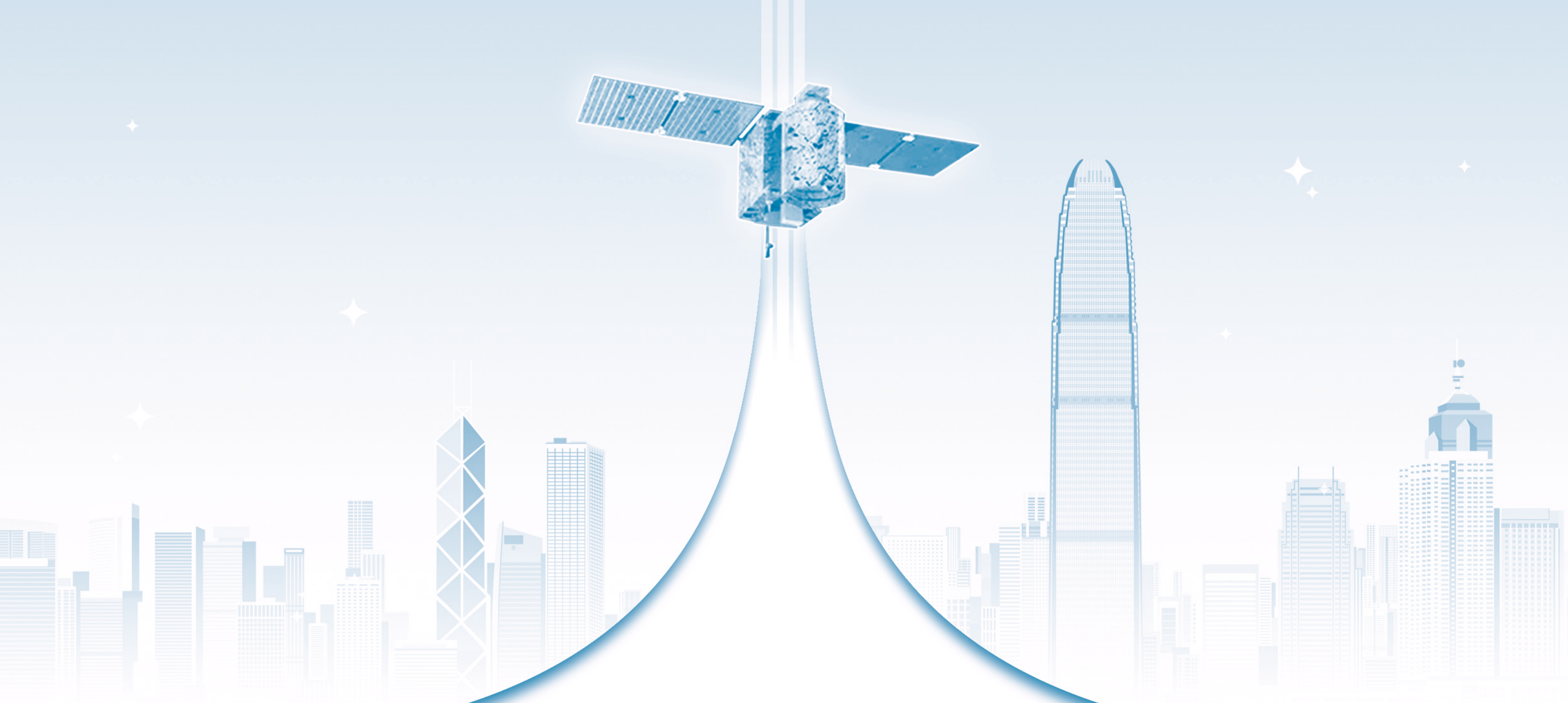
香港航天科技集團有限公司

HONG KONG AEROSPACE TECHNOLOGY GROUP LIMITED

(Incorporated in the Cayman Island with limited liability)

Stock Code: 1725.HK

ANNUAL REPORT 2022



CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Sun Fengquan
(Co-Chairman and Chief Executive Officer)
Dr. Lam Lee G. *(Co-Chairman)*
(re-designated from a non-executive director to an executive director on 3 January 2022)
Mr. Lam Kin Fung Jeffrey
Ms. Ku Ka Lee Clarie *(Vice Chairman)*
Mr. Ma Fujun

NON-EXECUTIVE DIRECTORS

Dr. Mazlan Binti Othman
(appointed as an independent non-executive director on 5 July 2022 and re-designated as a non-executive director on 5 October 2022)
Mr. Niu Aimin
(appointed on 5 July 2022)
Dr. Yip Chung Yin
Mr. Lam John Cheung-Wah
(resigned on 5 July 2022)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Brooke Charles Nicholas
Professor Chan Ka Keung, Ceajer
(appointed on 3 January 2022)
Mr. Hung Ka Hai Clement
Dr. Yuen Kwok Keung
(appointed on 3 January 2022)
Mr. Juan de Dalmau-Mommertz
(appointed on 16 September 2022)
Mr. Leung Kwong Ho
(resigned on 5 July 2022)
Mr. Lo Chi Chung William
(resigned on 3 January 2022)

AUDIT COMMITTEE

Mr. Hung Ka Hai Clement *(Chairman)*
(appointed as chairman on 3 January 2022)
Mr. Brooke Charles Nicholas
Professor Chan Ka Keung, Ceajer
(appointed as member on 3 January 2022)
Mr. Leung Kwong Ho
(re-appointed as member on 3 January 2022, resigned as member on 5 July 2022)
Mr. Lo Chi Chung William
(resigned as chairman on 3 January 2022)

NOMINATION COMMITTEE

Mr. Sun Fengquan *(Chiarman)*
Dr. Lam Lee G.
(appointed as member on 3 January 2022)
Mr. Hung Ka Hai Clement
Dr. Yuen Kwok Keung
(appointed as member on 3 January 2022)
Mr. Leung Kwong Ho
(re-appointed as member on 3 January 2022, resigned as member on 5 July 2022)
Mr. Lo Chi Chung William
(resigned as member on 3 January 2022)

REMUNERATION COMMITTEE

Professor Chan Ka Keung, Ceajer *(Chairman)*
(appointed as chairman on 3 January 2022)
Dr. Lam Lee G.
Mr. Brooke Charles Nicholas
Dr. Yuen Kwok Keung
(appointed as member on 3 January 2022)
Mr. Hung Ka Hai Clement
(resigned as chairman on 3 January 2022)

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

HEADQUARTER 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")

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

PRINCIPAL BANKERS

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

CAYMAN ISLANDS PRINCIPAL REGISTRAR AND TRANSFER OFFICE

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

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.

AUDITOR

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

SHARE LISTING

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

STOCK CODE

1725

STOCK NAME

HK Aero Tech

CORPORATE WEBSITE ADDRESS

www.hkatg.com

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Hong Kong Aerospace Technology Group Limited (the "**Company**" and together with its subsidiaries, the "**Group**"), I would like to present to the shareholders of the Company the annual report of the Group for the year ended 31 December 2022 (the "**Reporting Period**").

The Company is an investment holding company. The Group is principally engaged in (i) electronics manufacturing services ("**EMS**") business (the "**EMS Business**") which includes provision of design enhancement and verification, offering of technical advice and engineering solutions, raw materials selection and procurement, quality control, logistic and delivery and after-sale services to the customers in respect of the assembling and production of printed circuit board assemblies (the "**PCBAs**") and fully-assembled electronic products; and (ii) aerospace business (the "**Aerospace Business**"), which includes (1) satellite manufacturing; (2) satellite communication; (3) satellite measurement and controlling; and (4) satellite launching.

BUSINESS REVIEW

During the Reporting Period, increasingly gloomy developments of the world economy including, among others, tighter financial conditions triggered by higher global inflation; negative spillovers from the war in Ukraine; and an economic slowdown in China as a result of the pandemic and lockdowns as well as the escalation of the property sector crisis hit the world economy which was already weakened by the outbreak of COVID-19. Although the COVID-19 pandemic in China gradually came under control since the second half of 2021, the sudden outbreak of variants of the coronavirus in different provinces across China and the imposition of strict lockdown, travel restrictions and quarantine measures still had adverse impacts on the business performance of the Group during the Reporting Period.

During the Reporting Period, a turnover of approximately RMB635 million was recorded by the Group, representing a minor decrease of approximately 2.3% as compared with that for the corresponding period in 2021; while the loss attributable to equity holders of the Company of approximately RMB154 million was recorded as compared with that for the corresponding period in 2021 of approximately RMB53 million was mainly due to the significant increase in administrative expenses caused by the rapid expansion of the Aerospace Business. The Group commenced its Aerospace Business in the second half of 2021 and has invested a large amount of resources in its Aerospace Business in the past one year, including but not limited to expansion of aerospace expert team and business development team and leasing of new premises for the establishment of aerospace satellite manufacturing and satellite industry supply chain facilities. The net loss for the Reporting Period was primarily attributable to the significant increase in administrative expenses caused by the rapid expansion of the Aerospace Business.

Business Strategies and Outlook

Looking ahead, the manufacturing industry in the PRC remains uncertain. Although the PRC Government has recently taken several measures and actions with an aim to increase investors' confidence in the PRC economy, there can be no assurance that those measures will be effective. In addition, the lack of fundamental relief of geopolitical conflicts could undermine the manufacturing industry in the PRC. Despite facing such challenges, the Board is still positive on the prospect of the Aerospace Business in view of the growth potential after the completion of the 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 (the "**AMC**"). The Group will strive to sustain long-term growth in the Aerospace Business and the EMS Business by implementing the following business strategies:

— continue to expedite the establishment of satellite manufacturing centre and a satellite operation control and application centre to create new revenue under the Aerospace Business;

— continue to expand and develop the satellite manufacturing and launching business;

— commence satellite communication business and develop the satellite internet communication service sector;

— continue to make efforts to expand the customer base to broaden the sources of revenue and diversify business risk;

— continue to strengthen research and development capabilities so as to explore more business opportunities;

— continue to carefully review and extensively investigate into the current situation in relation to costs and resources deployment to enhance production efficiency; and

— continue to explore financing opportunities so as to increase the liquidity of the Group.

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.

By order of the Board

Sun Fengquan
Co-Chairman & Chief Executive Officer

Hong Kong, 29 March 2023

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:

	2022 *RMB'000*	2021 *RMB'000*
PRC	**465,866**	427,918
USA	**20,441**	116,579
South Korea	**35,556**	19,362
India	**26,281**	8,446
Australia	**21,702**	54,576
Vietnam	**20,611**	3,437
Germany	**15,160**	400
Hong Kong	**12,326**	7,707
United Kingdom	**10,530**	–
Austria	**6,434**	10,728
Brazil	**137**	1,077
Others *(Note)*	**388**	–
	635,432	650,230

Note: Others include France and Spain.

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 2021 respectively:

	Revenue for the year ended 31 December			% of total revenue for the year ended 31 December		
	2022 *RMB'000*	2021 *RMB'000*	Change *%*	2022	2021	Change
PCBAs	**495,040**	331,805	49.2	**77.9**	51.0	26.9
Fully-assembled electronic products	**140,392**	318,425	(55.9)	**22.1**	49.0	(26.9)
Total	**635,432**	650,230	(2.3)	**100**	100	–

PCBAs

Based on the usage of the final electronic products which 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 increased by approximately 49.2% from approximately RMB331.8 million for the year ended 31 December 2021 to approximately RMB495.0 million for the Reporting Period. The surge in demand for home appliances and smart home devices was noted which is mainly caused by lockdown restrictions during the pandemic.

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 controller, 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 decreased by approximately 55.9% from approximately RMB318.4 million for the year ended 31 December 2021 to approximately RMB140.4 million for the Reporting Period primarily due to the significant decrease in demand from mobile phones and tablets manufacturers who did not publish new models and place related new orders during the Reporting Period.

Gross Profit and Gross Profit Margin by Product Type

Gross profit of the Group for the Reporting Period was approximately RMB26.0 million, representing a decrease of approximately RMB11.1 million or 29.8% as compared with approximately RMB37.1 million for the year ended 31 December 2021. Overall gross profit margin decreased from 5.7% for the year ended 31 December 2021 to 4.1% for the Reporting Period.

	Gross profit for the year ended 31 December			Gross profit margin for the year ended 31 December		
	2022	2021	Change	**2022**	2021	Change
	RMB'000	*RMB'000*	*(%)*	**%**	%	*(%)*
PCBAs	**25,350**	34,480	(26.5)	**5.1**	10.4	(5.3)
Fully-assembled electronic products	**692**	2,636	(73.7)	**0.5**	0.8	(0.3)
Total	**26,042**	37,116	(29.8)	**4.1**	5.7	(1.6)

PCBAs

The gross profit derived from the sales of PCBAs decreased by approximately 26.5% to approximately RMB25.4 million for the Reporting Period (2021: approximately RMB34.5 million). The gross profit margin decreased to approximately 5.1% for the Reporting Period (2021: approximately 10.4%), which was primarily resulted from the increase in material costs and transportation costs under pandemic situation during the Reporting Period.

Fully-assembled electronic products

The gross profit derived from the sales of fully-assembled electronic products decreased by approximately 73.7% to approximately RMB0.7 million for the Reporting Period (2021: approximately RMB2.6 million). The gross profit margin decreased to approximately 0.5% for the Reporting Period (2021: approximately 0.8%), which was mainly due to the Group having continuously offered a more competitive price with lower gross profit margin for the largest customer and also increase in material costs and transportation costs during the Reporting Period.

Other Income

Other income of the Group for the Reporting Period of approximately RMB5.1 million comprises discretionary government grants and sundry income. The increase of other income is mainly due to the increase of government grants received for the Reporting Period by approximately 41.2% from approximately RMB3.4 million for the year ended 31 December 2021 to approximately RMB5.0 million.

Selling and Distribution Expenses

Selling and distribution expenses mainly comprised (i) employee benefit expenses which include salaries and allowance, social insurance contributions and staff welfare expenses for sales staff; (ii) 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 RMB21.3 million (2021: approximately RMB16.6 million), representing an increase of approximately 28.7% as compared to the year ended 31 December 2021. Selling and distribution expense against revenue ratio slightly increase from approximately 2.5% for the year ended 31 December 2021 to 3.4% for the Reporting Period. The increase in the selling and distribution expense was mainly due to both: (i) increase in employee benefit expenses and (ii) commission expenses for the EMS Business.

Administrative Expenses

Administrative expenses mainly represented (i) employee benefit expenses which include salaries and allowance, social insurance contributions and staff welfare expenses of administrative staff; (ii) legal and professional fees; and (iii) other expenses. For the Reporting Period, administrative expenses amounted to approximately RMB143.3 million (2021: approximately RMB69.6 million), representing a significant increase of approximately 105.8% as compared to the year ended 31 December 2021. The increase in administrative expenses was mainly due to: (i) the significant increase in salaries and allowances and additional professional fees incurred in the Aerospace Business; (ii) management fee expenses of new premises located at the AMC for the Aerospace Business; (iii) increased operating and administrative expenses for the brand new operating subsidiary for the EMS Business in Huizhou, the PRC; and (iv) increased depreciation expense in relation to new leased premises recognised as right-of-use assets for the establishment of satellite manufacturing and satellite industry supply chain facilities under the Aerospace Business.

Other Losses, Net

Other losses represented exchange differences increased from approximately RMB3.1 million for the corresponding period in 2021 to approximately RMB4.7 million for the Reporting Period.

Net Impairment Losses on Financial Assets

Net impairment losses on financial assets represented the provision of impairment of trade and bills receivables. For the Reporting Period, net impairment of approximately RMB1.7 million (2021: net impairment RMB0.1 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 borrowings, finance lease liability and lease liabilities while the finance income mainly represented interest income on cash and cash equivalents and pledged bank deposits. For the Reporting Period, the net finance costs of the Group were approximately RMB12.1 million (2021: approximately RMB0.7 million) representing an increase of approximately 1,644.1% as compared to the year ended 31 December 2021. The increased net finance cost was primarily due to the increased interest expenses in relation to: (i) additional bank borrowings in the EMS Business; and (ii) lease for right-of-use assets, especially properties.

Income Tax Expense

Income tax expense amounted to approximately RMB1.3 million for the Reporting Period (2021: approximately RMB6.1 million), representing a decrease of approximately 78.6% as compared to the year ended 31 December 2021. The significant decrease in income tax expense is mainly due to more subsidiaries under the EMS Business suffering loss during 2022.

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 RMB154.3 million for the Reporting Period as compared with that for the corresponding period in 2021 of approximately RMB53.1 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/Assets

The Group had net current liabilities of approximately RMB71.7 million as at 31 December 2022 (2021: net current assets of approximately RMB55.6 million). The current ratio of the Group decreased from approximately 1.1 as at 31 December 2021 to approximately 0.9 as at 31 December 2022.

Borrowings, the Pledge of Assets and Restricted Cash

The bank and other borrowings of the Group amounted to approximately RMB249.4 million as at 31 December 2022 (31 December 2021: approximately RMB202.6 million). The weighted average interest rate per annum of the Group's bank and other borrowings as at 31 December 2022 was 4.33% (31 December 2021: 6.42%). As at 31 December 2022, the bank and other borrowings were secured by properties, plant and equipment, pledged bank deposit, land-use rights, shares of the Company's subsidiary, a corporate guarantee provided by the Company and a personal guarantee by one of the Directors, Mr. Ma Fujun. As at 31 December 2021, the bank and other borrowings were secured by properties, plant and equipment, pledged bank deposit, land-use rights, a corporate guarantee provided by the Company and a personal guarantee provided by one of the Directors, Mr. Ma Fujun. As at 31 December 2022, the bank deposits amounting to RMB17.5 million were pledged in banks for the facilities granted by banks to the Group. As at 31 December 2021, the bank deposits amounting to RMB27.5 million were pledged in banks for the facilities granted by banks to the Group and a performance bond to a new customer. As at 31 December 2022, the cash and cash equivalents, pledged bank deposits, short term bank deposits and restricted cash and bank and other borrowings were mainly denominated in RMB, HK$, USD and EUR.

The Group had unutilised banking facilities of approximately RMB8.3 million as at 31 December 2022 (31 December 2021: approximately RMB376.2 million).

Gearing Ratio

The gearing ratio, which is calculated by total borrowings divided by total equity, was approximately 101.5% and 51.7% as at 31 December 2022 and 31 December 2021, respectively. During the Reporting Period, the bank borrowings and other borrowing increased by approximately RMB46.8 million which was mainly due to the increased borrowings for the construction of the production plants in Huizhou, Guangdong, the PRC and the development of the Aerospace Business.

Capital Structure

As at 31 December 2022, the Company's issued share capital was HK$3,090,000 and the number of issued shares of the Company was 309,000,000 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 RMB384.3 million (2021: RMB327.6 million). The capital expenditure was mainly related to the construction of production plant in Huizhou, Guangdong, the PRC, the additions of land-use right, office equipment, plant and machinery, satellites and intangible assets.

DIVIDEND

The Board does not recommend payment of final dividend for the year ended 31 December 2022 (2021: 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 2022, the Group had 1,164 employees with a total remuneration of approximately RMB151.8 million during the Reporting Period (2021: approximately RMB85.4 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 2022, the Group's capital commitment amounted to approximately RMB296.2 million (2021: RMB340.7 million). The capital commitment was mainly related to (i) the acquisitions of machinery and equipment and construction of Huizhou factory to expand the production capacity and enhance the production efficiency; (ii) the acquisitions of satellites for future development of the Aerospace Business; and (iii) the establishment of the Group's Hong Kong satellite manufacturing centre and the Hong Kong satellite operation control and application centre located at the AMC.

CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2022 (2021: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 31 December 2022.

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

Saved 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.

EVENTS AFTER THE REPORTING PERIOD

On 9 January 2023, the Company, the Government of the Republic of Djibouti and a Hong Kong private entity entered into a memorandum of understanding (the "**Djibouti MOU**") in relation to, among others, the cooperation in development of an international commercial spaceport in the Republic of Djibouti. Djibouti MOU had lapsed and ceased to have any effect. Details of the Djibouti MOU are set out in the announcements of the Company dated 9 January 2023 and 13 April 2023 respectively.

On 8 March 2023, one of the indirect wholly-owned subsidiaries of the Company, namely Aspace Satellite Technology Limited ("**Aspace**"), entered into a subscription agreement (the "**Subscription Agreement**") with a subscriber in relation to, among others, the issuance for 9,800 new shares of Aspace (representing 49% of the issued share capital of Aspace as enlarged by the subscription shares upon completion) at the subscription price of HK$147 million. Details of the Subscription Agreement are set out in the announcement of the Company dated 8 March 2023.

On 10 March 2023, the Company and an Italian private entity entered into a memorandum of understanding (the "**MOU**") in relation to, among others, the potential strategic collaboration in the space sector. Details of the MOU are set out in the announcement of the Company dated 10 March 2023.

On 17 March 2023, one of the wholly-owned subsidiaries of the Company established in the PRC, namely Gang Hang Ke (Shenzhen) Space Technology Co., Limited ("**SZ Gang Hang Ke**"), and a PRC vendor entered into a contract (the "**Contract**") in relation to, among others, the "One-Rocket-Thirty-Satellites" project for launch and in-orbit delivery of thirty (30) satellites, namely Nos. 7–36 satellites of the Golden Bauhinia Constellation project for the Group. Details of the Contract are set out in the announcement of the Company dated 17 March 2023.

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 58, was appointed as an executive Director, the Co-Chairman of the Board and the chief executive officer of the Company on 4 June 2021.

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. From 1993 to 2013, he was the chairman of Far East International Capital Management Limited. From 1990 to 1993, he was the deputy manager of Jincheng Asset Management Limited.

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

Dr. Lam, aged 63, was appointed as a non-executive Director and Co-Chairman of the Board respectively on 13 May 2021 and 4 June 2021, and re-designated as an executive Director on 3 January 2022.

Dr. Lam has extensive international experience in corporate management, strategy consulting, corporate governance, direct investment, investment banking and asset management. Dr. Lam was 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 a Part-time Member of the Central Policy Unit of the Hong Kong Special Administrative Region ("**HKSAR**") Government, a member of the Governance Committee of the Hong Kong Growth Portfolio and the Development Bureau Common Spatial Data Advisory Committee of HKSAR Government, Convenor of the Panel of Advisors on Building Management Disputes of the HKSAR Government Home Affairs Department, a member of the Belt and Road and Greater Bay Area Committee of the Hong Kong Trade Development Council and the Court of the City University of Hong Kong, Chair of the United Nations Economic and Social Commission for Asia and the Pacific Sustainable Business Network, Vice Chairman of Pacific Basin Economic Council and the Chairman of the Permanent Commission on Economic and Financial Issues of the World Union of Small and Medium Enterprises.

Dr. Lam holds a BSc in sciences and mathematics, an MSc in systems science and an MBA from the University of Ottawa in Canada, an LLB (Hons) in law from Manchester Metropolitan University in the UK, a PCLL in law from the City University of Hong Kong, a LLM in law from the University of Wolverhampton in the UK, an MPA and a 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, the Hong Kong Institute of Directors and the Institute of Corporate Directors Malaysia, 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 CSI Properties Limited (stock code: 497), Vongroup Limited (stock code: 318), Mei Ah Entertainment Group Limited (stock code: 391), Elife Holdings Limited (stock code: 223), Haitong Securities Company Limited (stock code: 6837, 600837 on the Shanghai Stock Exchange), Hang Pin Living Technology Company Limited (stock code:1682), Kidsland International Holdings Limited (stock code: 2122), Greenland Hong Kong Holdings Limited (stock code: 337), Huarong International Financial Holdings Limited (stock code: 993) and RENHENG Enterprise Holdings Limited (stock code: 3628), and a non-executive director of each of Sunwah Kingsway Capital Holdings Limited (stock code: 188), China LNG Group Limited (stock code: 931) and 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. Dr. Lam is also an independent non-executive director of Asia-Pacific Strategic Investments Limited (stock code: 5RA), Alset International Limited (stock code: 40V), Beverly JCG Limited (stock code: VFP), and Thomson Medical Group Limited (stock code: A50), the shares of all of which are listed on the Singapore Exchange. Dr. Lam is an independent non-executive director of AustChina Holdings Limited (stock code: AUH), whose shares are listed on the Australian Securities Exchange and TMC Life Sciences Berhad (stock code: 0101), whose shares are listed on the Bursa Malaysia, 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 National Arts Group Holdings Limited (stock code: 8228) up to July 2022, Tianda Pharmaceuticals Limited (stock code: 455) up to August 2021 and China Shandong Hi-Speed Financial Group Limited (stock code: 412) up to May 2020, and he was also an independent non-executive director of Aurum Pacific (China) Group Limited (stock code: 8148) up to March 2021 and Huarong Investment Stock Corporation Limited (stock code: 2277, which was privatized on 12 November 2020) up to December 2020, the shares of all of which are/were listed on the Stock Exchange. He was an independent non-executive director of each of Sunwah International Limited (stock code: SWH, listed on the Toronto Stock Exchange) up to June 2021, Top Global Limited (stock code: BHO, listed on Singapore Exchange) up to August 2021.

Mr. Lam Kin Fung Jeffrey *GBS, JP* ("Mr. Lam")

Mr. Lam, aged 71, was appointed as an executive Director on 16 July 2021. He is the managing director of Forward Winsome Industries Limited. Mr. Lam holds a bachelor's degree in mechanical engineering from Tufts University in the United States, was conferred university fellow of Tufts University in 1997 and The Hong Kong Polytechnic University in 2000.

Mr. Lam is a member of the Legislative Council of the HKSAR, a non-official member of the Executive Council of the HKSAR, a general committee member of the Hong Kong General Chamber of Commerce and a honorary member of the Court of The Hong Kong Polytechnic University, a director on the board of Heifer International Hong Kong. Mr. Lam also holds a number of other public and community service positions.

Mr. Lam was awarded the Young Industrialist Award of Hong Kong in 1989 and the Outstanding Achievement Award — Hong Kong Toy Industry in 1999. In 1996, he was appointed Justice of the Peace and became a member of the Most Excellent Order of the British Empire. Mr. Lam was awarded the Silver Bauhinia Star in 2004 and the Gold Bauhinia Star in 2011.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lam has been appointed as an independent non-executive director of the following listed companies whose shares are listed on the Stock Exchange:

— C C Land Holdings Limited (stock code: 1224) since June 1988;
— Wynn Macau, Limited (stock code: 1128) since September 2009;
— China Overseas Grand Oceans Group Limited (stock code: 81) since May 2010;
— Chow Tai Fook Jewellery Group Limited (stock code: 1929) since November 2011;
— CWT International Limited (stock code: 521) since October 2013;
— i-CABLE Communications Limited (stock code: 1097) since September 2017;
— Analogue Holdings Limited (stock code: 1977) since May 2018;
— Wing Tai Properties Limited (stock code: 369) since June 2018; and
— China Strategic Holdings Limited (stock code: 235) since December 2020.

Ku Ka Lee Clarie ("Ms. Ku")

Ms. Ku, aged 66, was appointed as an executive Director and the Vice Chairman of the Board respectively on 16 July 2021 and 23 July 2021. She was the former Deputy Secretary for Financial Services & the Treasury of the HKSAR 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 IMF, World Bank, UN Security Council, Basel Committee, etc. to formulate policies on counter terrorist financing. In 2007, Ms. Ku assisted the Honourable Tung Chee Hwa to form the China-United States Exchange Foundation as its CEO 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.

The Chief Executive of HKSAR awarded Ms. Ku the Chief Executive's Commendation for Public Service. Ms. Ku was an official Justice of 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.

Ms. Ku is currently the President of International Women Forum (HK chapter) and Co-Chair of the Belt & Road Culture Exchange Foundation for Women. She also advises on 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ma Fujun ("Mr. Ma")

Mr. Ma, aged 49, was first appointed as a Director on 15 March 2017, and was re-designated as executive Director on 28 February 2018. He also held the positions as the chairman of the Board and chief executive officer of the Company until 4 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.

NON-EXECUTIVE DIRECTORS

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

Dr. Othman, aged 71, was appointed as an independent non-executive Director on 5 July 2022 and was re-designated as non-executive Director on 5 October 2022. She obtained a Ph.D. 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 Universiti Kebangsaan Malaysia 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 International Science Council (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 56, was appointed as non-executive Director and a member cum secretary of International Cooperation Committee, both with effect from 5 July 2022. Mr. Niu respectively received his master's degree in 1991 in Aeronautical and Aerospace System Engineering and bachelor's degree in 1988 in Aerospace Mechanical Engineering with specialization of Airplane and Engine. 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 Centre to promote applications of BeiDou/Global Navigation Satellite System (GNSS) in various industries all over the world.

