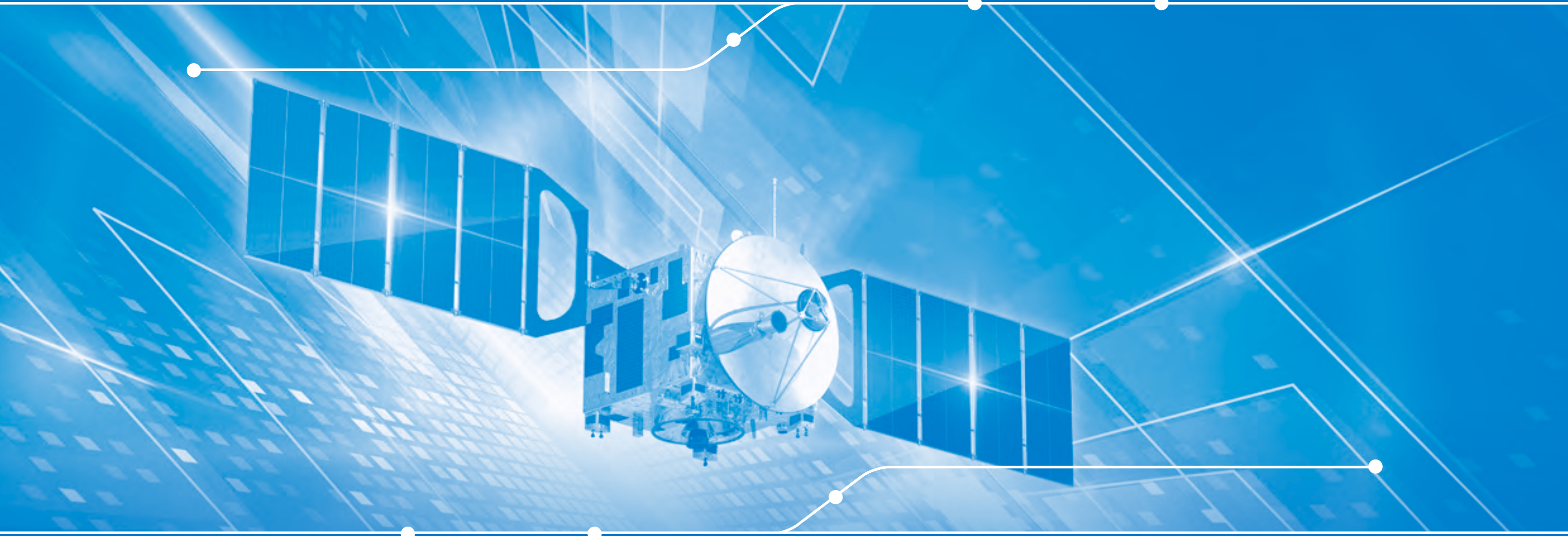
USPACE Technology Group Limited

洲際航天科技集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1725.HK

ANNUAL REPORT 2024



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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

H.E. Mohamed Ben Amor *(Chairman)*
(appointed on 2 October 2024)
H.H. Shaikh Mohammed Maktoum Juma Al-Maktoum *(Deputy Chairman)*
(appointed as deputy chairman on 10 May 2024)
Dr. Fabio Favata
Mr. Ma Fujun
Mr. Sun Fengquan
(resigned on 2 October 2024)
Dr. Lam Lee G.
(resigned on 10 May 2024)
Ms. Ku Ka Lee Clarie
(retired on 25 June 2024)

NON-EXECUTIVE DIRECTORS

Mr. Alhamedi Mnahi F Alanezi
Professor Christian Feichtinger
Mr. Nathan Earl Whigham
(appointed on 10 May 2024)
Professor Guo Huadong
(resigned on 2 October 2024)
Dr. Mazlan Binti Othman
(resigned on 2 October 2024)
Mr. Niu Aimin
(resigned on 10 May 2024)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Barbara Jane Ryan
Mr. Boris Tadić
(appointed on 2 October 2024)
Mr. Hung Ka Hai Clement
Mr. Juan de Dalmau-Mommertz
Mr. Marwan Jassim Sulaiman Jassim Alsarkal
Professor Wang Jianyu
(resigned on 2 October 2024)
Mr. David Gordon Eldon
(resigned on 27 April 2024)

AUDIT COMMITTEE

Mr. Hung Ka Hai Clement *(Chairman)*
Ms. Barbara Jane Ryan
(appointed as member on 2 October 2024)
Mr. Marwan Jassim Sulaiman Jassim Alsarkal
Professor Wang Jianyu
(resigned as member on 2 October 2024)

NOMINATION COMMITTEE

H.E. Mohamed Ben Amor *(Chairman)*
(appointed as chairman on 2 October 2024)
Ms. Barbara Jane Ryan
Mr. Hung Ka Hai Clement
Mr. Juan de Dalmau-Mommertz
Mr. Sun Fengquan
(resigned as chairman and member on 2 October 2024)
Dr. Lam Lee G.
(resigned as member on 10 May 2024)

REMUNERATION COMMITTEE

Ms. Barbara Jane Ryan *(Chairman)*
(appointed as chairman on 2 October 2024)
Mr. Hung Ka Hai Clement
(appointed as member on 10 May 2024)
Mr. Juan de Dalmau-Mommertz
Professor Wang Jianyu
(resigned as chairman and member on 2 October 2024)
Dr. Lam Lee G.
(resigned as member on 10 May 2024)

AUTHORISED REPRESENTATIVES

H.E. Mohamed Ben Amor
Ms. Cheng Ka Yan

COMPANY SECRETARY

Ms. Cheng Ka Yan

CORPORATE INFORMATION

REGISTERED OFFICE IN CAYMAN ISLANDS

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Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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33 Garden Road
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Hong Kong

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

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

PRINCIPAL BANKERS

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

CAYMAN ISLANDS PRINCIPAL REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Shops 1712–1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
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AUDITOR

Baker Tilly Hong Kong Limited
Certified Public Accountants
Registered Public Interest Entity Auditor
Level 8, K11 ATELIER King's Road
728 King's Road
Quarry Bay
Hong Kong

SHARE LISTING

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

STOCK CODE

1725

STOCK NAME

USPACE TECH

COMPANY WEBSITE

www.uspace.com

CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of USPACE Technology Group Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I would like to present to the shareholders of the Company ("**Shareholders**") the annual report of the Group for the year ended 31 December 2024 (the "**Reporting Period**").

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

BUSINESS REVIEW

Amidst a macroeconomic environment characterized by the continuing strong United States Dollar ("**USD**") against other currencies and high interest rates, the slow recovery of the global market and the tight liquidity in the capital market had a material adverse impact on global economic performance during the Reporting Period. In addition, the ongoing complex external environment and geopolitical tension will continue to affect international trade and capital flows. These factors will disrupt the global supply chain, which not only increases the operating costs of the Group, but also affects the demand from the Group's customers for various products and services.

