised as other income in consolidated income statement when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in other comprehensive income if it relates to an investment measured at fair value through other comprehensive income. However, the investment may need to be tested for impairment as a consequence.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.25 Lease

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.25 Lease (Continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The useful life used for the assets' depreciation purpose are:

Properties	Over the lease term
Land	Over the lease term

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise equipment and small items of office furniture.

2.2.26 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the years in which the dividend are approved by the Company's shareholders or directors, where appropriate.

2.2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to expenses are deferred and recognised in the consolidated income statement over the period necessary to match them with the expenses that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to consolidated income statement on a straight-line basis over the expected lives of the related assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.28 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated income statement.

2.3 Summary of other accounting policies

This note provides a list of other potentially material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.3.1 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amounts of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

3 FINANCIAL RISK MANAGEMENT

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

3.1 Market risk

(a) Foreign exchange risk

The Group operates in Hong Kong and Chinese Mainland and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar ("**USD**") and RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations, which are denominated in these currencies.

Management has a policy to require group companies to manage their foreign exchange risk against functional currency. It mainly includes managing the exposures arise from sales and purchases made by the relevant group companies in currencies other than their own functional currencies. The Group also manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and has entered into certain foreign exchange contracts to manage foreign exchange risks. Certain of the Group's cash and cash equivalents, trade, bills and other receivables, trade and other payables, bank and other borrowings and lease liabilities were also denominated in foreign currencies, details of which have been disclosed in accompanying notes to the consolidated financial statements.

There are certain USD financial assets and liabilities held by subsidiaries with RMB functional currency. Since the net positions of USD denominated financial assets and liabilities are not significant, management considers the foreign exchange risk of USD financial assets and liabilities to the Group is not significant. Hence, the Directors of the Company consider the Group does not have any material foreign exchange risk exposure. No sensitivity analysis is presented.

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial instruments at variable rates expose the Group to cash flow interest rate risk. Financial instruments at fixed rates expose the Group to fair value interest rate risk.

The Group's interest rate risk arises mainly from restricted cash, pledged bank deposits, short-term bank deposits, cash at banks and bank and other borrowings. Details of the Group's restricted cash, pledged bank deposits, short-term bank deposits, cash at banks and bank and other borrowings have been disclosed in Notes 20 and 28 to the consolidated financial statements respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Market risk (Continued)

(b) Interest rate risk (Continued)

As at 31 December 2023, if interest rates on restricted cash, pledged bank deposits, short-term bank deposits, cash at banks and bank and other borrowings had been 100 basis points higher/lower with all variables held constant, loss before income tax for the year then ended would have been approximately RMB1,641,000 (2022: RMB1,876,000) higher/lower, mainly as a result of lower/higher of interest income on the restricted cash, pledged bank deposits, short-term bank deposits and cash at banks netted with interest expenses on the bank and other borrowings.

(c) Credit risk

The credit risk of the Group mainly arises from restricted cash, pledged bank deposits, short-term bank deposits, cash at banks, amount due from a related company, trade, bills and other receivables and financial asset at fair value through profit or loss.

The carrying amounts of each financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

(i) Risk management

The Group has policies in place to ensure that credit terms are made to customers with an appropriate credit history and the Group performs periodic credit evaluations of its customers.

The Group's restricted cash, pledged bank deposits, short-term bank deposits and cash at bank were deposited with high quality financial institutions. Therefore, the Group does not expect any significant losses arising from non-performance by these counterparties.

For the years ended 31 December 2023 and 2022, 57% and 65% of the Group's revenue was derived from its top five customers respectively. As at 31 December 2023 and 2022, 55% and 48% of the total trade and bills receivables were due from the Group's top five customers respectively.

(ii) Impairment of financial assets

The Group has two types of financial asset that is subject to the expected credit loss models:

- Trade and bills receivables

- Other financial assets carried at amortised cost

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Market risk (Continued)

(c) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade and bills receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade and bills receivables. The Group measures the expected credit losses on a combination of both individual and collective basis.

To measure the expected credit losses, trade and bills receivables have been grouped based on shared credit risk characteristics and the days past due. Future cash flows for each group of receivables are estimated on the basis of historical default rates, adjusted to reflect the effects of existing market conditions as well as forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivable.

Measurement of expected credit loss on individual basis

Trade and bills receivables with known insolvencies are assessed individually for impairment allowances and are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a prepayment plan with the Group, and a failure to make contractual payments. As at 31 December 2023, the balance of loss allowance in respect of these individually assessed receivables was RMB11,277,000 (2022: RMB5,848,000).

Measurement of expected credit loss on collective basis

Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer, its geographical location and its ageing category, and applying the expected credit loss rates to the respective gross carrying amounts of the receivables.

The expected credit loss rates are estimated on the basis of historical credit losses experienced, adjusted to reflect the effects of existing market conditions as well as forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Market risk (Continued)

(c) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Measurement of expected credit loss on collective basis (Continued)

As at 31 December 2023, the balance of loss allowance in respect of these collectively assessed receivables was approximately RMB2,162,000 (2022: RMB1,282,000).

Impairment losses on trade and bills receivables are presented as 'impairment losses on financial assets' in the consolidated income statement. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets carried at amortised cost

The Group's other financial assets carried at amortised cost include deposits and other receivables and amount due from a related company in the consolidated balance sheet. The impairment loss of other financial assets carried at amortised cost is measured based on the 12-month expected credit loss. The 12-month expected credit loss is the portion of lifetime expected credit loss that results from default events on a financial instrument that are possible within twelve months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime expected credit loss.

As at 31 December 2023 and 2022, management considered the credit risk of deposits and other receivables and amount due from a related company to be low as counterparties have a strong capacity to meet their contractual cash flow obligations in the near term. The Group has assessed that the expected credit losses for these deposits and other receivables and amount due from a related company were immaterial under 12-month expected losses method. Therefore, the loss allowance provision for these balances was close to zero and no provision was recognised.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Market risk (Continued)

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the shorter and longer term.

The Group maintains liquidity by a number of sources including orderly realisation of short-term financial assets, receivables and certain assets that the Group considers appropriate and long-term financing including long-term borrowings and lease liabilities are also considered by the Group in its capital structuring. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest-bearing borrowings which enable the Group to continue its business for the foreseeable future.

The Group recorded a net loss of RMB222,781,000 and a net cash outflow from operating activities of RMB132,871,000 for the year ended 31 December 2023. As at 31 December 2023, the Group's current liabilities exceeded its current assets by RMB339,326,000 while the Group's cash and cash equivalents amounted only to RMB70,225,000; as at 31 December 2023, the financial covenant for the Group's bonds payable amounted to RMB17,809,000 was not met and the bondholders have the right to serve a notice to the Group and to demand for immediate redemption of the bonds which were originally due on various dates from August to December 2024; in addition, subsequent to 31 December 2023 and up to the date of this report, the Group's rental payments from January to March 2024 amounted to RMB13,284,000 have been in arrears for the leases of various premises in Hong Kong, where on-premise construction is still in progress to set up the Group's satellite manufacturing, communication, measurement and controlling centre. Lessor has the right to exercise its power of re-entry under the terms of the rental contracts, and in such situation, the Group will not be able to continue its operations on such premises, and the Group's plan to establish its Aerospace business would be significantly and adversely affected; furthermore, the Group had significant capital expenditures commitment under various contractual and other arrangements as at 31 December 2023, which causes the Group in significant liquidity risk. The Group has taken appropriate plans and measures as set out in Note 2.1(a) to mitigate such liquidity risk.

As at 31 December 2023, the total cash and bank balances of the Group amounted to approximately RMB31,156,000 (2022: RMB44,399,000) were deposited with the banks in Chinese Mainland. The remittance of funds out of Chinese Mainland is subject to the rules and regulations of foreign exchange control promulgated by the Government of the PRC.

As at 31 December 2023, the Group's total undrawn banking facilities amounted to approximately RMB125,100,000 (2022: RMB8,329,000), and the Group's total drawn banking facilities amounted to approximately RMB246,968,000 (2022: RMB257,661,000).

The table below analyses the non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Market risk (Continued)

(d) Liquidity risk (Continued)

The amounts disclosed in the table were the contractual undiscounted cash flows and the earliest date the Group can be required to pay. Balances due within twelve months equal their carrying balances as impact from discounting is not significant.

Specifically, for bank and other borrowings and lease liabilities which contain a repayment on demand clause which can be exercised at the lender's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lender were to invoke the unconditional rights to call the loans with immediate effect.

	Repayable on demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2023						
Trade and bills payables	**–**	**85,153**	**–**	**–**	**–**	**85,153**
Other payables and accruals	**–**	**83,570**	**–**	**–**	**–**	**83,570**
Lease liabilities	**–**	**36,648**	**38,800**	**93,183**	**–**	**168,631**
Bank and other borrowings						
— principal portion	**–**	**195,932**	**26,233**	**24,803**	**–**	**246,968**
Bonds payable	**17,809**	**–**	**–**	**–**	**–**	**17,809**
Loans from related companies	**258,140**	**–**	**–**	**–**	**–**	**258,140**
	275,949	**401,303**	**65,033**	**117,986**	**–**	**860,271**
At 31 December 2022						
Trade and bills payables	–	103,504	–	–	–	103,504
Other payables and accruals	–	60,824	–	–	–	60,824
Lease liabilities	–	34,331	37,616	111,757	17,173	200,877
Bank and other borrowings						
— principal portion	20,332	61,505	118,475	49,136	–	249,448
Bonds payable	16,291	–	–	–	–	16,291
Loan from the ultimate holding company	62,969	–	–	–	–	62,969
Loan from to a related company	44,220	–	–	–	–	44,220
Loan from the immediate holding company	14,214	–	–	–	–	14,214
Loan from a director	3,538	–	–	–	–	3,538
Amount due to a related company	17	–	–	–	–	17
	161,581	260,164	156,091	160,893	17,173	755,902

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Market risk (Continued)

(d) Liquidity risk (Continued)

The table below analyses the bank and other borrowings and lease liabilities of the Group into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date without taking into consideration the effect of repayment on demand clause.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2023					
Lease liabilities	**48,348**	**43,231**	**97,804**	**–**	**189,383**
Bank and other borrowings					
— Principal portion	**195,932**	**26,233**	**24,803**	**–**	**246,968**
— Interest portion	**5,564**	**1,797**	**849**	**–**	**8,210**
Bonds payable					
— Principal portion	**18,632**	**–**	**–**	**–**	**18,632**
— Interest portion	**1,288**	**–**	**–**	**–**	**1,288**
	269,764	**71,261**	**123,456**	**–**	**464,481**
At 31 December 2022					
Lease liabilities	41,687	43,574	120,831	17,366	223,458
Bank and other borrowings					
— Principal portion	81,837	118,475	49,136	–	249,448
— Interest portion	11,488	3,541	2,830	–	17,859
Bonds payable					
— Principal portion	18,130	–	–	–	18,130
— Interest portion	2,818	–	–	–	2,818
	155,960	165,590	172,797	17,366	511,713

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders or sell assets to reduce debt.