Mr. Niu served the United Nations Office for Outer Space Affairs (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.

Dr. Yip Chung Yin *JP* ("Dr. Yip")

Dr. Yip, aged 60, was appointed as a non-executive Director on 16 July 2021. He is the managing director of G.E.W. International Corporation Limited ("**GEW**"). GEW is an electrical appliances manufacturer with original equipment manufacturing (OEM), original design manufacturing (ODM) and original brand manufacturing (OBM) business. Dr. Yip has over 35 years' experience in the electrical appliances manufacturing industry, and holds a Bachelor Degree in Mechanical Engineering and a Master Degree in Business Administration, both from Rutgers University in the United States in 1987 and an Engineering Doctorate Degree from University of Warwick in the United Kingdom in 2008. Dr. Yip has been appointed as an industrial fellow from University of Warwick in 2013. In 1999, Dr. Yip received The Hong Kong Young Industrialists Award which shows the recognition of his personal achievements and commitment to the community. Currently, Dr. Yip is the Honorary President of the Federation of Hong Kong Industries after stepping down as Chairman of the Federation of Hong Kong Industries in July 2021 and Deputy Chairman of Vocational Training Council. Dr. Yip also holds a number of other public and community service positions.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Brooke Charles Nicholas *GBS, JP* ("Mr. Brooke")

Mr. Brooke, aged 81, was appointed as an independent non-executive Director on 16 July 2021. He is currently the chairman of Professional Property Services Limited. Mr. Brooke holds a Bachelor of Science degree and a Diploma in Business Administration from University of London, United Kingdom. He is a Chartered Surveyor, a global past President of Royal Institution of Chartered Surveyors (RICS) and a fellow of The Hong Kong Institute of Surveyors (HKIS).

Mr. Brooke is a recognised authority on land administration and planning matters and has over 40 years of experience within the property industry, both as a principal and an advisor. He has been involved in a large number of projects in various geographical locations, playing a major role in the development and funding of complex mixed-use projects and the identification of innovative solutions to public and private sector initiatives.

Mr. Brooke is also a keen advocate of the importance of innovation and technology in Hong Kong and was closely involved with the establishment of the Hong Kong Science and Technology Parks Corporation; joined their board in May 2001 and led the development of all three phases of Hong Kong Science Park until he stepped down as chairman in June 2014. He led the development of the Park as an exemplar of the benefits that can be derived from green and smart technologies.

Mr. Brooke is the Immediate Past Chairman of the Urban Land Institute ("**ULI**") Asia Pacific, of which he is also a lifetime trustee. ULI's mission is to provide leadership in the responsible use of land and in creating and sustaining thriving communities worldwide.

Mr. Brooke is the principal advisor to the APEC Policy Partnership on Science, Technology and Innovation (PPSTI) which provides guidance to APEC and its 21 member economies on the priorities and projects to be pursued in responding to the challenges faced in the current rapidly changing world.

Mr. Brooke is the immediate past chairman of the Hong Kong Harbourfront Commission and was the deputy Chairman of the Hong Kong Town Planning Board and a former member of the Hong Kong Housing Authority. He is also an honorary member of Hong Kong Institute of Architects and the American Institute of Architects (Hong Kong Chapter) and an honorary fellow of Hong Kong University of Science & Technology, of Lingnan University and of the University College of Estate Management (UCEM), United Kingdom.

Mr. Brooke was awarded the Gold Bauhinia Star (GBS) on 1 July 2018 in recognition of his distinguished public and community service.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Professor Chan Ka Keung, Ceajer *GBS, JP* ("Prof. K.C. Chan")

Prof. K.C. Chan, aged 66, was appointed as an independent non-executive Director on 3 January 2022. He is the chairman and a non-executive director of WeLab Bank Limited and Senior Advisor of WeLab Holdings Limited, a leading fintech company in Asia with one of the first virtual banks established in Hong Kong.

Prof. K.C. Chan was appointed as Secretary for Financial Services and the Treasury of the Government of the HKSAR from July 2007 to June 2017. Prior to that, he was Dean of Business and Management in the Hong Kong University of Science and Technology ("**HKUST**"). He is currently Adjunct Professor at HKUST Business School.

Prof. K.C. Chan received his bachelor's degree in economics from Wesleyan University and his M.B.A. and Ph.D. in finance from the University of Chicago. He specialized in assets pricing, evaluation of trading strategies and market efficiency and has published numerous articles on these topics.

Prof. K.C. Chan is a member of the Competition Commission and a director of the One Country Two Systems Research Institute. In the past, he held a number of public service positions including Chairman of the Consumer Council, a director of the Hong Kong Futures Exchange, a non-executive director of The Hong Kong Mortgage Corporation Limited, and a member of the Commission on Strategic Development. Commission on Poverty, the Exchange Fund Advisory Committee, the Hang Seng Index Advisory Committee, and the Hong Kong Council for Academic Accreditation.

Prof. K.C. Chan is currently an independent non-executive director of NWS Holdings Limited (stock code: 659), Langham Hospitality Investments and Langham Hospitality Investments Limited (stock code: 1270), Guotai Junan International Holdings Limited (stock code: 1788), China Overseas Land & Investment Limited (stock code: 688) and Champion Real Estate Investment Trust (stock code: 2778), all of which are Hong Kong listed public companies. He is also an independent non-executive director of CMB International Capital Corporation Limited and Greater Bay Area Homeland Investments Limited.

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

Mr. Hung, aged 67, was appointed as an independent non-executive Director on 16 July 2021. He obtained a bachelor of arts degree from the University of Huddersfield (now known as University of Lincoln), United Kingdom in 1980. Mr. Hung had served Deloitte China for 31 years where he had assumed various leadership roles before serving as chairman of Deloitte China from 2014 to 2016. He retired from Deloitte China with effect from June 2016. While working with Deloitte China, Mr. Hung assumed various leadership roles, including the managing partner of Deloitte Shenzhen office and Guangzhou office. He was also a member of the China management team of Deloitte China. Mr. Hung was 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 is serving or has, in the past three years, served as a director of each of the following listed companies whose shares are listed on the Stock Exchange:

— an independent non-executive director of Gome Finance Technology Co., Ltd. (formerly known as Sino Credit Holdings Limited) (stock code: 628) since 31 October 2016;

— a non-executive director of High Fashion International Limited (stock code: 608) since 1 December 2017;

— an independent non-executive director of China East Education Holdings Limited (stock code: 667) since 25 November 2018;

— an independent non-executive director of Aoyuan Healthy Life Group Company Limited (stock code: 3662) since 22 February 2019;

— an independent non-executive director of Huarong International Financial Holdings Limited (stock code: 993) since 13 December 2019;

— an independent non-executive director of Skyworth Group Limited (stock code: 751) since 18 March 2020;

— an independent supervisor of the supervisory committee of Ping An Insurance (Group) Company of China, Ltd. (stock code: 2318) since 18 July 2022 and the shares of which are also listed on the Shanghai Stock Exchange (stock code: 601318);

— an independent non-executive director of Zhongchang International Holdings Group Limited (formerly known as Henry Group Holdings Limited) (stock code: 859) from 12 January 2018 to 15 June 2020;

— an independent non-executive director of Tibet Water Resources Ltd. (stock code: 1115) from 31 December 2019 to 30 June 2021; and

— an independent non-executive director of Sheng Ye Capital Limited (stock code: 6069, the listing of the shares of which has been transferred to the Main Board from GEM of the Stock Exchange (stock code: 8469) with effect from 24 October 2019) from 19 June 2017 to 15 July 2022.

Dr. Yuen Kwok Keung *GBM, JP* ("Dr. Yuen")

Dr. Yuen, aged 58, was appointed as an independent non-executive Director on 3 January 2022.

Dr. Yuen is a Senior Counsel. Dr. Yuen received a Bachelor of Laws degree from University of Hong Kong in 1985, a Master of Law degree from City University of Hong Kong in 1997 as well as an Honorary Doctor of Laws degree from Hong Kong Shue Yan University in 2018 and City University of Hong Kong in 2021 respectively. Dr. Yuen has extensive legal experience.

Dr. Yuen is an independent non-executive director of China Shenhua Energy Company Limited (stock code: 1088), a senior barrister with Temple Chambers and he is also committee member of the International Commercial Expert Committee of the International Commercial Court of the Supreme People's Court of the People's Republic of China, the co-chair of the Hong Kong International Arbitration Centre, chairman of the counsel of the Hong Kong Mediation Accreditation Limited and a member of the Exchange Fund Advisory Committee.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Dr. Yuen served as Secretary for Justice of the HKSAR (2012-2018), Recorder of the High Court (2006-2012), a member of the Judicial Officers Recommendation Commission (2009-2018), chairman of the Hong Kong Bar Association (2007-2009), a non-official member of the Advisory Committee on Corruption of the Independent Commission Against Corruption (2009-2012), and a non-executive director of Mandatory Provident Fund Schemes Authority (2010-2012).

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

Mr. de Dalmau, aged 64, was appointed as an independent non-executive Director on 16 September 2022. 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 president of ISU from September 2018 to August 2021. In addition, Mr. de Dalmau held various senior management positions, including head of communications office at European Space Agency 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.

COMPANY SECRETARY

Ms. Cheng Ka Yan ("Ms. Cheng"), aged 38, has over 13 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), the shares of which are listed on GEM of the Stock Exchange since 30 December 2020, 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 March 2017 to May 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 (formerly known as China Minsheng Drawin Technology Group Limited, stock code: 726.HK) from May 2016 to April 2017 and the company secretary and accounting manager of Imagi International Holdings Limited (stock code: 585.HK) from April 2014 to April 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 July 2010 to January 2014.

Ms. Cheng graduated from The Hong Kong Polytechnic University and obtained a Master's degree in Corporate Governance in September 2017 and a Bachelor of Business Administration degree in Accountancy in June 2007. She is also a member of The Hong Kong Chartered Governance Institute and The Hong Kong Institute of Certified Public Accountants.

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**") in force during the Reporting Period as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the Reporting Period except the following deviations:

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

(b) Pursuant to code provision C.5.1 of the CG Code, the Board should meet regularly and Board meeting should be held at least four times a year at approximately quarterly intervals. During the Reporting Period, a total of three regular meetings of the Board were held across the year. The Directors always express their opinions and views directly via other means including meetings on different occasions, emails and other correspondences from time to time. The Board understands that it is more appropriate to hold regular Board meetings. In view of good corporate governance practices, the Board will meet regularly and hold at least four regular meetings of the Board in the forthcoming year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

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

CORPORATE GOVERNANCE DUTIES

The Board is responsible for performing the corporate governance duties as set out in code provision A.2.1 of the CG Code. During the Reporting Period, the Board had reviewed and discussed the corporate governance policy of the Group and was satisfied with the effectiveness of the corporate governance policy of the Group.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provisions C.2.1 of CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not segregate the roles of chairman and chief executive officer and Mr. Sun currently holds both of the chairman and chief executive officer positions, as explained in the paragraph headed "Corporate Governance Practices" above in the Corporate Governance Report.

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, law, finance and business. Their skills, expertise and number in the Board ensure that strong independent views and judgement are brought in the Board's deliberation and that such views and judgement carry weight in the Board's decision-making process. Their presence and participation also enable the Board to maintain high standards of compliance in financial and other mandatory reporting requirements and provide adequate checks and balances to safeguard the interests of the Company and the shareholders of the Company.

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

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 does not only enhance employee continuing passion towards work, but also helps attract and retain new recruits from diffident 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.

THE BOARD

The Board currently comprises five executive Directors, namely Mr. Sun (Co-Chairman and Chief Executive Officer), Dr. Lam (Co-Chairman), Mr. Lam, Ms. Ku (Vice Chairman) and Mr. Ma; three non-executive Directors, namely Dr. Othman, Mr. Niu and Dr. Yip; and five independent non-executive Directors, namely Mr. Brooke, Prof. K.C. Chan, Mr. Hung, Dr. Yuen and Mr. de Dalmau. The number of independent non-executive Directors represents more than one third of the Board. The biographical details of and relationships among the members of the Board are disclosed under the section headed "Biographical Details of Directors and Senior Management" on pages 12 to 20 of this annual report.

The Directors believe that the composition of the Board reflects the necessary balance of skills and experience appropriate for the requirements of the business development of the Group and for effective leadership as all the executive Directors possess extensive experience in corporate management and professional knowledge, while the five independent non-executive Directors possess professional knowledge and broad experience in accounting, law, finance and business. The Directors are of the opinion that the present structure of the Board can ensure the independence and objectivity of the Board and provide a system of checks and balances to safeguard the interests of the Company and the shareholders of the Company. The Directors have disclosed to the Company the offices held in other public companies or organisations and the time involved and the Company has received confirmations from each Director that he/she has devoted sufficient time to perform his/her responsibilities as a Director and has given sufficient attention to the affairs of the Company during his/her tenure of office.

The Board meets regularly throughout the year and communicates as and when required. During the Reporting Period, the Board held three regular meetings. Sufficient notices are given to all Directors at least 14 days before the regular Board meetings. All Directors are consulted whether to include any matters in the agenda. Agenda and accompany board papers are given to all Directors in a timely manner before the appointed date of each regular Board meeting. Drafts and final versions of Board minutes are circulated to all Directors for comments, approval and record.

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

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2022. Save as disclosed in Note 2.1(a) to the consolidated financial statements, the Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 101 to 107. The Board is responsible for leadership and control of the Company and oversees the Group's business, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors shall take decisions objectively in the interests of the Company. In addition, the Board has also delegated various responsibilities to the Board committees and directed and monitored senior management of the Group in pursuit of the Group's strategic decision. Board meetings are structured so as to encourage open discussion, frank debate and active participation by Directors in meetings. The Company provides the Board with information and explanations that are necessary to enable Directors to make an informed assessment of the financial and other information put before the Board.

The Company recognises that Board independence is pivotal in Board effectiveness and good corporate governance. The Company has established mechanisms for Directors to ensure independent views and input are available to the Board. The Board has reviewed the implementation and effectiveness of such mechanisms during the Reporting Period.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

With effect from 3 January 2022, (i) each of Prof. K.C. Chan and Dr. Yuen has been appointed as an independent non-executive Director; (ii) Mr. Lo Chi Chung William has resigned as an independent non-executive Director; and (iii) Dr. Lam has been re-designated from a non-executive Director to an executive Director.

With effect from 5 July 2022, (i) Dr. Othman has been appointed as an independent non-executive Director; (ii) Mr. Niu has been appointed as a non-executive Director; (iii) Mr. Lam John Cheung-wah has resigned as a non-executive Director; and (iv) Mr. Leung Kwong Ho has resigned as an independent non-executive Director.

With effect from 16 September 2022, Mr. de Dalmau has been appointed as an independent non-executive Director.

With effect from 5 October 2022, Dr. Othman has been re-designated from an independent non-executive Director to a non-executive Director.

All Directors are appointed for a specific term. Each of the Directors has entered into a letter of appointment with the Company for a period of three years commencing from the above respective date of appointment.

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. Lam, Ms. Ku, Dr. Othman, Mr. Niu, Mr. Brook, Mr. Hung and Mr. de Dalmau will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting ("**AGM**").

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. 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 seeks to achieve board diversity through the consideration of a range of diversity perspectives in the Board members' selection process, including but not limited to gender, age, 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 two female Director. It will take opportunity to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. 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 Board ("**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 Board Diversity Policy and agreed that the gender 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 Group welcomes all gender to join. The recruitment strategy is to employ a right staff for a right position regardless of the gender. The Group commits to provide equal opportunities to its staff in respect of recruitment, training and development, job advancement, and remuneration and benefits. As at 31 December 2022, the ratio of male and female in the workforce (including the executive Directors and senior management) is 2 and 1, respectively. The details of workforce composition in the PRC or Hong Kong were disclosed under Environmental, Social and Governance Report in this annual report. The Board considers that the gender diversity in workforce is currently achieved.

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 two. A meeting of the Board or any committee of the Board may be held by means of such telephone, electronic or other communication facilities as permit all persons participating 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 not exercise his/her voting rights on such proposal. Independent non-executive Directors who, and whose close associates, have no material interest in a matter should be present at the Board meeting.

The Board has established three committees, namely, the audit committee ("**Audit Committee**"), the remuneration committee ("**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 websites the of Stock Exchange (www.hkex.com.hk) and of the Company (www.hkatg.com). All Board Committees should report to the Board on their decisions or recommendations made.

Set out below are details of the attendance record of regular meetings of the Board, meetings of the Audit Committee, Nomination Committee, Remuneration Committee and general meeting of the Company during the Reporting Period:

	Number of meetings attended/held				
Name of Directors	**Board**	**Audit committee**	**Nomination committee**	**Remuneration committee**	**General meeting**
Executive Directors					
Mr. Sun Fengquan	3/3*	–	1/1*	–	1/1*
Dr. Lam Lee G.	3/3	–	1/1	1/1	1/1
Mr. Lam Kin Fung Jeffrey	3/3	–	–	–	1/1
Ms. Ku Ka Lee Clarie	3/3	–	–	–	1/1
Mr. Ma Fujun	2/3	–	–	–	1/1
Non-executive Directors					
Dr. Mazlan Binti Othman	2/2	–	–	–	–
Mr. Niu Aimin	2/2	–	–	–	–
Dr. Yip Chung Yin	3/3	–	–	–	1/1
Mr. Lam John Cheung-wah	1/1	–	–	–	1/1
Independent non-executive Directors					
Mr. Brooke Charles Nicholas	3/3	5/5	–	1/1	1/1
Professor Chan Ka Keung, Ceajer	3/3	5/5	–	1/1*	1/1
Mr. Hung Ka Hai Clement	3/3	5/5*	1/1	–	1/1
Dr. Yuen Kwok Keung	3/3	–	1/1	1/1	1/1
Mr. Juan de Dalmau-Mommertz	1/1	–	–	–	–
Mr. Leung Kwong Ho	1/1	4/4	–	–	1/1
Mr. Lo Chi Chung William	–	–	–	–	–

* representing chairman of the Board, the Board Committees and general meeting

Pursuant to code provision C.2.7 of the CG Code, the Chairman should hold meetings with independent non-executive Directors without the presence of other Directors at least annually. The Company held one meeting in accordance with the CG Code.

All Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expense.

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 advice in respect of the financial reporting process, and to oversee the risk management and internal control systems of the Group. During the Reporting Period, the Audit Committee comprises three members, all being independent non-executive Directors, namely, Mr. Hung (Chairman), Mr. Brooke and Prof. K.C. Chan. The Group's accounting principles and policies, financial statements and related materials for the year had been reviewed by the Audit Committee.

During the Reporting Period, the Audit Committee has held five meetings for discussion on the audit and financial reporting related matters. At the meetings, the Audit Committee had reviewed the final results for the year ended 31 December 2021, the interim results for the six months ended 30 June 2022 and the Group's risks management and internal control for the year ended 31 December 2021. 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 terms of reference of the Audit Committee are available on the websites of the Company and of the Stock Exchange.

The external auditor was invited to attend the Audit Committee meetings held during the year 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 each Audit Committee meeting.

The Group's final results 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.

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. During the Reporting Period, the Remuneration Committee comprises one executive Director, namely Dr. Lam and three independent non-executive Directors, namely Prof. K.C. Chan (Chairman), Mr. Brooke and Dr. Yuen.

During the Reporting period, the Remuneration Committee has 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 2022 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. The terms of reference of the Remuneration Committee as revised on 30 December 2022 are available on the websites of the Company and of the Stock Exchange.

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 management of the Board succession. During the Reporting Period, the Nomination Committee consists of two executive Directors, namely, Mr. Sun (Chairman) and Dr. Lam; and two independent non-executive Directors, namely, Mr. Hung and Dr. Yuen.

During the Reporting period, the Nomination Committee has 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 recommendation 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. The terms of reference of the Nomination Committee are available on the websites of the Company and of the Stock Exchange.

Nomination Policy

The Company has adopted a nomination policy for the Nomination Committee to consider and make recommendations to Shareholders for election as Directors at general meetings or appoint as Directors to fill casual vacancies.

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.

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 of the Company 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.

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 and 37 to the consolidated financial statements.

CORPORATE GOVERNANCE FUNCTION

The Board does not have a Corporate Governance Committee. The functions that would be carried out by a Corporate Governance Committee are performed by the Board as a whole and are as follows:

1. to develop and review the Company's policies and practices on corporate governance;

2. to review and monitor the training and continuous professional development of the Directors and senior management;

3. to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and

5. to review the Company's compliance with the CG code and disclosure in the Corporate Governance Report.

The corporate governance policy is formulated with an emphasis on the Board's quality, effective internal control, stringent disclosure practices and transparency and accountability to all shareholders of the Company. The Board strives to comply with the code provisions and reviews its corporate governance policy regularly in order to maintain high standards of business ethics and corporate governance, and to ensure the full compliance of the Group's operations with applicable laws and regulations.

CONTINUOUS PROFESSIONAL DEVELOPMENT

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 of the Directors, being Mr. Sun, Dr. Lam, Mr. Lam, Ms. Ku, Mr. Ma, Dr. Othman, Mr. Niu, Dr. Yip, Mr. Lam John Cheung-Wah, Mr. Brooke, Prof. K.C. Chan, Mr. Hung, Dr. Yuen, Mr. de Dalmau, Mr. Leung Kwong Ho and Mr. Lo Chi Chung William, participated in training on corporate governance, director's duties, environment, social and governance, and/or kept up with relevant regulatory update.

EXTERNAL AUDITOR’S REMUNERATION

The Company engaged PricewaterhouseCoopers, as the external auditor for the year ended 31 December 2022. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. During the year ended 31 December 2022, auditor’s remuneration related to audit services amounted to approximately RMB2.7 million and those for non-audit services, which includes agreed-upon procedures, internal control review and environmental, social and governance assessment, amounted to approximately RMB1.2 million.

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 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. An annual review of the effectiveness of the system of internal controls of the Group will be 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 2022. 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.

DELEGATION BY THE BOARD

In general, the Board oversees the Company’s strategic development and determines the objectives, strategies and policies of the Group. The Board also monitors and controls operating and financial performance and sets appropriate policies for risk management in pursuit of the Group’s strategic objectives. The Board delegates the implementation of strategies and day-to-day operation of the Group to the management.

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 qualification and experience, and is capable of performing the functions of the company secretary. During the year ended 31 December 2022, Ms. Cheng confirmed that she has participated in no less than 15 hours of relevant professional training. The Company will provide the funds for Ms. Cheng to participate in no less than 15 hours of appropriate professional training for each financial year as required under Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An AGM of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an AGM, 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 secretary of the Company, 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 of the Company 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 meeting of the Company is 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. The Company also maintains a website at www.hkatg.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 was updated on a regular basis and the shareholders could access the latest information of the Company through the corporate website. Information released by the Company to the Stock Exchange was also posted on the corporate website as soon as reasonably practicable thereafter. The Shareholders were provided with the opportunities to communicate with the Directors directly at general meetings. Enquires from the Shareholder will be responded within a specific timeframe. Based on the above, the Board was of the view that the arrangements regarding shareholders' communication were effective.

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.

Constitutional Documents

The Company has adopted the second amended and restated articles of association of the Company by special resolutions passed on 29 June 2022 and effective on the same day. Save as disclosed above, there had been no changes in the constitutional documents of the Company during the Reporting period.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1.0 ABOUT THE ESG REPORT

1.1 Introduction

This Environmental, Social and Governance Report (the "**Report**") is the fifth Environmental, Social and Governance Report of Hong Kong Aerospace Technology Group Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**" or "**we**"). The Report aims to highlight the environmental, social and governance performance of the Group for the financial year from 1 January 2022 to 31 December 2022 (the "**year**") and its response to the concerns of key stakeholders.

1.2 Basis of Preparation

The Report was prepared in accordance with Appendix 27 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: Guide Content Index in the Report.

1.3 Scope of Report

This report covers Hong Kong Aerospace Technology Group Limited and its subsidiaries, including Hong Kong Aerospace Technology's Headquarters, Gang Hang Ke (Shenzhen) Space Technology Limited, Shenzhen Hengchang Sheng Technology Co., Ltd., 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 with a comprehensive materiality analysis involving stakeholder engagement and based on their most significant impact on the Group's sustainability and the areas of greatest interest or concern to stakeholders.

1.4 Principles of Preparation

This Report has been prepared in accordance with the "Materiality Principle", "Consistency Principle", "Quantification Principle" and "Balance Principle" of the Environmental, Social and Governance Reporting Guidelines set out in Rule 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**HKEx ESG Reporting Guidelines**").

Materiality	Regular stakeholder engagement and materiality assessment process to identify material ESG matters and ensure that these matters are reflected in the Group's reports
Consistency	Unless otherwise stated, data collection and calculation methods disclosed in the Report are consistent throughout the year to allow for meaningful comparisons at any time
Quantification	The data presented in the Report has been checked and verified, and this relevant calculation methods and standards used have been disclosed
Balance	The sustainable development issues that have a significant impact on the business are detailed in this Report, including the results of the work and the challenges faced

1.5 Feedback

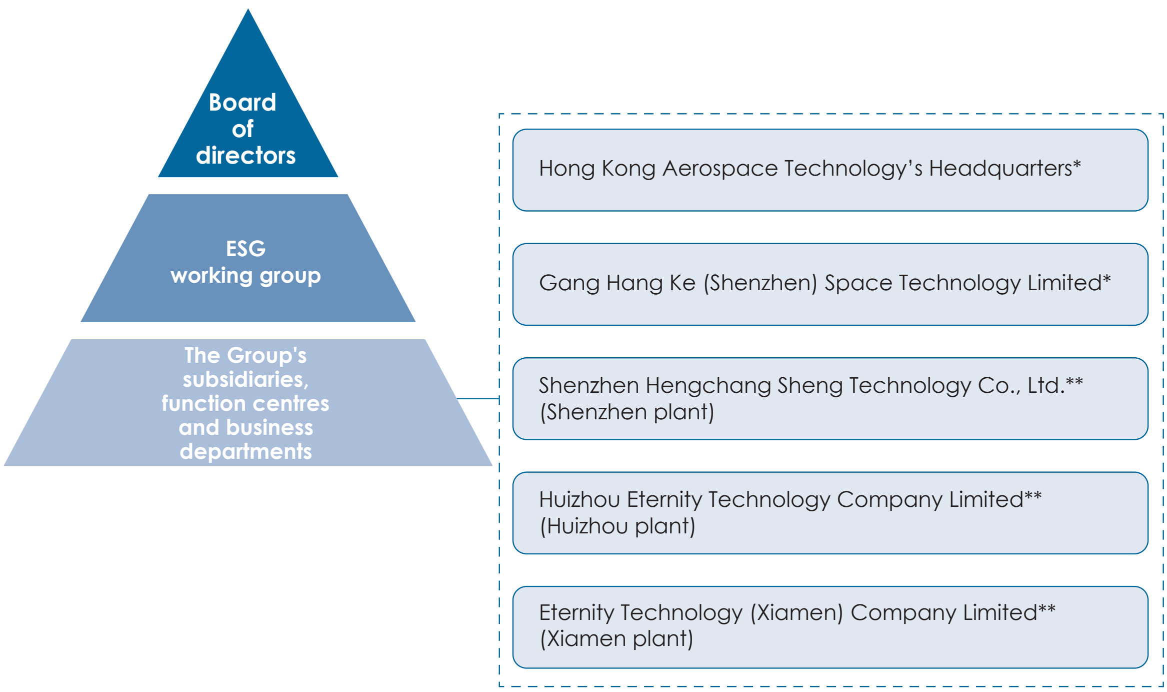
The Group attaches great importance to the views of stakeholders. If you have any comments or suggestions on the Report or the Group's overall sustainability, please contact us by email at ir@hkatg.com.

2.0 ESG RESPONSIBILITIES

2.1 ESG Framework

The Group is committed to implementing the concept of sustainable development in its operations and management, continuously improving and perfecting its environmental, social and governance mechanisms, striving for harmonious integration with the environment and society, and continuing to create long-term and robust environmental, social and corporate values.

The Board of Directors of the Group attaches great importance to sustainable development performance and is responsible for the strategic direction of the Group and has overall responsibility for environmental, social and governance matters. In order to effectively implement ESG-related work, the Group continues to optimize the ESG working group and to improve and implement the sustainable development responsibilities of the Group's subsidiaries. The environmental, social and governance management structure of the Group is as follows:



* Hong Kong Aerospace Technology's Headquarters and Gang Hang Ke (Shenzhen) Space Technology Limited, subsidiaries of the Group, are responsible for the aerospace business of the Group.