During the Reporting Period, the Group recorded a turnover from continuing operations of approximately RMB315.8 million, representing a decrease of approximately 32.7% as compared to that of 2023; while the loss for the Reporting Period from continuing and discontinued operations was approximately RMB265.3 million as compared to that of approximately RMB222.8 million for 2023. The increase of approximately 19.1% in net loss recorded by the Group during the Reporting Period was mainly due to the combined effect of (i) the reduction in general operating expenses incurred by the Group; and (ii) the impairment losses of certain properties, plant and equipment provided based on accounting treatment and they are non-cash in nature.

Business Strategies and Outlook

Despite heavy operational pressures ahead, the Group will continue to make relentless efforts to actively explore new markets and embrace challenges with innovative thinking to bring about new breakthroughs for our business.

In terms of the Aerospace Business, the Group is the first manufacturer of innovative industrialized satellites in the world with Industrial 5.0 + Satellite Technology (ST) as its core business concept. It combines the principles of Industrial 5.0 with satellite technology to improve production efficiency and productivity, focusing on "people and environment", "ecology and inclusivity", and "satellite technology and applications" to significantly enhance product competitiveness. The Group has approximately 200,000 square feet of aerospace-grade precision manufacturing cleanroom facilities, certified to the highest international ISO standards, including Class 100,000 and Class 10,000 (ISO 14644-1:2015: Class 7) for satellite assembly, integration, and testing. It possesses independent capabilities for satellite system design, mass satellite manufacturing, component production, and satellite operation, with an annual production capacity of 500 low earth orbit remote sensing (optical, Synthetic Aperture Radar) and communication satellites.

CHAIRMAN'S STATEMENT

From 10 March 2025 to 12 March 2025, the Group successfully collaborated with the International Astronautical Federation to host the first stop of the "Hundred-Satellite Exhibition" in Hong Kong. The exhibition showcased 100 low earth orbit satellites and set to tour several European, American and Middle East countries subsequently, such as France, the United States of America ("**USA**") and Egypt. The purposes of the exhibition were to promote the design concept and innovative achievements of the Group in Industrial 5.0 + ST and enhance awareness among various sectors of society regarding new satellite manufacturing and its contribution to social development. The Group aims to fully implement its Industrial 5.0 + ST concept and expects to become the most competitive satellite manufacturer globally by 2028. In addition, as part of its business plan, the Group plans to build a remote sensing and communication satellite constellation in low earth orbit by 2030 to serve the socio-economic development of the Middle East and Africa regions.

In terms of the EMS Business, the Group will continue to proactively optimize the supply chain process, improve production efficiency, and adjust procurement strategies. By enhancing cost control and strengthening the close cooperations with suppliers and partners, it will secure more stable and high-quality resources for the EMS Business to further mitigate operational pressure and maintain the competitiveness and operational efficiency of the Group.

Gratitude

On behalf of the Company, I would like to express my sincere gratitude to all our stakeholders for their continuous trust in and support to our Group. We will continue to create greater value for both the Company and the Shareholders alike with the joint efforts of the Directors.

By order of the Board

Mohamed Ben Amor
Chairman and Executive Director

Hong Kong, 31 March 2025

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATING RESULTS

Revenue by Customers' Geographical Location

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

	2024 *RMB'000*	2023 *RMB'000* (restated)
Continuing operations		
Mainland China	177,715	353,275
Vietnam	30,568	3,662
India	30,038	27,689
Hong Kong	26,488	10,411
South Korea	17,823	14,894
Australia	13,008	15,375
Germany	10,137	26,363
USA	6,165	9,307
Austria	–	4,989
Others	3,861	3,098
	315,803	469,063

Revenue by Product Type

During the Reporting Period, revenue from continuing operations 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 2023, respectively:

	Revenue for the year ended 31 December			% of total revenue for the year ended 31 December		
	2024 *RMB'000*	2023 *RMB'000* (restated)	Change %	2024	2023 (restated)	Change
Continuing operations						
PCBAs	230,667	294,267	(21.6)	73.0	62.7	10.3
Fully-assembled electronic products	85,136	174,796	(51.3)	27.0	37.3	(10.3)
Total	315,803	469,063	(32.7)	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 devices. The revenue generated from the sales of PCBAs decreased by approximately 21.6% from approximately RMB294.3 million (restated) for the year ended 31 December 2023 to approximately RMB230.7 million for the Reporting Period. The decrease in revenue is primarily attributable to a notable decline in demand from the banking and finance sector during the Reporting Period.

Fully-assembled electronic products

The fully-assembled electronic products that are embedded with PCBAs primarily manufactured by the Company in-house mainly include mobile phones, mPOS, photovoltaic inverters, tablets and street lamp controllers, which are sold under the respective brands of the customers or the brands of their ultimate customers. The revenue generated from the sales of fully-assembled electronic products decreased by approximately 51.3% from approximately RMB174.8 million (restated) for the year ended 31 December 2023 to approximately RMB85.1 million for the Reporting Period. The decrease in revenue is primarily due to (i) the decrease in demand from mobile phone and tablet manufacturers which did not continue to produce new models and place related new orders; and (ii) cessation of cooperation with one significant customer during the Reporting Period.

Gross Profit and Gross Profit Margin by Product Type

The gross profit from continuing operations of the Group for the Reporting Period was approximately RMB48.1 million, representing a decrease of approximately RMB6.2 million or 11.4% as compared with approximately RMB54.3 million (restated) for the year ended 31 December 2023. Overall gross profit margin increased from 11.6% for the year ended 31 December 2023 to 15.2% for the Reporting Period.

	Gross profit for the year ended 31 December			Gross profit margin for the year ended 31 December		
	2024	2023	Change	**2024**	2023	Change
	RMB'000	*RMB'000* (restated)	*%*	***%***	*%* (restated)	*%*
Continuing operations						
PCBAs	**34,575**	39,147	(11.7)	**15.0**	13.3	1.7
Fully-assembled electronic products	**13,547**	15,187	(10.8)	**15.9**	8.7	7.2
Total	**48,122**	54,334	(11.4)	**15.2**	11.6	3.6

PCBAs

The gross profit derived from the sales of PCBAs decreased by approximately 11.7% to approximately RMB34.6 million for the Reporting Period (2023 (restated): RMB39.1 million). The gross profit margin increased to approximately 15.0% for the Reporting Period (2023 (restated): 13.3%). The improvement in gross profit margin was attributable to a more strategic approach in order management, i.e. focusing on optimising the order mix, which helped reduce the proportion of lower-margin sales during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Fully-assembled electronic products

The gross profit derived from the sales of fully-assembled electronic products decreased by approximately 10.8% to approximately RMB13.5 million for the Reporting Period (2023 (restated): RMB15.2 million). The gross profit margin increased to approximately 15.9% for the Reporting Period (2023 (restated): 8.7%), which was mainly because the Group has charged higher prices with higher gross profit margin for new customers and there was a decrease in raw material costs during the Reporting Period.