The Group monitors capital on the basis of the total debt to total capital ratio. Total debt and total capital represent total borrowings (which includes bank and other borrowings, bonds payable, lease liabilities, loans from a director, the immediate holding company, the ultimate holding company, and related companies) and total equity, as shown in the consolidated balance sheet. The total debt to total capital ratios at 31 December 2023 and 2022 were as follows:

	2023	2022
	RMB'000	*RMB'000*
Total borrowings	**691,548**	676,524
Total equity	**203,377**	245,882
Total debt to total capital ratio	**340%**	275%

The increase in total debt to total capital ratio as at 31 December 2023 was mainly due to additional loans from related companies during the year ended 31 December 2023.

3.3 Fair value estimation

The carrying amounts of the Group's financial assets and liabilities include cash and cash equivalents, short-term bank deposits, pledged bank deposits, restricted cash, trade and bills receivables, deposit and other receivables, amount due from a related company, trade and bills payables, other payables and accruals, amount due to a related company, loan from a director, loan from the immediate holding company, loan from the ultimate holding company, loans from related companies, bank and other borrowings, bonds payable and lease liabilities approximate their fair values due to their short maturities. The carrying amounts of non-current deposits, bank and other borrowings and lease liabilities approximate their fair values which are estimated based on the discounted cash flows.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The carrying values of financial instruments measured at fair value at the balance sheet date are categorised among the three levels of the fair value hierarchy defined in HKFRS 13, "Fair value Measurement", with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

(i) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

(ii) Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (for example, as prices) or indirectly (for example, derived from prices).

(iii) Level 3: inputs for the asset or liability that are not based on observable market data.

The following table presents the Group's financial assets that are measured at fair values at 31 December 2023 and 2022:

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
At 31 December 2023				
Financial asset at fair value through profit or loss				
— unlisted equity securities	**–**	**–**	**917**	**917**
At 31 December 2022				
Financial asset at fair value through profit or loss				
— unlisted equity securities	–	–	1,172	1,172

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the year ended 31 December 2023:

	RMB'000
As at 1 January 2022	–
Additions	8,500
Disposal	(6,600)
Gain on disposal of financial asset at fair value through profit or loss *(Note 8)*	600
Loss on fair value changes of financial asset at fair value through profit or loss *(Note 8)*	(1,328)
As at 31 December 2022 and 1 January 2023	1,172
Loss on fair value changes of financial asset at fair value through profit or loss *(Note 8)*	(255)
As at 31 December 2023	917

Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements (see above for the valuation techniques adopted):

Description	Fair value at 31 December 2023 RMB'000	Fair value at 31 December 2022 RMB'000	Unobservable inputs	Range of inputs 31 December 2023	Range of inputs 31 December 2022	Relationship of unobservable inputs to fair value
Unlisted equity securities	917	1,172	Discount rate	30%	30%	The higher discount rate, the lower fair value.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

4.1 Net realisable value of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated cost to completion and selling expenses. These estimates are based on the current market condition and the historical experience of manufacturing and selling products of similar nature. Management reassesses the estimation at the end of each reporting period.

4.2 Income taxes

The Group is subject to income taxes mainly in Hong Kong, Chinese Mainland and Germany. Significant judgement is required in determining provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the periods in which such determination are made.

Deferred income tax assets relating to certain temporary differences are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and tax expense in the periods in which such estimate is changed.

4.3 Impairment of receivables

The Group makes provision for impairment of receivables based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's historical default rates, existing market conditions as well as forward looking estimates at the end of each reporting period. The identification of impairment of receivables requires the use of judgment and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying value of receivables and contract assets and loss for the impairment of receivables recognised in the periods in which such estimates have been changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

4.4 Impairment of properties, plant and equipment

The Group conducts impairment review of properties, plant and equipment that are subject to depreciation whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

As disclosed in Note 5, the segment assets in Aerospace business amounted to approximately RMB601,685,000 as at 31 December 2023. The Group's Aerospace business is still in development stage and requires a substantial amount of capital expenditure and working capital before being able to generate cash inflows. Therefore, the Group's assets under constructions related to the Aerospace business (amounting to approximately RMB369,745,000 as at 31 December 2023) are more vulnerable to the risk of impairment if the Group does not have sufficient funding to complete the relevant constructions or possesses sufficient working capital to commence its operation.

As disclosed in Note 2.1(a), the Group is implementing various plans and measures to obtain the necessary funding. If the Group fails to achieve those plans and measures, it might not be able to continue as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets (including properties, plant and equipment) to their recoverable amounts, and to reclassify non-current assets (including properties, plant and equipment) as current assets. The effects of these adjustments have not been reflected in these consolidated financial statements.

5 REVENUE AND SEGMENT INFORMATION

The Company is an investment holding company and the Group is principally engaged in (i) the EMS Business; and (ii) the Aerospace Business, which includes (1) satellite manufacturing; (2) satellite communication; (3) satellite measurement and controlling and (4) satellite launching.

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 year ended 31 December 2023, the Group had three reportable operating segments being:

(i) EMS Business — Smart home devices;
(ii) EMS Business — Banking and finance and other devices*; and
(iii) Aerospace Business.

* included the assets classified as held for sale as disclosed in Note 22.

(a) Segment revenue and gross profit

	EMS Business			
	Smart home devices RMB'000	Banking and finance and other devices RMB'000	Aerospace Business RMB'000	Total RMB'000
For the year ended 31 December 2023				
Segment revenue	126,051	473,036	–	599,087
Inter-segment revenue	(1,606)	(3,973)	–	(5,579)
Revenue from external customers	124,445	469,063	–	593,508
Segment cost of sales	(114,070)	(414,729)	–	(528,799)
Segment gross profit	10,375	54,334	–	64,709
Other segment information:				
Depreciation of properties, plant and equipment	2,245	16,262	11,821	30,328
Depreciation of right-of-use assets	3,378	2,426	31,725	37,529
Depreciation of investment properties	–	252	–	252
Amortisation of intangible assets	–	970	–	970
Provision for impairment losses of properties, plant and equipment	–	–	25,422	25,422
Additions to non-current segment assets*	560	4,432	177,651	182,643

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenue and gross profit (Continued)

	EMS Business			
	Smart home devices	Banking and finance and other devices	Aerospace Business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2022				
Segment revenue	168,157	486,654	–	654,811
Inter-segment revenue	(8,911)	(10,468)	–	(19,379)
Revenue from external customers	159,246	476,186	–	635,432
Segment cost of sales	(151,036)	(458,354)	–	(609,390)
Segment gross profit	8,210	17,832	–	26,042
Other segment information:				
Depreciation of properties, plant and equipment	2,028	14,496	5,721	22,245
Depreciation of right-of-use assets	3,378	3,938	16,730	24,046
Amortisation of intangible assets	–	477	–	477
Additions to non-current segment assets*	2,964	142,971	251,218	397,153

* For the year ended 31 December 2023, 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 assets (For the year ended 31 December 2022: included i) additions to properties, plant and equipment, right-of-use assets and intangible assets; ii) prepayments for the acquisitions of properties, plant and equipment and intangible assets; and iii) prepayments for construction works).

5 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

	EMS Business			
	Smart home devices RMB'000	Banking and finance and other devices RMB'000	Aerospace Business RMB'000	Total RMB'000
As at 31 December 2023				
Segment assets	**102,342**	**446,045**	**601,685**	**1,150,072**
Segment liabilities	**71,188**	**311,715**	**559,362**	**942,265**

	EMS Business			
	Smart home devices RMB'000	Banking and finance and other devices RMB'000	Aerospace Business RMB'000	Total RMB'000
As at 31 December 2022				
Segment assets	98,533	655,778	468,548	1,222,859
Segment liabilities	74,878	501,100	392,072	968,050

Reportable segment assets are reconciled to total assets as follows:

	2023 *RMB'000*	2022 *RMB'000*
Segment assets	**1,150,072**	1,222,859
Financial asset at fair value through profit or loss	**917**	1,172
Current income tax recoverable	**113**	158
Deferred tax assets	**3,781**	3,162
Total assets	**1,154,883**	1,227,351

Reportable segment liabilities are reconciled to total liabilities as follows:

	2023 *RMB'000*	2022 *RMB'000*
Segment liabilities	**942,265**	968,050
Current income tax liabilities	**8,445**	7,843
Deferred tax liabilities	**796**	5,576
Total liabilities	**951,506**	981,469

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (Continued)

(c) Disaggregation of revenue from contracts with customers

The Group derives revenue from the sales of goods at a point in time as follow:

	2023 RMB'000	2022 RMB'000
Timing of revenue recognition		
At a point in time — sales of goods	**593,508**	635,432

(d) Segment revenue by customers' geographical location

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

	2023 RMB'000	2022 RMB'000
Chinese Mainland	**477,720**	465,866
India	**27,689**	26,281
Germany	**26,363**	15,160
Australia	**15,375**	21,702
South Korea	**14,894**	35,556
Hong Kong	**10,411**	12,326
The United States of America (the "**USA**")	**9,307**	20,441
Austria	**4,989**	6,434
Vietnam	**3,662**	20,611
United Kingdom	**–**	10,530
Others	**3,098**	525
	593,508	635,432

5 REVENUE AND SEGMENT INFORMATION (Continued)

(e) Details of contract liabilities

	2023 **RMB'000**	2022 *RMB'000*
Contract liabilities *(Note 27)*	**18,492**	19,630

Notes:

(i) Contract liabilities represent advanced payments received from the customers for goods that have not been transferred to the customers. The balances of contract liabilities fluctuated during the years ended 31 December 2023 and 2022 with sales order with advanced payments.

(ii) The following table shows the amount of revenue recognised in the current reporting period relating to carried-forward contract liabilities:

	2023 **RMB'000**	2022 *RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**10,058**	45,130

(f) Major customers

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

	2023 **RMB'000**	2022 *RMB'000*
Customer A	**118,024**	157,905
Customer B	**74,198**	147,597

The five largest customers accounted for approximately 57% (2022: 65%) of revenue for the year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 REVENUE AND SEGMENT INFORMATION (Continued)

(g) Unsatisfied performance obligations

As at 31 December 2023 and 2022, all performance obligations not yet satisfied by the Group were from contracts with original expected duration of less than one year. Therefore, as permitted by the relevant practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations was not disclosed.