** Shenzhen Hengchang Sheng Technology Co., Ltd., Huizhou Eternity Technology Company Limited and Eternity Technology (Xiamen) Company Limited, subsidiaries of the Group, are responsible for the EMS business. We have production bases in Shenzhen, Huizhou and Xiamen for our electronics manufacturing services business.

The responsibilities of the Board and ESG working group in ESG are as follows:

Board of directors

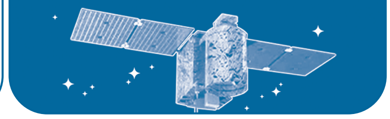
- To oversee the Group's ESG performance;
- To assess ESG-related risks and opportunities;
- To review the Group's ESG management approach, strategy, priorities and objectives;
- To approve the content of the Group's ESG reports.

ESG working group

- To assist the Board in its work and report to the Board on ESG- related matters;
- To formulate and oversee the Group's ESG strategy, approach, policies and objectives, etc.;
- To assess and identify material ESG risks associated with the Group's businesses;
- To review the Group's ESG disclosures;
- To set annual sub-objectives based on the Group's ESG objectives;
- To report to the Board on sustainability activities annually;
- To research, discuss and make decisions on specific sustainability topics;
- To formulate annual work schedule and action plan;
- 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 effectively;
- To actively enhance the Group's ability for sustainable development.



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

As the Group progressively explores and refines its ESG management approach and goals, it actively responds to the United Nations SDGs and identifies SDGs priorities relevant to the Group's operations and integrates them into its ESG strategy to better guide our ESG-related work.

SDGs	Responding to issues of materiality	What it means to the Group and what we contribute
3 GOOD HEALTH AND WELL-BEING	Occupational Health and Safety	We are committed to providing a healthy and safe working environment for all our staff by taking care of their physical and mental health, identifying occupational health and safety risks in the workplace, and enhancing the safety awareness of all staff.
5 GENDER EQUALITY	Staff welfare Training and Education	The Group treats every staff equally, provides equal employment opportunities, and implements a fair and equitable remuneration and benefits system to create an equal and diversified workplace environment and a warm and harmonious working atmosphere.
8 DECENT WORK AND ECONOMIC GROWTH	Staff Welfare Training and Education	We attach great importance to the personal growth of our staff and actively create diversified training platforms and opportunities, providing corresponding training courses for staff at different stages of their career development to meet their development needs, while encouraging staff to learn on their own and grow together with the Group.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Product Innovation Satellite Monitoring Capabilities	Continuous innovation in products and technology is one of the key factors for the Group to remain competitive in the industry. The Group is committed to providing high quality solutions to its customers through continuous product and technology innovation in its aerospace business and EMS business.
11 SUSTAINABLE CITIES AND COMMUNITIES	Technology Applications	The Group is actively exploring the application of technology in the aerospace business and is committed to building smart cities with a focus on the Guangdong-Hong Kong-Macao Greater Bay Area through the "Golden Bauhinia Constellation" project to achieve sustainable development and innovation through the integration of information technology, refined management and artificial intelligence in urban areas.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Compliance Operations Product Quality	On the basis of legal compliance, the Group strictly controls every aspect of product quality management and continuously improves its quality management system to ensure that we bring value to our stakeholders with quality products and services.

3.0 STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group engages with stakeholders on an ongoing basis in its day-to-day business activities to share the value of sustainable development with them. Stakeholder engagement refers to the process of connecting with customers, staff, shareholders and investors, suppliers and the wider community in which we operate. We attach great importance to the requirements and expectations of our stakeholders, and a thorough understanding of the needs and expectations of internal and external stakeholders is critical to achieving the Group's sustainable development path. To this end, the Group actively adopts a transparent and open communication approach and strives to establish diverse and effective communication channels for our stakeholders, through which they are encouraged to make suggestions or express their views.

The following table sets out the issues of concern to stakeholders during the year and the Group's response to the expectations and requirements of each stakeholder:

Stakeholders	Concerns	Communication channels	Responses
Shareholders and investors	• Corporate development plan • Legal and compliance operation • Return on investment	• General meetings • Annual reports and interim reports • Announcements, circulars and press releases • Periodic meetings • Reply to media enquiries • Press conferences	• Periodic disclosure of business information • Maintaining good profitability • Constantly improving corporate governance
Customers	• Product research & development and technological innovation • Product quality and reliability • After-sales services • Legal and compliance operation	• Investigation and visits • Customer meetings • Customer service hotline and email	• 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
Employees	• Equal employment opportunities • Smooth career development path • Safe and healthy working environment • Perfect education and training system	• Performance appraisal • Occupational health and safety training • Regular meetings between the management and employees • Suggestion box, email and bulletin board	• Holding employee activities • Paying attention to employee health • Offering training opportunities • Ensuring a safe working environment

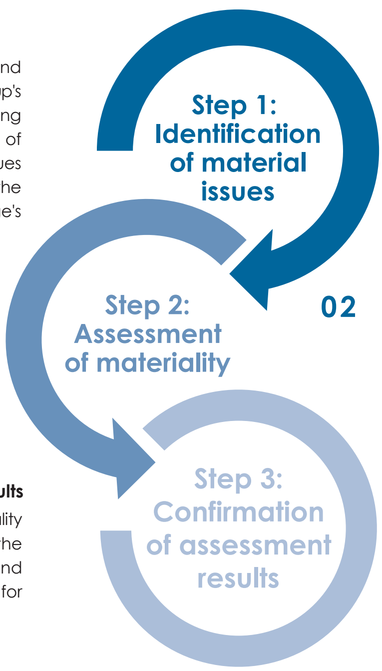
Stakeholders	Concerns	Communication channels	Responses
Suppliers	• Integrity and fairness • Stable supply demand • Fair pricing	• Annual business review meetings • Regular supplier review and performance review • Purchasing arrangements	• Open tender • Establishing supplier management system • Responsible procurement initiatives • Improving management efficiency • Building a culture of integrity
Governmental bodies	• Compliance with laws and regulations • Tax payment in accordance with laws • Environmental protection • Economic development	• Meetings and interviews • Participating in government projects	• Complying with laws and regulations • Expanding new markets, and increasing sales and tax revenue
Community	• Charity • Pandemic prevention and control in community	• Information reporting • Community notices	• Disaster relief • Cooperation on pandemic prevention and control in community

3.1 Materiality Assessment

During the year, the Group continued to conduct materiality assessments, including interviewing internal and external stakeholders, to clarify the focus of ESG report disclosure. The specific assessment steps are as follows:

01 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.



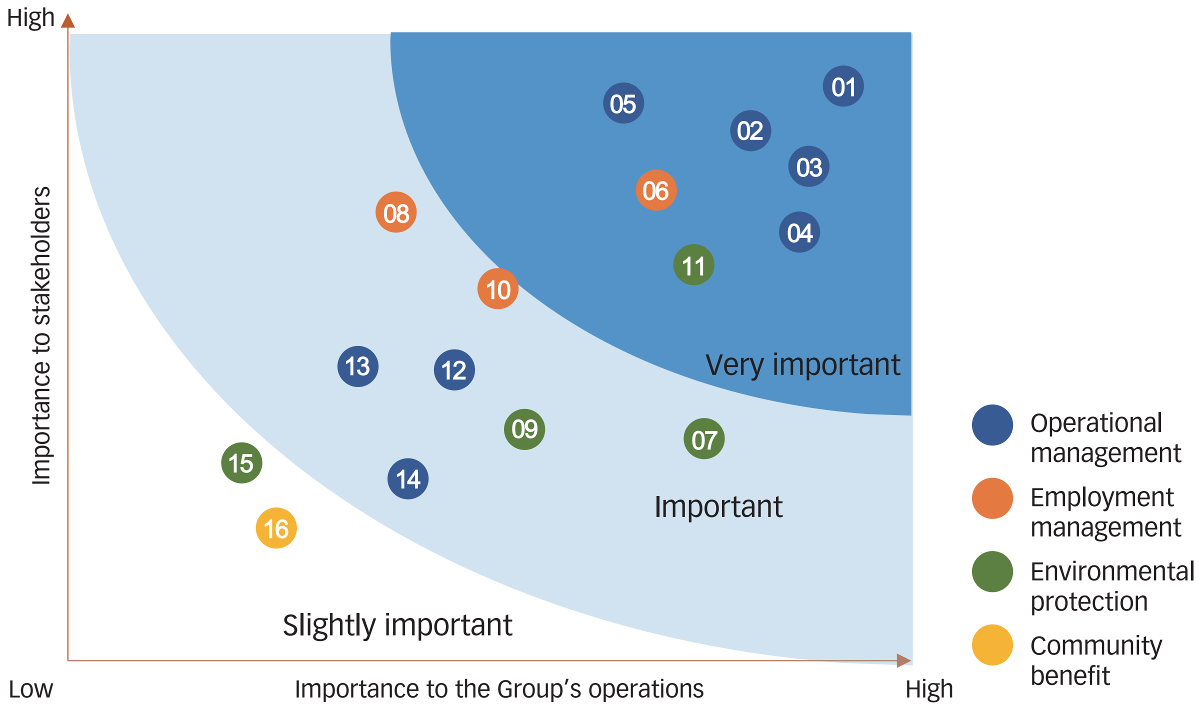
02 Assessment of materiality

Based on the daily operation process and communication with internal stakeholders such as management and staff, and inviting external stakeholders such as customers and suppliers to conduct research and understand the requirements and expectations of different stakeholders. 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.

03 Confirmation of assessment results

Based on the results of the materiality assessment, management and the ESG working group review and determine the disclosure priorities for the Year's ESG Report.

During the year, the matrix of ESG issues of materiality to the Group is as follows:



No.	Material issues	No.	Material issues	No.	Material issues	No.	Material issues
1	Product quality	5	Satellite monitoring capability	9	Greenhouse gas emissions	13	Supply chain management
2	Compliance operations	6	Occupational health and safety	10	Training and education	14	Data security and privacy protection
3	Product innovation	7	Energy consumption	11	Energy saving and emission reduction	15	Use of water resources
4	Technology application	8	Employee benefits	12	Customer satisfaction	16	Community contribution

In reviewing the Group's business development and stakeholder research in 2022, the Group has identified product quality, compliance operations, product innovation, technology application, satellite monitoring capabilities, occupational health and safety, and energy consumption as the issues of greatest concern to the Group. The Group will continue to focus on these issues in its sustainable development management and will highlight them in the Report.

4.0 ADHERING TO THE MISSION OF INTEGRITY AND COMPLIANCE OPERATION

The Group firmly believes that operating with integrity and compliance is an important foundation for conducting all businesses. We strictly complied with laws and regulations, including *the Criminal Law of the PRC and the Anti-unfair Competition Law of the PRC,* continuously establish and improve our internal control system, continuously strengthen our anti-fraud supervision and conduct assessments on fraud risks and anti-fraud procedures in order to create an anti-fraud, fair and equitable business environment in the range of the Group to protect the economic interests of our employees, customers and the Group.

We review and update our internal anti-corruption regulations, code of conduct and other compliance policies and business operating procedures from time to time, taking into account the Group's business characteristics and organizational structure, to ensure that the Company's business operations and internal management are legal and compliant. In 2022, we strictly complied with *the Company law, the Code of Corporate Internal Control* and other laws and regulations, and accordingly formulated internal management rules and regulations, such as the Anti-Fraud Management System, to clarify the fraudulent acts and anti-fraud duties.

The Group requires its employees to sign the "Agreement on Commitment to Integrity on Entry", "Employee Confidentiality Agreement" and "Employee Integrity Agreement on Professional Conduct" upon joining the Group. Each employee is required to abide by the code of conduct and ethics set by the Group and is strictly prohibited from receiving any form of gift from suppliers or customers on behalf of the Group. In addition, to clarify the integrity responsibilities of our suppliers and to create a healthy and honest cooperation environment, in 2022, we set out the integrity obligations that our suppliers must comply with in the "Purchase Agreement" to avoid any corruption, fraud and bribery in the procurement process that violate the code of business ethics.

The Group has established an internal anti-fraud control mechanism and set up a reporting and complaint channel to prevent and detect fraudulent acts. The Group Management Department is responsible for collecting real name/anonymous reports from employees and external third parties by hotline and email. Upon receipt of a report, we require the relevant departments and personnel to keep the identity of the whistleblower strictly confidential while conducting investigation, evidence collection and follow-up work on the reported matter. Once a disciplinary case is substantiated, the Group will impose administrative or financial penalties on the relevant personnel, or refer the matter to the judicial authorities if it is a major matter or a breach of the law. As of 31 December 2022, the Group has not violated any laws and regulations relating to bribery, fraud, money laundering, etc. and has not received any corruption proceedings filed against the Group or the Group's employees which have been concluded.

To further enhance the anti-corruption ideological awareness of the Group's entire employees and their alertness to corruption, conflict of interest and other integrity challenges, the Group continues to strengthen the integrity education for employees to build a strong defence against corruption. The Group conducts anti-corruption training from time to time and provides self-study materials to all management to enhance their awareness of anti-corruption legislation. During the year, the anti-fraud and anti-corruption training conducted by the Group has covered all employees (including executive directors, full-time employees, contract employees, etc.). In addition, we also promoted integrity through channels such as bulletin boards and employees handbooks, and regulated employees behaviour through integrity speeches and integrity pledges.

2022 Anti-Corruption Training in Xiamen Plant

5.0 INNOVATION-DRIVEN TO BUILD UP A FIRM QUAILTY RESPONSIBILITY

The Group is constantly exploring cutting-edge technologies, focusing on innovation and development of drilling technologies, continuously improving and building quality control systems throughout the product life cycle, and providing our customers with industry-leading technologies and products with professional technical capabilities and quality service levels. Under the Group's corporate culture of pursuing innovation and high quality, we continue to make breakthroughs in the aerospace and EMS businesses, contributing to the Group's sustainable development.

During the year, there were no material breaches of laws and regulations relating to health and safety, advertising, labelling and privacy matters in relation to the products and services provided that would have had a material impact on the Group.

5.1 PRODUCT INNOVATION AND QUALITY CONTROL

The Group insists on driving high-quality corporate development through innovation. In accordance with the business development characteristics of the two core business segments, namely, the aerospace business and the EMS business, the Group continues to optimize its internal quality management mechanism and system and build up the cornerstone of an internal quality-first culture. By strictly controlling every key quality control point in the product manufacturing process, we are committed to providing high quality products and services to our customers.

5.1.1 Aerospace Business

The Group has always adhered to the corporate concept of "people-orientation, science and technology innovation; aerospace exploration, society contribution", and continues to explore the field of aerospace business. As a Hong Kong member of the "International Astronautical Federation", the Group is committed to promoting the development of Hong Kong's commercial aerospace industry and technological innovation by building up satellite precision manufacturing, commercial satellite launch, satellite measurement, transportation and control and satellite data application as its core business.

Through the "Golden Bauhinia Constellation" project, the Group's aerospace business is committed to building smart cities with a focus on the Guangdong-Hong Kong-Macao Greater Bay Area to achieve sustainable development and innovation by integrating information technology, meticulous management and artificial intelligence in the urban areas. The "Golden Bauhinia Constellation" satellite remote sensing data will be prioritized to serve the Guangdong-Hong Kong-Macao Greater Bay Area, providing users with an overall solution for smart cities, helping cities to realize refined management and full-cycle monitoring of ecological environment construction, and actively exploring applications in areas such as city brain, agricultural monitoring, disaster prevention and mitigation, comprehensive urban management and watershed control. At present, the satellite remote sensing data collected by the "Golden Bauhinia Constellation" project has been applied in a number of projects in different cities.

During the year, the Group successfully launched two satellites, namely "Golden Bauhinia Satellite No. 1 (05)/APSCO-1" and "Golden Bauhinia Satellite No. 1 (06)/Jiangxi Shidai No. 1". Both satellites are optical remote sensing satellites equipped with optical cameras and a satellite platform that enables technological advancements in miniaturization, high-speed data transmission and zero momentum control. The remote sensing data obtained by the satellites will be used in areas such as global agricultural monitoring, environmental protection, transportation and smart cities. As a member of the International Astronautical Federation, the Group will continue to uphold the spirit of space exploration, helping cities to achieve refined management and full-cycle monitoring of the ecological environment, and promoting the high-quality development of commercial space business.

In addition, the Group continued to promote the construction of the "Satellite Manufacturing Centre" and the "Satellite Operation Control and Application Centre" during the year. The Group will join hands with strategic partners to build the Hong Kong Satellite Manufacturing Centre and a multi-mission, multi-user satellite measurement, operation and control centre, with a view to developing precision satellite manufacturing and serving the global demand for commercial satellites, and driving Hong Kong to form industry application highlights in the areas of research and development, manufacturing, measurement and control as well as operation of commercial aerospace.

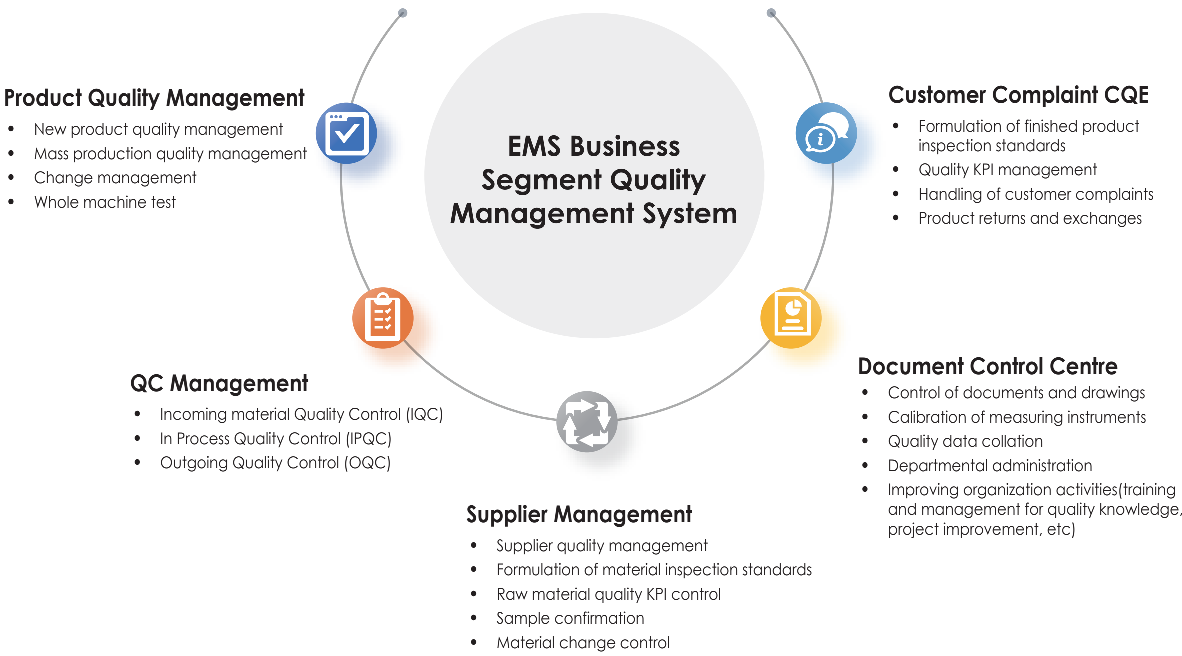
5.1.2 EMS Business

The Group's EMS business segment has always adhered to the quality policy of "Quality first, pursuit of excellence; well done at a time, customer satisfaction" and strictly controls the quality of products and services, strives to provide customers with top quality products, comprehensive EMS solutions and competitive delivery and services, and actively responds to customers' requirements and expectations, with a view to achieve the vision of "becoming an 'intelligent electronics manufacturing' company with leading technologies and excellent quality."

Improve the quality management system

The Group has made the provision of quality products and professional services to be a constant goal of the EMS business segment, and has continued to deepen its quality management throughout the product life cycle, continuously optimizing and improving its quality management system to ensure that the entire process of product design, testing, change and improvement is controlled in accordance with strict standardized management procedures. Since the establishment of the Group's EMS business segment, the three main production plants (Huizhou Plant, Shenzhen Plant and Xiamen Plant) have been certified to the three ISO systems (ISO9001, ISO14001 and ISO45001), SMETA and IATF16949.

The Group has established a quality management system that suits its operational characteristics and adheres to a "quick response, quality control" approach to quality control, focusing on product quality, incoming material inspection, supplier quality management, documentation control and customer complaint handling to strengthen the control of key points of product quality in a comprehensive manner. In order to control the quality of electronic manufacturing products in all aspects, the Group continuously optimizes the internal management standards and procedures related to product quality and conducts internal audits on the quality management system and internal management system every year to ensure and verify the adequacy, appropriateness and effectiveness of the activities in our product quality management system, so as to continuously improve the product quality management system.



In order to further raise the awareness of quality management among all employees of the Group and to practise a quality-first culture in our daily work, the Group regularly conducts training activities related to quality improvement, and through daily meetings, project review and analysis, project improvement plans, etc., we comprehensively raise the quality awareness of our workforce, improve product quality and enhance production and work efficiency, and strengthen the problem-solving and innovation abilities of our employees, so as to further enhance the Group's competitive edge and achieve sustainable development.

Quality management empowered by information technology

In order to achieve our goal of becoming an electronics "smart manufacturing" company with leading technology and superior quality, the Group has been empowering the production and quality management activities of our EMS business with information technology management systems. Through continuous improvement of work and production efficiency, as well as promotion of smart transformation and upgrading, the Group has been able to reduce costs, increase efficiency and improve quality and revenue.

During the year, we continued to optimize our manufacturing execution process system (MES system) and upgraded our ERP system to SAP for Qiye Aopeng (企業傲鵬) at the same time. By continuously integrating production automation and system informatization into our internal quality management system, we are able to ensure product delivery compliance and achieve quality monitoring and after-sales traceability throughout the production process of our products. Currently, the EMS business segment's MES system is able to effectively trace product quality and improve production efficiency and quality control.

- Enhance product traceability: traceability is one of the key functions of the MES system, which can record product material information, manufacturing process, quality inspection, product release and other information, and provide data support for quality assessment or quality traceability by sorting out each process route and composing the corresponding process data;

- Promote 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 and improving data accuracy, thus enhancing production scheduling and workflow efficiency;

- Reinforce quality control: materials are inspected by IQC before they are put into the warehouse. In case of abnormal material conditions, such as exceeding the shelf life, the MES system will lock the material in the same cycle. When a product is sampled during production, the MES will record the product or case number to keep track of the material and product quality.

5.2 Protection of Intellectual Property Rights

The Group attaches great importance to the protection of its own intellectual property rights and the protection and respect of the intellectual property rights of others. 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, and have formulated a series of internal management manuals and systems, including the "Practice Guidelines on the Protection of Intellectual Property Rights", to regulate the protection of intellectual property rights in daily operations and processes, to fully motivate employees to invent and create, to protect the Group's core technological assets and to continuously enhance product competitiveness. During the year, the Group was not involved in any litigation relating to infringement of intellectual property rights.

In order to raise employees' awareness of intellectual property protection and motivate their research and development and innovation, the Group will provide material and spiritual rewards, including the payment of bonus, promotion and step-up, to those 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, in accordance with the specific regulations of the State and the Company.

The Group not only attaches importance to the protection and preservation of its own intellectual property rights, but also fully respects the intellectual property rights of others. When the Group conducts actual purchases related to the aerospace business, we always purchase genuine products and firmly protect the legitimate rights and interests of intellectual property owners. At the same time, when selecting suppliers, we have included the protection of intellectual property rights in the contract terms with suppliers to ensure that the products proposed for purchase do not infringe the intellectual property rights of others. In addition, to improve the management of intellectual property rights, the Group requires all employees involved in the protection of intellectual property rights to sign a Confidentiality Agreement in order to comply with the relevant regulations on keeping trade and technical secrets.

5.3 Customer Service

Maintaining long-term stable and good customer relationships is of paramount importance to the Group. We are always guided by the needs of our customers and are committed to providing them with the best product experience and continuously creating value for them. The Group strictly complies with *the Law of the People's Republic of China on the Protection of Consumer Rights and Interests* and other relevant laws and regulations. Through internal professional and standardized training, we enhance the professional service capabilities of our employees, effectively ensure honest and compliant marketing and actively protect the legitimate rights and interests of our customers. At the same time, we maintain close communication with our customers and gain insight into their needs through various means, thereby continuously improving our customer service system and optimizing our product experience to enhance customers' trust in our products.

5.3.1 Customer Satisfaction Improvement

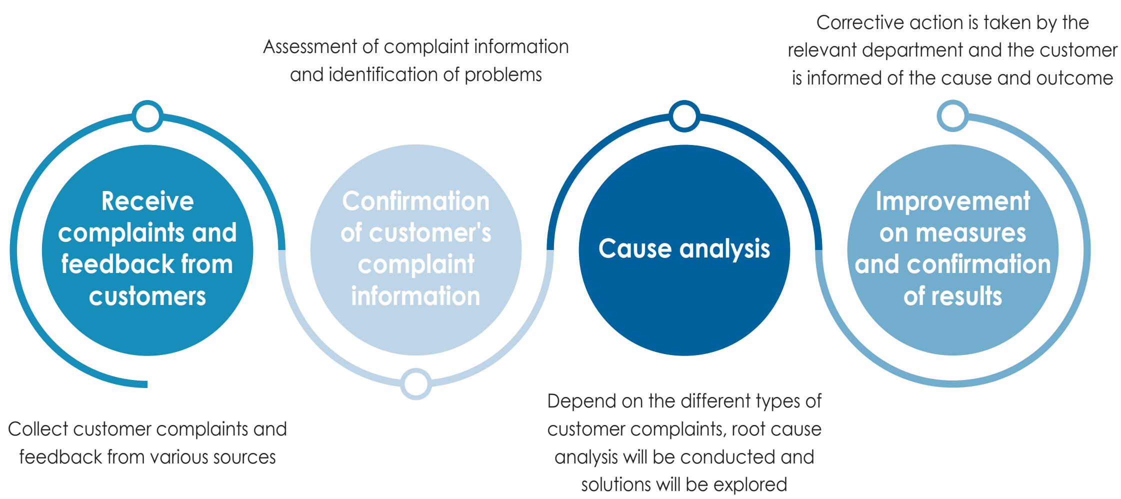
The Group attaches great importance to customer satisfaction and customers' requirements for products and services. In order to provide our customers with an excellent service experience, the Group has established internal working guidelines on product quality and customer satisfaction, which clearly stipulate that we must fully communicate with our customers and confirm their requirements and expectations of our products before starting business. The Group has a dedicated service team (CFT) for EMS business segment customers, led by experienced project managers and experts from various fields, to provide dedicated services to our customers. Our dedicated services cover supply chain management, inventory control, engineering support, production process scheduling, document control, quality assurance and customized reporting, etc. We are committed to providing our customers with a full range of EMS one-stop services.

The Group attaches great importance to and listens carefully to the requirements of each customer. We conduct customer satisfaction surveys twice a year on a regular basis and issue Customer Satisfaction Questionnaires to customers with whom we have business dealings to investigate customer satisfaction in ten dimensions, including product quality, on-time delivery, timeliness of countermeasures for quality problems and effectiveness of countermeasures for quality problems, and the Project Department is responsible for following up the collection of the questionnaires. We compile customer satisfaction analysis reports based on the questionnaires and develop follow-up action plans based on the reports in an effort to improve customer satisfaction.

5.3.2 Complaint Handling and Improvement

In order to handle customer complaints in a timely and appropriate manner, the Group has formulated and implemented internal after-sales service control procedures such as the "After-sales Service Control Procedures" for its EMS business, clarifying the responsibilities of various departments such as the Project Department, the Quality Control Department and the Engineering Department to ensure that each department responds promptly to customer complaints, ensuring that customer complaints are responded to and resolved in a timely manner and continuously tracking and tracing the status of customer complaints. During the year, the Group did not receive any information regarding the recall of products sold or delivered for health and safety reasons.

When we receive any form of customer complaint, we will confirm the customer's demand at the first time, and the Quality Control Department will establish the "the Customer Complaints Information Registration Form" in a timely manner, register each single complaint event in detail, and evaluate and confirm the complaint information with the project department, and respond within 24 hours. If there is a need to return the product, the relevant departments of the Group fully cooperate, the Quality Control Department is responsible for registering the returned product and filling in the "the Inspection Report on Materials Returned by Customers", the Production Engineering Department is responsible for reworking technology, process and operation guidance, and the Production Department is responsible for repairing and reworking; if necessary, the Quality Control Department will take corresponding corrective and preventive measures according to the "Corrective and Preventive Action Procedures", and reply to the customer with the cause analysis and processing results until the customer is satisfied. The quality control department must re-inspect the products that are up to standards after reworking/repairing before shipment.