Other Income

The other income from continuing operations of the Group for the Reporting Period of approximately RMB7.1 million comprised discretionary government grants, rental income, service income and sundry income. The increase in other income was mainly due to the increase in service income arising from providing aerospace data analysis service during the Reporting Period.

Other Losses, Net

The other losses, net of the Group from continuing operations for the Reporting Period of approximately RMB3.5 million mainly represented exchange loss, fair value changes from financial assets at fair value through profit or loss and others.

Selling and Distribution Expenses

Selling and distribution expenses from continuing operations mainly comprised (i) employee benefit expenses, which included 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 RMB15.6 million (2023 (restated): RMB20.3 million). Selling and distribution expenses against revenue ratio from continuing operations remained at a very similar level, with approximately 5.0% for the Reporting Period and approximately 4.3% (restated) for the year ended 31 December 2023.

General and Administrative Expenses

General and administrative expenses from continuing operations mainly represented (i) employee benefit expenses, which included salaries and allowance, social insurance contributions and staff welfare expenses of administrative staff; (ii) depreciation expenses on right-of-use assets and properties, plant and equipment; (iii) legal and professional fees; and (iv) other expenses. For the Reporting Period, general and administrative expenses from continuing operations amounted to approximately RMB187.2 million (2023 (restated): RMB217.9 million), representing a decrease of approximately 14.1% as compared to the year ended 31 December 2023. The decrease in general and administrative expenses was mainly due to (i) the decrease in employee benefit expenses resulting from reduced headcount of the Aerospace Business; and (ii) the decrease in share-based payments related to the issuance of Convertible Notes (as defined below) during the Reporting Period.

Impairment Losses on Properties, Plant and Equipment

Impairment losses from continuing operations on properties, plant and equipment represented the impairment of properties, plant and equipment of the Aerospace Business. The Group had made an impairment on the relevant assets of the Aerospace Business according to the fair value less cost to sell, which amounted to RMB87,934,000, during the Reporting Period.

For the impairment losses amounting to RMB12,347,000 on the properties, plant and equipment under disposal group classified as held for sale, please refer to note 23 to the consolidated financial statements for details.

Impairment Losses on Financial Assets

For the Reporting Period, a reversal of impairment of approximately RMB0.9 million was made mainly due to the impairment loss on trade and bills receivables recognised in prior years which had been collected during the Reporting Period (2023: impairment losses of approximately RMB6.3 million was made against the trade and bills receivables which were difficult to recover).

Finance Costs, Net

The finance costs from continuing operations mainly comprised interest expenses on bank and other borrowings, bonds payable, lease liabilities and late interest on rental charges, while the finance income mainly represented interest income on cash and cash equivalents. For the Reporting Period, finance costs, net of the Group from continuing operations were approximately RMB17.3 million (2023 (restated): RMB17.4 million) representing a decrease of approximately 0.7% as compared to the year ended 31 December 2023. The decrease in finance costs, net was primarily due to the decreased interest expenses in relation to lease for right-of-use assets for the Reporting Period.

Income Tax (Expense)/Credit

Income tax expense from continuing operations amounted to approximately RMB0.8 million for the Reporting Period (2023 (restated): income tax credit of approximately RMB3.9 million). The increase in income tax expense was primarily attributable to more assessable profits from the PRC and German subsidiaries and increase in deferred income tax during the Reporting Period.

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 RMB198.0 million for the Reporting Period as compared with that for the year ended 31 December 2023 of approximately RMB211.1 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, bank and other borrowings and proceeds from equity financing. The management of the Group closely monitors the Group's liquidity position to ensure the Group has a sufficient level of cash and banking facilities to meet its funding needs.

Net Current Liabilities

The Group had net current liabilities of approximately RMB161.7 million as at 31 December 2024 (2023: approximately RMB339.3 million). The current ratio of the Group increased from approximately 0.5 as at 31 December 2023 to approximately 0.7 as at 31 December 2024.

Borrowings, the Pledge of Assets and Restricted Cash

The bank and other borrowings of the Group amounted to approximately RMB123.0 million as at 31 December 2024 (2023: RMB247.0 million). The weighted average interest rate per annum of the Group's bank and other borrowings as at 31 December 2024 was 3.48% (2023: 3.93%). As at 31 December 2024, the bank and other borrowings were secured by properties, equipment, shares of the Company's subsidiary, corporate guarantees provided by the Company and the Company's subsidiaries and a personal guarantee provided by one of the Directors, Mr. Ma Fujun (2023: secured by properties, equipment, land-use rights, shares of the Company's subsidiary, corporate guarantees provided by the Company and the Company's subsidiaries and a personal guarantee provided by one of the Directors, Mr. Ma Fujun). As at 31 December 2023, bank deposits of approximately RMB10.0 million were pledged for a performance bond provided for customer contract. No bank deposit was pledged as at 31 December 2024.

As at 31 December 2024 and 2023, the cash and cash equivalents, pledged bank deposits and restricted cash and bank and other borrowings were mainly denominated in Renminbi ("**RMB**"), Hong Kong Dollar ("**HK$**"), USD and Euro ("**EUR**"). The Group had unutilised banking facilities of approximately RMB20.0 million as at 31 December 2024 (2023: RMB125.1 million).

Capital Structure

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

On 2 May 2024, the Company and Mr. Li Xiaofei ("**Mr. Li**") entered into a subscription agreement, pursuant to which the Company agreed to allot and issue, and Mr. Li conditionally agreed to subscribe for 30,000,000 new ordinary shares at the subscription price of HK$1.51 per Share (the "**May Subscription**"). Completion of the May Subscription took place on 17 May 2024. The total nominal value of the said new shares was HK$300,000. The closing price of the shares on which the subscription agreement for the May Subscription was signed was HK$1.88 per Share. The net issue price of the May Subscription was approximately HK$1.50 per Share. For details of the May Subscription, please refer to the announcements of the Company dated 2 May 2024 and 17 May 2024.

On 14 June 2024, the Company and Mr. Ren Ran ("**Mr. Ren**") entered into a subscription agreement, pursuant to which the Company agreed to allot and issue, and Mr. Ren conditionally agreed to subscribe for 31,800,000 new ordinary shares at the subscription price of HK$1.01 per Share (the "**June Subscription**"). Completion of the June Subscription took place on 26 June 2024. The total nominal value of the said new shares was HK$318,000. The closing price of the shares on which the subscription agreement for the June Subscription was signed was HK$1.18 per Share. The net issue price of the June Subscription was approximately HK$1.00 per Share. For details of the June Subscription, please refer to the announcements of the Company dated 14 June 2024 and 26 June 2024.