(h) Non-current assets by geographical location

The total amounts of non-current assets, other than financial instruments and deferred tax assets of the Group as at 31 December 2023 and 2022 are located in the following regions:

	2023	2022
	RMB'000	*RMB'000*
Chinese Mainland	**185,645**	246,784
Hong Kong	**547,035**	405,565
Germany	**243**	28
	732,923	652,377

6 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, general and administrative expenses and impairment losses on financial assets are analysed as follows:

	2023 *RMB'000*	2022 *RMB'000*
Cost of raw materials used	425,507	453,465
Consumables	1,268	1,876
Subcontracting charges	8,474	17,411
Employee benefit expenses and manpower services expenses, including Directors' emoluments *(Note 9)*	161,359	151,771
Rental expenses of short-term leases in respect of machinery and properties *(Note 13(b))*	4,548	11,547
Building management fee	11,082	5,093
Government rates	4,394	1,083
Utilities	6,405	8,146
Amortisation *(Note 15)*	970	477
Depreciation for properties, plant and equipment and right-of-use assets *(Note 13)*	67,857	45,636
Depreciation for investment properties *(Note 14)*	252	–
(Reversal of provision)/provision for inventories	(11,453)	11,225
Service fees for product development	718	7,252
Repairs and maintenance	1,235	1,100
Auditor's remuneration		
— Audit services	2,976	2,690
— Non-audit services	484	1,152
Professional fees	16,315	17,216
Provision for impairment losses of properties, plant and equipment *(Note 13)*	25,422	–
Share-based payments *(Note 34)*	13,970	–
Travelling expenses	13,100	3,520
Service charges	6,388	5,488
Provision for impairment losses of financial assets *(Note 21)*	6,266	1,688
Advertising	5,200	764
Entertainment	5,069	5,021
Transportation	792	1,018
Other taxes	5,413	6,814
Others	22,696	14,232
Total cost of sales, selling and distribution expenses, general and administrative expenses and impairment losses on financial assets	806,707	775,685

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 OTHER INCOME

	2023 RMB'000	2022 RMB'000
Government grants	4,234	4,964
Rental income	774	–
Sundry income	1,727	120
	6,735	5,084

8 OTHER LOSSES, NET

	2023 RMB'000	2022 RMB'000
Exchange loss	(5,214)	(4,673)
Loss on disposal of properties, plant and equipment *(Note 30(b))*	(960)	(476)
Gain on lease modification	52	204
Gain on disposal of financial asset at fair value through profit or loss *(Note 3.3(c))*	–	600
Fair value changes from financial asset at fair value through profit or loss *(Note 3.3(c))*	(255)	(1,328)
Gains on disposals of subsidiaries *(Note 31)*	5,400	–
	(977)	(5,673)

9 EMPLOYEE BENEFIT EXPENSES AND MANPOWER SERVICES EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2023 RMB'000	2022 RMB'000
Salaries, wages and bonus	133,827	125,801
Pension costs		
— defined contribution plans *(Note (a))*	17,011	18,524
Other staff welfares	6,557	4,621
Total employee benefit expenses (including Directors' remunerations)	157,395	148,946
Manpower services expenses *(Note (b))*	3,964	2,825
	161,359	151,771

9 EMPLOYEE BENEFIT EXPENSES AND MANPOWER SERVICES EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(a) Pension costs — defined contribution plans

Chinese Mainland

As stipulated under the relevant rules and regulations in the PRC, the subsidiaries operating in Chinese Mainland contribute to state-sponsored retirement plans for its employees. For the years ended 31 December 2023 and 2022, depending on the provinces of the employees' registered residences and their current region of work, the subsidiaries contributed certain percentages of the basic salaries of its employees and had no further obligations for the actual payment of pensions or postretirement benefits beyond the contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to the retired employees. As at 31 December 2023 and 2022, the Group had no forfeited contributions available to reduce the existing level of contributions.

Hong Kong

The Group has arranged its employees in Hong Kong to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' mandatory contributions are subject to a cap of HK$1,500 per month.

No forfeited contribution is available to reduce the contribution payable in future year.

(b) Manpower services expenses

During the years ended 31 December 2023 and 2022, the Group entered into certain manpower service arrangements with several external manpower service organisations in the PRC. Under these arrangements, certain of the Group's manpower requirements were fulfilled by these organisations at agreed service fees whereas the human resources provided were directly employed by the relevant service organisations. The individuals providing services to the Group do not have any employment relationship with the Group.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include four directors for the year ended 31 December 2023 (2022: four), whose emoluments are reflected in the analysis presented in Note 40. The emoluments payable to the remaining one individual for the year ended 31 December 2023 (2022: one) are as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Salaries and wages	**2,200**	1,647
Discretionary bonus	**328**	–
Pension costs — defined contribution plans	**16**	16
	2,544	1,663

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 EMPLOYEE BENEFIT EXPENSES AND MANPOWER SERVICES EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(c) Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals	
	2023	2022
Emolument bands		
HK$1,500,001 — HK$2,000,000	**–**	1
HK$2,500,001 — HK$3,000,000	**1**	–

(d) During the years ended 31 December 2023 and 2022, no emoluments were paid by the Group to any of the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

10 FINANCE COSTS, NET

	2023 *RMB'000*	2022 *RMB'000*
Finance income		
Interest income on cash at banks	**360**	560
Finance costs		
Interest expense on bank and other borrowings	**(9,194)**	(13,452)
Interest expense on lease liabilities *(Note 13(b))*	**(7,679)**	(5,460)
Interest expense on bonds payable	**(2,731)**	(616)
Less: Capitalised on qualifying assets *(Note)*	**–**	6,829
	(19,604)	(12,699)
Finance costs, net	**(19,244)**	(12,139)

Note: During the year ended 31 December 2022, interest expenses on bank and other borrowings were capitalised at the weighted average rate of its general borrowings of approximately 4.66%.

11 INCOME TAX (CREDIT)/EXPENSE

During the years ended 31 December 2023 and 2022, no provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group had no assessable profits in Hong Kong.

During the year ended 31 December 2023, Shenzhen Hengchang Sheng Technology Company Limited* ("**Shenzhen Hengchang Sheng**"), the Group's major operating subsidiary in Chinese Mainland has qualified for high and new technology enterprises status and is therefore subject to a preferential income tax rate of 15% (2022: 15%).

Gang Hang Ke (Shenzhen) Space Technology Co., Limited* ("**SZ Gang Hang Ke**"), the Group's subsidiary in Chinese Mainland, has been qualified for small-scale enterprises with minimal profits status and is subject to an applicable tax rate of 20% (2022: 20%).

Other Group's entities in Chinese Mainland were subject to PRC corporate income tax ("**CIT**") at the tax rate of 25% during the year ended 31 December 2023 (2022: 25%).

	2023	2022
	RMB'000	*RMB'000*
Current income tax		
— Withholding tax	**27**	25
Total current income tax	**27**	25
Deferred income tax *(Note 25)*	**(3,931)**	1,285
Income tax (credit)/expense	**(3,904)**	1,310

* *For identification purpose only*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 INCOME TAX (CREDIT)/EXPENSE (Continued)

The taxation on the Group's loss before income tax differed from the theoretical amount that would arise using the weighted average tax rate applicable to profits/(losses) of subsidiaries of the Group as follows:

	2023	2022
	RMB'000	*RMB'000*
Loss before income tax	**(226,685)**	(152,981)
Tax calculated at tax rates applicable to loss of the respective subsidiaries	**(39,041)**	(27,771)
Tax effect of:		
Income not subject to tax	**(1,701)**	(143)
Expenses not deductible for tax purpose	**29,665**	23,581
Tax loss for which no deferred income tax asset was recognised	**8,394**	7,261
Utilisation of tax loss previously not recognised	**(570)**	–
Temporary difference previously not recognised	**74**	80
Withholding tax	**27**	25
Super deductions from research and development expenditures *(Note)*	**(752)**	(1,723)
Income tax (credit)/expense	**(3,904)**	1,310

Note: According to the relevant laws and regulations promulgated by the State Administration of Taxation of Chinese Mainland, enterprises engaging in research and development activities are entitled to claim 150% to 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year.

12 LOSS PER SHARE

The basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2023 and 2022.

	2023	2022
Loss attributable to equity holders of the Company *(RMB'000)*	**(211,141)**	(154,290)
Weighted average number of ordinary shares in issue *(thousands of shares)*	**309,615**	309,000
Basic and diluted loss per share *(RMB cents)*	**(68.19)**	(49.93)

There were no differences between the basic and diluted loss per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2023 and 2022.

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

		Properties, plant and equipment									
	Right-of-use assets	Buildings	Furniture and fixtures	Office equipment	Plant and machinery	Motor vehicles	Satellites	Leasehold improvements	Construction in progress	Subtotal	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2022											
Opening net book amount	87,712	3,529	166	783	37,271	965	20,539	722	276,481	340,456	428,168
Additions	164,145	–	685	232	17,893	283	9,386	14,476	177,365	220,320	384,465
Depreciation	(24,046)	(2,836)	(127)	(400)	(9,247)	(486)	(4,587)	(4,562)	–	(22,245)	(46,291)
Disposals	–	–	–	(31)	(590)	–	–	–	–	(621)	(621)
Assets classified as held for sales *(Note 22)*	(20,122)	–	–	–	–	–	–	–	(128,192)	(128,192)	(148,314)
Lease modification	(3,104)	–	–	–	–	–	–	–	–	–	(3,104)
Transfer	–	90,978	–	–	–	–	–	20,559	(111,537)	–	–
Exchange difference	4,850	–	6	5	–	34	–	175	14,736	14,956	19,806
Closing net book amount	209,435	91,671	730	589	45,327	796	25,338	31,370	228,853	424,674	634,109
At 31 December 2022											
Cost	237,628	96,993	1,454	3,776	106,029	3,843	31,159	36,035	228,853	508,142	745,770
Accumulated depreciation	(28,193)	(5,322)	(724)	(3,187)	(60,702)	(3,047)	(5,821)	(4,665)	–	(83,468)	(111,661)
Net book amount	209,435	91,671	730	589	45,327	796	25,338	31,370	228,853	424,674	634,109
Year ended 31 December 2023											
Opening net book amount	**209,435**	**91,671**	**730**	**589**	**45,327**	**796**	**25,338**	**31,370**	**228,853**	**424,674**	**634,109**
Additions	**290**	**–**	**77**	**197**	**2,772**	**385**	**14,710**	**1,856**	**133,916**	**153,913**	**154,203**
Depreciation	**(37,529)**	**(3,851)**	**(169)**	**(297)**	**(7,107)**	**(357)**	**(9,892)**	**(8,655)**	**–**	**(30,328)**	**(67,857)**
Disposals	**–**	**–**	**(26)**	**(69)**	**(3,598)**	**–**	**–**	**–**	**–**	**(3,693)**	**(3,693)**
Lease modification	**(3,193)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,193)**
Transfer to investment property *(Note 14)*	**–**	**(5,862)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,862)**	**(5,862)**
Impairment losses *(Note 6)*	**–**	**–**	**–**	**–**	**–**	**–**	**(25,422)**	**–**	**–**	**(25,422)**	**(25,422)**
Exchange difference	**4,474**	**–**	**5**	**3**	**–**	**8**	**–**	**185**	**6,976**	**7,177**	**11,651**
Closing net book amount	**173,477**	**81,958**	**617**	**423**	**37,394**	**832**	**4,734**	**24,756**	**369,745**	**520,459**	**693,936**
At 31 December 2023											
Cost	**236,996**	**90,963**	**806**	**2,719**	**82,021**	**4,236**	**6,817**	**38,109**	**369,745**	**595,416**	**832,412**
Accumulated depreciation	**(63,519)**	**(9,005)**	**(189)**	**(2,296)**	**(44,627)**	**(3,404)**	**(2,083)**	**(13,353)**	**–**	**(74,957)**	**(138,476)**
Net book amount	**173,477**	**81,958**	**617**	**423**	**37,394**	**832**	**4,734**	**24,756**	**369,745**	**520,459**	**693,936**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(a) Properties, plant and equipment and right-of-use assets

During the year ended 31 December 2023, depreciation expenses of approximately RMB51,318,000 (2022: RMB26,835,000) were charged in general and administrative expenses; approximately RMB789,000 (2022: RMB927,000) were charged in selling and distribution expenses; approximately RMB15,750,000 (2022: RMB17,874,000) were charged in cost of sales.