Handling Process for Customer Complaint

5.3.3 Customer Data Security

The Group attaches great importance to the security of business data and the protection of customers' private information, which is not only important for the Group's compliance operation and sustainable development, but also for the rights and interests of stakeholders such as customers, employees and partners. The Group strictly complies with laws and regulations such as *the Law of the People's Republic of China on Network Security and the Personal Data (Privacy) Ordinance of Hong Kong,* and has established internal management systems such as the "Regulations on Calculator and Network Management" to regulate information security management such as internal data permissions and user data management protocols. The Group requires all employees to handle and store trade secrets and customer data properly, and all data is strictly prohibited from being used for other purposes without permission. At the same time, we continue to enhance employees training on the duty of confidentiality in the Code of Conduct to raise their awareness of data security.

The Group continues to strengthen the construction of its data security prevention system, increasing its investment in three areas, including data security rights management, security operation and maintenance, and security training. We also continuously improve our security technology and update our control policies to effectively safeguard our data assets and customer privacy.

Data security authority management	Data security operations and maintenance	Data security training
• All departments classify and categorize users in accordance with the principles of "the need for position, equal rights and responsibilities, and unified authorization", clarify management responsibilities at each level, and strictly control the scope of authority; • Customer-related information and software are under the exclusive control of a dedicated person and no other staff are allowed to have excessive access to customer information.	• Regular maintenance inspections of servers by professional operators and regular data backups to ensure the integrity and availability of data; • We use a firewall to protect our network security, review security vulnerabilities once a week, assess attacks on our database and conduct attack and defence drills to be the first proactively identify security risks in the first place.	• Develop an annual training plan and conduct regular training on information security for staff to continuously enhance their awareness of maintaining information security.

6.0 RESILIENT DEVELOPMENT WITH GREENNESS AND LOW CARBON

The Group is aware of the risks and potential impacts of climate change, and understands the importance of greening our business for sustainable development. We are committed to the concept of green development and continue to improve all aspects of our green operations, actively promote energy-saving and emission-reducing operational thinking, reduce the environmental impact of our daily operations and continuously promote the Group's environmental protection and low-carbon development.

During the year, 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* and other relevant laws and regulations, and actively performed its environmental protection responsibilities in accordance with the requirements of the government where it operates . During the year, the Group did not have any violation of relevant environmental protection laws and regulations.

6.1 Addressing Climate Change

During the year, the Group continued to actively refer to the recommendations of the Task Force on Climate-Related Financial Disclosures ("**TCFD**") to disclose the climate risks and opportunities that are more relevant to the Group's business, with a view to comprehensively identifying the Group's own climate change issues and improving the effectiveness of climate risk management.

6.1.1 Identification and Management of Climate Change Risks

With reference to the TCFD's classification of climate change risks and taking into account the Group's business characteristics, the Group has identified physical and transition risks at the industry and its own operational levels, defined a list of climate change risks and formulated effective climate change risk response measures, as outlined below:

Types of risks	Sources of risks	Impact	Management measures
Physical risks	Extreme weather (extreme high temperature, extreme precipitation, typhoons, etc.)	Frequent extreme weather may lead to plant equipment abnormalities, casualties, supply chain disruptions and so on, resulting in production suspension or reduction and asset loss	• Formulation of typhoon and rainstorm contingency plans and regular emergency rehearsals • Protection and maintenance of machinery and equipment • Continuous optimisation of response procedures to improve the resilience of plant operations

Types of risks	Sources of risks	Impact	Management measures
Transition risks	Climate-related policies/regulations	Uncertainties over new regulations (e.g. greenhouse gas emissions reductions, carbon taxes, etc.) will increase operating expenses	• Attention paid to changes in relevant regulations for regular reviews and establishment of countermeasures in advance
	Rising raw material costs in the upstream industry	Due to extreme weather, raw material suppliers may reduce production and halt transportation, which may result in delays in the shipment of raw materials, and may result in an increase in the Group's operating costs	• The sources of raw materials are diversified to ensure smooth supply in the event of risks due to the cooperation with a single supplier, and to improve bargaining and services
	Downstream requirements for low-carbon and eco-friendly products	Due to more stringent environmental regulations on products (such as restriction of the use of certain hazardous substances in electrical and electronic equipment (**RoHS**) and Registration, Evaluation, Authorization and Restriction of Chemicals (**REACH**)) and some customers' preference to eco-friendly and low-carbon products, additional costs are required to control the risk of excessive hazardous substances and meet customer expectations	• Conduct strict control over in coming materials inspection and product quality testing to prevent the inflow and outflow of hazardous substances • Continuously improving the inspection level for hazardous substances in plants by increasing inspection items and frequency

6.2 Emission Management

6.2.1 Air Pollution Prevention and Control

The Group's air pollutant emissions are mainly from the combustion of gasoline consumed by its own vehicles in the course of its operations, including sulphur, nitrogen oxides and suspended particulates, as well as 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. Currently, the Group uses innovative technologies and equipment such as advanced UV photolysis and activated carbon adsorption to help filter exhaust gases and reduce air pollutant emissions. The Group regularly invites third parties to conduct annual exhaust gas testing on its own and continuously tracks the monitoring data of various pollutants to ensure that all exhaust gas emissions are in compliance with the regulations or even well below the emission control standards. Meanwhile, the Group also prohibits the use of leaded petrol and we strictly comply with local government regulations requiring motor vehicles to undergo annual audits, failing which they are banned from use.

Improving the treatment efficiency of organic exhaust gas by continuous upgrading the exhaust gas treatment system in the PCBAs production process and using the new UV photolysis and activated carbon adsorption filtration system

Regularly invite third-party testing agencies to conduct the exhaust gas emission testing of the factory's direct exhaust outlet to ensure that exhaust emission indicators meet the requirements of emission standards of the place of operation

6.2.2 Greenhouse Gas Emissions

The Group's carbon emissions management strategy focuses on measuring and reducing carbon emissions across the Group's operations, 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 2020 Emissions (tCO_2e)	Year ended 31 December 2020 Intensity (tCO_2e/person)	Year ended 31 December 2021 Emissions (tCO_2e)	Year ended 31 December 2021 Intensity (tCO_2e/person)	**Year ended 31 December 2022 Emissions (tCO_2e)**	**Year ended 31 December 2022 Intensity (tCO_2e/person)**
Scope 1 Direct emissions	87.59	0.137	211.08	0.316	**84.76**	**0.073**
Scope 2 Indirect emissions	5,197.00	8.146	5,445.44	8.152	**5,556.45**	**4.774**
Total	5,284.59	8.328	5,656.52	8.468	**5,641.21**	**4.846**

During the year, the Group's overall GHG emissions (Scope 1 and Scope 2) amounted to 5,641.21 tonnes in total, representing a decrease of 0.27% as compared with 2021. For more information on GHG emissions and GHG emissions intensity, see Appendix I: ESG KPIs Table in this report.

6.2.3 Emission reduction goals and measures

Air pollution prevention and carbon reduction is one of the Group's priorities to effectively address climate change and maintain sustainable development. The Group adheres to energy conservation and emission reduction as its green development goal and continues to promote emission reduction in our daily operations and manufacturing. While we actively explore low energy consumption technologies, we continue to strengthen the awareness of energy conservation and emission reduction among all employees.

During the year, we utilised a combined air and electricity solution for hot water supply at our Huizhou plant and used highly efficient insulated pipes for heat delivery to further enhance lean management of energy consumption and improve energy utilisation; the application of this technology resulted in an annual carbon reduction of approximately 160 tonnes. The Group promotes green travel among employees internally and encourages the promotion of online meetings within the Company to reduce emissions generated during travel; and strictly requires all departments to educate their employees to conserve electricity and raise their awareness of environmental protection.

6.3 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 standardized waste management and classification. The Group attaches importance to the management of waste generated from the production process and the daily operation of the Company, and implements different management and disposal standards according to different types of waste in order to reduce the impact of waste on the environment. 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 requiring waste storage to be located and sorted according to regulations, and not to mix special waste with ordinary waste for disposal. According to the characteristics of the Group's business, the waste generated by us is mainly classified as hazardous waste and non-hazardous waste. Non-recyclable hazardous waste includes waste tin dross, waste organic solvents, waste motor oil and waste activated carbon, etc.; non-hazardous waste mainly includes waste cartons, waste paper and domestic waste, etc.

The Group's hazardous waste generated in the course of electronics manufacturing must be handed over to qualified departments approved by the government environmental protection authorities for disposal. 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. Meanwhile, the Group also incorporates waste management into the performance appraisal of its warehouses so as to raise the awareness of material safety and responsibility of warehouse staff.

6.3.1 Disposal of hazardous waste

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, be managed in a unified manner and entrusted to a government-certified third-party organization for the transfer and treatment of hazardous waste. In addition, the Group formulates a hazardous waste management plan each year and establishes a waste disposal list so that hazardous waste can be handled effectively. During the year, the Group's hazardous waste output was mainly derived from the hazardous waste generated from the manufacturing of the EMS business segment, with a total hazardous waste output of 1.104 tonnes.

6.3.2 Disposal of non-hazardous waste

During the year, the Group generated non-hazardous waste in the form of packaging materials generated in the production process and domestic waste generated in office areas, staff dormitories and canteens. In respect of non-hazardous waste, the Group strictly complied with *the Regulations on Domestic Waste Classification in Shenzhen* and other regulations of the place of operation, and placed separate waste collection bins in the electronic manufacturing production plant, staff dormitories and office areas, and strictly required its employees to put out waste in accordance with the waste classification requirements. The vast majority of the non-hazardous waste generated by the Group has been recycled or sold to third party qualified recycling companies.

6.3.3 Goals and Measures for Waste Reduction

The Group is committed to actively promoting waste separation, enhancing material recycling and reducing waste generation. The Group's waste reduction targets will be achieved through reducing waste generation at source, continuously improving the utilisation of recyclable resources and raising awareness of waste reduction among all staff. At the same time, we closely monitor and record data on hazardous waste as well as general waste at our plants to track our waste reduction and recycling performance.

Waste reduction at source	• Control of raw material consumption: production departments set targets to strengthen quality control to reduce raw material wastage due to poor processing; statistics on raw material wastage due to poor processing are kept and announced • Control of the consumption of auxiliary materials for production: purchase auxiliary materials according to planned usage to prevent overstocking and expiry; set targets to enhance usage control to reduce wastage of auxiliary materials due to improper use
Waste classification	• Optimize waste records: regularly record the amount of hazardous and general waste generated in the production plant and keep proper records of waste disposal • Segregated storage of waste: waste generated is collected separately and labelled with its status, ensuring that hazardous waste is appropriately marked and labelled
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
Waste reduction awareness	• Strengthen the awareness of waste reduction among all staff: continuous education and training for staff and management on waste reduction, waste classification and recycling, and promoting awareness of waste management among all staff on a daily basis through posting of waste classification publicity notices, etc.

6.4 Resource Usage Management

As a responsible enterprise, the Group has implemented the concept of sustainable development into our daily operations and manufacturing processes. The Group strictly complies with the requirements of *the Law of the People's Republic of China on Energy Conservation* and other laws and regulations, and vigorously promotes various energy and water conservation efforts. Through rational control of energy and water usage, the Group actively implements green office practices, effectively improves resource utilisation and lives up to its commitment to green and low-carbon development.

During the year, the Group's resource consumption was mainly from electricity, water, packaging materials and office paper used in the office area and EMS production plants. In order to effectively manage and track the use of resources, the Group's Human Resources and Administration Department is responsible for inspecting the implementation of environmental management in each department from time to time, in order to supervise the implementation of various energy saving and consumption reduction efforts by all staff. At the same time, the Group's environmental management goals in the three dimensions of energy conservation, water conservation and use of consumables are as follows:

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.

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.

Use of consumables

Reduce the use of office paper and packaging materials, enhance the recycling of materials and strengthen the awareness of resource recycling.

6.4.1 Energy Management

The Group attaches great importance to the scientific and rational use of energy. The electricity consumption of the Group's business segments is mainly supplied by the municipal grid of the cities in which they operate. The Group's Finance Department and relevant departments regularly compile statistics on energy consumption costs and usage, and refer them to the Human Resources and Administration Department and various departments to formulate and implement corresponding energy saving and consumption reduction measures, including but not limited to the following measures:

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 inefficient use of air conditioning • Supervise and require staff to turn off the power in the office area at the end of their shift to avoid excessive waste of electricity
Energy saving equipment renovation	• All production plants actively carry out energy-saving renovation of facilities and equipment and optimization of energy management processes to maximize energy efficiency and achieve low resource consumption, cost reduction and efficiency gains

Case: Huizhou plant actively explores clean energy applications

The Group is actively enhancing the efficiency of energy use and continues to explore the feasibility of renewable energy applications. In 2022, the Group's EMS business segment, Huizhou Plant, generated 270,000 kw/h of electricity from roof-mounted photovoltaic at the plant. In addition, we also adopted a new method of hot water supply combining air energy and electricity, and delivered heat through highly efficient insulation pipes, effectively improving energy efficiency. By the end of 2022, Huizhou plant had reduced carbon emissions by approximately 320 tonnes through energy saving measures such as photovoltaic power generation and new heating methods.

During the year, the Group's total energy consumption amounted to 9,843,951 kilowatt-hours. Of which, the Group's total electricity consumption was 9,543,044 kilowatt hours, representing an increase as compared with 2021, mainly due to the expansion and development of the Group's aerospace and EMS businesses during the reporting period and the corresponding increase in electricity consumption in office areas and production plants. 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	300,907
Indirect energy (purchased electricity)	kWh	9,543,044

6.4.2 Water Resources Management

Water resources management is one of the key aspects of the Group's green management practices. The Group's water resources are mainly sourced from city tap water and we have not encountered any problem in obtaining access to water. The Group has implemented a series of water conservation management measures with a focus on improving the efficiency of water use to enhance water management in all aspects of our daily operations. During the year, the Group continued its measures to enhance water efficiency, including but not limited to the following water conservation measures:

- Repair leaking taps and other water equipment in a timely manner and supervise staff to report water leaks in a timely manner;
- Post slogans in office areas and pantries to promote and raise awareness of water conservation among staff;
- Prioritise the installation of water saving devices such as sensor taps and dual-flush energy-saving toilets in the washrooms.

During the year, the Group's water use was mainly domestic and production water. The Group's total water consumption for the reporting period was 62,479 tonnes, representing an increase as compared with 2021, mainly due to the further expansion of the Group's EMS business and the increase in overall productivity of Huizhou Plant, Shenzhen Plant and Xiamen Plant, which led to an increase in water consumption. For details of water consumption and intensity, please refer to Appendix I of this report: ESG KPIs Table.

Water Use	Unit	2022
Water consumption	tonne	62,479

The Group strictly complies with regulations relating to wastewater discharge and continues to improve the efficiency of wastewater disposal. Due to the nature of the Group's business, we do not generate or discharge any industrial wastewater in our production process. Our wastewater is mainly domestic wastewater, which mainly comes from our daily office operations, staff dormitories and canteens. The Group attaches importance to the compliant disposal of wastewater during operations and strictly uses detergents containing phosphorus. Domestic wastewater generated from the Company's toilets will be treated by the municipal wastewater treatment plant after it is compliantly discharged to the municipal sewer and will not have any impact on the water quality of the water outlet discharge channel. In addition, to further control water pollution, the Group has invited a third party 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.

6.4.3 Use of packaging materials

The Group places emphasis on the efficient use of packaging materials and follows the "3R" principle, i.e. Reduce, Recycle and Reuse, to minimise the wasteful use of packaging materials. For the Group's aerospace business segment, we are not yet covered the recycling of plastic waste and packaging involved in actual satellite manufacturing as the construction of the Group's satellite manufacturing centre, etc., is still in progress.

During the year, the packaging materials involved in the production process of the Group's EMS business segment were mainly cartons, anti-static shielding bags and cotton cushion gaskets for packaging and transportation of electronic products. In accordance with internal guidelines such as the "Resource and Energy Management Procedures", we minimised packaging material wastage by reducing waste of raw materials, increasing the reuse rate of packaging materials and reusing or 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.

6.4.4 Office supplies management

To standardize the management and flow of office supplies and to eliminate wastefulness, the Group actively implements "Resources and Energy Management Procedures". The Human Resources and Administration Department manages office paper and requires all departments to use double-sided paper whenever possible. At the same time, the Group advocates a paperless office model where internal materials such as daily notices, announcements and internal systems are circulated electronically to reduce the use of paper for printing.

6.5 Environment and Natural Resources

During the year, the Group's aerospace business and EMS business activities did not have any significant adverse impact on the environment and natural resources. To effectively control the use of resources and energy, the production plants of the Group's EMS business segment implemented the ISO14000 environmental management system and formulated a series of internal guidelines such as the "Procedures for Control of Energy Consumption" and "Resources and Energy Management Procedures", requiring the relevant management departments to implement daily work on energy saving and consumption reduction, water saving and consumables saving. In order to further improve the use of resources and enhance the fulfillment of environmental protection responsibilities, the Group will continue to optimize its management measures in environmental protection and resource utilisation in accordance with the operational activities and business characteristics of each business segment.

7.0 WORKING WITH EMPLOYEES TO CREATE AN INCLUSIVE WORKPLACE

The Group regards talent as our greatest asset and resource, and always insists on sharing the fruits of development with our employees and is committed to creating a healthier and more efficient working environment for them. We insist on diversified and fair employment, continue to establish a fair and reasonable performance evaluation and benefits system, and protect the rights and interests of our employees in accordance with the law. We continue to improve career development and promotion paths for our employees, create good career development opportunities for them and helping employees develop as the Group grows. At the same time, we attach great importance to the physical and mental health of our employees and actively create a safe, healthy and warm working platform by establishing a sound employee health and safety management system.

7.1 Diversified Recruitment and Equal Employment

7.1.1 Compliance Employment

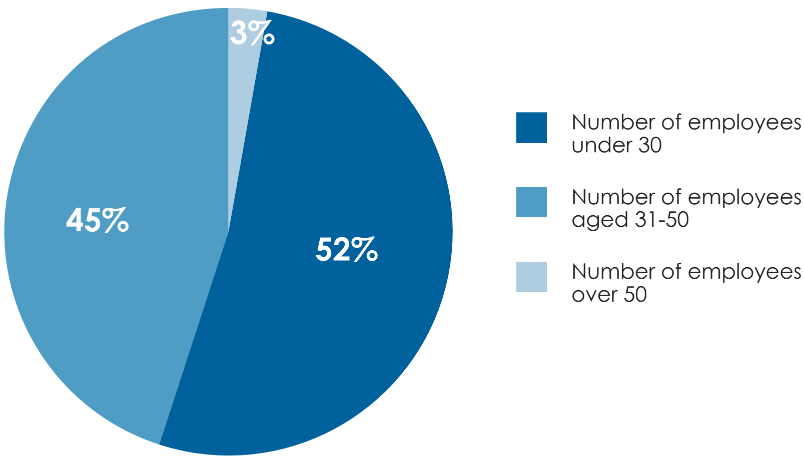
The Group strictly complies with the laws and regulations of the regions in which it operates, including *the Labour Law of the People's Republic of China, the Labour Contract Law of the PRC and the Employment Ordinance of Hong Kong*. We has formulated a series of human resources management systems, including the "Employee Handbook" and the "Recruitment and Onboarding Management Regulations", to regulate human resources management work such as employment, staff safety and development. We sign employment contracts with our employees in accordance with the principles of "openness, equality, competition and preferred" and are committed to creating an employment environment of equality between men and women and equal pay for equal work in the areas of recruitment and promotion, training and development, and ensuring that employees are not biased in the workplace on the basis of ethnicity and race, nationality, religion, physical condition, pregnancy, sexual orientation, political adherence, age or other non-work-related factors. In 2022, the Group adopted an age-friendly employment policy and established a retired employee reemployment mechanism to provide equal employment opportunities and protect the legal rights of retired elderly grassroots workers or those who are in need of financial resources. During the year, there were no incidents of child labour, forced labour, discrimination, harassment or human rights violations.

The Group has established qualifications and job descriptions for different positions. In 2022, our recruitment channels mainly include labour dispatch, outreach booths, online recruitment and campus recruitment, etc. We stipulate that new employees must present verification documents such as ID cards before joining the Group. The Human Resources Department conducts legal investigations into employees' age, licensing certificates and identity background in accordance with relevant regulations, and each applicant must meet the job requirements in terms of age, academic qualifications and relevant work experience before joining the Group. At the same time, we have formulated management regulations such as the "Remuneration Management Measures", the "Reward and Punishment Management Measures" and the "Separation Management Measures", and updated the "Attendance Management Measures" during the reporting period to further improve the staff management procedures in various aspects such as staff attendance, transfer and separation.

As of 31 December 2022, the Group had a total of 1,164 employees, of which 1,133 were from Mainland China and the rest were from Hong Kong, China. The following table shows our total number of employees by gender, grade, age group and region:

1,164 Total employees	**705** Number of male employees	**459** Number of female employees

Distribution of employees by age group



1,162 Full-time employees	**2** Part-time employees

21 Number of senior management	**42** Number of middle management	**1,101** General employees

Distribution of employees by geographical segment

1,133 Mainland China	**31** Hong Kong

During the year, part of our electronics manufacturing operations were transfered from our Shenzhen plant to our Huizhou plant and the shift in workplace resulted in an increase in the Group's turnover rate during the year. As of 31 December 2022, the Group's total employee turnover rate was 28.15%. For details of the turnover rate by gender, age group and region, please refer to Appendix I: ESG KPIs Table.

7.1.2 Remuneration benefits

The Group keeps an eye on market changes and talent needs and continues to optimize its employee remuneration and benefits system to enhance its attractiveness to talented individuals. The Group maintains a remuneration incentive strategy that is oriented towards individual performance during the year, with reference to industry remuneration levels and taking into account employees' own qualifications and experience in setting their remuneration benefits.

The Group has continued to improve and implement its employee management system to fully motivate employees in key positions and improve their skill levels, for example, Huizhou Plant added the "Key Position Personnel Management Programme" in 2022. For daily-paid employees working in complex manufacturing-oriented positions, after passing the key position skills assessment and obtaining an induction certificate, the plant will provide a monthly allowance as a means to attract, motivate and retain outstanding talents.

In accordance with the relevant requirements of the *Social Insurance Law of the People's Republic of China* and the *Regulations on the Administration of Housing Provident Fund*, the Group pays "five social insurances plus one mandatory housing fund" including pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and provident fund for our mainland employees in accordance with the law. At the same time, we pay social insurance funds for all our mainland employees in accordance with the relevant PRC regulations and local social insurance payment policies. In addition, we strictly enforce the five-day work week and provide our Hong Kong staff with special care arrangements such as paid annual leave, wedding leave and festive holidays, as well as a range of welfare benefits such as labour insurance products, housing and meal allowances, which are better than those provided for under the *Employment Ordinance of Hong Kong*.

The Group has established a standard 8-hour work schedule based on business needs and encourages employees to complete their work tasks during working hours and does not promote a culture of overtime work. In the event of overtime work due to business needs, to compensate employees for their work outside of statutory working hours, we divide overtime pay into different rates based on weekdays and weekends.

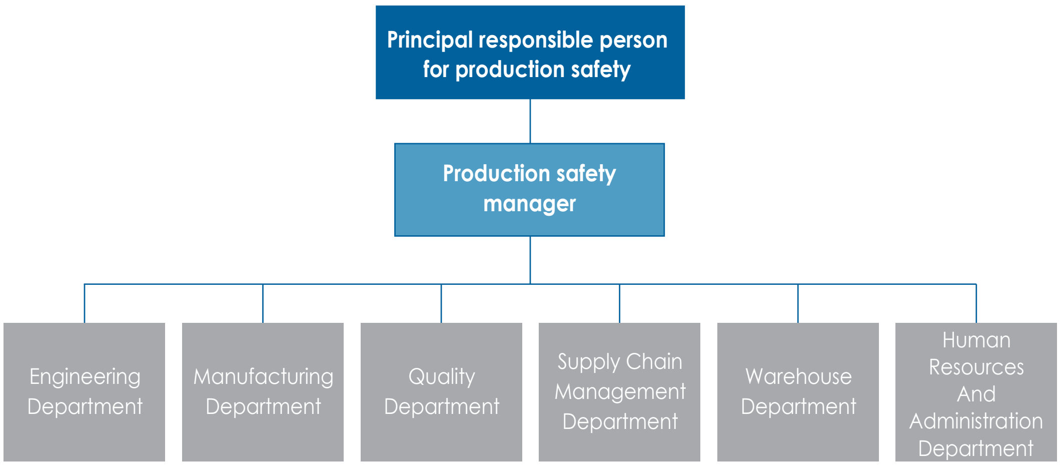
7.2 Health and Safety

The Group attaches great importance to the health and safety of its employees, continuously improving its safety management system, refining its safety management system, vigorously carrying out a number of safety education and training as well as risk identification and control, so as to reduce safety hazards in production and operation and create a working environment conducive to the physical and mental health of its employees.

We strictly comply with various laws and regulations in the PRC and Hong Kong, including *the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, 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)*, and regularly monitor the occupational health environment within the Group and arrange for employees in positions that may be hazardous to health to participate in annual occupational health examinations. In 2022, a total of 1,000 people participated in annual general health examinations, covering 85.91% of all employees. At the same time, to ensure the Group's safe production and to meet the need for medical treatment during production, we formulated a series of management systems during the year, such as the "Regulations on the Management of Labour Protective Equipment" and the "Regulations on the Management of Medicine and Drug Boxes", and equipped them with labour protective equipment, AED (automated external defibrillators) and emergency medicine boxes to protect employees from or mitigate accidental injuries during the work process. If an employee is inadvertently injured at work, we take the injured person to hospital instantly after the incident and deal with them in accordance with the workplace injury response mechanism. In addition, we rectify safety hazards in a timely manner and enhance safety education and training to raise the awareness of our personnel on work safety.

To implement the environmental and occupational health and safety policy and achieve the Group's goals relating to health and safety, we have established a series of internal management procedures such as the "Procedures for Developing Environmental Occupational Health and Safety Management Plans", the "Procedures for Managing Environmental Occupational Monitoring and Safety Operations", the "Procedures for Managing Monitoring and Measuring Environmental Occupational Monitoring" and "Safety Performance and the Procedures for Managing Occupational Health and Safety Changes" to guide the management of safety production, the monitoring and changes. For control activities related to important environmental factors and unacceptable risks involved in the Group's EMS business segment, we carry out "identification and evaluation in accordance with the Environmental Factor Identification" and "Assessment Procedures and the Management Procedures for Hazard Identification, Risk Evaluation and Determination of Control Measures", etc., so that orderly and effective response management can be carried out to safeguard the health and safety of employees.

The Group has established an Environmental, Health and Safety Management System (EHS) Safety Committee to further protect the health and safety of employees in our electronics manufacturing plants. The Committee has established a comprehensive occupational health and safety management system to protect the well-being and health of our employees and create a healthy and safe working environment by holding regular meetings to keep track of the progress of the review of engineering safety incidents, promoting the improvement of the industrial safety management system, maintaining close communication with employees and conducting regular assessments of various facilities.



7.2.1 Safety education

Safety education is essential to ensure that employees are fully aware of safety risks and to protect their health and safety. For our aerospace business segment, we are committed to providing a safe working environment for our employees and organize regular training courses to enhance their occupational safety and health knowledge, such as occupational health and safety seminars, to ensure that they are up-to-date with the latest safety measures.