On 18 October 2024, the Company entered into two subscription agreements with two subscribers, namely Mr. Chen Lizhong ("**Mr. Chen**") and Mr. Liu Shoutang ("**Mr. Liu**"), pursuant to which the Company agreed to allot and issue, and Mr. Chen and Mr. Liu conditionally agreed to subscribe for an aggregate of 71,524,000 new ordinary shares at the subscription price of HK$1.23 per Share (the "**October Subscription**"). Completion of the October Subscription took place on 8 November 2024. The total nominal value of the said new share was HK$715,240. The closing price of the shares on which the subscription agreements for the October Subscription were signed was HK$1.51 per Share. The net issue price of the October Subscription was HK$1.22 per Share. For details of the October Subscription, please refer to the announcements of the Company dated 18 October 2024 and 8 November 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

All of the above-mentioned subscription shares were allotted and issued under the general mandate. The Directors consider that the subscriptions provided opportunities for the Company to raise capital and intend to apply the net proceeds from the subscriptions for the general working capital of the Group including, but not limited to the ongoing administrative expenses of the Company and operating expenses of the Aerospace Business. Set out below is a summary of the allocation of the net proceeds of the May Subscription, the June Subscription and the October Subscription and their respective utilisation as at 31 December 2024:

Fund raising activities	Use of proceeds	Approximate net proceeds *(HK$'000)*	Actual use of approximately net proceeds during the Reporting Period *(HK$'000)*	Unutilised approximately net proceeds as at the end of the Reporting Period *(HK$'000)*	Expected timetable for utilisation of unutilised net proceeds
May Subscription	General working capital	45,000	45,000	–	N/A
June Subscription	General working capital	31,800	31,800	–	N/A
October Subscription	General working capital	87,140	59,800	27,340	By the end of June 2025

As at 31 December 2024, the Company's issued share capital was HK$5,040,740 and the number of issued shares of the Company was 504,074,000 ordinary shares of HK$0.01 each.

Gearing Ratio

The gearing ratio, which is calculated by total bank and other borrowings, bond payable and loans from related companies divided by total equity, was approximately 195.9% and 257.1% as at 31 December 2024 and 31 December 2023, respectively. The decrease in gearing ratio was due to repayment of bank and other borrowings and loans from related companies during the Reporting Period.

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. During the Reporting Period, the Group did not engage in any hedging transactions or enter into any financial instrument for hedging purpose. 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 RMB9.5 million (2023: RMB154.2 million). The capital expenditure was mainly related to the construction of the Hong Kong satellite operation control and application centre.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

The Board did not recommend payment of final dividend for the Reporting Period (2023: 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 2024, the Group had 568 employees from continuing operations with a total remuneration of approximately RMB123.8 million during the Reporting Period (2023 (restated): RMB140.3 million). The remuneration packages of the employees, which were reviewed regularly by the Group, were determined with reference to individual performance, work experience, qualification and current industry practices. The Group also arranged induction and regular trainings for the staff.

CAPITAL COMMITMENT

As at 31 December 2024, the Group's capital commitment amounted to approximately RMB185.3 million (2023: RMB196.2 million). The capital commitment was mainly related to (i) fitting-out contracts and procurement and installation contracts for the establishment of the Aerospace Business in Hong Kong and (ii) satellite procurement contracts. The Group's capital commitments were principally financed by the internal resources of the Group.

CONTINGENT LIABILITIES

Save as disclosed in this annual report, the Group did not have any material contingent liabilities as at 31 December 2024 (2023: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 31 December 2024.

LITIGATION

On 9 December 2024, the Group's three subsidiaries, namely (i) Aspace Satellite Technology Limited ("**ASTL**"), (ii) Hong Kong Aerospace Satellite Tracking and Control Limited ("**HKASTCL**") and (iii) Hong Kong Aerospace Satellite Data Limited ("**HKASDL**"), were respectively served as the defendant a writ of summons together with an indorsement of claim (the "**Writs**") dated 6 December 2024 issued in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region by Hong Kong Science and Technology Parks Corporation as the plaintiff (the "**Plaintiff**") under three separate actions (the "**Actions**").

As stated in the respective Writs, the Plaintiff purportedly claimed against ASTL, HKASTCL and HKASDL for, among other things, vacant possession of certain premises of Data Technology Hub in Tseung Kwan O Industrial Estate, No. 5 Chun Cheong Street, Tseung Kwan O, New Territories, Hong Kong and Advanced Manufacturing Centre in Tseung Kwan O Industrial Estate, No. 18 Chun Cheong Street, Tseung Kwan O, New Territories, Hong Kong rented respectively by ASTL, HKASTCL and HKASDL under the tenancy agreements (the "**Tenancy Agreements**") and the outstanding rent, management charges and outgoings in the total sum of approximately HK$47.4 million, the interest accrued thereon and other damages for the alleged breaches of the Tenancy Agreements.

As at the date of this annual report, the Actions are currently still ongoing and the Company does not expect the Actions to have any material adverse impact on the ordinary operation and financial positions of the Group. Details of the Writs and the Actions are set out in the announcement of the Company dated 13 December 2024. The Company has sought legal advice on defending the Actions against the Company.

EVENTS AFTER THE REPORTING PERIOD

On 3 February 2025, the Company and NineSky International Co., Ltd. (九天國際有限公司) (the "**Possible Subscriber**") entered into a memorandum of understanding in relation to the possible subscription of the new ordinary Shares in such number to be determined between the Company and the Possible Subscriber, which was expected to be not less than 30% of the entire issued share capital of the Company as enlarged by the allotment and issue of the Shares under the possible subscription. Details of the possible subscription are set out in the announcement of the Company dated 7 February 2025.

On 4 February 2025, Aspace Satellite Technology Limited ("**Aspace**"), an indirect non-wholly owned subsidiary of the Company, entered into a co-hosting agreement (the "**Co-Hosting Agreement**") with the International Astronautical Federation (IAF) in respect of co-hosting of exhibition event of 100 satellites produced by Aspace. The exhibition aimed to promote and popularize innovative achievements in industrialized satellite manufacturing, enhancing awareness among various sectors of society regarding new satellite manufacturing and its contribution to social development. Details of the Co-Hosting Agreement are set out in the announcement of the Company dated 4 February 2025.

On 6 February 2025, the Company entered into a strategic partnership agreement (the "**Strategic Partnership Agreement**") with the Arab Information and Communication Technologies Organization (AICTO) to join forces as strategic partners to cooperate in satellite manufacturing, satellite telemetry, tracking, and controlling (TT&C), and data application activities. The Group planned to build a remote sensing and communication satellite constellation in low earth orbit by 2030 to service the Middle East and Africa region for their socio-economic development. Details of the Strategic Partnership Agreement are set out in the announcement of the Company dated 6 February 2025.