As at 31 December 2023, given that the business plan to generate economic benefits to the Group from the satellites was further delayed from the management's original business plan, the Group has carried out an impairment assessment over the satellites. Considering the useful life of satellites and the revised business plan, the Group decided to make a full impairment of approximately RMB25,422,000 for those satellites without secured sales orders.

The Group considered that the date of commencement of the commercial operation of the Group's satellite measurement and controlling business has been deferred from its original plan, and therefore an impairment indicator has existed at 31 December 2023 for this business, which is a separate cash generating unit. The Group has engaged an external valuer to determine the fair value less cost of disposal of the business at 31 December 2023, using the following key assumptions:

Price to book value (PB) multiple:	1.259
Discount for bulk disposal:	15%
Discount for lack of marketability:	15%
Cost of disposal:	2%

Based on the valuation carried out by the valuer, the Group considered that no impairment was necessary at 31 December 2023 as the fair value less cost of disposal of the business was greater than its carrying value.

The fair value less cost of disposal of the business is most sensitive to the PB multiple assumption. Had the PB multiple used in the valuation been reduced to 1.211, the carrying value of this business would exceed its estimated fair value less cost of disposal and therefore the Group would record an impairment charge.

For information on non-current assets pledged as securities by the Group, refer to Note 37.

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

(b) Leases

(i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	2023	2022
	RMB'000	*RMB'000*
Right-of-use assets		
Land-use rights	**25,244**	25,799
Properties	**148,233**	183,636
	173,477	209,435

	2023	2022
	RMB'000	*RMB'000*
Lease liabilities		
Current portion	**36,648**	34,331
Non-current portion	**131,983**	166,546
	168,631	200,877

The carrying amounts of the Group's lease liabilities were denominated in the following currencies:

	2023	2022
	RMB'000	*RMB'000*
RMB	**8,689**	17,570
HK$	**159,710**	183,282
Euro ("**EUR**")	**232**	25
	168,631	200,877

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

(b) Leases (Continued)

(ii) Amounts recognised in the consolidated income statement

	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets		
Land-use rights	555	324
Properties	36,974	23,067
	37,529	23,391
Interest expense on lease liabilities *(Note 10)*	7,679	5,460
Rental expenses of short-term leases in respect of machinery and properties *(Note 6)*	4,548	11,547

(iii) Amounts recognised in the consolidated statement of cash flows

During the years ended 31 December 2023 and 2022, the total cash outflows for leases were analysed as below:

	2023 RMB'000	2022 RMB'000
Cash flows from operating activities*		
Payments for short-term leases in respect of machineries and properties	4,548	11,547
Cash flows from financing activities		
Repayment of principal elements of lease liabilities	33,268	9,356
Repayment of interest elements of lease liabilities	7,679	2,644
The total cash outflow of leases	45,495	23,547

* Payments for short-term leases were not shown separately, but included in the line of 'loss before income tax' in respect of the net cash used in operations using the indirect method.

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

(b) Leases (Continued)

(iv) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, machineries and equipment. Rental contracts are typically made for fixed periods of 1 to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

(v) Termination options

Termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of termination options are exercisable only by the Group as lessee and not by the respective lessor.

14 INVESTMENT PROPERTIES

	2023	2022
	HK$'000	*HK$'000*
At cost		
Beginning net book amount of the year	**–**	–
Transfer from properties, plant and equipment *(Note 13)*	**5,862**	–
Depreciation	**(252)**	–
End of the year	**5,610**	–
Cost	**5,862**	–
Accumulated depreciation	**(252)**	–
Net book amount	**5,610**	–

The fair values of the Group's investment properties as at 31 December 2023 were approximately RMB7,950,000, as determined by an independent professional valuation firm.

Investment property is situated in Chinese Mainland.

Depreciation of approximately RMB252,000 for the year ended 31 December 2023 has been included in general and administrative expenses.

Outgoings in respect of the investment properties amounted to approximately RMB7,000 for the year ended 31 December 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 INTANGIBLE ASSETS

	Membership right	System software	Software under development	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2022				
Opening net book amount	508	278	–	786
Additions	–	2,654	2,483	5,137
Amortisation	(41)	(436)	–	(477)
Exchange difference	–	–	65	65
Closing net book amount	467	2,496	2,548	5,511
At 31 December 2022				
Cost	610	5,352	2,548	8,510
Accumulated amortisation	(143)	(2,856)	–	(2,999)
Net book amount	467	2,496	2,548	5,511
Year ended 31 December 2023				
Opening net book amount	**467**	**2,496**	**2,548**	**5,511**
Additions	**–**	**34**	**325**	**359**
Amortisation	**(41)**	**(929)**	**–**	**(970)**
Exchange difference	**–**	**–**	**72**	**72**
Closing net book amount	**426**	**1,601**	**2,945**	**4,972**
At 31 December 2023				
Cost	**610**	**3,397**	**2,945**	**6,952**
Accumulated amortisation	**(184)**	**(1,796)**	**–**	**(1,980)**
Net book amount	**426**	**1,601**	**2,945**	**4,972**

During the year ended 31 December 2023, amortisation expenses of approximately RMB865,000 (2022: RMB408,000) were charged in general and administrative expenses; no amortisation expenses (2022: RMB11,000) were charged in selling and distribution expenses and approximately RMB105,000 (2022: RMB58,000) were charged in cost of sales.

16 FINANCIAL INSTRUMENTS BY CATEGORY

	2023 RMB'000	2022 RMB'000
Assets as per consolidated balance sheet		
Financial assets at amortised cost		
Trade and bills receivables *(Note 21)*	159,231	127,450
Deposits and other receivables *(Note 18)*	30,943	22,341
Amount due from a related company *(Note 38)*	17	17
Restricted cash *(Note 20)*	2,683	2,683
Pledged bank deposits *(Note 20)*	10,000	17,500
Short-term bank deposits *(Note 20)*	–	187
Cash and cash equivalents *(Note 20)*	70,225	41,471
	273,099	211,649
Financial asset at fair value		
Financial asset at fair value through profit or loss *(Note 17)*	917	1,172
	274,016	212,821
Liabilities as per consolidated balance sheet		
Financial liabilities at amortised cost		
Trade and bills payables *(Note 26)*	85,153	103,504
Other payables and accruals *(Note 27)*	83,570	60,824
Lease liabilities *(Note 13(b))*	168,631	200,877
Bank and other borrowings *(Note 28)*	246,968	249,448
Bonds payable *(Note 29)*	17,809	16,291
Loan from the ultimate holding company *(Note 38)*	–	62,969
Loans from related companies *(Note 38)*	258,140	44,220
Loan from the immediate holding company *(Note 38)*	–	14,214
Loan from a director *(Note 38)*	–	3,538
Amount due to a related company *(Note 38)*	–	17
	860,271	755,902

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
Unlisted equity securities	**917**	1,172

Financial asset at fair value through profit or loss is held for investments purpose and denominated in RMB.

The unlisted equity securities were revalued by an independent professional valuation firm. Information about the methods and assumptions used in determining the fair value is set out in Note 3.3.

18 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Current portion		
Prepayments	**15,887**	18,459
Deposits *(Note (a))*	**2,503**	1,440
Value-added tax receivables	**21,457**	30,348
Other receivables *(Notes (a) and (b))*	**10,954**	3,869
	50,801	54,116
Non-current portion		
Prepayments for the acquisition of properties, plant and equipment and intangible asset	**28,405**	12,757
Deposits *(Note (a))*	**17,486**	17,032
	45,891	29,789
	96,692	83,905

18 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes:

(a) As at 31 December 2023 and 2022, the carrying amounts of deposits and other receivables approximated their fair values.

(b) The amounts were unsecured, interest-free and repayable on demand.

The carrying amounts of the Group's deposits and other receivables were denominated in the following currencies:

	2023 *RMB'000*	2022 *RMB'000*
RMB	**2,456**	6,257
USD	**207**	14
HK$	**28,253**	16,044
EUR	**27**	26
	30,943	22,341

19 INVENTORIES

	2023 *RMB'000*	2022 *RMB'000*
Raw materials	**80,348**	92,048
Work in progress	**12,635**	17,813
Finished goods	**13,723**	19,338
	106,706	129,199

The cost of inventories recognised as expense and included in cost of sales during the year ended 31 December 2023 amounted to approximately RMB525,597,000 (2022: RMB606,029,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 CASH AND CASH EQUIVALENTS, PLEDGED BANK DEPOSITS, SHORT-TERM BANK DEPOSITS AND RESTRICTED CASH

	2023 RMB'000	2022 RMB'000
Current portion		
Cash at banks	**69,999**	41,316
Cash on hand	**226**	155
Cash and cash equivalents *(Note (a))*	**70,225**	41,471
Pledged bank deposits *(Note (b))*	**10,000**	17,500
Short-term bank deposits *(Note (c))*	**–**	187
Non-current portion		
Restricted cash *(Note (d))*	**2,683**	2,683
Total cash and bank balances	**82,908**	61,841
Maximum exposure to credit risk	**82,682**	61,686

The carrying amounts of the Group's cash and cash equivalents, pledged bank deposits, short-term bank deposits and restricted cash approximated their fair value and were denominated in the following currencies:

	2023 RMB'000	2022 RMB'000
RMB	**29,374**	37,279
USD	**27,435**	12,190
HK$	**11,858**	2,284
EUR	**14,060**	9,696
Others	**181**	392
	82,908	61,841

As at 31 December 2023, the total cash and bank balances of the Group amounted to approximately RMB31,156,000 (2022: RMB44,399,000) were deposited with the banks in Chinese Mainland. The remittance of funds out of Chinese Mainland is subject to the rules and regulations of foreign exchange control promulgated by the Government of the PRC.