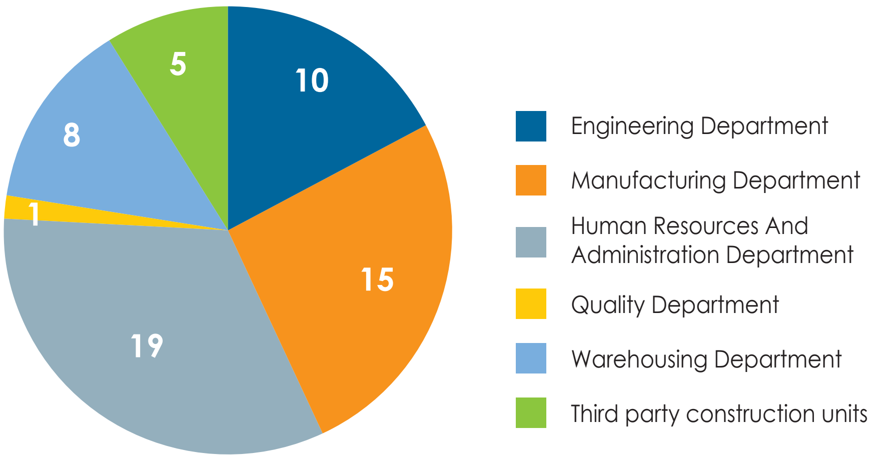
In respect of the Group's EMS business, in order to strengthen the implementation of safety education and training at all levels and to continuously raise the safety awareness of our management and staff at all levels, we have formulated the "Safety Education and Training System" for the year 2022 in accordance with the *Production Safety Law*. The Group will provide three-level safety education and five training programmes for new employees when they join the Group or old employees when they change jobs. The three-level safety education mainly includes corporate education, workshop education and team education, while the five training programmes mainly include basic safety education for employees, training and education on policy documents, education on safety of flammable and combustible substances and dangerous goods, education on health and hygiene knowledge and education on electrical safety knowledge. For new employees, we provide no less than 24 hours of pre-employment safety training and no less than 20 hours of retraining. The Group provides various safety education to ensure that employees are aware of the safety control priorities and methods for occupational health in their positions. In addition, the Group requires special workers to obtain relevant qualifications before commencing work.

In 2022, our production safety training was divided into three scopes: team, department and plant, and the training has covered all employees of the plant. By completing training including three-levels safety education, training on fire safety topics and knowledge of commonly used chemicals, participants were able to effectively grasp the knowledge and skills of production safety.

7.2.2 Occupational Disease Prevention and Control

The Group has established risk assessment and approval procedures for general processes and hazardous processes such as new construction, reconstruction and expansion of electronic manufacturing plants. The occupational health and safety measures and equipment were designed, constructed and put into use simultaneously with the main project. In terms of the use of raw materials, the supplier evaluation team of the plants were required to conduct quarterly evaluations of suppliers' quality system and environmental initiatives, and the purchasing department was encouraged to give priority to purchasing environmentally-friendly materials, so as to reduce the harm to the environment from the source. In addition, the Group appointed external testing agencies to conduct occupational health and environmental testing on posts, number of employees that may be endangered, hazardous factors and the scope involved, and provide testing reports. We equipped employees exposed to toxic and harmful substances with labour protective equipment and arranged annual occupational health examination for all employees to identify safety and health risks as early as possible.

To effectively identify production safety hazards in our EMS business, we conducted regular safety inspections on a monthly basis in 2022. The Group requested the heads of the Engineering Department, Manufacturing Department, Human Resources and Administration Department, Quality Department, Warehousing Department and third-party construction units to conduct inspections in four areas, namely fire prevention, plant anti-theft, power distribution safety and site safety, in an effort to do a good job of the "Four Precautions". As of 31 December 2022, a total of 58 hidden troubles had been identified, all of which were rectified within the plan period without recurrence.



2022 Hidden Troubles Identification and Management Project

Meanwhile, emphasis was put on the health and safety of female employees. In strict compliance with the *Special Rules on the Labour Protection of Female Employees*, the Group conducted a risk assessment of the hazards that pregnant and breastfeeding female employees may be exposed to, in a bid to avoid them from engaging in toxic and harmful operations. For instance, we equipped pregnant female employees with anti-radiation aprons to avoid possible effects of computer radiation on the foetus. Pregnant female employees were transferred to other positions to avoid lung injury that may be caused by dust and chemicals in the workshop. In addition, the Group ensured the health and safety of all female employees by proactively avoiding hazard sources.

7.2.3 Fire Safety

The Group strictly complied with the Fire Safety Law of the People's Republic of China, established a system for safety inspection, safety education and incident reporting, clarified the basic principles of accident prevention and methodological requirements for safety inspection, and issued a series of guidance documents on the handling of fire incidents, including the "Implementation Measures for Fire Rescue" and the "Emergency Preparedness and Response Procedures". To eliminate fire hazards, the Group's electronics manufacturing plants continued to subdivide their safety and fire management organizational structure during the year, with the addition of an evacuation and induction team, a rescue team, a fire-fighting team and a communication team. We have posted fire-fighting practices and emergency procedures on all floors and arranged for regular inspections of fire-fighting facilities and equipment to ensure that they are fully equipped and up to standard.

Director
Responsible for directing all fire-fighting activities and fire detection and management

Deputy Director
Assist the Director in assembling his fire-fighting staff for the purpose of ensuring a speedy and smooth response to the disaster

Refuge Induction Team
Evacuate people from the scene of the fire and disperse casual onlookers

Ambulance Team
Responsible for the transfer of important materials, disconnecting power supply, ambulance service, maintaining order on site, preventing theft and robbery, etc.

Fire-fighting Team
When a fire breaks out, carry firefighting tools immediately. Get to the scene quickly and carry out organized and planned remedial work

Communications Team
External emergency reporting and rescue, internal emergency notification of evacuation and emergency measures for all plant staff, liaison with internal and external situations and notification of disaster relief and rescue work.

Safety and fire prevention management organisation

To further raise staff awareness of fire safety, disseminate fire safety knowledge to new and existing staff and enhance their ability to respond to fire emergencies, the Group conducted a total of 8 fire drills in its Shenzhen, Xiamen and Huizhou plants during the year, involving a total of 1,452 participants.

2022 Fire Safety Drill in Huizhou Plant

7.2.4 Emergency response to public health incidents

During the COVID-19 pandemic, in order to protect the physical and mental health of all staff and to work safely, the Group formulated the "Emergency Plan for Sustainable Operation of Business when Closed" and the "Emergency Plan for Public Health Emergencies", established a dead-end cycle management process for pandemic prevention and emergency control for Public Health Emergency, and set up a leading group for pandemic prevention and control and closed production work. We efficiently carry out pandemic prevention and control measures in the workplace to protect the health and safety of all employees, so that each employee can work in a safe and healthy working environment orderly. In addition, to enhance awareness of protection against pandemic, the Group has also increased its regular management and drills in response to pandemic in order to continuously monitor the health of staff and their protection against pandemic. As of the end of the reporting period, national pandemic prevention and control has been optimized, but the experience gained in prevention and control during the pandemic will be beneficial to us in dealing with future public health emergencies in a timely and effective manner, and effectively safeguarding the safety of our staff.

7.3 Talent Training and Career Development

The Group attaches great importance to staff training and development. Based on the Group's strategic planning direction and business development goals, we provide targeted and comprehensive training and promotion opportunities for our staff to help them enhance their professional skills and expertise, and accelerate the fit of the talent pipeline with the Group's business.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

7.3.1 Talent Cultivation

In respect of the Group's aerospace business, we attach great importance to staff training and are committed to enhancing the knowledge base and professional skills of our staff in the field of aerospace technology, thereby continuously strengthening their innovative thinking and core competitiveness and accelerating the Group's high quality development in satellite manufacturing and launch businesses. In 2022, we conducted a total of 14 internal training activities, including new staff induction training, technical training and business skills training. Of these, three new employee induction training events were held, with a total of 10 participants; nine technical training events were held, with a total of 200 participants; and two business skills training events were held, with a total of 40 participants. The training topics covered the background of the aerospace industry, the operation of the Company's aerospace business, the development of aerospace technology, satellite communication technology, satellite measurement and operation control technology and many other areas. Through the training, the staff's professional knowledge was enhanced to different degrees, their working abilities were effectively improved, and their innovation and creativity were further developed, which greatly contributed to the Group's continuous innovation and development.

The Group has established a clear talent training system for both new and existing employees to provide a platform for learning and development. During the year, the Group's EMS business segment completed the revision and update of the "Training Management Control Procedures" on the basis of the original training system and the Group's current stage of demand for talent training, and introduced a new "Training Management Formulation and Process". We have divided the training methods into staff induction training, job training, on-the-job training and agreement training:

Onboarding training	Job Training	On-the-job training	Agreement Training
Group Brief introduction and Corporate Culture; Human Capital management systems and processes; Administrative systems and processes; Daily management norms and processes; A description of the duties of the post; After the training is completed. New staff complete the "New Staff Orientation Training Feedback Form".	Workflow of each department; departmental equipment and software operation procedures; departmental professional knowledge and skills training management; Completion of the "New Staff Post Training Feedback Form" during the probationary period and conduct of the regular assessment.	According to the specific development of the Company's business, external senior lecturers or internal assigned lectures teaching; participate in academic exchanges, expert lectures; on-site visits, visits, networks, seminars; network distance learning.	Anyone sent out by the Company for professional training must sign a relevant training agreement with the Company.

In 2022, the Group divided its training programmes into different directions according to the purpose of training and we provided training to a total of 1,236 employees with an average training duration of approximately 59.42 hours per person for every staff of the Group.

Reinforcing staff safety awareness

Up and down stairs safety training
Chemical training
Traffic safety training
Safety training for equipment operation
Electricity safety training
……

Personnel department training

Staff relationship management
Internal attendance training
Excel — getting started
Recruitment interviewing skills for base managers
……

Upgrading professional skills of staff

Training on job duties
5S and visualization management
Skills training for assembly and maintenance staff
Area standards for wet-sensitive element control
……

Improving the management of cadres

Passing on the meaning
Communication management
KPI data creation management
What should a team leader do when a new staff arrives
……

2022 Training Project for Employees of EMS Business

For details of the average number of training hours and the percentage of employees trained for the Group in 2022, please refer to Appendix I: ESG KPIs Table.

7.3.2 Promotion of Development

Employees are the most important asset of a company. The Group strives to create a fulfilling, motivated, enjoyable and high performance work environment for its employees through the development of a sustainable talent development strategy. The Group is concerned about the performance of our employees and their expectations of their career development. We have established appraisal measures and promotion mechanisms to attract, nurture and retain suitable talents through a comprehensive talent planning and succession system; We have implemented a total remuneration system to reward our employees according to their performance, which not only provides a good platform for career development, but also provides a solid foundation and sufficient motivation for sustainable corporate development.

7.4 Care for Employee

The Group is dedicated to providing a warm workplace experience for our employees, listening to their voices and taking the initiative to care for and help them in difficulty. We attach importance to the physical and mental health of our employees, regularly carry out cultural and sports activities, and are committed to helping them balance work and life to enhance their sense of well-being and belonging.

7.4.1 Communication with Employee

We continuously communicate with our employees and listen to their voices to understand their requirements. The Group's Hong Kong office regularly disseminates information to our employees on our latest policies and developments, both formally and informally, including real-time communication software groups, emails, announcements, and satellite launch celebrations, in order to enhance employees engagement.

In addition, for the Group's EMS business, Huizhou Plant regularly holds quarterly employees seminars and communication meetings with the catering committee, and invites employees to conduct regular canteen satisfaction surveys by filling in questionnaires. Based on the survey results, we provide feedback to the canteen on the issues of greatest concern to our employees. At the same time, the Human Resources Department has made the telephone number available to the entire Group and actively encourages employees to lodge complaints and grievances with the Group through the hotline, and we will keep the identity information of the whistleblower strictly confidential.

7.4.2 Employee Activities

In order to strengthen the centripetal force and cohesion of the team, cultivate a sense of teamwork among departments and form a positive working atmosphere, the Group actively launched various cultural and sports activities to help employees relieve work pressure and stimulate their vitality and passion. During the year, Huizhou Plant organized tug-of-war and group activities, which were beneficial to the physical and mental health of the employees, and brought them closer to each other while sharing a happy time; at the same time, we actively promoted the concept of work-life balance and implemented family-oriented policies and measures:

Case: Summer Care Activity Carried Out by Huizhou City Eternity Technology Company Limited
In order to solve the problem of taking care of employees' children during holidays and to enhance humanistic care, in 2022, the Group's subsidiary, Huizhou City Eternity Technology Company Limited, launched a "Summer Care Service" every Monday to Friday in July and August. We divide the children of our employees aged 4-12 (toddlers and primary school students) into two classes according to their age, and arrange life teachers to take care of them in the industrial park living area. We also provide free lunch, lunch beds and chairs and benches for the children to use.

We organize monthly "birthday parties" for all employees whose birthdays fall in the same month. We also organize celebration dinners and give out festive gifts during festivals such as Mid-Autumn Festival to celebrate the festive season with our employees.

Mid-Autumn Dinner Together

"Birthday Party" Activity

Tug of War

8.0 SUSTAINABLE SUPPLY CHAIN MANAGEMENT

Suppliers are important business partners of the Group and their selection and management are closely related to the quality of our products. The Group continues to build a responsible supply chain in strict compliance 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. We require all suppliers to meet the Group's expectations in areas such as health and safety of employees, product quality management, environmental protection and anti-corruption. By continuously standardizing our procurement standards and processes, we strongly advocate green procurement and strictly control the quality management of our products, thereby reducing the environmental, social and safety risks in our supply chain.

8.1 Cooperation with suppliers

We focus on ethical business, regulatory and social responsibility. For the Group's aerospace business, in addition to requiring suppliers to comply with local laws and regulations, we give preference to suppliers who comply with international standards on ESG (environmental, health and safety, employee rights and business ethics and other sustainability initiatives) in the selection of suppliers to provide products and services to us. The Group has established a set of general supplier management principles, which clearly define the minimum requirements for suppliers to comply with in terms of environmental protection, legal qualifications, safe operations and business ethics, and require all suppliers to strictly comply with them in order to effectively prevent and properly manage supply chain risks; suppliers who have experienced negative situations during the course of cooperation will be excluded upon contract renewal. We will continue to work with reputable, socially responsible and qualified suppliers and invite them to participate in social responsibility and environmental protection related activities.

Principles for the overall management of suppliers to the aerospace business

In order to strengthen cooperation between industry, academia and research, during the year, we actively engaged in strategic cooperation with a number of universities to proactively understand and actively utilize the existing achievements of the academic community in research on aerospace technology. In addition, in order to continue to expand the Group's aerospace business and improve the technological level and production efficiency of satellite development and manufacturing, we sign strategic cooperation framework agreements with a number of domestic and international partners during the year and carried out cooperation in aerospace business related to satellite manufacturing and assembly, integration and testing. As of 31 December 2022, Gang Hang Ke (Shenzhen) Space Technology Co., Ltd.* ("**SZ Gang Hang Ke**"), a subsidiary of the Group,had entered into cooperation with a total of seven domestic suppliers.

In respect of the Group's EMS business, as IC manufacturing is in the midstream of the industry, we have a wide range of sourcing from upstream and downstream industries, covering production equipment, maintenance parts for production equipment, production raw materials, plant facilities, fire safety facilities and engineering, professional services, etc. We actively support the development of our local supply chain and as of 31 December 2022, we had 670 qualified suppliers in our supplier pool. The following table sets out the number and percentage of our e-business suppliers by source:

Region	Number	Percentage (%)
Mainland China	582	86.86%
Hong Kong, China	70	10.45%
Taiwan, China	3	0.45%
Overseas	15	2.24%

8.2 Lifecycle Management System for Supply Chain

The Group strictly abides by the principle of "fairness and voluntariness, mutual benefit and mutual development" and requires plants to enter into cooperation with all suppliers on the basis of friendly negotiations. We are constantly improving our supplier management practices and have established a set of lifecycle management systems of the supply chain, including supplier development, access, selection, evaluation and withdrawal.

In respect of the Group's aerospace business, in 2022, we have continued to strengthen our supplier selection process and proactively adopt more environmentally friendly suppliers. At the same time, we continue to improve our supplier selection criteria and evaluation mechanism, and implement effective internal monitoring procedures to prevent any breach of business ethics and integrity-related laws and regulations. In addition, we focus on the protection of intellectual property rights in our supplier selection and procurement processes, and require suppliers to proactively support and safeguard the existing legal knowledge achievement of copyright owners. We continue to improve the construction of supplier's lifecycle management system by implementing the following measures:

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.

(1) 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.

(2) Actively seek out potential suppliers who can eliminate process safety risks through technical means and tools at an early stage of product design.

(3) 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, taking into account criteria such as: (1) the quality of the service or product and the impact on the Group's business; (2) the proposed price or cost compared with the Group's relevant budget; (3) the supplier's reputation and brand image; (4) financial soundness; (5) 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.

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.

Full lifecycle management system for aerospace business suppliers

Enhance supplier assessment

The Group maintains close liaison with its suppliers and is committed to ensuring quality service to its customers. The Group may only source services and goods from suppliers who are on a registered and qualified supplier list. This list is subject to regular review and updated from time to time.

Environmentally friendly suppliers

In order to achieve our sustainable development goals, the Group gives preference to suppliers who have corporate 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, including the use of minimal raw materials and the replacement of single-use items with reusable or recyclable items; (3) provide products that have the least environmental impact over their useful life; (4) avoid or use minimal packaging, reduce energy or water consumption, reduce or avoiding toxic substances.

Protection of intellectual property rights

When the Group engages suppliers, the protection of intellectual property rights will be included in the terms of the contract. Where we need to source and customize specific products and services in the course of our business, we will source genuine intellectual property rights and the Group will maintain and respect all legal or eligible intellectual property rights registered or created by existing copyright owners.

In respect of the Group's EMS business, the plant has established a series of implementation procedures for supplier management, including the "Supplier Development and Introduction Control Procedures" and the "Supplier Evaluation Procedures". During the year, Huizhou Plant has revised and updated the "Supplier Development and Introduction Control Procedures" system, requiring that after the new suppliers have completed all applications and passed the assessment, the Purchasing Department will issue the "Procurement Framework Agreement", the "Supplier Quality Agreement", the "Supplier Environmental Protection Agreement" and the "Confidentiality Agreement", and require all new suppliers to sign back and affix the company's official seal before they can be accepted as qualified suppliers. We also require that all goods delivered by suppliers meet the latest standards and requirements of the "Management Standard for Environmental Management Substances", and that suppliers provide nationally recognized test reports where necessary. We require suppliers to print the environmental label on the smallest unit of packaging for environmentally friendly products, and in the event of a dispute regarding environmentally controlled substances, we will pay compensation and assume legal liability in accordance with the "Supplier's Rules on Material Quality Compensation".

Development needs for new supplier → **Qualifications assessment** → **Sample acceptance**

Development needs for new supplier
Procurement department:
"Application Form for Supplier Development"

Qualifications assessment
Supplier Assessment Team:
"Supplier Assessment Survey Form"

Sample acceptance
Engineering department

Qualified supplier ← **Enter into the agreement** ← **On-site audit**

On-site audit
Supplier Assessment Team:
"Supplier On-Site Audit Plan"
"Supplier On-Site Assessment Report"
"Improvement Report of Non-conformance for Supplier Audit"

Enter into the agreement
Procurement department:
"Procurement Framework Agreement"
"Supplier Quality Agreement"
"Supplier Environmental Protection Agreement"
"Confidentiality Agreement"

Qualified supplier
Procurement department records it in SAP system

Trial production/ Bulk procurement → **Regular assessment** → **Supplier withdrawal**

Trial production/ Bulk procurement
Procurement department and Engineering department

Regular assessment
Supplier Assessment Team carries out QDCSTE Rating
"Supplier On-Site Assessment Form"

Supplier withdrawal
Functional Departments
"Cancellation Application Form of Non-Conform Supplier"

Supplier Management System for EMS Business

8.3 Supplier Assessment

The Group continues to improve its supplier assessment process. In respect of the Group's EMS business segment, in 2022, we updated the established QDCSTE (Quality, Delivery, Cost, Service, Technology, Environment) management criteria and added a number of assessment criteria in order to consistently obtain materials that meet our quality, environmental, delivery, service and price requirements. A supplier assessment team has been established to assess supplier performance on a quarterly basis against the following indicators and dimensions. The assessment team is made up of members from various positions such as Incoming Quality Control ("**IQC**"), Supplier Quality Engineer ("**SQE**") and Procurement Department to ensure that the supplier's competency in each dimension is up to standard.

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
Technology (10 points)	• Scoring by the engineering department
Environment (10 points)	• Environmental protection • RoHS • Reach • No Halogen

During the year, we have revised the "Supplier Assessment Procedure" and held regular supplier assessment panel meetings at the plant every quarter to discuss and participate in the QDCSTE assessment of key vendors for the quarter. In the fourth quarter of 2022, a total of 95 suppliers, including 48 agents, 34 originators, 12 traders and 1 outsourced vendor, were rated by QDCSTE. The results showed that all suppliers were rated D or above.

In addition to the QDCSTE assessment, the assessment of quality, social and environmental aspects is also mandatory. Suppliers are required to obtain the latest ISO 9001 quality control system certification and to implement an environmental management system in accordance with ISO 14001 standards. In addition, suppliers are required to establish quality control systems and environmental management systems in accordance with QC080000, TL9000 and TS16949 standards, and to comply with labour and human rights, health and safety, chemical management, environmental protection and anti-corruption regulations. We have established a comprehensive supplier access assessment mechanism which requires the participation of the Quality Control Department, the Systems Department, the Purchasing Department and the using unit in the assessment along the following dimensions:

Environment

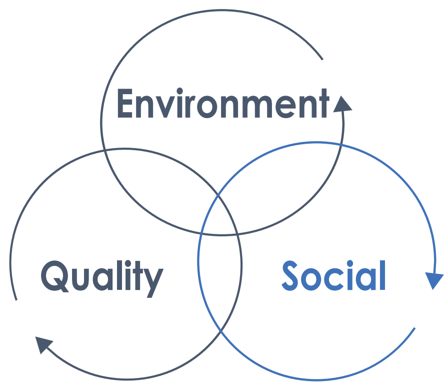
Control of incoming hazardous substances
Control of warehouse hazardous substance
Process hazardous substance process management
Environmental standards

Social

Customer complaint handling
Training management
Labour management
Social ethics
Health and safety

Quality

Incoming material quality control
Warehouse Management
Process control
Quality management & Supplier management
Finished product inspection and shipment control
Non-conformity control
Instrument and equipment, and reliability testing control



Only when the relevant quality requirements have been met at each assessment stage and a pass mark has been achieved will the supplier be included into the Company's list of qualified suppliers. In 2022, our contracted suppliers are in list of qualified suppliers.

9.0 LOVING THE HOMELAND AND SINCERELY GIVING BACK TO SOCIETY

With a strong sense of social responsibility, the Group has been upholding humanistic ideals, fulfilling social responsibilities and passing on great love since its establishment. Based on rural revitalization, we have carried out a series of public welfare activities such as consumer assistance to continuously activate and transmit the power of public welfare, benefiting more groups of farmers and contributing to the realization of "Common Prosperity".

Farming Support Activity Carried out by Huizhou City Eternity Technology Company Limited	
In order to effectively deal with the problem of slow sales of agricultural products on a large scale during the watermelon marketing period, Huizhou melon farmers were helped to speed up the sale of seasonal agricultural products. In FY2022, on the recommendation of the Management Committee of the Group's Huizhou Plant, we purchased 1,200 catties of watermelons for free distribution in the staff canteen. This not only provides lunch benefits to our staff, but also effectively promotes the revitalization of rural industries through consumption and production.	

APPENDIX I: ESG KPIS TABLE

Environmental Area

KPIs		Unit	2022	2021	2020
Emissions	Sulphur oxides emissions	Kg	0.5	0.8	0.5
	Nitrogen oxides emissions	Kg	100.7	123.3	246.2
	Particulate Matter emissions	Kg	9.4	11.7	17.1
Greenhouse gas emissions	Greenhouse gas emissions (Scope 1)	Tonnes of CO_2 equivalent	84.76	211.08	87.59
	Greenhouse gas emissions (Scope 2)	Tonnes of CO_2 equivalent	5,556.45	5,445.44	5,197.00
	Total greenhouse gas emissions	Tonnes of CO_2 equivalent	5,641.21	5,656.52	5,284.59
	Greenhouse gas emission intensity	Tonnes of CO_2 equivalent/person	4.846	8.468	8.328
Hazardous waste	Total hazardous waste	Tonnes	1.104	0.055	N/A
	Hazardous waste intensity	Tonnes/person	0.000948	0.00008234	N/A
Non-hazardous waste	Total non-hazardous waste	Tonnes	121.192	3.318	N/A
	Non-hazardous waste intensity	Tonnes/person	0.104	0.005	N/A
Use of Resources	Total electricity consumption	kWh	9,543,044.026	6,773,710.500	6,210,983
	Total energy consumption	kWh in '000s	9,843.951	7,445	N/A
	Energy consumption intensity	kWh in '000s/person	8.46	11.15	N/A
Water consumption	Water consumption	Tonnes	62,479.00	30,006.45	28.6
	Water consumption intensity	Tonnes/person	53.68	44.92	N/A
Packaging materials consumption	Packaging carton usage consumption	Tonnes	42.53	N/A	N/A

Description of Environmental Data and Factors

1. The environmental data covers the period from 1 January to 31 December 2022. The data collection covers Shenzhen Hengchang Sheng Technology Co., Ltd., Huizhou Eternity Technology Company Limited, Eternity Technology (Xiamen) Company Limited, Hong Kong Aerospace Technology's Headquarters and Gang Hang Ke (Shenzhen) Space Technology Limited.

2. Greenhouse gas emissions (Scope 1) are mainly generated from the fuel consumption of company vehicles, and greenhouse gas emissions (Scope 2) are mainly from purchased electricity. Data sources are the bills of payment and administrative statistics ledgers. Greenhouse gas emissions factors of purchased electricity are from the Notice on the Key Work related to the Management of Corporate Greenhouse Gas Emissions Reporting in 2022 published by the Ministry of Ecology and Environment, and other energy emission factors are from the Reporting Guidance on Environmental KPIs published by The Stock Exchange of Hong Kong Limited.

3. The energy consumed by the Group in 2022 includes fuel for company vehicles and purchased electricity. Data sources are the bills of payment and administrative statistics ledgers. Energy consumption factors are based on the conversion factors provided by the International Energy Agency and the GB/T2589–2008 General Principles for Calculation of the Comprehensive Energy Consumption.

4. The hazardous wastes are waste motor oil, waste organic solutions, waste activated carbon, etc.

5. The increase in the volume of non-hazardous waste generated as compared with previous year was due to the fact that the Huizhou Plant of the Group's EMS business segment generated and accounted for more domestic waste and production waste at the plant during the production process than in previous year, and these general solid wastes were treated and recycled by qualified third parties.

6. The water used by the Group was supplied from tap water in the city. Data sources are financial records and administrative statistics ledgers.

Social Area

KPIs		2022	
Total workforce by gender, age group and geographical region			
		Number of employees (persons)	**Percentage (%)**
By gender	Male	705	60.57%
	Female	459	39.43%
By age group	Under 30 years old	605	51.98%
	31-50 years old	523	44.93%
	Above 50 years old	36	3.09%
By geographical region	Mainland, the PRC	1,133	97.34%
	Overseas and Hong Kong, Macau and Taiwan	31	2.66%
Total employees		1,164	
Employee turnover rate by gender, age group and geographical region			
		Number of employees leaving (persons)	**Total turnover rate (%)**
By gender	Male	261	27.02%
	Female	195	29.82%
By age group	Under 30 years old	281	31.72%
	31-50 years old	166	24.09%
	Above 50 years old	9	20.00%
By geographical region	Mainland, the PRC	435	27.74%
	Overseas and Hong Kong, Macau and Taiwan	21	40.38%

Health and Safety			
Number of work-related fatalities occurred in the past three years		0	
Number of work-related injuries		3	
Lost days due to work injury		25	
Percentage of employees trained and average training hours completed per employee by gender and employee category			
		Percentage of employees trained	Average training hours completed per employee
By gender	Male	66.83%	59.98
	Female	33.17%	58.25
By rank	Senior management	0.65%	9.07
	Middle management	2.91%	18.05
	Ordinary employees	96.44%	61.27
Supply Chain Management			
Number of suppliers	Mainland, the PRC	589	
	Hong Kong, Macau and Taiwan	73	
	Overseas	15	
Total suppliers		677	
Customer Service Data			
Number of customer complaints (times)		25	
Return visit (times)		25	

Description of Social Data Calculation

1. The social data covers the period from 1 January to 31 December 2022. The data collection covers Shenzhen Hengchang Sheng Technology Co., Ltd., Huizhou Eternity Technology Company Limited, Eternity Technology (Xiamen) Company Limited, Hong Kong Aerospace Technology's Headquarters and Gang Hang Ke (Shenzhen) Space Technology Limited.