On 12 February 2025, the Company entered into a memorandum of understanding (the "**MOU**") with the Kingdom of Bahrain National Space Science Agency (NSSA) in respect of the proposed cooperation in the areas of satellite manufacturing, satellite telemetry, tracking, and controlling (TT&C), and data application activities. Details of the MOU are set out in the announcement of the Company dated 12 February 2025.

MANAGEMENT DISCUSSION AND ANALYSIS

On 17 February 2025, the Company entered into a purchase contract (the "**Contract**") with TREEFAM Holdings L.L.C-FZ ("**TREEFAM**"), pursuant to which the Company shall supply and TREEFAM shall purchase 600 5-metre spatial resolution remote sensing satellites (model number: A-OS15-6U). The total contract price is USD21,000,000 and the satellites will be delivered within 3 years from the effective date of the Contract. Details of the Contract are set out in the announcement of the Company dated 17 February 2025.

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

On 28 June 2024, Total United Holdings Limited ("**Total United**"), a wholly-owned subsidiary of the Company, entered into an agreement with the Stable Brand Limited ("**Stable Brand**"), an independent third party of the Group, pursuant to which the Total United has conditionally agreed to sell, and Stable Brand has conditionally agreed to purchase, the entire issued shares of Productive Glory Limited ("**Productive Glory**") at the consideration of HK$37,387,000 (the "**Productive Glory Disposal**"). Completion of the Productive Glory Disposal took place on 29 October 2024, and upon completion, the Company ceased to hold any equity interest in Productive Glory and its financial results ceased to be consolidated into the financial results of the Group. As one or more of the applicable percentage ratios (as defined under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**")) in respect of the Productive Glory Disposal exceed 5% but are less than 25%, the Productive Glory Disposal constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Details of the Productive Glory Disposal are set out in the announcements of the Company dated 28 June 2024 and 29 October 2024 respectively.

On 22 November 2024, Huizhou City Eternity Company Limited* (惠州市弘盛昌科技有限公司) (the "**Vendor**") (a wholly-owned subsidiary of the Company), Huizhou City Long Ming Technology Company* (惠州市隆明科技有限公司) (the "**Purchaser**") and Huizhou City Eternity Technology Company* (惠州市恒昌盛科技有限公司) (the "**Target Company**") entered into an agreement (the "**Agreement**"), pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase the entire paid-up capital of the Target Company at a consideration of RMB27,100,000 (the "**Eternity Technology Disposal**"). As the highest applicable percentage ratio (as defined in the Listing Rules) in respect of the Eternity Technology Disposal exceeds 5% but is less than 25%, the Eternity Technology Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Details of the Eternity Technology Disposal are set out in the announcement of the Company dated 22 November 2024.

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

* *For identification purpose only*

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

H.E. Eng. Mohamed Ben Amor ("H.E. Eng. Ben Amor")

H.E. Eng. Ben Amor, aged 62, was appointed as an executive Director, the chairman of the Board ("**Chairman**") and the chairman of the Nomination Committee in October 2024.

H.E. Eng. Ben Amor obtained his Diploma and Advanced Diploma in Marine Engineering from the Menzel Bourguiba Naval Academy (Académie Navale Menzel Bourguiba Tunisia) in 1986 and 1989 respectively, and obtained his master's degree in international project management and human resources from the National Conservatory of Arts and Crafts (Conservatoire National d'Arts et des Métiers), Paris, in 2011. H.E. Eng. Ben Amor has more than 30 years of experience in project management, technical operations, telecommunications and information and communication technologies (ICT) development and policy, and ICT infrastructure development. H.E. Eng. Ben Amor is currently the General Director of the Arab Information and Communication Technologies Organization (AICTO), a specialized Arab Governmental Organization working under the aegis of the League of Arab States which aims to promote the development of ICT in the Arab region, a position he held since 2016. From 2011 to 2015, H.E. Eng. Ben Amor was Special Advisor to the Minister of Information and Communication Technologies of Tunisia (Ministère en charge des technologies de l'Information et de la Communication), where he was in charge of the International Cooperation Bureau. Prior to the above, H.E. Eng. Ben Amor held various positions in the Tunisia Telecommunications Research and Studies Agency for over 10 years, he last held the position of Director General from 2009 to 2011.

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

H.H. Al-Maktoum, aged 43, was appointed as an executive Director in November 2023. He was further appointed as the deputy chairman of the Board in May 2024.

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

Dr. Fabio Favata ("Dr. Favata")

Dr. Favata, aged 63, was appointed as an executive Director in November 2023.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

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

Mr. Ma Fujun ("Mr. Ma")

Mr. Ma, aged 51, was first appointed as a Director in March 2017, and was re-designated as an executive Director in February 2018. He also held the positions as the Chairman and Chief Executive Officer until June 2021.

Mr. Ma has over 19 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

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

Mr. Alanezi, aged 59, was appointed as a non-executive Director in November 2023.

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

Mr. Alanezi has over 28 years of experience in Saudi Arabia, Gulf Cooperation Council (GCC) region and the Middle East and North Africa in structuring, and leading business in multiple sectors such as investment, banking, financial service, and information technology. He has been the system development manager in National Commercial Bank from 1996 to 2001 and then moved to Al Rajhi Bank to work as e-commerce business head from 2001 to 2004. Mr. Alanezi has then worked in MasterCard as vice president & country manager in Saudi Arabia for 6 years and became a board member in Connecal from 2011 to 2014. He later joined First Recycling Co. Exitcom Middle East as chief executive officer from 2012 to 2017, Network International as general manager of Saudi Arabia from 2019 to 2021 and CREALOGIX as managing director of Middle East region from 2021 to 2023.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Professor Christian Feichtinger ("Prof. Feichtinger")

Prof. Feichtinger, aged 61, was appointed as a non-executive Director in November 2023.

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

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

Mr. Nathan Earl Whigham ("Mr. Whigham")

Mr. Whigham, aged 44, was appointed as a non-executive Director in May 2024.

Mr. Whigham obtained his Bachelor of Science in Systems Engineering with a Mathematics Minor from the University of Arizona and Master of Business Administration from the Marshall School of Business at the University of Southern California. Mr. Whigham also holds a Graduate Certificate in Space Law from the University of Mississippi and a Fundamentals of Alternative Investments Certificate from the Chartered Alternative Investment Analyst Association.