20 CASH AND CASH EQUIVALENTS, PLEDGED BANK DEPOSITS, SHORT-TERM BANK DEPOSITS AND RESTRICTED CASH (Continued)

Notes:

(a) Cash at banks earned interest at floating rates based on daily bank deposits rate.

(b) As at 31 December 2023, bank deposits amounted to approximately RMB10,000,000 (2022: RMB17,500,000), which were pledged for a performance bond provided for customer contract (2022: RMB7,500,000 were pledged for the facilities granted by the banks to the Group and RMB10,000,000 were pledged for a performance bond provided for customer contract).

As at 31 December 2023, the weighted average interest rate of the pledged bank deposits was 1.40% (2022: 1.49%) per annum.

(c) As at 31 December 2022, the effective interest rate on short-term bank deposits was 1.5% per annum.

(d) The Group entered into an agreement with Huizhou City Huicheng District Natural Resources Bureau on 22 July 2019 pursuant to which the Group acquired a land-use right in Huizhou City. The Group is required to develop and utilise the land as its manufacturing plant.

As at 31 December 2023, a bank deposit of RMB2,683,000 (2022: RMB2,683,000) was held in a designated bank account as a guarantee for the aforementioned development on project. Such guarantee deposit will be released upon the fulfilment of certain conditions required by this agreement. The effective interest rate on the restricted cash was 1.75% per annum (2022: 1.75% per annum).

21 TRADE AND BILLS RECEIVABLES

	2023 *RMB'000*	2022 *RMB'000*
Trade receivables	**163,125**	123,854
Bills receivables	**9,545**	10,726
Less: provision for impairment of trade and bills receivables	**(13,439)**	(7,130)
Trade and bills receivables	**159,231**	127,450

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TRADE AND BILLS RECEIVABLES (Continued)

As at 31 December 2023 and 2022, the aging analysis of trade and bills receivables, net of impairment, based on invoice date, was as follows:

	2023 RMB'000	2022 RMB'000
Within 3 months	141,925	109,610
Over 3 months	30,745	24,970
	172,670	134,580
Less: provision for impairment of trade and bills receivables	(13,439)	(7,130)
	159,231	127,450

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

	2023 RMB'000	2022 RMB'000
At beginning of the year	7,130	5,384
Provision for impairment of trade and bills receivables on individual basis	5,386	1,172
Provision for impairment of trade and bills receivables on collective basis	880	516
Written-off of provision for impairment	(95)	(300)
Exchange difference	138	358
At end of the year	13,439	7,130

The carrying amounts of the Group's trade and bills receivables were denominated in the following currencies:

	2023 RMB'000	2022 RMB'000
RMB	131,463	94,703
USD	24,747	30,344
EUR	3,021	2,403
	159,231	127,450

The maximum exposure to credit risk as at 31 December 2023 and 2022 was the carrying value of the trade and bills receivables mentioned above. The Group does not hold any collateral as security.

22 ASSETS CLASSIFIED AS HELD FOR SALE

On 30 December 2022, the Group entered into the Share Sale and Purchase Agreement with a third party to dispose of the entire equity interest of Positive Expert Limited (an indirect wholly-owned subsidiary of the Company) which, together with its subsidiaries, primarily owns a parcel of land and a production plant in Daya Bay Western District, the PRC, for a consideration of HK$75,000,000 (equivalent to approximately RMB66,330,000). As at 31 December 2022, the completion of the disposal was still subject to various conditions as set out in the share sale and purchase agreement.

The assets and liabilities of the disposal group have been presented separately in the consolidated balance sheet as at 31 December 2022. The following assets and liabilities were reclassified as held for sale in relation to the disposal group as at 31 December 2022:

	RMB'000
Assets classified as held for sale	
Properties, plant and equipment	**128,192**
Right-of-use assets	**20,122**
Inventories	**3,634**
Trade receivables	**17,311**
Prepayments, deposits and other receivables	**11,161**
Current income tax recoverable	**17**
Cash and cash equivalents	**407**
Total assets of disposal group classified as held for sale	**180,844**
Liabilities directly associated with assets classified as held for sale	
Trade payables	**31,755**
Other payables and accruals	**19,844**
Deferred tax liabilities	**1,482**
Bank borrowings *(Note)*	**84,967**
Total liabilities of disposal group classified as held for sale	**138,048**

The above disposal was completed on 30 May 2023. Please refer to Note 31 for the details.

Notes:

(a) As at 31 December 2022, the bank borrowings and facilities of the disposal group were secured by the following:

(i) Land-use-right with carrying value of RMB20,122,000;

(ii) Corporate guarantees provided by the Company's subsidiaries; and

(iii) A personal guarantee provided by one of the Directors, Mr. Ma Fujun.

(b) As at 31 December 2022, the capital expenditure contracted for but not yet incurred for properties, plant and equipment amounted to RMB57,258,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 DEFERRED GOVERNMENT GRANTS

	2023	2022
	RMB'000	*RMB'000*
At 1 January	**12,223**	10,019
Received during the year	**–**	4,966
Released to the consolidated income statement	**(3,308)**	(2,847)
Exchange difference	**89**	85
At 31 December	**9,004**	12,223

Note: The amount primarily related the government grants received for the purchase of certain equipment and subsidy received for renovation of office. There were no unfulfilled conditions or contingencies attached to the grants.

24 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares	**Nominal value**
	'000	*HK$'000*
Share capital		
Authorised:		
Ordinary shares of HK$0.01 each as at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	8,000,000	80,000

	Number of shares	**Nominal value**	**Share premium**	**Nominal value**	**Share premium**
	'000	*HK$'000*	*HK$'000*	*RMB'000*	*RMB'000*
Issued and fully paid:					
At 1 January 2022 and 31 December 2022	309,000	3,090	363,461	2,693	304,492
At 1 January 2023	**309,000**	**3,090**	**363,461**	**2,693**	**304,492**
Issuance of ordinary shares	**6,378**	**64**	**22,937**	**58**	**21,838**
At 31 December 2023	**315,378**	**3,154**	**386,398**	**2,751**	**326,330**

25 DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority.

The analysis of deferred tax assets/(liabilities) was as follows:

	2023 RMB'000	2022 RMB'000
Deferred tax assets	3,781	3,162
Deferred tax liabilities	(796)	(4,094)
	2,985	(932)

The net movement on the deferred tax assets/(liabilities) was as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	(932)	(1,092)
Credited/(charged) to consolidated income statement *(Note 11)*	3,931	(1,285)
Liabilities directly associated with assets classified as held for sale *(Note 22)*	–	1,482
Exchange difference	(14)	(37)
At end of year	2,985	(932)

The movement in deferred tax assets during the years ended 31 December 2023 and 2022, without taking into consideration the offsetting of balances within the same tax jurisdiction, was as follows:

	PRC accrued expenses RMB'000	Lease liabilities RMB'000	Government grants RMB'000	Provision RMB'000	Tax loss RMB'000	Unrealised profits RMB'000	Total RMB'000
At 1 January 2022	1,033	1,687	1,504	438	4,108	50	8,820
Credited/(charged) to the consolidated statement of comprehensive income	1,539	2,020	(171)	–	(2,351)	51	1,088
At 31 December 2022 and 1 January 2023	2,572	3,707	1,333	438	1,757	101	9,908
Credited/(charged) to the consolidated statement of comprehensive income	854	(1,262)	(380)	39	(890)	36	(1,603)
At 31 December 2023	3,426	2,445	953	477	867	137	8,305

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 DEFERRED TAX ASSETS/(LIABILITIES) (Continued)

Deferred tax assets are recognised for tax losses carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of RMB26,486,000 (2022: RMB14,639,000) in respect of losses amounting to RMB137,647,000 (2022: RMB87,779,000) as at 31 December 2023. These tax losses are subject to the agreement with the tax authorities and can be carried forward against future taxable income. The tax losses have no expiry date except for tax losses amounting to RMB113,195,000 (2022: RMB83,652,000) of Chinese Mainland subsidiaries which will expire in 5 years.

As at 31 December 2023 and 2022, the expiry dates for the Group's unused tax losses are as follows:

	2023 *RMB'000*	2022 *RMB'000*
Expiry in		
2024	**198**	198
2025	**393**	1,191
2026	**41,449**	42,253
2027	**36,677**	40,010
2028	**34,478**	–
No expiry date	**12,423**	13,103
	125,618	96,755

The movement in deferred tax liabilities during the years ended 31 December 2023 and 2022, without taking into consideration the offsetting of balances within the same tax jurisdiction, was as follows:

	Tax depreciation *RMB'000*	**Contract assets** *RMB'000*	**Right-of-use assets** *RMB'000*	**Total** *RMB'000*
At 1 January 2022	(7,552)	(706)	(1,654)	(9,912)
(Charged)/credited to the consolidated statement of comprehensive income	(1,163)	706	(1,916)	(2,373)
Liabilities directly associated with assets classified as held for sale *(Note 22)*	1,482	–	–	1,482
Exchange differences	(37)	–	–	(37)
At 31 December 2022 and 1 January 2023	**(7,270)**	**–**	**(3,570)**	**(10,840)**
Credited to the consolidated statement of comprehensive income	**4,281**	**–**	**1,253**	**5,534**
Exchange differences	**(14)**	**–**	**–**	**(14)**
At 31 December 2023	**(3,003)**	**–**	**(2,317)**	**(5,320)**

The Group had undistributed earnings of subsidiaries in the Chinese Mainland of approximately RMB127,458,000 as at 31 December 2023 (2022: RMB144,570,000), which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions of dividends from the Chinese Mainland subsidiaries and is not expected to distribute these profits in the foreseeable future.

26 TRADE AND BILLS PAYABLES

	2023 *RMB'000*	2022 *RMB'000*
Trade payables	**85,153**	98,833
Bills payables	**–**	4,671
	85,153	103,504

The carrying amounts of the Group's trade and bills payables were denominated in the following currencies:

	2023 *RMB'000*	2022 *RMB'000*
RMB	**74,604**	83,474
USD	**10,441**	19,625
EUR	**108**	405
	85,153	103,504

As at 31 December 2023 and 2022, the carrying amounts of trade and bills payables approximated their fair values.