2. Staff turnover rate = Number of staff who left the category/(Total number of staff in the category + number of staff who left the category at the end of the reporting period)*100%

3. Percentage of staff trained by category = Number of staff trained in that category/Total number of staff trained * 100%

APPENDIX II: GUIDE CONTENT INDEX

ESG Indicators		Disclosure	Corresponding Sections
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	Resilient Development with Greenness and Low Carbon
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 emission target(s) set and steps taken to achieve them.	Disclosed	Resilient Development with Greenness and Low Carbon
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	Resilient Development with Greenness and Low Carbon
A2 General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Disclosed	Resilient Development with Greenness and Low Carbon
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

ESG Indicators		Disclosure	Corresponding Sections
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Disclosed	Resilient Development with Greenness and Low Carbon
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	Resilient Development with Greenness and Low Carbon
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 impact on the environment and natural resources.	Disclosed	Resilient Development with Greenness and Low Carbon
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed	Resilient Development with Greenness and Low Carbon
A4 General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Disclosed	Resilient Development with Greenness and Low Carbon
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	Resilient Development with Greenness and Low Carbon
B1 General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Disclosed	Working with Employees to Create an Inclusive Workplace
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Disclosed	Appendix I
B1.2	Employee turnover rate by gender, age group and geographical region.	Disclosed	Appendix I

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Indicators		Disclosure	Corresponding Sections
B2 General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Disclosed	Working with Employees to Create an Inclusive 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	Working with Employees to Create an Inclusive Workplace
B3 General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Disclosed	Working with Employees to Create an Inclusive 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
B4 General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Disclosed	Working with Employees to Create an Inclusive Workplace
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Disclosed	Working with Employees to Create an Inclusive Workplace
B4.2	Description of steps taken to eliminate such practices when discovered.	Disclosed	Working with Employees to Create an Inclusive Workplace
B5 General Disclosure	Policies on managing environmental and social risks of the supply chain.	Disclosed	Sustainable Supply Chain Management
B5.1	Number of suppliers by geographical region.	Disclosed	Appendix I

ESG Indicators		Disclosure	Corresponding Sections
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	Sustainable Supply Chain Management
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Disclosed	Sustainable Supply Chain Management
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Disclosed	Sustainable Supply Chain Management
B6 General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Disclosed	Innovation-driven to Build up a Firm Quality Responsibility
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Disclosed	Innovation-driven to Build up a Firm Quality Responsibility
B6.2	Number of products and service related complaints received and how they are dealt with.	Disclosed	Innovation-driven to Build up a Firm Quality Responsibility
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Disclosed	Innovation-driven to Build up a Firm Quality Responsibility
B6.4	Description of quality assurance process and recall procedures.	Disclosed	Innovation-driven to Build up a Firm Quality Responsibility
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Disclosed	Innovation-driven to Build up a Firm Quality Responsibility

ESG Indicators		Disclosure	Corresponding Sections
B7 General Disclosure	Information on the policies; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Disclosed	Adhering to the Mission of Integrity and Compliance Operation
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.	Disclosed	Adhering to the Mission of Integrity and Compliance Operation
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Disclosed	Adhering to the Mission of Integrity and Compliance Operation
B7.3	Description of anti-corruption training provided to directors and staff.	Disclosed	Adhering to the Mission of Integrity and Compliance Operation
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	Loving the Homeland and Sincerely Giving Back to the Society
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Disclosed	Loving the Homeland and Sincerely Giving Back to the Society
B8.2	Resources contributed (e.g. money or time) to the focus area.	Disclosed	Loving the Homeland and Sincerely Giving Back to the Society

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 2022.

PRINCIPAL ACTIVITIES

The Group is principally engaged in (i) EMS business which includes provision of design enhancement and verification, offering of technical advice and engineering solutions, raw materials selection and procurement, quality control, logistic and delivery and after-sale services to the customers in respect of the assembling and production of PCBAs and fully-assembled electronic products; and (ii) aerospace business, which includes (1) satellite manufacturing; (2) satellite communication; (3) satellite measurement and controlling; and (4) satellite launching. Details of the principal activities of the Company's subsidiaries are set out in Notes 1 and 31 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2022 is set out in the sections of Chairman's Statement, Management Discussion and Analysis, Environmental, Social and Governance 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. No important event affecting the Group has occurred since the end of the year.

KEY RISK FACTORS

The following lists out the key risks and uncertainties faced by the Group.

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

Fluctuations in the price of raw materials may affect the cost of sales and adversely affect the business operations and profitability.

Financial Risks

The financial risks of the Group 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 2022 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 108 to 111.

The Board does not recommend payment of final dividend for the year ended 31 December 2022 (2021: nil).

SUBSIDIARIES

Details of the subsidiaries of the Company as at 31 December 2022 are set out in Note 31 to the consolidated financial statements.

PROPERTIES, PLANT AND EQUIPMENT

Details of movements in the properties, plant and equipment of the Group during the year 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 year are set out in Note 23 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's 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 year are set out in the consolidated statement of changes in equity.

CHARITABLE DONATIONS

The Group did not have any donation during the Reporting Period. (2021: approximately RMB7.2 million).

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 during the year.

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 24.9% and 65.3% (2021: approximately 20.9% and approximately 67.47%) 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 5.3% and 21.4% (2021: approximately 13.0% and approximately 30.8%) of the total purchases of the year, respectively. None of the Directors of the Company 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 of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Sun Fengquan *(Co-Chairman and Chief Executive Officer)*
Dr. Lam Lee G. *(Co-Chairman)* (re-designated from a non-executive Director to an executive Director on 3 January 2022)
Mr. Lam Kin Fung Jeffrey
Ms. Ku Ka Lee Clarie *(Vice Chairman)*
Mr. Ma Fujun

Non-executive Directors

Dr. Mazlan Binti Othman (appointed as an independent non-executive director on 5 July 2022 and re-designated to a non-executive Director on 5 October 2022)
Mr. Niu Aimin (appointed on 5 July 2022)
Dr. Yip Chung Yin
Mr. Lam John Cheung-wah (resigned on 5 July 2022)

Independent Non-executive Directors

Mr. Brooke Charles Nicholas
Professor Chan Ka Keung, Ceajer (appointed on 3 January 2022)
Mr. Hung Ka Hai Clement
Dr. Yuen Kwok Keung (appointed on 3 January 2022)
Mr. Juan de Dalmau-Mommertz (appointed on 16 September 2022)
Mr. Leung Kwong Ho (resigned on 5 July 2022)
Mr. Lo Chi Chung William (resigned on 3 January 2022)

Article 84(1) of the Articles provides that every Director shall be subject to retirement at AGM at least once every three years and for this purpose, at each AGM 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. Lam, Ms. Ku, Dr. Othman, Mr. Niu, Mr. Brooke, Mr. Hung and Mr. de Dalmau 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 12 to 20 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors and non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from the respective date of appointment and will continue thereafter (subject to retirement by rotation and re-election at an AGM at least once every three years in accordance with the Articles) and each of the independent non-executive Directors has entered into a letter of appointment with the Company for an initial term of three years commencing from the respective date of appointment (subject to retirement by rotation and re-election at an AGM at least once every three years in accordance with the Articles).

Apart from the foregoing, no Directors proposed for re-election at the AGM has a 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 year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

On 7 January 2022, Mr. Lam John Cheung-wah ("**Mr. John Lam**"), the former non-executive Director, and the Company entered into a consultancy agreement in relation to the provision of consultancy services by Mr. John Lam to the Company for a term of one year commencing from 1 August 2021. Pursuant to the consultancy agreement, Mr. John Lam is responsible for introducing potential investors to the Company and Mr. John Lam is entitled to a consultancy fee of HK$2,000,000 during the term thereof.

On 1 June 2022, Mr. Niu, a non-executive Director, and the Company entered into an employment contract in relation to the employment as vice president of the Group — International Cooperation with effect from 1 June 2022. Pursuant to the employment contact, Mr. Niu is entitled to a monthly remuneration of HK$180,000.

Save as disclosed above, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries, fellow subsidiaries or controlling shareholder was a party, and in which a Director of the Company or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31 December 2022, interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the 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 are 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)	154,900,153 (L)	50.13
Dr. Lam	Interest of spouse(3)	4,257,002(L)	1.38
Dr. Yip	Interest of a controlled corporation(4)	2,277,496(L)	0.74

Notes:

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

(2) These shares are directly held as to 27,016,000 shares, representing 8.74% of the total number of the issued shares, by Vision International Group Limited ("**Vision**") and 127,884,153 shares, representing 41.39% 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 1.38% 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.

(4) Dr. Yip and his family members, through their investment vehicles, were interested in 2,277,496 shares, representing 0.74% of the total number of issued shares. Dr. Yip holds one third of the investment vehicles and hence is deemed or taken to be interested in the shares under the SFO.

(ii) Interests in the ordinary shares of associated corporation

Name of director	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 127,884,153 shares held by HKATH (BVI) and 27,016,000 shares held by Vision under the SFO.

Save as disclosed above, none of the Directors or chief executive of the Company and/or any of their respective associates had registered any interests or short positions in any shares and underlying shares in, and debentures of, the Company or any associated corporations, 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", at no time during the year 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 2022, 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	127,884,153	41.39
Vision	Beneficial owner; Interest of a controlled corporation[(2)]	154,900,153	50.13

Notes:

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

(2) Vision was directly interested in 27,016,000 shares, representing 8.74% of the total number of the issued shares. HKATH (BVI) was directly interested in 127,884,153 shares, representing 41.39% 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.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company, other than the Directors and chief executive of the Company, as at 31 December 2022 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 during the Reporting Period and up to the date of this report.

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. The Share Option Scheme will provide the eligible participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate the eligible participants to optimize their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain an on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

Eligible participants of the Share Option Scheme may include any employee (full-time or part-time), executives, officers, or directors (including non-executive directors and independent non-executive directors) of the Group, and any advisors, consultants, suppliers, customers, distributers and such other persons who in the sole opinion of the Board, will contribute or have contributed to the Group (together, the "**Eligible Participants**" or each "**Eligible Participant**").

Unless approved by shareholders in general meeting in the manner stipulated in the Listing Rules, the maximum entitlement for each Eligible Participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period shall not exceed 1% of the total number of shares in issue.

The exercise price for any share under the Share Option Scheme shall be a price determined by the Board and notified to each grantee and shall not be less than the highest of: (i) the official closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the official closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share.

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 the date of adoption of the Share Option Scheme. There is no minimum period for which an option must be held before it can be exercised.

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date.

As at the date of this report, the total number of shares available for issue under the Share Option Scheme was 30,000,000, representing 10% of the issued share capital of the Company as at the listing date. The aggregate number of shares which may be issued upon exercise of all outstanding options granted and to be exercised under the Share Option Scheme and any other share options schemes of the Company, must not in aggregate exceed 10% of the Company's shares in issue. The 10% limit may be refreshed at any time by obtaining approval of the Company's shareholders in general meeting provided that the total number of the Company's shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company, must not exceed 10% of the Company's shares in issue as at the date of approval of the refreshed limit. Unless terminated by the Company by resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption.

Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption and the remaining life of the Share Option Scheme is approximately 6 years.

No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme during the year ended 31 December 2022 and up to the date of this annual report.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme, no equity-linked agreements were entered into or subsisted by the Company at the year ended 31 December 2022.

RELATED PARTY TRANSACTIONS

Details of material related party transactions entered into by the Group during the Reporting Period are set out in Note 35 to the consolidated financial statements. For the year ended 31 December 2022, none of these related party transactions are connected transaction which are subject to the reporting, disclosure and independent shareholders' approval requirements of Chapter 14A of the Listing Rules in respect of such transactions.

CONNECTED TRANSACTIONS

On 7 January 2022, Mr. John Lam, the former non-executive Director, and the Company entered into a consultancy agreement in relation to the consultancy services rendered and to be rendered by Mr. John Lam to the Company for a term of one year commencing from 1 August 2021. Pursuant to the consultancy agreement, Mr. John Lam is responsible for introducing potential investors to the Company and Mr. John Lam is entitled to a consultancy fee of HK$2,000,000 during the term thereof. The consultancy agreement was conducted on normal commercial terms and was fully exempt from reporting, announcement, circular and independent shareholders' approval requirements under the Listing Rules as all the percentage ratios (other than the profit ratio) are less than 5% and the total consideration payable to Mr. John Lam together with the director's fee of Mr. John Lam during the Reporting Period is less than HK$3,000,000. Details were disclosed in Note 35 to the consolidated financial statements.

FUTURE PROSPECT AND DEVELOPMENT

With reference to the Business Strategies and Outlook section of the Chairman's Statement, the Group will continue to strive to system long term growth in the aerospace business and the EMS business, strengthen the production capacity and enhance production efficiency to secure more business opportunities. The Group will continue to strive a balance among the interests of shareholders, employees and customers of the Group, and pursue long-term and sustainable development for the Group.

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. Brooke and Prof. K.C. Chan.

The Audit Committee had reviewed the audited annual results of the Group for the year ended 31 December 2022.

AUDITOR

PricewaterhouseCoopers, the auditor of the Company, will retire at the conclusion of the forthcoming AGM of the Company and be eligible to offer themselves for re-appointment. A resolution will be submitted to the AGM to be held on 28 June 2023 to seek shareholders' approval on the appointment of PricewaterhouseCoopers as the Company's auditor until the conclusion of the next AGM and to authorize the Board to fix their remuneration.

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 one executive Director, namely Dr. Lam and three independent non-executive Directors, namely, Prof. K.C. Chan (Chairman), Mr. Brooke and Dr. Yuen.

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 two executive Directors, namely, Mr. Sun (Chairman) and Dr. Lam and two independent non-executive Directors, namely, Mr. Hung and Dr. Yuen.

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 which encourages their individual performance and then to contribute to their departmental performance as well. The emoluments of the Directors are reviewed and approved by the remuneration committee of the Board, having regard to factors including remuneration paid by comparable companies, time commitment, job duties and responsibilities in respect of the relevant positions. The Company has adopted the Share Option Scheme, details of which are set out in the paragraph headed "Share Option Scheme" above.

CORPORATE GOVERNANCE PRACTICES

Corporate governance practices adopted by the Company are set out in the Corporate Governance Report of this 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

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.

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.

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 a healthy relationship can be built up by providing enhanced services to customers, maintaining an effective communication channel to employees and business partners.

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 35 to 88 for details of our ESG performance.

By order of the Board

Sun Fengquan
Co-Chairman & Chief Executive Officer

Hong Kong, 29 March 2023

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Hong Kong Aerospace Technology Group Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 108 to 193, comprise:

- the consolidated balance sheet as at 31 December 2022;
- 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, which include significant accounting policies 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 2022, 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

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 RMB154,291,000 and a net cash outflow from operating activities of RMB93,029,000 for the year ended 31 December 2022. As at 31 December 2022, the Group's current liabilities exceeded its current assets by RMB71,668,000 while the Group's cash and cash equivalents amounted only to RMB41,471,000. Furthermore, the Group had significant capital expenditures commitment under various contractual and other arrangements as at 31 December 2022. 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 2.22 and 5 to the consolidated financial statements. During the year ended 31 December 2022, revenue of approximately RMB635,432,000 was recognised in the Group's consolidated statement of comprehensive income.	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;

Key Audit Matter	How our audit addressed the Key Audit Matter
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.	• 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 2.10, 2.11, 3.1 and 20 to the consolidated financial statements. As at 31 December 2022, the Group had gross trade and bills receivables of approximately RMB134,580,000, against which an allowance for impairment of approximately RMB7,130,000 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;

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.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 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, 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.

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, 29 March 2023

CONSOLIDATED INCOME STATEMENT

For The Year Ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
Revenue	5	**635,432**	650,230
Cost of sales	6	**(609,390)**	(613,114)
Gross profit		**26,042**	37,116
Other income	7	**5,084**	3,567
Other losses, net	8	**(5,673)**	(636)
Selling and distribution expenses	6	**(21,327)**	(16,571)
Administrative expenses	6	**(143,280)**	(69,606)
Net impairment losses on financial assets	6	**(1,688)**	(131)
Operating loss		**(140,842)**	(46,261)
Finance income		**560**	503
Finance costs		**(12,699)**	(1,199)
Finance costs, net	10	**(12,139)**	(696)
Loss before income tax		**(152,981)**	(46,957)
Income tax expense	11	**(1,310)**	(6,118)
Loss for the year		**(154,291)**	(53,075)
Loss for the year attributable to:			
Equity holders of the Company		**(154,290)**	(53,075)
Non-controlling interest		**(1)**	–
		(154,291)	(53,075)
Loss per share attributable to equity holders of the Company			
Basic and diluted	12	**(RMB49.93 cents)**	(RMB17.61 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 2022

	2022 *RMB'000*	2021 *RMB'000*
Loss for the year	**(154,291)**	(53,075)
Other comprehensive income/(loss):		
Item that will not be reclassified to profit or loss		
Currency translation differences	**15,822**	(1,898)
Item that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(7,192)**	1,193
Total comprehensive loss for the year	**(145,661)**	(53,780)
Total comprehensive loss for the year attributable to:		
Equity holders of the Company	**(145,660)**	(53,780)
Non-controlling interest	**(1)**	–
	(145,661)	(53,780)

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
Assets			
Non-current assets			
Properties, plant and equipment	13	424,674	340,456
Right-of-use assets	13	209,435	87,712
Intangible assets	14	5,511	786
Restricted cash	19	2,683	2,683
Financial asset at fair value through profit or loss	16	1,172	–
Prepayments and deposits	17	29,789	12,002
Deferred income tax assets	24	3,162	231
		676,426	443,870
Current assets			
Inventories	18	129,199	161,931
Contract assets	20	–	4,973
Trade and bills receivables	20	127,450	138,809
Prepayments, deposits and other receivables	17	54,116	72,149
Amounts due from related companies	35	17	486
Current income tax recoverable		141	21
Pledged bank deposits	19	17,500	27,500
Short-term bank deposits	19	187	139
Cash and cash equivalents	19	41,471	91,433
		370,081	497,441
Assets classified as held for sale	21	180,844	–
		550,925	497,441
Total assets		1,227,351	941,311
Equity			
Equity attributable to equity holders of the Company			
Share capital	23	2,693	2,693
Share premium	23	304,492	304,492
(Accumulated losses)/retained earnings		(96,562)	57,489
Reserves		35,260	26,869
		245,883	391,543
Non-controlling interest		(1)	–
Total equity		245,882	391,543

CONSOLIDATED BALANCE SHEET

As at 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
Liabilities			
Non-current liabilities			
Deferred government grants	22	12,223	10,019
Lease liabilities	13(b)	166,546	33,135
Provision for reinstatement cost	26	8,402	–
Bank and other borrowings	27	167,611	63,449
Deferred tax liabilities	24	4,094	1,323
		358,876	107,926
Current liabilities			
Trade and bills payables	25	103,504	176,118
Other payables and accruals	26	96,151	61,292
Contract liabilities	26	19,630	45,130
Lease liabilities	13(b)	34,331	8,177
Bank and other borrowings	27	81,837	139,167
Bonds payable	28	16,291	–
Loan from the ultimate holding company	35	62,969	–
Loan from a related company	35	44,220	–
Loan from the immediate holding company	35	14,214	–
Loan from a director	35	3,538	–
Amount due to a related company	35	17	15
Amount due to the immediate holding company	35	–	3,143
Amount due to the ultimate holding company	35	–	15
Current income tax liabilities		7,843	8,785
		484,545	441,842
Liabilities directly associated with assets classified as held for sale	21	138,048	–
		622,593	441,842
Total liabilities		981,469	549,768
Total equity and liabilities		1,227,351	941,311

The consolidated financial statements on pages 108 to 193 were approved by the Board of Directors on 29 March 2023 and were signed on its behalf.

Sun Fengquan	**Lam Lee G.**
Director	*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 2022

	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2022

	Attributable to equity holders of the Company						
	Share capital *RMB'000*	Share premium *RMB'000*	Statutory reserve *RMB'000*	Other reserve *RMB'000*	Exchange reserve *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
Balance at 1 January 2021	2,619	110,868	14,591	12,662	(947)	110,497	250,290
Comprehensive loss							
Loss for the year	–	–	–	–	–	(53,075)	(53,075)
Other comprehensive (loss)/ income							
Currency translation differences	–	–	–	–	(1,898)	–	(1,898)
Exchange differences on translation of foreign operations	–	–	–	–	1,193	–	1,193
Total comprehensive loss	–	–	–	–	(705)	(53,075)	(53,780)
Transactions with owners							
Issue of shares *(Note 23)*	74	194,524	–	–	–	–	194,598
Transaction costs attributable to issue of new shares	–	(900)	–	–	–	–	(900)
Adjustment for common control combinations *(Note 30)*	–	–	–	1,335	–	–	1,335
Appropriation *(Note)*	–	–	(67)	–	–	67	–
Total transactions with owners	74	193,624	(67)	1,335	–	67	195,033
Balance at 31 December 2021	2,693	304,492	14,524	13,997	(1,652)	57,489	391,543

Note: The People's Republic of China (the "PRC") laws and regulations require companies registered in the PRC to provide for certain statutory reserves, which are to be appropriated from the profit after income tax (after offsetting accumulated losses from prior years) as reported in their respective statutory financial statements, before profit distributions to equity holders. All statutory reserves are created for specific purposes. A PRC company is required to appropriate an amount of not less than 10% of statutory profits after income tax to statutory surplus reserves, prior to distribution of its post-tax profits of the current period. A company may discontinue the contribution when the aggregate sum of the statutory surplus reserve is more than 50% of its registered capital. The statutory surplus reserves shall only be used to make up losses of the company, to expand the company's operations, or to increase the capital of the company. In addition, a company may make further contribution to the 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 2022

	Note	2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash used in operations	29(a)	(92,855)	(176,093)
Income tax paid		(734)	(1,255)
Interest received		560	503
Net cash used in operating activities		(93,029)	(176,845)
Cash flows from investing activities			
Purchase of properties, plant and equipment		(194,564)	(257,312)
Purchase of land-use rights		–	(12,757)
Proceeds from disposal of properties, plant and equipment	29(b)	145	152
Prepayment for development cost of intangible asset		–	(2,347)
Purchase of intangible assets		(2,654)	(47)
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	–
Change in restricted cash		–	(2,683)
Receipt of government grants		4,966	1,383
Net cash used in investing activities		(194,007)	(273,611)
Cash flows from financing activities			
Proceeds from bank borrowings	29(c)	219,497	199,425
Repayments of bank and other borrowings	29(c)	(95,243)	(21,907)
Payment of interest on bank and other borrowings	29(c)	(13,476)	(2,981)
Repayment to the ultimate holding company	29(c)	(186)	3
Repayment to the then immediate holding company	29(c)	(3,143)	(253)
Proceeds from bonds issuance	29(c)	15,641	–
Payment of interest on bonds payable	29(c)	(33)	–
Advance from the immediate holding company	29(c)	13,855	–
Proceeds from loans from directors	29(c)	44,829	–
Repayment of loans from directors	29(c)	(41,381)	–
Proceeds from loans from ultimate holding company	29(c)	61,382	–
Proceeds from loan form a related company	29(c)	43,105	–
Repayment of principal elements of lease liabilities	29(c)	(9,356)	(9,653)
Repayment of interest elements of lease liabilities	29(c)	(2,644)	(1,199)
Change in short-term bank deposits		(48)	(47)
Proceeds from common control combinations, net of consideration paid	30	–	5,126
Proceeds from issuance of shares	23	–	194,598
Payment of transaction costs attributable to issue of new shares	23	–	(900)
Net cash generated from financing activities		232,799	362,212

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
Net decrease in cash and cash equivalents		**(54,237)**	(88,244)
Cash and cash equivalents at beginning of the year		**91,433**	178,904
Cash and cash equivalents included in disposal group classified as held for sale	21	**(407)**	–
Currency translation differences		**4,682**	773
Cash and cash equivalents at end of the year	19	**41,471**	91,433

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

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.

The Company is an investment holding company and its subsidiaries (the "**Group**") are principally engaged in (i) electronics manufacturing services ("**EMS**") business (the "**EMS Business**") which includes provision of design enhancement and verification, offering of technical advice and engineering solutions, raw materials selection and procurement, quality control, logistic and delivery and after-sale services to the customers in respect of the assembling and production of printed circuit board assemblies (the "**PCBAs**") and fully-assembled electronic products; and (ii) aerospace business (the "**Aerospace Business**"), which includes (1) satellite manufacturing; (2) satellite communication; (3) satellite measurement and controlling; and (4) satellite launching.

As at 31 December 2022, the ultimate holding company of the Company is Vision International Group Limited ("**Vision**"), a company incorporated in Hong Kong with limited liability and the immediate holding company of the Company is Hong Kong Aerospace Technology Holdings Limited ("**HKATH (BVI)**"), a company incorporated in the British Virgin Islands with limited liability. The ultimate controlling shareholder of the Company is Mr. Sun Fengquan ("**Mr. Sun**") who is also the Co-Chairman of the board of the Company (the "**Board**") and Chief Executive Officer of the Company.

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

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 29 March 2023.

2 SUMMARY OF SIGNIFICANT 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 financial statements are for the group consisting of Hong Kong Aerospace 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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 approximately RMB154,291,000 and a net cash outflow from operating activities of approximately RMB93,029,000 for the year ended 31 December 2022. As at 31 December 2022, the Group's current liabilities exceeded its current assets by approximately RMB71,668,000 while the Group's cash and cash equivalents amounted only to approximately RMB41,471,000.

In addition, the Group has entered into (1) a number of leasing, fitting-out contracts, procurement and installation contracts (the "**Installation and Procurement Contracts**") for the setting up of a satellite manufacturing centre and a monitoring and operation control, application and data centre for satellites in Hong Kong; and (2) construction contracts (the "**Manufacturing Plants Construction Contracts**") for expanding its production base for EMS Business in Mainland China. As at 31 December 2022, the Group's capital expenditures commitment expected to be payable within the next twelve months amounted to approximately RMB296,249,000.

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 12 months from the end of the reporting period taking into account of the followings:

(a) At 27 March 2023, the Group obtained a letter of undertaking (the "**Undertaking Letter**") from Mr. Sun, an executive director who is also the ultimate controlling 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 RMB442 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;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

(b) In April 2022 and June 2022, the Group entered into a loan agreement with Vision International Group Limited ("**Vision**"), the ultimate holding company, and Hong Kong Aerospace Technology Holdings Limited ("**HKATH(BVI)**"), the immediate holding company, pursuant to which Vision and HKATH(BVI) have 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. As at 31 December 2022, the loans from Vision and HKATH(BVI) amounted to RMB14 million and RMB63 million respectively. Furthermore, in January 2023, the Group entered into a loan agreement (the "**2023 facility**") 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. For the period from 1 January 2023 to 24 March 2023, the Group drew a total of RMB175 million from the 2023 facility. At 24 March 2023, the Group obtained the confirmations 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. The Group considers that such loans would not be repaid before 31 March 2024 despite the terms of such loans are repayable on demand;

(c) In March 2023, the Group entered into a supplementary agreement with Rich Blessing Group Limited ("**Rich Blessing**"), a related company controlled by a director of the Company, pursuant to which the repayment term of a loan of HK$50 million (approximately RMB44 million) provided by Rich Blessing to the Group has been changed from immediate repayment to repayable on demand by Rich Blessing. The Group believes that Rich Blessing will not demand the repayment of such amount in the next twelve months from 31 December 2022 based on their latest communication with Rich Blessing;

(d) In December 2022, the Group entered into a share sale and purchase agreement (the "**Share Sale and Purchase Agreement**") with an independent third-party ("**the Purchaser**"), pursuant to which the Group conditionally agrees to sell, and the Purchaser conditionally agrees to purchase the entire equity interest of Positive Expert Limited, a wholly-owned subsidiary of the Group principally engaged in the construction and subsequent operation of a production plant in Daya Bay Western District for a consideration of HK$75 million (approximately RMB66 million). The Purchaser would be responsible for the repayment of bank loans totalling RMB85 million as drawn by Positive Expert Limited and its subsidiaries for the construction of the production plant after the completion of the transaction. The completion of the transaction is subject to various conditions precedent including but not limited to the approval from the bank which provides the construction loans and the completion of a due diligence review to be conducted by the Purchaser, with the results of the due diligence review being reasonably satisfactory to the Purchaser;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

(e) In March 2023, the Group entered into a subscription agreement (the "**Subscription Agreement**") with an independent third-party ("**the Aspace Subscriber**"), pursuant to which the Group conditionally agrees to issue, and the Aspace Subscriber conditionally agrees to subscribe 49% of the issued share capital, as enlarged, of Aspace Satellite Technology Limited, a wholly-owned subsidiary of the Group principally involved in satellite manufacturing business for a consideration of HK$147 million (approximately RMB130 million). The completion of the transaction is subject to various conditions precedent including but not limited to the Aspace Subscriber being reasonably satisfied with the results of the due diligence review to be conducted by the Aspace Subscriber on Aspace Satellite Technology Limited;

(f) The Group would be able to generate net operating cash inflows for the twelve months to 31 December 2023 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 secure new customers and generate cash inflows;

(g) The Group is in negotiation with certain potential lenders in respect of new borrowings; and

(h) 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 twelve months from 31 December 2022. 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 2022. 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 (a) above;

b) Successfully agreeing with Rich Blessing for not demanding loan repayment before 31 December 2023 as mentioned in note (c) above;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

c) Successfully fulfilling the conditions precedent and collecting the cash consideration for the disposal of the equity interest of Positive Expert Limited as mentioned in note (d) above;

d) Successfully fulfilling the conditions precedent and collecting the cash consideration for the subscription of the equity interest of Aspace Satellite Technology Limited as mentioned in note (e) above;

e) Successfully carrying out the Group's business strategies and generating net operating cash inflows for the twelve months to 31 December 2023 as mentioned in note (f) above; and

f) Successfully obtaining adequate funding through new borrowings and the issue of new equity and/or debt securities as mentioned in notes (g) and (h) above respectively.