Mr. Whigham began his career as a sales engineer at The Trane Company, where he gained significant experience in technical sales and engineering solutions. He has over 18-year of experience in finance and capital advisory focused on a variety of industries including space, renewable energy and commercial real estate and has been involved in over US$1 billion of transactions. Mr. Whigham is an accomplished public speaker and frequently speaks at conferences. He has advised the Governor of Puerto Rico's aerospace advisory committee on the development of the space industry in Puerto Rico and is a board member of the Puerto Rico Space Foundation. Mr. Whigham is the founder of EN Capital, a boutique capital advisory firm inaugurated in 2017 where he remains as president to date. He serves as an advisor at Mach 33 Financial Group, previously known as Spaced Ventures, a firm dedicated to financing human expansion into space through a comprehensive suite of financial products and services. He is also currently the managing director of lending and capital markets at Gulp Data Inc., a firm providing corporate credit collateralized by data assets.

Mr. Whigham was previously senior director of business development at CleanFund Commercial PACE Capital from 2016 to 2017, where he led initiatives in Southern California. He served as senior vice president of business development at Nebo Capital, Inc. from 2012 to 2015, where he was instrumental in raising capital across commercial real estate sectors. From 2009 to 2012, he was a senior project developer at Borrego Solar Systems Inc., focusing on large-scale distributed generation solar projects.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

Ms. Ryan, aged 73, was appointed as an independent non-executive Director and a member of the Nomination Committee in November 2023 and was further appointed as the chairman of the Remuneration Committee and a member of the Audit Committee in October 2024.

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

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

Mr. Boris Tadić ("Mr. Tadić")

Mr. Tadić, aged 67, was appointed as an independent non-executive Director in October 2024.

Mr. Tadić graduated from the Faculty of Philosophy at the University of Belgrade, studying Social Psychology. Mr. Tadić later served as a lecturer at the University of Belgrade, and received an Honorary Doctorate from Dimitrie Cantemir Christian University in 2009. Mr. Tadić was formerly the President of Serbia from 2004 to 2012. Prior to that he served as the Minister of Defense of Serbia and Montenegro from 2003 to 2004 and the Minister of Telecommunications of Serbia and Montenegro from 2000 to 2003.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

Mr. Hung, aged 69, was appointed as an independent non-executive Director, a member of the Audit Committee, the chairman of the Remuneration Committee and a member of the Nomination Committee in July 2021. He was further appointed as the chairman of the Audit Committee and resigned as the chairman of the Remuneration Committee in January 2022. Mr. Hung was appointed as a member of the Remuneration Committee again in May 2024.

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

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

Mr. Hung has directorships in certain listed companies whose shares are listed on the Stock Exchange. He is currently an independent non-executive director of each of Capital Estate Limited (stock code: 193), Skyworth Group Limited (stock code: 751), XinKong International Capital Holdings Limited (formerly known as Huarong International Financial Holdings Limited) (stock code: 993), Starjoy Wellness and Travel Company Limited (stock code: 3662), China East Education Holdings Limited (stock code: 667). He is also an independent supervisor of the supervisory committee of Ping An Insurance (Group) Company of China, Ltd. (stock code: 2318) and the shares of which are also listed on the Shanghai Stock Exchange (stock code: 601318).

In the past three years, Mr. Hung was an independent non-executive director of each of JX Energy Limited (stock code: 3395) up to December 2024, Tong Tong AI Social Group Limited (formerly known as Gome Finance Technology Co., Ltd.) (stock code: 628) up to December 2023, SY Holdings Group Limited (stock code: 6069) up to July 2022 and a non-executive director of High Fashion International Limited (stock code: 608) up to December 2024.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

Mr. de Dalmau, aged 66, was appointed as an independent non-executive Director in September 2022. He was appointed as a member of the Remuneration Committee and a member of the Nominating Committee in November 2023.

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

Mr. de Dalmau has been a faculty member of the International Space University ("**ISU**") since 1993, during which he held the positions of director at space studies program from July 2002 to August 2005 and the president of ISU from September 2018 to August 2021. In addition, Mr. de Dalmau held various senior management positions, including head of communication office at ESA in Netherlands from October 2010 to July 2018; general manager at Community of Ariane Cities in France form October 2005 to May 2011; director of Aerospace Research and Technology Centre in Spain from October 2005 to September 2010; and director of operations of Guiana Space Centre of the French Space Agency in French Guiana from 1988 to 1992. Mr. de Dalmau has over 37 years of experience in research, education, outreach, operations, and facilities management in international environments.

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

Mr. Alsarkal, aged 45, was appointed as the independent non-executive Director and a member of the Audit Committee in November 2023.

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

CHIEF EXECUTIVE OFFICER

Mr. Sun Fengquan ("Mr. Sun")

Mr. Sun, aged 60, was first appointed as an executive Director, the Co-Chairman of the Board, the chief executive officer of the Company ("**Chief Executive Officer**") and the chairman of the Nomination Committee in June 2021 and was re-designated as the Chairman in November 2023. He resigned as the executive Director, Chairman and the chairman and member of the Nomination Committee in October 2024. Since then, he has been appointed as the honorary chairman of the Company and continues to hold the positions of Chief Executive Officer and directorships in the subsidiaries of the Company.

Mr. Sun has over 33 years of experience in business management. From 2015 to 2019, he was the chairman of Hong Kong Financial Assets Management Limited. He was also the chairman of Far East International Capital Management Limited from 1993 to 2013. Prior to this, Mr. Sun was the deputy manager of Jincheng Asset Management Limited from 1990 to 1993.

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 the code provisions set out in the Corporate Governance Code (the "**CG Code**") in force during the Reporting Period as set out in Appendix C1 to the Listing Rules as its own code of corporate governance and has complied with all the applicable CG Code provisions 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. During the period from 1 January 2024 to 1 October 2024, Mr. Sun served as both the Chairman and the Chief Executive Officer. The Board was of the view that conferring both of the roles on Mr. Sun would offer the Group consistent leadership.

In consideration of the emerging global business environment, Mr. Sun would like to focus and devote more time in the business development and day-to-day management of the Aerospace Business and have a lesser Board leadership role. With effect from 2 October 2024, (i) Mr. Sun resigned as the Chairman and executive Director but remained as the Chief Executive Officer; (ii) H.E. Ben Amor was appointed as the Chairman; and (iii) the Company re-complied with the requirement under code provisions C.2.1 of the CG code thereafter.