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

	2023 *RMB'000*	2022 *RMB'000*
Current portion		
Payables for construction works	**26,094**	18,006
Payables for acquisition of properties, plant and equipment	**1,632**	13,658
Interest payable	**4,727**	2,534
Other tax payables	**2,021**	5,091
Other payables	**12,031**	9,393
Accrued salaries and bonus	**30,209**	30,236
Accrued expenses	**8,979**	13,233
Refundable customer deposits	**19,107**	–
Deposit received for construction work	**11,000**	4,000
Contract liabilities *(Note 5(e))*	**18,492**	19,630
	134,292	115,781
Non-current portion		
Provision for reinstatement cost	**22,268**	8,402
	156,560	124,183

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 PROVISION FOR REINSTATEMENT COST, CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS (Continued)

As at 31 December 2023 and 2022, the carrying amounts of contract liabilities, other payables and accruals approximated their fair values and were denominated in the following currencies:

	2023	2022
	RMB'000	*RMB'000*
RMB	**100,686**	73,166
USD	**16,392**	18,952
HK$	**15,529**	20,064
EUR	**1,685**	3,407
JPY	**–**	192
	134,292	115,781

28 BANK AND OTHER BORROWINGS

Bank and other borrowings were analysed as follows:

	2023	2022
	RMB'000	*RMB'000*
Current		
Bank borrowings — secured	**104,860**	81,837
Other borrowings — secured *(Note)*	**91,072**	–
	195,932	81,837
Non-current		
Bank borrowings — secured	**49,136**	69,096
Other borrowings — secured	**–**	95,515
Other borrowings — unsecured	**1,900**	3,000
	51,036	167,611
	246,968	249,448

As at 31 December 2023 and 2022, the weighted average interest rate per annum of the Group's bank and other borrowings was 3.93% and 4.33% respectively.

As at 31 December 2023 and 2022, the carrying amounts of the bank and other borrowings approximated their fair values.

Note: In March 2024, the Group has entered into supplemental agreements with the lender to extend the repayment date of the loans from 7 March 2024 to 7 March 2025.

28 BANK AND OTHER BORROWINGS (Continued)

As at 31 December 2023, the bank and other borrowings and facilities were secured by the following:

(i) Land-use-rights with carrying value of RMB25,244,000;

(ii) Properties with carrying value of RMB2,661,000;

(iii) Equipment with carrying value of RMB10,817,000;

(iv) Shares of the Company's subsidiary;

(v) Corporate guarantees provided by the Company and the Company's subsidiaries; and

(vi) A personal guarantee provided by a director of the Company, Mr. Ma Fujun.

As at 31 December 2022, the bank borrowings and banking facilities were secured by the following:

(i) Pledged bank deposit with carrying value of RMB7,500,000;

(ii) Land-use-rights with carrying value of RMB25,799,000;

(iii) Properties with carrying value of RMB2,938,000;

(iv) Equipment with carrying value of RMB12,053,000;

(v) Shares of the Company's subsidiary;

(vi) Corporate guarantees provided by the Company and the Company's subsidiaries; and

(vii) A personal guarantee provided by the director of the Company, Mr. Ma Fujun.

As at 31 December 2023 and 2022, the Group's bank and other borrowings were repayable as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year or on demand	**195,932**	81,837
Between 1 and 2 years	**26,233**	118,475
Between 2 and 5 years	**24,803**	49,136
	246,968	249,448

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 BANK AND OTHER BORROWINGS (Continued)

The carrying amounts of the Group's bank and other borrowings were denominated in the following currencies.

	2023	2022
	RMB'000	*RMB'000*
RMB	**155,896**	153,933
HK$	**91,072**	95,515
	246,968	249,448

29 BONDS PAYABLE

	2023	2022
	RMB'000	*RMB'000*
Current		
Unlisted bonds *(Note)*	**17,809**	16,291

Note:

On 11 August 2022, the Company and Venture Smart Asia Limited (the "**Placing Agent**") entered into a placing agreement pursuant to which the Placing Agent has agreed to procure independent placees to subscribe for the 2-year 9% per annum fixed coupon unsecured unsubordinated and unlisted bonds to be issued by the Company in an aggregate principal amount of HK$300,000,000 for six months from the date of the placing agreement.

During the year ended 31 December 2022, the Company has issued the bonds with an aggregate principal amount of approximately RMB16,291,000. No bonds were issued during the year ended 31 December 2023. The bonds mature in 2 years from the date of issue of the bonds. The Company shall fully redeem the bonds together with the accrued interests on maturity date.

The bonds payable is subject to the fulfillment of covenants relating to certain of the Group's consolidated balance sheet ratio, as is commonly found in similar lending arrangement. As at 31 December 2023 and 2022, the financial covenant for the Group's bonds payable was not met. As a result, the bondholders have the right to serve a notice to the Group and to demand for immediate redemption of the bonds which were originally due on various dates from August to December 2024.

The carrying amount of the bonds payable is denominated in HK$ and approximated its fair value.

30 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash used in operations

	2023 RMB'000	2022 RMB'000
Loss before income tax	(226,685)	(152,981)
Adjustments for:		
Finance income	(360)	(560)
Finance costs	19,604	12,699
Depreciation	68,109	45,636
Amortisation	970	477
Share-based payment	13,970	–
(Reversal of provision)/provision for inventories	(11,453)	11,225
Net impairment losses on property, plant and equipment	25,422	–
Net impairment losses on financial assets	6,266	1,688
Loss on disposal of properties, plant and equipment	960	476
Lease modification	(52)	(204)
Gains on disposals of subsidiaries	(5,400)	–
Government grants	(3,308)	(2,847)
Fair value changes from financial asset at fair value through profit or loss	255	1,328
Gain on disposal of financial asset at fair value through profit or loss	–	(600)
	(111,702)	(83,663)
Changes in working capital:		
— Trade and bills receivables	(38,213)	(2,022)
— Prepayments, deposits and other receivables	7,413	(995)
— Inventories	33,950	17,873
— Trade and bills payables	(27,776)	(40,935)
— Related company balances	(17)	471
— Contract liabilities, other payables and accruals	(4,945)	6,416
— Pledged bank deposits	7,500	10,000
Cash used in operations	(133,790)	(92,855)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) In the consolidated statement of cash flows, proceeds from disposal of properties, plant and equipment comprised:

	2023 *RMB'000*	2022 *RMB'000*
Net book amount disposed	**3,693**	621
Loss on disposal of properties, plant and equipment *(Note 8)*	**(960)**	(476)
Proceeds from disposal of properties, plant and equipment	**2,733**	145

(c) The reconciliations of liabilities arising from financing activities were as follows:

	Bank and other borrowings and interest payable *RMB'000*	Bonds payable and interest payable *RMB'000*	Lease liabilities *RMB'000*	Amount due to the then immediate holding company *RMB'000*	Amount due to the ultimate holding company *RMB'000*	Loan from a Director *RMB'000*	Loans from related companies *RMB'000*	Total *RMB'000*
At 1 January 2022	204,761	–	41,312	3,143	15	–	–	249,231
Cash flow								
— Repayments	(108,719)	(33)	(12,000)	(3,143)	(186)	(41,381)	–	(165,462)
— Additions	219,497	15,641	–	–	–	44,829	118,342	398,309
Other non-cash movements								
— Additions	–	–	164,145	–	–	–	–	164,145
— Interest	13,452	616	5,460	–	–	–	–	19,528
— Lease modification	–	–	(3,308)	–	–	–	–	(3,308)
— Liabilities directly associated with assets classified as held for sale	(85,072)	–	–	–	–	–	–	(85,072)
— Currency translation differences	7,711	419	5,268	–	171	90	3,061	16,720
At 31 December 2022	251,630	16,643	200,877	–	–	3,538	121,403	594,091

	Bank and other borrowings and interest payable *RMB'000*	**Bonds payable and interest payable** *RMB'000*	**Lease liabilities** *RMB'000*	**Loan from a Director** *RMB'000*	**Loans from related companies** *RMB'000*	**Total** *RMB'000*
At 1 January 2023	**251,630**	**16,643**	**200,877**	**3,538**	**121,403**	**594,091**
Cash flow						
— Repayments	**(137,267)**	**(1,669)**	**(40,947)**	**(3,618)**	**(179,998)**	**(363,499)**
— Additions	**165,634**	**-**	**290**	**-**	**311,798**	**477,722**
Other non-cash movements						
— Interest	**9,194**	**2,731**	**7,679**	**-**	**-**	**19,604**
— Lease modification	**-**	**-**	**(3,245)**	**-**	**-**	**(3,245)**
— Change in working capital	**(2,453)**	**-**	**-**	**-**	**-**	**(2,453)**
— Disposals of subsidiaries	**(40,234)**	**-**	**-**	**-**	**-**	**(40,234)**
— Currency translation differences	**5,056**	**873**	**3,977**	**80**	**4,937**	**14,923**
At 31 December 2023	**251,560**	**18,578**	**168,631**	**-**	**258,140**	**696,909**

31 DISPOSALS OF SUBSIDIARIES

On 16 February 2023, the Group disposed all of its 65% equity interest in Hong Kong Aerospace ZeroG Space Technology Limited ("**ZeroG**") with the carrying amount of net assets disposed of approximately RMB4,000 to the remaining 35% shareholding partner for a consideration of approximately RMB1 in receivable with losses on disposals of subsidiary of approximately RMB4,000 because ZeroG has not carried out any business since its incorporation. The Group ceased to hold any equity interest of ZeroG and ZeroG ceased to be a subsidiary of the Group.

On 30 December 2022, the Group entered into the share sale and purchase agreement with a third party to dispose of the entire equity interest of Positive Expert Limited (then indirect wholly-owned subsidiary of the Company) which, together with its subsidiaries ("**Positive Group**"), primarily owns a parcel of land and a production plant in Daya Bay Western District, the PRC, for a consideration of HK$75,000,000 (equivalent to approximately RMB67,845,000). All conditions precedent under the share sale and purchase agreement were fulfilled and the disposal was completed on 30 May 2023.

Details of the net assets disposed of are as follows:

	For the year ended 31 December 2023 Positive Group *RMB'000*
Consideration received or receivable:	
Cash	67,845
Carrying amounts of net assets disposed of	(64,495)
Gains on disposals of subsidiaries before reclassification of foreign currency translation reserve	3,350
Reclassification of foreign currency translation reserve	2,054
Gains on disposals of subsidiaries	5,404

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DISPOSALS OF SUBSIDIARIES (Continued)

The carrying amounts of assets and liabilities as at the date of disposal (30 May 2023) were:

	On 30 May 2023 **Positive Group** *RMB$'000*
Property, plant and equipment	194,693
Inventories	3,630
Trade receivables	18,137
Other receivables	24,942
Cash and cash equivalents	674
Total assets	242,076
Bank borrowings	125,201
Trade payables	22,362
Other payables	28,536
Deferred tax liabilities	1,482
Total liabilities	177,581
Net assets	64,495

32 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2023 and 2022 are set out below.