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 financial 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.

(b) Amended standards and revised accounting guideline adopted by the Group

The Group has adopted the following amended standards and revised accounting guideline for the first time for their annual reporting period commencing 1 January 2022:

HKAS 16 (Amendments)	Property, Plant and Equipment – Proceeds before Intended Use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions Beyond 2021
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combinations
Annual Improvements Projects	Annual Improvements to HKFRSs 2018-2020

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(c) New and amended standards and revised interpretation issued but not yet adopted by the Group

The following new and amended standards and revised interpretation have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group.

		Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Asset and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 17	Initial Application of HKFRS17 and HKFRS 9 — Comparative Information	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	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 Repayment on Demand Clause	1 January 2024
Amendments to HKFRS 10 and HKAS 28	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 new and amended standards and revised 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries

2.2.1 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.

(a) 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 accordance with HKFRS 9 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(a) *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.

(b) Merger accounting for common control combinations

During the year, the Group has completed the acquisitions of certain subsidiaries which are under the common control of Mr. Sun, the controlling shareholder of the Company. These acquisitions are regarded as "business combination under common control".

Accordingly, these consolidated financial statements have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("**AG 5**") issued by the HKICPA.

The net assets of the combining entities are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over cost at the time of common control combinations, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combinations.

The comparative amounts in the consolidated balance sheet are presented as if the entities had been combined at the beginning of previous year unless they first came under common control at a later date.

The assets and liabilities acquired in the common control combinations are stated at their carrying amounts and the results of these subsidiaries are combined to the Group since 21 April 2021, the date when Mr. Sun obtained the control of the Company.

The effects arising from the common control combinations are set out in Note 30.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Subsidiaries (Continued)

2.2.1 Consolidation (Continued)

(c) 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.

(d) 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.

2.2.2 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.

2.3 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

(c) Group companies (Continued)

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.

2.5 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	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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 three to five 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.

2.7 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.

2.8 Financial assets

2.8.1 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

2.8.2 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Financial assets (Continued)

2.8.2 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.

2.8.3 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.

2.9 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.

2.10 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2.12 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period.

The Group does not designate any derivatives as hedging instruments. Subsequent changes in fair value of any derivative instrument are recognised immediately in profit or loss and are included in 'other losses, net'.

2.13 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). It excludes borrowing costs. 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.

2.14 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.

2.15 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.

2.16 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 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.

2.18 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.

2.19 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 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.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

2.23 Interest income

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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
Plant and machinery	10 years
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.

2.26 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.

2.27 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.28 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 amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the consolidated 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.

2.29 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.

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 the PRC 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, bank and other borrowings and bonds payable. Details of the Group's restricted cash, pledged bank deposits, short-term bank deposits, cash and cash equivalents, bank and other borrowings and bonds payable have been disclosed in Notes 19, 27 and 28 to the consolidated financial statements respectively.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Market risk (Continued)

(b) Interest rate risk (Continued)

As at 31 December 2022, 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 RMB1,876,000 (2021: RMB809,000) 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, amounts due from related companies, 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 2022 and 2021, 65% and 68% of the Group's revenue was derived from its top five customers respectively. As at 31 December 2022 and 2021, 0% and 99% of the total contract assets and 48% and 70% 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 2022, the balance of loss allowance in respect of these individually assessed receivables was RMB5,848,000 (2021: RMB4,618,000).

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.

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 2022, the balance of loss allowance in respect of these collectively assessed receivables was approximately RMB1,282,000 (2021: RMB766,000).

Impairment losses on trade and bills receivables are presented as 'net 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 amounts due from related companies 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 2022 and 2021, management considered the credit risk of deposits and other receivables and amounts due from related companies 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 amounts due from related companies 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 RMB154,291,000 and a net cash outflow from operating activities of RMB93,029,000 for the year ended 31 December 2022. As at 31 December 2022, the Group's current liabilities exceeded its current assets by RMB71,668,000 while the Group only had cash and cash equivalents of RMB41,471,000. Furthermore, the Group had significant capital expenditures commitment under various contractual and other arrangements as at 31 December 2022, 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 2022, the Group's total undrawn banking facilities amounted to approximately RMB8,329,000 (2021: RMB376,221,000), and the Group's total drawn banking facilities amounted to approximately RMB257,661,000 (2021: RMB201,803,000).

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.

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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Market risk (Continued)

(d) Liquidity risk (Continued)

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 *RMB'000*	Less than 1 year *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*
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
At 31 December 2021						
Trade and bills payables	–	176,118	–	–	–	176,118
Other payables and accruals	–	33,991	–	–	–	33,991
Lease liabilities	–	8,177	9,430	20,574	3,131	41,312
Bank and other borrowings						
— principal portion	139,167	–	12,267	39,937	11,245	202,616
Amount due to a related company	15	–	–	–	–	15
Amount due to the immediate holding company	3,143	–	–	–	–	3,143
Amount due to the ultimate holding company	15	–	–	–	–	15
	142,340	218,286	21,697	60,511	14,376	457,210

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 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**
At 31 December 2021					
Lease liabilities	10,082	10,876	22,378	3,216	46,552
Bank and other borrowings					
— Principal portion	139,167	12,267	39,937	11,245	202,616
— Interest portion	9,264	2,682	4,691	599	17,236
	158,513	25,825	67,006	15,060	266,404

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 a related company) and total equity, as shown in the consolidated balance sheet. The total debt to total capital ratios at 31 December 2022 and 2021 were as follows:

	2022	2021
	RMB'000	*RMB'000*
Total borrowings	**676,524**	243,928
Total equity	**245,882**	391,543
Total debt to total capital ratio	**275%**	62%

The increase in total debt to total capital ratio from approximately 62% as at 31 December 2021 to 275% as at 31 December 2022 was mainly due to additional drawdown of bank and other borrowings, placement of bonds, additions to lease liabilities and additional loan from a director, the immediate holding company, the ultimate holding company and a related company during the year.

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, amounts due from related companies, trade and bills payables, other payables and accruals, amount due to the immediate holding company, amount due to the ultimate holding company, amount due to a related company, loan from a director, loan from the immediate holding company, loans from the ultimate holding company, loan from a related company, 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 2022:

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
At 31 December 2022				
Assets				
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.

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 2022:

	RMB'000
Opening balance as at 1 January 2022	**–**
Additions	**8,500**
Disposal	**(6,600)**
Gain on disposal of financial asset at fair value through profit or loss	**600**
Loss on fair value changes of financial asset at fair value through profit or loss	**(1,328)**
Closing balance as at 31 December 2022	**1,172**

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**		**Unobservable inputs***	**Range of inputs**		**Relationship of unobservable inputs to fair value**
	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*		**31 December 2022**	31 December 2021	
Unlisted equity securities	**1,172**	N/A	Discount rate	**30%**	N/A	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, the PRC 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.

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 2022, 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 disposal group classified as held for sale as disclosed in Note 21.

(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 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

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 2021				
Segment revenue	135,919	517,234	–	653,153
Inter-segment revenue	–	(2,923)	–	(2,923)
Revenue from external customers	135,919	514,311	–	650,230
Segment cost of sales	(121,211)	(491,903)	–	(613,114)
Segment gross profit	14,708	22,408	–	37,116
Other segment information:				
Depreciation of properties, plant and equipment	903	5,834	1,311	8,048
Depreciation of right-of-use assets	2,252	6,407	340	8,999
Amortisation of intangible assets	–	544	–	544
Additions to non-current segment assets*	21,427	111,003	200,461	332,891

* The additions to non-current segment assets include 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 asset; and iii) prepayments for construction works.

5 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

	EMS Business			
	Smart home devices	Banking and finance and other devices	Aerospace Business	Total
	RMB'000	*RMB'000*	*RMB'000*	*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**

	EMS Business			
	Smart home devices	Banking and finance and other devices	Aerospace Business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2021				
Segment assets	155,124	533,743	252,192	941,059
Segment liabilities	94,034	366,063	79,563	539,660

Reportable segment assets are reconciled to total assets as follows:

	2022	2021
	RMB'000	*RMB'000*
Segment assets	**1,222,859**	941,059
Financial asset at fair value through profit or loss	**1,172**	–
Current income tax recoverable	**158**	21
Deferred income tax assets	**3,162**	231
Total assets	**1,227,351**	941,311

Reportable segment liabilities are reconciled to total liabilities as follows:

	2022	2021
	RMB'000	*RMB'000*
Segment liabilities	**968,050**	539,660
Current income tax liabilities	**7,843**	8,785
Deferred income tax liabilities	**5,576**	1,323
Total liabilities	**981,469**	549,768

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:

	2022 *RMB'000*	2021 *RMB'000*
Timing of revenue recognition		
At a point in time – sales of goods	**635,432**	650,230

(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:

	2022 *RMB'000*	2021 *RMB'000*
PRC	**465,866**	427,918
The United States of America (the "**USA**")	**20,441**	116,579
South Korea	**35,556**	19,362
India	**26,281**	8,446
Australia	**21,702**	54,576
Vietnam	**20,611**	3,437
Germany	**15,160**	400
Hong Kong	**12,326**	7,707
United Kingdom	**10,530**	–
Austria	**6,434**	10,728
Brazil	**137**	1,077
Others *(Note)*	**388**	–
	635,432	650,230

Note: Others include France and Spain.

5 REVENUE AND SEGMENT INFORMATION (Continued)

(e) Details of contract liabilities

	2022	2021
	RMB'000	*RMB'000*
Contract liabilities *(Note 26)*	**19,630**	45,130

Notes:

(i) Contract liabilities represent advanced payments received from the customers for goods that have not yet been transferred to the customers. The balances of contract liabilities fluctuated during the years ended 31 December 2022 and 2021 with sales order with advanced payments.

(ii) The following table shows how much of the revenue recognised in the current reporting period relating to carried-forward contract liabilities:

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**45,130**	33,248

(f) Major customers

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

	2022	2021
	RMB'000	*RMB'000*
Customer A	**N/A***	98,914
Customer B	**147,597**	82,187
Customer C	**157,905**	135,919
Customer D	**N/A***	71,993

* The corresponding customers did not contribute over 10% of the total revenue of the Group for the year ended 31 December 2022 or 2021.

The five largest customers accounted for approximately 65% (2021: 68%) of revenue for the year ended 31 December 2022.

5 REVENUE AND SEGMENT INFORMATION (Continued)

(g) Unsatisfied performance obligations

As at 31 December 2022 and 2021, 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 were 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 2022 and 2021 are located in the following regions:

	2022 ***RMB'000***	2021 *RMB'000*
The PRC	**246,784**	261,865
Hong Kong	**405,565**	174,860
Germany	**28**	107
	652,377	436,832

6 EXPENSES BY NATURE

Expenses included in cost of sales, selling and distribution expenses, administrative expenses and net impairment losses on financial assets are analysed as follows:

	2022	2021
	RMB'000	*RMB'000*
Cost of raw materials used	**453,465**	489,399
Consumables	**1,876**	1,008
Subcontracting charges	**17,411**	44,203
Employee benefit expenses and manpower services expenses, including Directors' emoluments *(Notes 9)*	**151,771**	85,356
Rental expenses of short-term leases in respect of machinery and properties *(Note 13(b))*	**12,630**	9,340
Building management fee	**5,093**	146
Utilities	**8,146**	4,482
Amortisation *(Note 14)*	**477**	544
Depreciation	**45,636**	16,280
Auditor's remuneration		
— Audit services	**2,690**	3,373
— Non-audit services	**1,152**	380
Professional fees	**17,216**	10,725
Provision/(reversal of provision) for inventories *(Note 18)*	**11,225**	(1,833)
Transportation	**1,018**	2,444
Travelling expenses	**3,520**	746
Service fees for product development	**7,252**	4,721
Commission expenses	**1,975**	639
Repairs and maintenance	**1,100**	407
Provision for impairment losses of financial assets *(Note 20)*	**1,688**	254
Reversal of provision for impairment losses of financial assets *(Note 20)*	**–**	(123)
Donation	**–**	7,214
Service charge	**5,488**	6,189
Bank charges	**1,628**	367
Advertising	**764**	1,084
Entertainment	**5,021**	3,839
Other taxes	**6,814**	2,817
Others	**10,629**	5,421
Total cost of sales, selling and distribution expenses, administrative expenses and net impairment losses on financial assets	**775,685**	699,422

7 OTHER INCOME

	2022 RMB'000	2021 RMB'000
Government grants	**4,964**	3,396
Sundry income	**120**	171
	5,084	3,567

8 OTHER LOSSES, NET

	2022 RMB'000	2021 RMB'000
Exchange differences	**(4,673)**	(3,055)
Loss on disposal of properties, plant and equipment	**(476)**	(117)
Gain on lease modification	**204**	37
Gain on disposal of financial asset at fair value through profit or loss	**600**	–
Fair value changes from financial asset at fair value through profit or loss	**(1,328)**	–
Fair value gains from derivative financial instruments	**–**	2,499
	(5,673)	(636)

9 EMPLOYEE BENEFIT EXPENSES AND MANPOWER SERVICES EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS

	2022 RMB'000	2021 RMB'000
Salaries and wages	**122,291**	69,786
Bonus	**3,510**	6,043
Pension costs		
— defined contribution plans *(Note (a))*	**18,524**	5,546
Other staff welfares	**4,621**	1,596
Total employee benefit expenses (including Directors' remunerations)	**148,946**	82,971
Manpower services expenses *(Note (b))*	**2,825**	2,385
	151,771	85,356

9 EMPLOYEE BENEFIT EXPENSES AND MANPOWER SERVICES EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(a) Pension costs — defined contribution plans

The PRC

As stipulated under the relevant rules and regulations in the PRC, the subsidiaries operating in the PRC contribute to state-sponsored retirement plans for its employees. For the years ended 31 December 2022 and 2021, 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 2022, the Group had no forfeited contributions available to reduce the existing level of contributions.

(b) Manpower services expenses

During the years ended 31 December 2022 and 2021, 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 2022 (2021: four), whose emoluments are reflected in the analysis presented in Note 37. The emoluments payable to the remaining one individual for the year ended 31 December 2022 (2021: one) are as follows:

	2022	2021
	RMB'000	*RMB'000*
Salaries and wages	**1,647**	602
Bonus	**–**	–
Pension costs — defined contribution plans	**16**	9
	1,663	611

9 EMPLOYEE BENEFIT EXPENSES AND MANPOWER SERVICES EXPENSES, INCLUDING DIRECTORS' EMOLUMENTS (Continued)

(c) Five highest paid individuals (Continued)

The emoluments fell within the following band:

	Number of individuals	
	2022	2021
Emolument band		
HK$500,001 — HK$1,000,000	**–**	1
HK$1,500,001 — HK$2,000,000	**1**	–

(d) During the years ended 31 December 2022 and 2021, 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

	2022 *RMB'000*	2021 *RMB'000*
Finance income		
Interest income on cash at banks	**560**	503
Finance costs		
Interest expense on bank and other borrowings	**(13,452)**	(5,162)
Interest expense on lease liabilities *(Note 13(b))*	**(5,460)**	(1,199)
Interest expense on bonds payable	**(616)**	–
Less: Capitalised on qualifying assets *(Note)*	**6,829**	5,162
	(12,699)	(1,199)
Finance costs, net	**(12,139)**	(696)

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% (2021: 7.15%).

11 INCOME TAX EXPENSE

Pursuant to the enactment of two-tiered profit tax rates by the Inland Revenue Department of Hong Kong ("**IRD**") from the year of assessment 2019/20 onwards, the Group's first HK$2 million of assessable profits under Hong Kong profits tax is subject to a tax rate of 8.25%. The Group's remaining assessable profits above HK$2 million will continue to be subject to a tax rate of 16.5% (2021: same).

During the year ended 31 December 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.

Gang Hang Ke (Shenzhen) Space Technology Co., Limited* ("**SZ Gang Hang Ke**"), the Group's subsidiary in the PRC, has been qualified for small-scale enterprises with minimal profits status and is subject to an applicable tax rate of 20% (2021: 20%).

During the year ended 31 December 2022, Shenzhen Hengchang Sheng Technology Company Limited* ("**Shenzhen Hengchang Sheng**"), the Group's major operating subsidiary in the PRC has qualified for high and new technology enterprises status and is therefore subject to a preferential income tax rate of 15% (2021: 15%).

Other Group's entities in the PRC were subject to the PRC corporate income tax ("**CIT**") at the tax rate of 25% (2021: 25%).

	2022 ***RMB'000***	2021 *RMB'000*
Current income tax		
— CIT	**–**	2,889
— Hong Kong profits tax	**–**	713
— Withholding tax	**25**	24
Total current income tax	**25**	3,626
Deferred income tax *(Note 24)*	**1,285**	2,492
Income tax expense	**1,310**	6,118

* *For identification purpose only*

11 INCOME TAX 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 of subsidiaries of the Group as follows:

	2022 *RMB'000*	2021 *RMB'000*
Loss before income tax	**(152,981)**	(46,957)
Tax calculated at tax rates applicable to loss of the respective subsidiaries	**(27,771)**	(6,733)
Tax effect of:		
Income not subject to tax	**(143)**	(410)
Expenses not deductible for tax purpose	**23,581**	9,378
Tax loss for which no deferred income tax asset was recognised	**7,261**	5,869
Utilisation of tax loss previously not recognised	**–**	(160)
Temporary difference previously not recognised	**80**	182
Withholding tax	**25**	24
Super deductions from research and development expenditures *(Note)*	**(1,723)**	(1,895)
Tax concession	**–**	(137)
Income tax expense	**1,310**	6,118

The changes in the weighted average applicable tax rates were mainly due to the changes in the proportion of the taxable profits under Hong Kong profits tax and PRC CIT which were subject to different applicable tax rates.

Note: According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, 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 2022 and 2021.

	2022	2021
Loss attributable to equity holders of the Company *(RMB'000)*	**(154,290)**	(53,075)
Weighted average number of ordinary shares in issue *(thousands of shares)*	**309,000**	301,307
Basic and diluted loss per share *(RMB cents)*	**(49.93)**	(17.61)

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 2022 and 2021.

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*
At 1 January 2021											
Cost	53,792	6,015	484	3,630	79,908	3,012	–	–	46,841	139,890	193,682
Accumulated depreciation	(14,021)	(2,185)	(484)	(2,553)	(50,524)	(2,135)	–	–	–	(57,881)	(71,902)
Net book amount	39,771	3,830	–	1,077	29,384	877	–	–	46,841	82,009	121,780
Year ended 31 December 2021											
Opening net book amount	39,771	3,830	–	1,077	29,384	877	–	–	46,841	82,009	121,780
Common control combinations (Note 28)	–	–	189	21	–	–	–	–	–	210	210
Additions	67,190	–	31	234	4,700	500	21,773	802	232,419	260,459	327,649
Depreciation	(8,999)	(301)	(53)	(488)	(5,493)	(399)	(1,234)	(80)	–	(8,048)	(17,047)
Disposals	(1,099)	–	(1)	(59)	(209)	–	–	–	–	(269)	(1,368)
Reclassification *(Note(i))*	(8,889)	–	–	–	8,889	–	–	–	–	8,889	–
Exchange difference	(262)	–	–	(2)	–	(13)	–	–	(2,779)	(2,794)	(3,056)
Closing net book amount	87,712	3,529	166	783	37,271	965	20,539	722	276,481	340,456	428,168
At 31 December 2021											
Cost	94,804	6,015	775	3,851	96,721	3,487	21,773	802	276,481	409,905	504,709
Accumulated depreciation	(7,092)	(2,486)	(609)	(3,068)	(59,450)	(2,522)	(1,234)	(80)	–	(69,449)	(76,541)
Net book amount	87,712	3,529	166	783	37,271	965	20,539	722	276,481	340,456	428,168
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 21)*	**(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**

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 2022, depreciation expenses of approximately RMB26,835,000 (2021: RMB2,705,000) were charged in administrative expenses; approximately RMB927,000 (2021: RMB1,012,000) were charged in selling and distribution expenses; approximately RMB17,874,000 (2021: RMB12,563,000) were charged in cost of sales; and approximately RMB655,000 (2021: RMB767,000) were included in construction in progress.

(i) During the year ended 31 December 2021, the Group obtained the ownership of right-of-use assets with an aggregate net book value of approximately RMB8,889,000 at the time of the expiry of leases in accordance with the terms of the leases.

(ii) Non-current assets pledged as security

Refer to Note 34 for information on non-current assets pledged as security by the Group.

(b) Leases

(i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	2022 ***RMB'000***	2021 *RMB'000*
Right-of-use assets		
Land-use rights	**25,799**	46,899
Properties	**183,636**	40,813
	209,435	87,712

	2022 ***RMB'000***	2021 *RMB'000*
Lease liabilities		
Current portion	**34,331**	8,177
Non-current portion	**166,546**	33,135
	200,877	41,312

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

(b) Leases (Continued)

(i) Amounts recognised in the consolidated balance sheet (Continued)

The carrying amounts of the Group's lease liabilities were denominated in the following currencies:

	2022 *RMB'000*	2021 *RMB'000*
RMB	**17,570**	27,230
HK$	**183,282**	13,985
Euro ("**EUR**")	**25**	97
	200,877	41,312

(ii) Amounts recognised in the consolidated income statement

	2022 *RMB'000*	2021 *RMB'000*
Depreciation charge of right-of-use assets		
Land-use rights*	**324**	–
Properties	**23,067**	6,881
Plant and machinery	**–**	1,351
	23,391	8,232
Interest expense on lease liabilities *(Note 10)*	**5,460**	1,199
Rental expenses of short-term leases in respect of machinery and properties *(Note 6)*	**12,630**	9,340

* During the year ended 31 December 2022, depreciation charges of land-use rights amounting to approximately RMB655,000 (2021: RMB767,000) were included in construction in progress.

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

(b) Leases (Continued)

(iii) Amounts recognised in the consolidated statement of cash flows

During the years ended 31 December 2022 and 2021, the total cash outflows for leases were analysed as below:

	2022 RMB'000	2021 RMB'000
Cash flows from operating activities*		
Payments for short-term leases in respect of machinery and properties	16,688	9,340
Cash flows from financing activities		
Repayment of principal elements of lease liabilities	9,356	9,653
Repayment of interest elements of lease liabilities	2,644	1,199
The total cash outflow of leases	28,688	20,192

* 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.

(iv) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, production plant 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.

(vi) Leases not yet commenced to which the lessee is committed

At 31 December 2021, the payments for leases that the Group has committed to but not commenced amounted to RMB238,515,000, which include the deposits and building management fees of RMB62,469,000. This amount has not been included in calculating the lease liabilities as at 31 December 2021.

14 INTANGIBLE ASSETS

	Membership right	System software	Software under development	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021				
Cost	610	2,651	–	3,261
Accumulated amortisation	(61)	(1,917)	–	(1,978)
Net book amount	549	734	–	1,283
Year ended 31 December 2021				
Opening net book amount	549	734	–	1,283
Additions	–	47	–	47
Amortisation	(41)	(503)	–	(544)
Closing net book amount	508	278	–	786
At 31 December 2021				
Cost	610	2,698	–	3,308
Accumulated amortisation	(102)	(2,420)	–	(2,522)
Net book amount	508	278	–	786
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**

During the year ended 31 December 2022, amortisation expenses of approximately RMB408,000 (2021: RMB194,000) were charged in administrative expenses; approximately RMB11,000 (2021: RMB14,000) were charged in selling and distribution expenses and approximately RMB58,000 (2021: RMB336,000) were charged in cost of sales.

15 FINANCIAL INSTRUMENTS BY CATEGORY

	2022 *RMB'000*	2021 *RMB'000*
Assets as per consolidated balance sheet		
Financial assets at amortised cost		
Trade and bills receivables *(Note 20)*	**127,450**	138,809
Deposits and other receivables *(Note 17)*	**22,341**	13,187
Amounts due from related companies *(Note 35)*	**17**	486
Restricted cash *(Note 19)*	**2,683**	2,683
Pledged bank deposits *(Note 19)*	**17,500**	27,500
Short-term bank deposits *(Note 19)*	**187**	139
Cash and cash equivalents *(Note 19)*	**41,471**	91,433
	211,649	274,237
Financial asset at fair value		
Financial asset at fair value through profit or loss *(Note 16)*	**1,172**	–
	212,821	274,237
Liabilities as per consolidated balance sheet		
Financial liabilities at amortised cost		
Trade and bills payables *(Note 25)*	**103,504**	176,118
Other payables and accruals *(Note 26)*	**60,824**	33,991
Lease liabilities *(Note 13(b))*	**200,877**	41,312
Bank and other borrowings *(Note 27)*	**249,448**	202,616
Bonds payable *(Note 28)*	**16,291**	–
Loan from the ultimate holding company *(Note 35)*	**62,969**	–
Loan from a related company *(Note 35)*	**44,220**	–
Loan from the immediate holding company *(Note 35)*	**14,214**	–
Loan from a director *(Note 35)*	**3,538**	–
Amount due to a related company *(Note 35)*	**17**	15
Amount due to the immediate holding company *(Note 35)*	**–**	3,143
Amount due to the ultimate holding company *(Note 35)*	**–**	15
	755,902	457,210

16 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Unlisted equity securities	1,172	–

Financial asset at fair value through profit or loss are held for investments purpose and denominated in RMB.

The unlisted equity securities were revalued by ValQuest Advisory (Hong Kong) Limited, a member of the Hong Kong Institute of Surveyors. Information about the methods and assumptions used in determining fair value is set out in Note 3.3.

17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 RMB'000	2021 RMB'000
Current portion		
Prepayments	18,459	44,611
Deposits *(Note (a))*	1,440	6,015
Value-added tax receivables	30,348	21,158
Other receivables *(Notes (a) and (b))*	3,869	365
	54,116	72,149
Non-current portion		
Prepayments for construction works	–	555
Prepayments for the acquisition of properties, plant and equipment and intangible asset	12,757	4,640
Deposits *(Note (a))*	17,032	6,807
	29,789	12,002
	83,905	84,151

17 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Notes:

(a) As at 31 December 2022 and 2021, 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:

	2022	2021
	RMB'000	*RMB'000*
RMB	**6,257**	7,199
USD	**14**	–
HK$	**16,044**	5,963
Euro ("**EUR**")	**26**	25
	22,341	13,187

18 INVENTORIES

	2022	2021
	RMB'000	*RMB'000*
Raw materials	**92,048**	112,960
Work in progress	**17,813**	13,187
Finished goods	**19,338**	35,784
	129,199	161,931

The cost of inventories recognised as expense and included in cost of sales during the year ended 31 December 2022 amounted to approximately RMB606,029,000 (2021: RMB612,175,000) which included provision of inventory amounting to approximately RMB11,225,000 (2021: reversal of inventory provision RMB1,833,000).