(b) During the period from 27 April 2024 (the effective date of resignation of a former independent non-executive Director, Mr. David Gordon Eldon) to 9 May 2024, the Company did not meet the minimum number of independent non-executive Directors required under Rule 3.10A of the Listing Rules. On 10 May 2024, following the reduction in number of Directors, the number of independent non-executive Directors resumed to represent not less than one-third of the Board and the Company re-complied with such requirement thereafter.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE REPORT

THE BOARD

Composition

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

Executive Directors

H.E. Mohamed Ben Amor *(Chairman)*
(appointed on 2 October 2024)
H.H. Shaikh Mohammed Maktoum Juma Al-Maktoum *(Deputy Chairman)*
(appointed as deputy chairman on 10 May 2024)
Dr. Fabio Favata
Mr. Ma Fujun
Mr. Sun Fengquan
(resigned on 2 October 2024)
Dr. Lam Lee G. ("**Dr. Lam**")
(resigned on 10 May 2024)
Ms. Ku Ka Lee Clarie ("**Ms. Ku**")
(retired on 25 June 2024)

Non-executive Directors

Mr. Alhamedi Mnahi F Alanezi
Professor Christian Feichtinger
Mr. Nathan Earl Whigham
(appointed on 10 May 2024)
Professor Guo Huadong ("**Prof. Guo**")
(resigned on 2 October 2024)
Dr. Mazlan Binti Othman ("**Dr. Othman**")
(resigned on 2 October 2024)
Mr. Niu Aimin ("**Mr. Niu**")
(resigned on 10 May 2024)

Independent Non-executive Directors

Ms. Barbara Jane Ryan
Mr. Boris Tadić
(appointed on 2 October 2024)
Mr. Hung Ka Hai Clement
Mr. Juan de Dalmau-Mommertz
Mr. Marwan Jassim Sulaiman Jassim Alsarkal
Professor Wang Jianyu ("**Prof. Wang**")
(resigned on 2 October 2024)
Mr. David Gordon Eldon ("**Mr. Eldon**")
(resigned on 27 April 2024)

None of the members of the Board is related to one another. The biographical details of the Directors are set out in the section of "Biographical Details of Directors and Senior Management" on pages 15 to 20 of this annual report.

Save as disclosed in this annual report, the Company complied with the requirements of the Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing at least one-third of the Board), of which at least one of the independent non-executive Director possesses appropriate professional qualifications, or accounting or related financial management expertise.

Mr. Whigham was appointed to the Board as a non-executive Director on 10 May 2024, while H.E. Ben Amor and Mr. Tadić were appointed to the Board as an executive Director and an independent non-executive Director, respectively, on 2 October 2024. Each of them had on their respective appointment dates obtained the legal advice from the legal advisers of the Company to advise on Hong Kong law referred to in Rule 3.09D of the Listing Rules and had confirmed that they understood their obligations as the Directors, the requirements under the Listing Rules that are applicable to them as the Directors and the possible consequences of making a false declaration or giving false information to the Stock Exchange.

Roles And Responsibilities

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

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

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

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

CORPORATE GOVERNANCE REPORT

DIRECTORS AND OFFICERS LIABILITY INSURANCE

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

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledged their responsibilities for preparing the consolidated financial statements of the Group for the year ended 31 December 2024, which gave a true and fair view of the financial position of the Group in accordance with the applicable accounting standards.

Save as disclosed in note 2.1(a) to the consolidated financial statements and the paragraph headed "Material Uncertainty related to Going Concern" in the Independent Auditor's Report pages 124 to 125 of this annual report, the Directors are unaware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the independent auditor of the Company about its reporting responsibilities for the consolidated financial statements set out in the Independent Auditor's Report on pages 124 to 128 of this annual report.

CORPORATE GOVERNANCE FUNCTIONS

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

From 1 January 2024 to 1 October 2024, Mr. Sun served as both the Chairman and Chief Executive Officer. The Board was of the view that conferring both of the roles on Mr. Sun would offer the Group consistent leadership. In consideration of the emerging global business environment, Mr. Sun would like to focus and devote more time in the business development and day-to-day management of the Group's Aerospace Business and have a lesser Board leadership role and hence resigned as the Chairman and executive Director.

With effect from 2 October 2024, H.E. Mohamed Ben Amor has been appointed as the Chairman and executive Director and Mr. Sun continued to hold the position of Chief Executive Officer. The Chairman is responsible for leading and overseeing the performance of the Board, ensuring effective communication with Shareholders, and representing the Company with external parties. The Chief Executive Officer oversees the daily leadership and management of the business by implementing the strategies and direction set by the Board. The respective responsibilities are clearly defined and set out in writing.

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

BOARD MEETINGS

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

PROCEEDINGS OF BOARD MEETINGS AND BOARD COMMITTEE MEETINGS

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

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

CORPORATE GOVERNANCE REPORT

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

	Number of meetings attended/held					
Name of Directors	**Board Meeting**	**Audit Committee Meeting**	**Nomination Committee Meeting**	**Remuneration Committee Meeting**	**Annual General Meeting**	**Extraordinary General Meeting**
Executive Directors						
H.E. Mohamed Ben Amor *(Chairman)* *(Appointed on 2 October 2024)*	0/0	–	0/0*	–	0/0*	1/1*
H.H. Shaikh Mohammed Maktoum Juma Al-Maktoum	0/9	–	–	–	0/1	0/1
Dr. Fabio Favata	6/9	–	–	–	1/1	1/1
Mr. Ma Fujun	5/9	–	–	–	1/1	1/1
Mr. Sun Fengquan *(Resigned on 2 October 2024)*	9/9	–	1/1	–	1/1	0/0
Dr. Lam Lee G. *(Resigned on 10 May 2024)*	3/3	–	1/1	1/1	0/0	0/0
Ms. Ku Ka Lee Clarie *(Retired on 25 June 2024)*	0/5	–	–	–	0/1	0/0
Non-executive Directors						
Mr. Alhamedi Mnahi F Alanezi	4/9	–	–	–	1/1	1/1
Professor Christian Feichtinger	2/9	–	–	–	0/1	1/1
Mr. Nathan Earl Whigham *(Appointed on 10 May 2024)*	6/6	–	–	–	0/1	0/1
Professor Guo Huadong *(Resigned on 2 October 2024)*	1/9	–	–	–	0/1	0/0
Dr. Mazlan Binti Othman *(Resigned on 2 October 2024)*	0/9	–	–	–	0/1	0/0
Mr. Niu Aimin *(Resigned on 10 May 2024)*	3/3	–	–	–	0/0	0/0
Independent non-executive Directors						
Ms. Barbara Jane Ryan	8/9	0/0	1/1	0/0*	1/1	1/1
Mr. Boris Tadić *(Appointed on 2 October 2024)*	0/0	–	–	–	0/0	0/1
Mr. Hung Ka Hai Clement	6/9	3/3*	1/1	1/1	1/1	1/1
Mr. Juan de Dalmau-Mommertz	0/9	–	0/1	2/2	0/1	1/1
Mr. Marwan Jassim Sulaiman Jassim Alsarkal	4/9	3/3	–	–	1/1	1/1
Professor Wang Jianyu *(Resigned on 2 October 2024)*	3/9	2/3	–	2/2	0/1	0/0
Mr David Gordon Eldon *(Resigned on 27 April 2024)*	0/1	–	–	–	0/0	0/0

* representing respective chairman of the Board, the Board committees and general meetings as at 31 December 2024

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

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

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

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

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

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

CORPORATE GOVERNANCE REPORT

Pursuant to the above provisions of the Articles, H.E. Ben Amor, Mr. Ma, Prof. Feichtinger, Mr. Whigham, Mr. Tadić and Mr. de Dalmau will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting to be held on 26 May 2025 (the "**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 to strengthen its effectiveness and corporate governance. The Company recognises and embraces the benefits of a diverse Board with a balance of skills, experience and diversity of perspectives to enhance the quality of its performance. All Board appointments will be considered against selection criteria.