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Paid up capital	Percentage of effective interest held/controlled 2023 Interest held	Percentage of effective interest held/controlled 2022 Interest held
Total United Holdings Limited*	BVI, limited liability company	Investment holding in BVI	USD1	100%	100%
Agreeable Company Limited#	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$1	100%	100%
Shenzhen Hengchang Sheng#	PRC, limited liability company	Electronic services in PRC	RMB38,692,579	100%	100%
Eternity Technology Development Limited#	Hong Kong, limited liability company	Sales of electronic products in Hong Kong	HK$2	100%	100%
Huizhou City Eternity Technology Company Limited#	PRC, limited liability company	Electronic services in PRC	RMB30,000,000	100%	100%
Eternity Electronic Manufacturing Service GmbH#	Germany, limited liability company	Electronic services in Germany	EUR100,000	100%	100%
Eternity Technology (Xiamen) Company Limited#	PRC, limited liability company	Electronic services in PRC	RMB35,000,000	100%	100%
Huizhou Eternity Technology Company Limited#	PRC, limited liability company	Electronic services in PRC	RMB30,000,000	100%	100%
SZ Gang Hang Ke#	PRC, limited liability company	Satellite procurement in PRC	RMB1,000,000	100%	100%
Aspace Satellite Technology Limited (formerly known as Hong Kong Satellite Manufacturing Limited)#	Hong Kong, limited liability company	Satellite manufacturing in Hong Kong	HK$20,000	51%	100%
ASTC#	Hong Kong, limited liability company	Satellite tracking and controlling in PRC and Hong Kong	HK$10,000	100%	100%
Hong Kong Aerospace Smart City Limited#	Hong Kong, limited liability company	Smart city with satellite big data applications and solutions in PRC and Hong Kong	HK$10,000	100%	100%

* Equity interest directly held by the Company.

\# Equity interest indirectly held by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 TRANSACTION WITH NON-CONTROLLING INTEREST

In July 2023, the Group entered into a share subscription agreement with Superb Ever Worldwide Limited ("**Superb Ever**"), an independent third party, to issue 9,800 shares of Aspace Satellite Technology Limited ("**Aspace**") to Superb Ever for US$20,500,000 (equivalent to approximately RMB145,331,000) by enlargement of the issued share capital of Aspace.

The transaction was completed on 11 September 2023 (the "**Disposal date**") and the Group's equity interest in Apsace decreased from 100% before the disposal to 51% as at 11 September 2023. The Group retains control of Aspace as a non-wholly owned subsidiary.

Accordingly, the Group recognised a credit of approximately RMB41,376,000 to non-controlling interests ("**NCI**") and a credit of approximately RMB103,955,000 to other reserve on the Disposal date.

	On 11 September 2023 *RMB'000*
Carrying amount of non-controlling interests disposed	41,376
Less: consideration paid by non-controlling interest	(145,331)
Excess of consideration paid by non-controlling interest recognised within equity	(103,955)

Set out below is the summarised financial information for Aspace, a subsidiary that has NCI that is material to the Group. The amounts disclosed for the subsidiary are before inter-company eliminations.

Summarised income statement

	Aspace 2023 ***RMB'000***
Revenue	**–**
Loss for the year	**(62,834)**
Other comprehensive loss	**(672)**
Total comprehensive loss	**(63,506)**
Loss allocated to NCI	**(11,550)**
Other comprehensive loss allocated to NCI	**(688)**
Total comprehensive loss allocated to NCI	**(12,238)**

33 TRANSACTION WITH NON-CONTROLLING INTEREST (Continued)

Summarised balance sheet

	2023 *RMB'000*
Current assets	1,833
Current liabilities	(244,967)
Net current liabilities	**(243,134)**
Non-current assets	410,287
Non-current liabilities	(108,173)
Net non-current assets	**302,114**
Net assets	**58,980**

Summarised cash flows

	2023 *RMB'000*
Cash outflows from operating activities	(38,420)
Cash outflows from investing activities	(107,652)
Cash inflows from financing activities	151,873
Net increase in cash and cash equivalents	**5,801**

34 SHARE-BASED PAYMENTS

Pursuant to the agreement dated 12 May 2023, the supplemental agreement dated 31 August 2023 and the Company's public announcement dated 18 October 2023, the Company granted share subscription rights to Macquarie Bank Limited ("**Macquarie**"), to subscribe the Company's shares at 95% of volume weighted average stock price on the Hong Kong Stock Exchange on transacting date with an additional 2% redemption discount on net proceed and 0.5% transaction cost per annum paid to Macquarie for the period from 18 October 2023 to 18 October 2024. The Company has the right to reject the request of share subscription if the stock price of the Company is below HK$6.5. The total maximum shares can be subscribed by Macquarie are 61,750,000 shares. Any share subscription rights not exercised by Macquarie as of 18 October 2024 will lapse and cease to be valid for all purposes. The ordinary shares issued from the exercise of share subscription rights shall rank pari passu in all respects with the existing issued ordinary shares of the Company. Such arrangement of share subscription rights constitutes a share-based payment, of which the fair value of the subscription rights of approximately RMB13,970,000 was charged to the Group's consolidated income statement during the year ended 31 December 2023. The fair value of share subscription rights are determined with reference to the share price of the Company's shares as of the grant date, volatility of share price, rejection price of HK$6.5 per share for share subscription and the maximum number of share subscription pursuant to the share subscription agreement.

During the year ended 31 December 2023, Macquarie subscribed 6,377,800 shares with the net proceeds of approximately HK$23,520,000.

35 CAPITAL COMMITMENTS

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

	2023 ***RMB'000***	2022 *RMB'000*
Contracted but not provided for:		
Properties, plant and equipment and intangible asset *(Note)*	**196,202**	296,249

Note: As at 31 December 2022, the amount included the capital expenditure contracted for at the end of the year but not yet incurred by the Disposal Group of RMB57,258,000.

36 DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 December 2023 and 2022.

37 ASSETS PLEDGED AS SECURITIES

The carrying amounts of assets pledged as securities are:

	2023	2022
	RMB'000	*RMB'000*
Current		
Floating charge		
Pledged bank deposits	**10,000**	17,500
Total current assets pledged as securities	**10,000**	17,500
Non-current		
Fixed charge		
Land-use rights	**25,244**	25,799
Equipment	**10,817**	12,053
Properties	**2,661**	2,938
Total non-current assets pledged as securities	**38,722**	40,790
Total assets pledged as securities	**48,722**	58,290

38 RELATED PARTY TRANSACTIONS

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 RELATED PARTY TRANSACTIONS (Continued)

Major related parties that had transactions and/or balances with the Group during the years ended and as at 31 December 2023 and 2022 were as follows:

Related parties	Relationship with the Company
Hong Kong Financial Assets Holdings Limited	Controlled by a Director
Rich Blessing Group Limited	Controlled by a Director
Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司)	Controlled by a Director
Shenzhen Hangke Space Technology Limited* (深圳航科空間技術有限公司)	Controlled by a director of the subsidiary
Vision	A related company controlled by Mr. Sun (during the year ended and as at 31 December 2022: the ultimate holding company of the Company and controlled by Mr. Sun)
HKATH(BVI)	A related company controlled by Mr. Sun (during the year ended and as at 31 December 2022: the immediate holding company of the Company and controlled by Mr. Sun)
Mr. Sun	Director and major shareholder of the Company
Mr. Lam John Cheung Wah	Former Director resigned on 5 July 2022
Ms. Ku Ka Lee Clarie ("**Ms. Ku**")	Director
Prof. Christian Feichtinger	Director
Dr. Fabio Favata	Director

* *For identification purpose only*

(a) Transactions with related parties

Save as disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties during the years ended 31 December 2023 and 2022, at terms mutually agreed by both parties:

(i) Office rental and management fees paid to related companies

	2023 **RMB'000**	2022 RMB'000
Vision *(Note)*	**–**	936
Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司) *(Note)*	**922**	953

(ii) Consultancy fee paid to a director

	2023 **RMB'000**	2022 RMB'000
Christian Feichtinger *(Note)*	**54**	–
Fabio Favata *(Note)*	**54**	–
Lam John Cheung Wah *(Note)*	**–**	885

Note: The above transactions were charged based on terms mutually agreed with the related party and in the ordinary course of business.

* *For identification purpose only*

38 RELATED PARTY TRANSACTIONS (Continued)

(b) Key management compensation

Compensation paid or payable to key management for employee services is shown below:

	2023 RMB'000	2022 RMB'000
Wages and salaries	18,514	15,684
Pension costs — defined contribution plan	110	102
	18,624	15,786

(c) Balances with related parties

	Note	2023 RMB'000	2022 RMB'000
Amount due from Rich Blessing Group Limited	(i)	17	17
Amount due to Hong Kong Financial Assets Holdings Limited	(i)	–	17
Prepayment to Ms. Ku	(v)	1,391	–
Loan from Ms. Ku	(ii)	–	3,538
Loan from HKATH(BVI)	(i)	14,335	14,214
Loan from Vision	(i)	243,805	62,969
Loan from Rich Blessing Group Limited	(iii)	–	44,220
Rental deposit paid to Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司)	(iv)	119	119

Notes:

(i) Balances were unsecured, interest free and repayable on demand. Their carrying amounts approximated its fair value.

(ii) Balances were unsecured, interest free and repayable on or before 31 March 2023. The carrying amount approximated its fair value.

(iii) Balance was unsecured, interest free and repayable within 1 year. The carrying amount approximated its fair value.

(iv) Balance was unsecured, interest free and repayable within one year (2022: two years) from the year end. Its carrying amounts approximated its fair value.

(v) Prepayment was presented in the consolidated balance sheet within "Prepayments, deposits and other receivables" (Note 18).

* *For identification purpose only*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 RELATED PARTY TRANSACTIONS (Continued)

(d) Personal guarantees

During the years ended 31 December 2023 and 2022, certain bank and other borrowings of the Group and the disposal group were secured by personal guarantees from the director of the Company as set out in Note 22 and 28.

(e) Undertaking from a director and related companies

At 27 March 2023, the Group obtained a letter of undertaking from Mr. Sun, an executive director and CEO of the Company, 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 RMB454 million). The Undertaking Letter is valid and subsisting up to 31 March 2024 and any loan drawn thereunder shall be repayable on 31 March 2024. At 15 March 2024, the Group obtained another letter of undertaking from Mr. Sun, 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 RMB454 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.