19 CASH AND CASH EQUIVALENTS, PLEDGED BANK DEPOSITS, SHORT-TERM BANK DEPOSITS AND RESTRICTED CASH

	2022 *RMB'000*	2021 *RMB'000*
Current portion		
Cash at banks	**41,316**	91,305
Cash on hand	**155**	128
Cash and cash equivalents *(Note (a))*	**41,471**	91,433
Pledged bank deposits *(Note (b))*	**17,500**	27,500
Other short-term bank deposits *(Note (c))*	**187**	139
Non-current portion		
Restricted cash *(Note (d))*	**2,683**	2,683
Total cash and bank balances	**61,841**	121,755
Maximum exposure to credit risk	**61,686**	121,627

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:

	2022 *RMB'000*	2021 *RMB'000*
RMB	**37,279**	63,230
USD	**12,190**	18,202
HK$	**2,284**	37,113
EUR	**9,696**	3,120
Japanese Yen ("**JPY**")	**392**	90
	61,841	121,755

As at 31 December 2022, the total cash and bank balances of the Group amounting to approximately RMB44,399,000 (2021: RMB70,790,000) were deposited with the banks in the PRC where the remittance of funds out of the PRC was subject to the rules and regulations of foreign exchange control promulgated by the Government of the PRC.

19 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 2022, bank deposits amounted to approximately RMB17,500,000 (2021: RMB27,500,000), of which RMB17,500,000 were pledged for the facilities granted by banks to the Group (2021: RMB7,500,000 were pledged for the facilities granted by the banks to the Group and RMB20,000,000 were pledged for a performance bond provided for customer contract respectively).

As at 31 December 2022, the weighted average interest rate of the pledged bank deposits was 1.49% (2021: 1.49%) per annum. The pledged bank deposits of the Group have an average maturity of 320 days (2021: 321 days).

(c) As at 31 December 2022, the effective interest rate on other short-term bank deposits was 1.5% (2021: 1.5%) per annum. The short-term bank deposits of the Group have an average maturity of 365 days (2021: 365 days).

(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 total consideration of the land use right is approximately RMB26,830,000 and the Group is required to develop and utilise the land as its manufacturing plant.

As at 31 December 2022, a bank deposit of RMB2,683,000 (2021: 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 (2021: 1.75% per annum).

20 CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES

	2022 ***RMB'000***	2021 *RMB'000*
Contract assets	**–**	4,973
Trade receivables	**123,854**	143,492
Bills receivables	**10,726**	701
Less: provision for impairment of trade and bills receivables	**(7,130)**	(5,384)
Trade and bills receivables	**127,450**	138,809
Contract assets, trade and bills receivables	**127,450**	143,782

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

20 CONTRACT ASSETS, TRADE AND BILLS RECEIVABLES (Continued)

As at 31 December 2022 and 2021, the aging analysis of trade and bills receivables, net of impairment, based on invoice date, was as follows:

	2022 RMB'000	2021 RMB'000
Within 3 months	**109,610**	135,289
Over 3 months	**24,970**	8,904
	134,580	144,193
Less: provision for impairment of trade and bills receivables	**(7,130)**	(5,384)
	127,450	138,809

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

	2022 RMB'000	2021 RMB'000
At beginning of the year	**5,384**	5,680
Provision for impairment of trade and bills receivables on individual basis	**1,172**	254
Reversal for impairment of trade and bills receivables on individual basis	**–**	(123)
Provision for impairment of trade and bills receivables on collective basis	**516**	–
Written off of provision for impairment	**(300)**	(318)
Exchange difference	**358**	(109)
At end of the year	**7,130**	5,384

The carrying amounts of the Group's contract assets, trade and bills receivables were denominated in the following currencies:

	2022 RMB'000	2021 RMB'000
RMB	**94,703**	122,998
USD	**30,344**	20,751
EUR	**2,403**	33
	127,450	143,782

The maximum exposure to credit risk as at 31 December 2022 and 2021 was the carrying value of the contract assets and receivables mentioned above. The Group does not hold any collateral as security.

21 DISPOSAL GROUP 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, 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 transaction was still subject to various conditions as set out in the share sale and purchase agreement. Pursuant to the Share Sale and Purchase Agreement, the disposal is expected to be completed no later than 31 May 2023.

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**

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.

22 DEFERRED GOVERNMENT GRANTS

	2022	2021
	RMB'000	*RMB'000*
At 1 January	**10,019**	10,980
Received during the year	**4,966**	1,383
Released to the consolidated income statement	**(2,847)**	(2,344)
Exchange difference	**85**	–
	12,223	10,019

Note: The amount primarily related the government grants received for the purchase of certain equipment and subsidy received for renovation of office. These was no unfulfilled conditions or contingencies attached to the grants.

23 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 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**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 2021	300,000	3,000	126,961	2,619	110,868
Placing of shares *(Note a)*	9,000	90	236,500	74	193,624
At 31 December 2021, 1 January 2022 and 31 December 2022	**309,000**	**3,090**	**363,461**	**2,693**	**304,492**

Note:

(a) On 9 November 2021, the Company issued 9,000,000 new shares at a price of HK$26.41 per share to an independent third party and raised net proceeds of approximately HK$236,590,000 (equivalent to approximately RMB193,698,000), net of share issue expenses of approximately HK$1,101,000 (equivalent to approximately RMB900,000). The new shares rank equally with all existing shares.

24 DEFERRED INCOME TAX ASSETS/(LIABILITIES)

Deferred income 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 income tax assets/(liabilities) was as follows:

	2022 *RMB'000*	2021 *RMB'000*
Deferred tax assets	**6,338**	7,166
Deferred tax liabilities	**(7,270)**	(8,258)
	(932)	(1,092)

The net movement on the deferred income tax assets/liabilities was as follows:

	2022 *RMB'000*	2021 *RMB'000*
At beginning of year	**(1,092)**	1,392
Charged to consolidated income statement *(Note 11)*	**(1,285)**	(2,492)
Liabilities directly associated with assets classified as held for sale *(Note 21)*	**1,482**	–
Exchange difference	**(37)**	8
At end of year	**(932)**	(1,092)

The movement in deferred income tax assets/(liabilities) during the years ended 31 December 2022 and 2021, without taking into consideration the offsetting of balances within the same tax jurisdiction, was as follows:

Deferred tax (liabilities)/assets	Tax depreciation *RMB'000*	PRC accrued expenses *RMB'000*	Contract assets *RMB'000*	Right-of-use assets and 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 2021	(1,475)	943	(333)	15	1,647	476	–	119	1,392
(Charged)/credited to the consolidated income statement	(6,085)	90	(373)	18	(143)	(38)	4,108	(69)	(2,492)
Exchange difference	8	–	–	–	–	–	–	–	8
At 31 December 2021	**(7,552)**	**1,033**	**(706)**	**33**	**1,504**	**438**	**4,108**	**50**	**(1,092)**
(Charged)/credited to the consolidated income statement	**(1,163)**	**1,539**	**706**	**104**	**(171)**	**-**	**(2,351)**	**51**	**(1,285)**
Liabilities directly associated with assets classified as held for sale *(Note 21)*	**1,482**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,482**
Exchange difference	**(37)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(37)**
At 31 December 2022	**(7,270)**	**2,572**	**-**	**137**	**1,333**	**438**	**1,757**	**101**	**(932)**

24 DEFERRED INCOME 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 RMB14,639,000 (2021: RMB7,147,000) in respect of losses amounting to RMB87,779,000 (2021: RMB42,710,000) as at 31 December 2022. These tax losses are subject to the agreement with the tax authorities and can be carried forward against future taxable income. Tax losses have no expiry date except for tax losses of the PRC subsidiaries that will expire in 5 years amounting to RMB83,652,000 (2021: RMB57,402,000).

As at 31 December 2022 and 2021, the expiry dates for the Group's unused tax losses are as follows:

	2022	2021
	RMB'000	*RMB'000*
Expiry in		
2024	**198**	198
2025	**1,191**	4,928
2026	**42,253**	52,276
2027	**40,010**	–
No expiry date	**13,103**	5,847
	96,755	63,249

The Group had undistributed earnings of approximately RMB144,570,000 as at 31 December 2022 (2021: RMB146,958,000), 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 PRC subsidiary and is not expected to distribute these profits in the foreseeable future.

25 TRADE AND BILLS PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**98,833**	176,118
Bills payables	**4,671**	–
	103,504	176,118

As at 31 December 2022 and 2021, the aging analysis of trade and bills payables, based on invoice date, was as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**86,341**	163,521
Over 3 months	**17,163**	12,597
	103,504	176,118

25 TRADE AND BILLS PAYABLES (Continued)

The carrying amounts of the Group's trade and bills payables were denominated in the following currencies:

	2022 *RMB'000*	2021 *RMB'000*
RMB	**83,474**	144,101
USD	**19,625**	31,372
EUR	**405**	645
	103,504	176,118

As at 31 December 2022 and 2021, the carrying amounts of trade and bills payables approximated their fair values.

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

	2022 *RMB'000*	2021 *RMB'000*
Current portion		
Other payables	**9,393**	7,365
Payables for acquisition of properties, plant and equipment	**13,658**	4,016
Payables for construction works	**18,006**	6,966
Deposit received for construction works	**4,000**	4,000
Other tax payables	**5,091**	4,343
Accrued expenses	**13,233**	9,499
Accrued salaries and bonus	**30,236**	22,958
Interest payable	**2,534**	2,145
Contract liabilities *(Note 5(e))*	**19,630**	45,130
	115,781	106,422
Non-current portion		
Provision for reinstatement cost	**8,402**	–
	124,183	106,422

26 PROVISION FOR REINSTATEMENT COST, CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS (Continued)

As at 31 December 2022 and 2021, the carrying amounts of contract liabilities, other payables and accruals approximated their fair values and were denominated in the following currencies:

	2022 RMB'000	2021 RMB'000
RMB	73,166	64,162
USD	18,952	36,595
HK$	20,064	5,074
EUR	3,407	591
JPY	192	–
	115,781	106,422

27 BANK AND OTHER BORROWINGS

Bank and other borrowings were analysed as follows:

	2022 RMB'000	2021 RMB'000
Current		
Bank borrowings — secured	81,837	51,143
Other borrowings — secured	–	88,024
	81,837	139,167
Non-current		
Bank borrowings — secured	69,096	58,449
Other borrowings — secured	95,515	–
Other borrowings — unsecured	3,000	5,000
	167,611	63,449
	249,448	202,616

As at 31 December 2022 and 2021, the weighted average interest rate per annum of the Group's bank and other borrowings was 4.33% and 6.42% respectively.

As at 31 December 2022 and 2021, the carrying amounts of the bank and other borrowings approximated their fair values.

27 BANK AND OTHER BORROWINGS (Continued)

As at 31 December 2022, the bank and other borrowings and facilities were secured by the following:

(i) Pledged bank deposit with carrying value of RMB17,500,000;

(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 a director of the Company, Mr. Ma Fujun.

As at 31 December 2021, 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 RMB46,899,000;

(iii) Properties with carrying value of RMB3,020,000;

(iv) Equipment with carrying value of RMB12,190,000;

(v) Corporate guarantees provided by the Company and the Company's subsidiaries; and

(vi) A personal guarantee provided by the director of the Company, Mr. Ma Fujun.

As at 31 December 2022 and 2021, the Group's bank and other borrowings were repayable as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Within 1 year or on demand	**81,837**	139,167
Between 1 and 2 years	**118,475**	12,267
Between 2 and 5 years	**49,136**	39,937
More than 5 years	**–**	11,245
	249,448	202,616

27 BANK AND OTHER BORROWINGS (Continued)

The carrying amounts of the Group's bank and other borrowings were denominated in the following currencies.

	2022 *RMB'000*	2021 *RMB'000*
RMB	**153,933**	113,778
HK$	**95,515**	88,024
USD	**–**	814
	249,448	202,616

28 BONDS PAYABLE

	2022 *RMB'000*	2021 *RMB'000*
Current		
Unlisted bonds *(Note)*	**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 prinicipal amount of HK$20,500,000. The bonds bear interest at the rate of 9% per annum with a maturity period of 2 years from the date of issue of the bonds. The Company shall fully redeem the bonds together with the accrued interests on maurity 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. The bondholder shall have right to request for early redemption of the bond if such ratio is not fulfilled. At 31 December 2022, the bonds payable is classified as current liabilities in accordance with the terms of the lending arrangement.

The carrying amount of the bonds payable is demoninated in HK$ and approximated its fair value.

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash used in operations

	2022 *RMB'000*	2021 *RMB'000*
Loss before income tax	**(152,981)**	(46,957)
Adjustments for:		
Finance income	**(560)**	(503)
Finance costs	**12,699**	1,199
Depreciation	**45,636**	16,280
Amortisation	**477**	544
Provision/(reversal of provision) for inventories	**11,225**	(1,833)
Net impairment losses on financial assets	**1,688**	131
Loss on disposal of properties, plant and equipment	**476**	117
Lease modification	**(204)**	(37)
Government grants	**(2,847)**	(2,344)
Fair value changes from financial asset at fair value through profit or loss	**1,328**	–
Gain on disposal of financial asset at fair value through profit or loss	**(600)**	–
Fair value gains from derivative financial instruments	**–**	(2,499)
	(83,663)	(35,902)
Changes in working capital:		
— Contract assets, trade and bills receivables	**(2,022)**	(74,787)
— Prepayments, deposits and other receivables	**(995)**	2,607
— Inventories	**17,873**	(79,570)
— Trade and bills payables	**(40,935)**	(20,183)
— Related company balances	**471**	(487)
— Contract liabilities, other payables and accruals	**6,416**	23,132
— Derivative financial instruments	**–**	2,898
— Pledged bank deposits	**10,000**	6,199
Cash used in operations	**(92,855)**	(176,093)

(b) In the consolidated statement of cash flows, proceeds from disposal of properties, plant and equipment comprised:

	2022 *RMB'000*	2021 *RMB'000*
Net book amount disposed	**621**	269
Loss on disposal of properties, plant and equipment	**(476)**	(117)
Proceeds from disposal of properties, plant and equipment	**145**	152

29 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) The reconciliations of liabilities arising from financing activities were as follows:

	Bank and other borrowings and interest payable	Bonds payable and interest payable	Lease liabilities	Amount due to the then immediate holding company	Amount due to the ultimate holding company	Amount due to a related company	Loan from a Director	Loan from the immediate holding company	Loan from the ultimate holding company	Loan from a related company	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	26,742	–	5,962	–	–	–	–	–	–	–	32,704
Cash flows											
— Proceeds from bank and other borrowings	199,425	–	–	–	–	–	–	–	–	–	199,425
— Repayments of bank borrowings	(21,907)	–	–	–	–	–	–	–	–	–	(21,907)
— Payment of interests on bank borrowings	(2,981)	–	–	–	–	–	–	–	–	–	(2,981)
— Repayments of principal elements of lease liabilities	–	–	(9,653)	–	–	–	–	–	–	–	(9,653)
— Repayments of interest elements of lease liabilities	–	–	(1,199)	–	–	–	–	–	–	–	(1,199)
— Repayments to the immediate holding company	–	–	–	(253)	–	–	–	–	–	–	(253)
— Advance from the ultimate holding company	–	–	–	–	3	–	–	–	–	–	3
Other non-cash movements											
— Interest expense on lease liabilities	–	–	1,199	–	–	–	–	–	–	–	1,199
— Additions to lease liabilities	–	–	46,432	–	–	–	–	–	–	–	46,432
— Interest capitalised on qualifying assets	5,162	–	–	–	–	–	–	–	–	–	5,162
— Lease modification	–	–	(1,136)	–	–	–	–	–	–	–	(1,136)
— Common control combinations	–	–	–	3,591	12	15	–	–	–	–	3,618
— Currency translation differences	(1,680)	–	(293)	(195)	–	–	–	–	–	–	(2,168)
At 31 December 2021 and 1 January 2022	204,761	-	41,312	3,143	15	15	-	-	-	-	249,246
Cash flow											
— Proceeds from bank borrowings	219,497	-	-	-	-	-	-	-	-	-	219,497
— Repayments of bank and other borrowings	(95,243)	-	-	-	-	-	-	-	-	-	(95,243)
— Payment of interest on bank and other borrowings	(13,476)	-	-	-	-	-	-	-	-	-	(13,476)
— Proceeds from bonds issuance	-	15,641	-	-	-	-	-	-	-	-	15,641
— Payment of interest on bonds payable	-	(33)	-	-	-	-	-	-	-	-	(33)
— Repayment of principal elements of lease liabilities	-	-	(9,356)	-	-	-	-	-	-	-	(9,356)
— Repayment of interest elements of lease liabilities	-	-	(2,644)	-	-	-	-	-	-	-	(2,644)
— Repayment to the then immediate holding company	-	-	-	(3,143)	-	-	-	-	-	-	(3,143)
— Change in working capital	-	-	-	-	-	1	-	-	-	-	1
— Repayment to the ultimate holding company	-	-	-	-	(186)	-	-	-	-	-	(186)
— Proceeds from loan from directors	-	-	-	-	-	-	44,829	-	-	-	44,829
— Repayments of loan from directors	-	-	-	-	-	-	(41,381)	-	-	-	(41,381)
— Proceeds from loan from immediate holding company	-	-	-	-	-	-	-	13,855	-	-	13,855
— Proceeds from loan from ultimate holding company	-	-	-	-	-	-	-	-	61,382	-	61,382
— Proceeds from loan from a related company	-	-	-	-	-	-	-	-	-	43,105	43,105
Other non-cash movements											
— Interest expense on lease liabilities	-	-	5,460	-	-	-	-	-	-	-	5,460
— Additions to lease liabilities	-	-	164,145	-	-	-	-	-	-	-	164,145
— Interest expense on bonds payable	-	616	-	-	-	-	-	-	-	-	616
— Interest expense on bank and other borrowings	6,623	-	-	-	-	-	-	-	-	-	6,623
— Interest capitalised on qualifying assets	6,829	-	-	-	-	-	-	-	-	-	6,829
— 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	1	90	359	1,587	1,115	16,721
	251,630	16,643	200,877	-	-	17	3,538	14,214	62,969	44,220	594,108

30 COMMON CONTROL COMBINATIONS

On 16 June 2021, the Group completed the acquisition of 100% equity interest in SZ Gang Hang Ke and Aspace Satellite Tracking and Control Limited (formerly known as Hong Kong Aerospace Satellite Tracking and Control Limited), ("**ASTC**") (collectively the "**acquired companies**"), for a consideration of RMB1,000,000 and HK$20,000 (equivalent to approximately RMB16,000) respectively. The acquired companies are principally engaged in satellite procurement and technological application in the aerospace industry.

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

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

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

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

31 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2022 and 2021 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 2022 Interest held	2021 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#	The PRC, limited liability company	Electronic services in the 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#	The PRC, limited liability company	Electronic services in the 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 (Huizhou) Company Limited#	The PRC, limited liability company	Electronic services in the PRC	USD10,000,100 (2021: USD9,000,000)	100%	100%
Eternity Technology (Xiamen) Company Limited#	The PRC, limited liability company	Electronic services in the PRC	RMB35,000,000	100%	100%
Huizhou Eternity Technology Company Limited#	The PRC, limited liability company	Electronic services in the PRC (2021: Inactive)	RMB30,000,000 (2021: RMB1,000,000)	100%	100%
SZ Gang Hang Ke#	The PRC, limited liability company	Satellite procurement in the 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$10,000	100%	100%
ASTC#	Hong Kong, limited liability company	Satellite tracking and controlling in the 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 the PRC and Hong Kong	HK$10,000	100%	100%

* Equity interest directly held by the Company.

\# Equity interest indirectly held by the Company.

32 CAPITAL COMMITMENTS

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

	2022 RMB'000	2021 RMB'000
Contracted but not provided for:		
Properties, plant and equipment and intangible asset *(note)*	296,249	340,659

Note: 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.

33 DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 December 2022 and 2021.

34 ASSETS PLEDGED AS SECURITIES

The carrying amounts of assets pledged as securities are:

	2022 RMB'000	2021 RMB'000
Current		
Floating charge		
Pledged bank deposits	17,500	27,500
Total current assets pledged as securities	17,500	27,500
Non-current		
Fixed charge		
Land-use rights	25,799	46,899
Equipment	12,053	12,190
Properties	2,938	3,020
Total non-current assets pledged as securities	40,790	62,109
Total assets pledged as securities	58,290	89,609

35 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.

35 RELATED PARTY TRANSACTIONS (Continued)

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

Major related parties that had transactions and/or balances with the Group during the years ended 31 December 2022 and 2021 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 International Group Limited	Ultimate holding company
Hong Kong Aerospace Technology Holdings Limited	Immediate holding company
Mr. Lam John Cheung Wah	Former Director resigned on 5 July 2022
Ms. Ku Ka Lee Clarie ("**Ms. Ku**")	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 2022 and 2021, at terms mutually agreed by both parties:

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

	2022 **RMB'000**	2021 *RMB'000*
Vision International Group Limited *(Note)*	**936**	964
Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司) *(Note)*	**953**	786

(ii) Consultancy fee paid to a director

	2022 **RMB'000**	2021 *RMB'000*
Lam John Cheung Wah *(Note)*	**885**	691

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*

35 RELATED PARTY TRANSACTIONS (Continued)

(b) Key management compensation

Compensation paid or payable to key management for employee services is shown below:

	2022 RMB'000	2021 RMB'000
Wages and salaries	**15,684**	8,299
Pension costs — defined contribution plan	**102**	212
	15,786	8,511

(c) Balances with related parties

	Note	2022 RMB'000	2021 RMB'000
Amount due from Rich Blessing Group Limited	*(i)*	**17**	16
Amount due from Shenzhen Hangke Space Technology Limited* (深圳航科空間技術有限公司)	*(i)*	**–**	470
Amount due to the immediate holding company	*(i)*	**–**	3,143
Amount due to the ultimate holding company	*(i)*	**–**	15
Amount due to Hong Kong Financial Assets Holdings Limited	*(i)*	**17**	15
Loan from Ms. Ku	*(ii)*	**3,538**	–
Loan from the immediate holding company	*(i)*	**14,214**	–
Loan from the ultimate holding company	*(i)*	**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 two year (2021: three year) from the year end. Its carrying amounts approximated its fair value.

* *For identification purpose only*

(d) Personal guarantees

During the years ended 31 December 2022 and 2021, 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 21 and 27.

36 BALANCE SHEET AND EQUITY MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company as at 31 December 2022

	Note	2022 RMB'000	2021 RMB'000
Assets			
Non-current assets			
Interests in subsidiaries	(c)	46,166	42,545
Prepayments		–	2,347
Total non-current assets		46,166	44,892
Current assets			
Other receivables, deposits and prepayments		5,015	20,711
Amounts due from subsidiaries		316,992	207,504
Cash and cash equivalents		1,834	36,300
Total current assets		323,841	264,515
Total assets		370,007	309,407
Equity			
Equity attributable to equity holders of the Company			
Share capital	(b)	2,693	2,693
Share premium	(b)	304,492	304,492
Reserves	(b)	31,753	12,310
Accumulated losses	(b)	(137,269)	(70,818)
Total equity		201,669	248,677
Liabilities			
Non-current liability			
Other borrowings		51,295	–
Current liabilities			
Other payables and accruals		8,272	4,329
Bonds payable		16,290	–
Amounts due to subsidiaries		11,760	9,129
Other borrowings		–	47,272
Loan from a Director		3,538	–
Loan from the immediate holding company		14,214	–
Loan from the ultimate holding company		62,969	–
		117,043	60,730
Total liabilities		168,338	60,730
Total equity and liabilities		370,007	309,407

The balance sheet of the Company was approved by the Board of Directors on 29 March 2023 and was signed on its behalf.

Sun Fengquan	**Lam Lee G.**
Director	*Director*

36 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	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	2,619	110,868	(4,092)	19,692	(30,090)	98,997
Comprehensive loss:						
Loss for the year	–	–	–	–	(40,728)	(40,728)
Other comprehensive loss:						
Currency translation differences	–	–	(3,290)	–	–	(3,290)
Total comprehensive loss	–	–	(3,290)	–	(40,728)	(44,018)
Transactions with owners						
Issue of shares *(Note 23)*	74	194,524	–	–	–	194,598
Transaction costs attributable to issue of new shares	–	(900)	–	–	–	(900)
Total transactions with owners	74	193,624	–	–	–	193,698
At 31 December 2021	2,693	304,492	(7,382)	19,692	(70,818)	248,677
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**

36 BALANCE SHEET AND EQUITY MOVEMENT OF THE COMPANY (Continued)

(c) Interests in subsidiaries

	2022 RMB'000	2021 RMB'000
Equity investments at cost *(Note (i))*	–	–
Amounts due from subsidiaries *(Note (ii))*	46,166	42,545
	46,166	42,545

Notes:

(i) As at 31 December 2022 and 2021, 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.

37 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of each director is set out below:

Name of directors	Fees	Salary	Discretionary bonus	Allowances and benefits in kind	Employer's contribution to pension scheme	Other emoluments paid or receivables 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

37 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

37 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 receivables 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 2021							
Executive directors:							
— Sun Fengquan *(Chief executive officer)*	1,545	–	–	–	–	–	1,545
— Ku Ka Lee Clarie	1,080	–	–	–	–	–	1,080
— Ma Fujun	100	625	228	–	74	–	1,027
— Lam Kin Fung Jeffrey	458	–	–	–	–	–	458
— Cheng Bin	54	132	216	–	65	–	467
— Chen Xiaoyuan	54	132	–	–	64	–	250
— Liao Pin-tsung	179	–	–	–	–	–	179
Non-executive directors:							
— Lam Lee G.	1,247	–	–	–	–	–	1,247
— Lam John Cheung Wah	75	–	–	–	–	691	766
— Yip Chung Yin	137	–	–	–	–	–	137
Independent non-executive directors:							
— Leung Kwong Ho	172	–	–	–	–	–	172
— Brooke Charles Nicholas	137	–	–	–	–	–	137
— Hung Ka Hai Clement	137	–	–	–	–	–	137
— Lo Chi Chung William	137	–	–	–	–	–	137
— Chan Chung Kik Lewis	54	–	–	–	–	–	54
— Chow Kit Ting	54	–	–	–	–	–	54
— Wu Chi-luen	54	–	–	–	–	–	54
	5,674	889	444	–	203	691	7,901

During the years ended 31 December 2022 and 2021, none of the directors of the Company waived or has agreed to waive any emolument.

37 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Directors' retirement benefits and termination benefits

During the years ended 31 December 2022 and 2021, 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 2022 and 2021, 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 2022 and 2021, 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.

38 EVENTS AFTER THE REPORTING PERIOD

(a) On 8 March 2023, Aspace, a wholly-owned subsidiary of the Company, entered into a subscription agreement with Abridge Aerospace Hybrid Equity LPF (the "**Aspace Subscriber**"), an independent third party, pursuant to which Aspace Subscriber conditionally agrees to subscribe 49% of the enlarged issued share capital of Aspace for a consideration of HK$147 million. The completion of the transaction is subject to the conditions precedent set out in the subscription agreement.

(b) In March 2022, Agreeable Company Limited, a wholly-owned subsidiary of the Company, entered into a loan agreement with Rich Blessing, a related company controlled by a director of the Company, pursuant to which Rich Blessing has irrevocably agreed to provide the Group with an unsecured and interest-free loan for a term of 12 months for a total amount of HK$50 million (approximately RMB44 million). On 1 March 2023, Agreeable Company Limited entered into a supplementary agreement with Rich Blessing pursuant to which the repayment term of the loan of HK$50 million has been amended to repayable on demand.

(c) On 19 March 2023, SZ Gang Hang Ke, a wholly-owned subsidiary of the Company, entered a contract with Beijing Zero Gravity Space Technology Co. Ltd., an independent third party, to build and launch 30 satellites under the one-rocket-thirty-satellites project for a total consideration of RMB90 million.

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 the Prospectus and published audit financial statements of the Group. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
REVENUE	**635,432**	650,230	547,825	546,325	546,693
GROSS PROFIT	**26,042**	37,116	49,594	60,479	65,807
(LOSS)/PROFIT BEFORE INCOME TAX	**(152,981)**	(46,957)	20,327	29,187	25,328
INCOME TAX EXPENSE	**(1,310)**	(6,118)	(3,004)	(3,730)	(4,734)
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	**(154,291)**	(53,075)	17,323	25,457	20,594

ASSETS AND LIABILITIES

	Year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS	**676,426**	443,870	140,300	84,909	53,822
CURRENT ASSETS	**550,925**	497,441	435,463	359,640	322,812
TOTAL ASSETS	**1,227,351**	941,311	575,763	444,549	376,634
CURRENT LIABILITIES	**622,593**	441,842	293,443	206,490	167,343
NON-CURRENT LIABILITIES	**358,876**	107,926	32,030	1,878	–
TOTAL LIABILITIES	**981,469**	549,768	325,473	208,368	167,343