In April 2022 and June 2022, the Group entered into a loan agreement with Vision and HKATH(BVI), pursuant to which Vision and HKATH(BVI) has agreed to provide the Company an unsecured and interest-free loan facility of HK$100 million (approximately RMB88 million) and HK$100 million (approximately RMB88 million), respectively. The loan facility provided by Vision and HKATH(BVI) is valid and subsisting up to April 2023 and June 2023, respectively, and any loan drawn thereunder shall be repayable on demand. Furthermore, in January 2023, the Group entered into a loan agreement with Vision, pursuant to which Vision has agreed to provide the Company an unsecured and interest-free loan facility of HK$200 million (approximately RMB176 million), and any loan drawn thereunder shall be repayable on demand.

39 BALANCE SHEET AND EQUITY MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company as at 31 December 2023

	Note	2023 RMB'000	2022 RMB'000
Assets			
Non-current asset			
Interests in subsidiaries	(c)	**47,445**	46,166
Current assets			
Other receivables, deposits and prepayments		**2,777**	5,015
Amounts due from subsidiaries		**468,831**	316,992
Cash and cash equivalents		**3,635**	1,834
Total current assets		**475,243**	323,841
Total assets		**522,688**	370,007
Equity			
Equity attributable to equity holders of the Company			
Share capital	(b)	**2,751**	2,693
Share premium	(b)	**326,330**	304,492
Reserves	(b)	**50,551**	31,753
Accumulated losses	(b)	**(201,632)**	(137,269)
Total equity		**178,000**	201,669
Liabilities			
Non-current liability			
Other borrowings		**–**	51,295
Current liabilities			
Other payables and accruals		**8,812**	8,272
Bonds payable		**17,809**	16,290
Amounts due to subsidiaries		**2,211**	11,760
Other borrowings		**52,716**	–
Loan from a Director		**–**	3,538
Loan from the immediate holding company		**–**	14,214
Loan from the ultimate holding company		**–**	62,969
Loans from related companies		**263,140**	–
Total current liabilities		**344,688**	117,043
Total liabilities		**344,688**	168,338
Total equity and liabilities		**522,688**	370,007

The balance sheet of the Company was approved by the Board of Directors on 27 March 2024 and was signed on its behalf.

Sun Fengquan
Director

Lam Lee G.
Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 BALANCE SHEET AND EQUITY MOVEMENT OF THE COMPANY (Continued)

(b) Equity movement of the Company

	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2022	2,693	304,492	(7,382)	19,692	–	(70,818)	248,677
Comprehensive loss:							
Loss for the year	–	–	–	–	–	(66,451)	(66,451)
Other comprehensive income:							
Currency translation differences	–	–	19,443	–	–	–	19,443
Total comprehensive income/(loss)	–	–	19,443	–	–	(66,451)	(47,008)
At 31 December 2022	2,693	304,492	12,061	19,692	–	(137,269)	201,669
At 1 January 2023	**2,693**	**304,492**	**12,061**	**19,692**	**–**	**(137,269)**	**201,669**
Comprehensive loss:							
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(64,363)**	**(64,363)**
Other comprehensive income:							
Currency translation differences	**–**	**–**	**5,297**	**–**	**–**	**–**	**5,297**
Total comprehensive income/(loss)	**–**	**–**	**5,297**	**–**	**–**	**(64,363)**	**(59,066)**
Transactions with owners							
Issuance of share subscription right	**–**	**–**	**–**	**–**	**13,970**	**–**	**13,970**
Issuance of ordinary shares	**58**	**21,838**	**–**	**–**	**(469)**	**–**	**21,427**
Total transactions with owners	**58**	**21,838**	**–**	**–**	**13,501**	**–**	**35,397**
At 31 December 2023	**2,751**	**326,330**	**17,358**	**19,692**	**13,501**	**(201,632)**	**178,000**

39 BALANCE SHEET AND EQUITY MOVEMENT OF THE COMPANY (Continued)

(c) Interests in subsidiaries

	2023 RMB'000	2022 RMB'000
Equity investments at cost *(Note (i))*	–	–
Amounts due from subsidiaries *(Note (ii))*	47,445	46,166
	47,445	46,166

Notes:

(i) As at 31 December 2023 and 2022, the balance represented the Company's 100% interest amounting 1 USD in Total United Holdings Limited, 100% interest amounting 1 USD in Prestige Dragon Holdings Limited, 100% interest amounting 1 USD in Supreme Class International Limited, 100% interest amounting 1 USD in Strength Kingdom Limited, 100% interest amounting 1 USD in Superior Plants Limited and 100% interest amounting 1 USD in Soar Flow Investments Limited.

(ii) These amounts were unsecured, interest-free, with no fixed repayment terms. Settlement of these amounts were neither planned nor likely to occur the foreseeable future. As a result, these amounts were considered part of the Company's net investment in Agreeable Company Limited and Total United Holdings Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of each director is set out below:

Name of directors	Fees RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to pension scheme RMB'000	Other emoluments paid or payables in respect of director's other service RMB'000	Total RMB'000
For the year ended 31 December 2023							
Executive Directors:							
– Sun Fengquan							
(Chief executive officer)	2,931	-	-	507	-	-	3,438
– Lam Lee G.	2,931	-	-	-	-	-	2,931
– Ku Ka Lee Clarie	2,562	-	-	-	-	-	2,562
– Lam Kin Fung Jeffrey *(Note i)*	986	-	-	-	-	-	986
– Ma Fujun	109	746	-	-	77	-	932
– Fabio Favata *(Note ii)*	30	-	-	-	-	54	84
– Shaikh Mohammed Maktoum							
Juma Al-Maktoum *(Note ii)*	30	-	-	-	-	-	30
Non-Executive Directors:							
– Alhamedi Mnahi F Alanezi *(Note ii)*	30	-	-	-	-	-	30
– Christian Feichtinger *(Note ii)*	30	-	-	-	-	54	84
– Guo Huadong *(Note ii)*	30	-	-	-	-	-	30
– Mazlan Binti Othman	326	-	-	-	-	-	326
– Niu Aimin	326	1,954	452	269	16	-	3,017
– Yip Chung Yin *(Note i)*	296	-	-	-	-	-	296
Independent Non-Executive Directors:							
– Barbara Jane Ryan *(Note ii)*	30	-	-	-	-	-	30
– David Gordon Eldon *(Note ii)*	30	-	-	-	-	-	30
– Hung Ka Hai Clement	326	-	-	-	-	-	326
– Juan de Dalmau-Mommertz							
(Note ii)	-*	-	-	-	-	-	-*
– Marwan Jassim Sulaiman Jassim							
Alsarkal *(Note ii)*	30	-	-	-	-	-	30
– Wang Jianyu *(Note ii)*	30	-	-	-	-	-	30
– Brooke Charles Nicholas *(Note i)*	296	-	-	-	-	-	296
– Chan Ka Keung, Ceajer *(Note i)*	296	-	-	-	-	-	296
– Yuen Kwok Keung *(Note i)*	296	-	-	-	-	-	296
	11,951	2,700	452	776	93	108	16,080

* Below RMB1,000

Notes:

(i) resigned on 27 November 2023

(ii) appointed on 28 November 2023

40 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

Name of directors	Fees	Salary	Discretionary bonus	Allowances and benefits in kind	Employer's contribution to pension scheme	Other emoluments paid or payables in respect of director's other service	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2022							
Executive directors:							
— Sun Fengquan *(Chief executive officer)*	2,793	–	–	–	–	–	2,793
— Ku Ka Lee Clarie	2,441	–	–	–	–	–	2,441
— Ma Fujun	103	731	–	–	78	–	912
— Lam Kin Fung Jeffrey	1,035	–	–	–	–	–	1,035
— Lam Lee G. *(Note i)*	2,789	–	–	–	–	–	2,789
Non-executive directors:							
— Lam Lee G. *(Note i)*	–	–	–	–	–	–	–
— Lam John Cheung Wah *(Note ii)*	159	–	–	–	–	885	1,044
— Yip Chung Yin	310	–	–	–	–	–	310
— Mazlan Binti Othman *(Note iii)*	76	–	–	–	–	–	76
— Niu Aimin *(Note iv)*	152	1,086	–	–	9	–	1,247
Independent non-executive directors:							
— Leung Kwong Ho *(Note v)*	159	–	–	–	–	–	159
— Brooke Charles Nicholas	310	–	–	–	–	–	310
— Hung Ka Hai Clement	310	–	–	–	–	–	310
— Chan Ka Keung, Ceajer	309	–	–	–	–	–	309
— Yuen Kwok Keung *(Note vi)*	309	–	–	–	–	–	309
— Mazlan Binti Othman *(Note iii)*	76	–	–	–	–	–	76
— Juan de Dalmau-Mommertz *(Note vii)*	–*	–	–	–	–	–	–*
— Lo Chi Chung William *(Note vii)*	3	–	–	–	–	–	3
	11,334	1,817	–	–	87	885	14,123

* *Below RMB1,000*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

Notes:

(i) re-designated as executive director on 3 January 2022

(ii) resigned on 5 July 2022

(iii) appointed on 5 July 2022 as independent non-executive director and re-designated as non-executive director on 5 October 2022

(iv) appointed on 5 July 2022

(v) appointed on 3 January 2022

(vi) appointed on 16 September 2022

(vii) resigned on 3 January 2022

During the years ended 31 December 2023 and 2022, none of the directors of the Company waived or has agreed to waive any emolument.

(b) Directors' retirement benefits and termination benefits

During the years ended 31 December 2023 and 2022, no emoluments, retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor were any payable.

(c) Consideration provided to third parties for making available directors' services

During the years ended 31 December 2023 and 2022, no consideration was provided to third parties for making available directors' services.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the years ended 31 December 2023 and 2022, save as disclosed elsewhere, there were no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities.

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed elsewhere in the consolidated financial statements, no other significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

FINANCIAL SUMMARY

The following is a summary of the consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from published audit financial statements of the Group. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE	**593,508**	635,432	650,230	547,825	546,325
GROSS PROFIT	**64,709**	26,042	37,116	49,594	60,479
(LOSS)/PROFIT BEFORE INCOME TAX	**(226,685)**	(152,981)	(46,957)	20,327	29,187
INCOME TAX CREDIT/(EXPENSE)	**3,904**	(1,310)	(6,118)	(3,004)	(3,730)
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY	**(211,141)**	(154,290)	(53,075)	17,323	25,457
NON-CONTROLLING INTEREST	**(11,640)**	(1)	–	–	–

FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	Year ended 31 December				
	2023	2022	2021	2020	2019
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS	**757,790**	676,426	443,870	140,300	84,909
CURRENT ASSETS	**397,093**	550,925	497,441	435,463	359,640
TOTAL ASSETS	**1,154,883**	1,227,351	941,311	575,763	444,549
NON-CURRENT LIABILITIES	**215,087**	358,876	107,926	32,030	1,878
CURRENT LIABILITIES	**736,419**	622,593	441,842	293,443	206,490
TOTAL LIABILITIES	**951,506**	981,469	549,768	325,473	208,368