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

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

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

DIVERSITY AT WORKFORCE LEVEL

The Group has taken and continues to take steps to promote diversity at all levels of its workforce. The opportunities for recruitment, promotion, training, and career development are equally open to all eligible employees without discrimination. As at 31 December 2024, the ratio of male to female in the workforce (including the executive Directors and senior management) of the Group is 2:1. The details of workforce composition in the PRC or Hong Kong were disclosed under the section headed "Environmental, Social and Governance Report" (the "**ESG Report**") on pages 36 to 112 of this annual report. The Board considers that gender diversity in the Group's workforce is currently achieved.

BOARD COMMITTEE

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

AUDIT COMMITTEE

The Audit Committee was established on 25 July 2018 with terms of reference in compliance with the CG Code for the purpose of making recommendations to the Board on the appointment and removal of the external auditor, to review the financial statements and related materials and provide independent advice in respect of the financial reporting process, and to oversee the risk management and internal control systems of the Group. As at 31 December 2024, the Audit Committee comprises three members, all being independent non-executive Directors, namely, Mr. Hung (chairman), Ms. Ryan and Mr. Alsarkal. The Group's accounting principles and policies, financial statements and related materials for the Reporting Period had been reviewed by the Audit Committee.

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

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

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

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged Baker Tilly Hong Kong Limited, as the external auditor of the Group for the year ended 31 December 2024. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor. During the Reporting Period, auditor's remuneration related to audit services amounted to approximately RMB2.0 million and those for non-audit services, which includes agreed-upon procedures, internal control review and ESG assessment, amounted to approximately RMB0.2 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 the Audit Committee on an annual basis. The Audit Committee oversees the internal control system of the Group, reports to the Board on any material issues and makes recommendations accordingly. Annual reviews of the effectiveness of the internal control system of the Group are conducted. Such procedures are designed to manage rather than to eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has engaged Baker Tilly Hong Kong Limited to carry out an annual review on the internal control system and risk management system of the Group for the year ended 31 December 2024. 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.

The Board has established a policy on the procedures and internal controls for the handling and dissemination of inside information. The policy stipulated the duty and responsibility of inside information announcement, restriction on sharing non-public information, handling of rumours, unintentional selective disclosure, exemption and wavier to the disclosure of inside information, and also compliance and reporting procedures.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 25 July 2018 with terms of reference (revised on 30 December 2022) in compliance with the CG Code for the purpose of making recommendations to the Board on the overall remuneration policy and structure relating to the Directors and senior management of the Group, to review and evaluate their performance in order to make recommendations on the remuneration package of each of the Directors and senior management as well as other employee benefit arrangements based on their experience, level of responsibility and general market conditions, to review and/or approve matters relating to share schemes. As at 31 December 2024, the Remuneration Committee comprises three independent non-executive Directors, namely Ms. Ryan (chairman), Mr. Hung and Mr. de Dalmau.

During the Reporting Period, the Remuneration Committee held two meetings. 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 2024 and the performance of the Directors. Draft and final versions of the minutes of the Remuneration Committee meetings are circulated to all members of the Remuneration Committee for comments and approval and all decisions of the Remuneration Committee are reported to the Board subject to applicable restriction.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remuneration of Directors and senior management during the Reporting Period are set out in notes 9, 39 and 41 to the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee was established on 25 July 2018 with terms of reference in compliance with the CG Code for the purpose of making recommendations to the Board on the appointment of Directors and the succession of the Board. As at 31 December 2024, the Nomination Committee consists of one executive Director, namely, H.E. Ben Amor (chairman); and three independent non-executive Directors, namely, Ms. Ryan, Mr. Hung and Mr. de Dalmau.

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

Nomination Policy

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

Selection Criteria

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

(1) reputation for integrity;

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

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

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

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

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

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

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

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

Director Nomination Procedure

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

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

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

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

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

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

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

COMPANY SECRETARY

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

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

CONSTITUTIONAL DOCUMENTS

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

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

COMPANY CULTURE

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

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

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

SHAREHOLDERS' RIGHTS

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

Shareholders to Convene an Extraordinary General Meeting

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

Putting Enquiries by Shareholders to the Board

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

Procedures for Putting Forward Proposals by Shareholders at Shareholders' Meetings

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

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

INVESTORS RELATIONS

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

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

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

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

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

DIVIDEND POLICY

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

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

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

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

(4) the Group's liquidity position;

(5) interest of Shareholder;

(6) taxation consideration;

(7) potential effect on creditworthiness;

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

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1.0 ABOUT THE ESG REPORT

1.1 Introduction

USPACE Technology Group Limited (the "**USPACE**" or "**Company**") and its subsidiaries (collectively, the "**Group**" or "**we**") are pleased to publish the 2024 Environmental, Social and Governance (the "**ESG**") Report (the "**Report**"). The Report aims to describe the Group's ESG investment and performance covering the period from 1 January 2024 to 31 December 2024 (the "**Reporting Period**" or "**2024**") in response to stakeholders' expectations for USPACE's sustainable development and information disclosure.

1.2 Basis of Preparation

The Report was prepared in accordance with Appendix C2 *Environmental, Social and Governance Reporting Code* (the "**Code**") 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 Code, please refer to Appendix II: *Index to the Contents of the Environmental, Social and Governance Reporting Code* in the Report.

1.3 Scope and Boundaries of the Report[1]

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

This Report has been prepared through the identification of material issues based on the most significant impact on the Group's sustainability and the areas of greatest interest or concern to stakeholders. The Report covers the ESG performance in 2024 unless otherwise specified. Some textual information goes beyond this scope and is explained where it is involved.

[1] The Scope of the Report has been changed following the sale of one of the Group's wholly owned subsidiaries in 2024.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1.4 Principles of Preparation

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

Consistency	The Report will ensure that the scope of disclosures, the key performance indicators (the "**KPIs**") and the methods remain broadly consistent on an annual basis to facilitate stakeholders' comparisons of our performance.
Materiality	The Group identifies the most material ESG topics by fully considering the stakeholders' interests and expectations and the Group's development strategy and business operations.
Quantitative	The Report contains quantitative disclosures of key environmental and social performance indicators, with all quantitative data checked and presented with textual explanations.
Balance	The Report details the unbiased picture of the Group's performance, avoiding any potential inappropriate influence on readers' decisions or judgements.

1.5 Feedback

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

2.0 ABOUT US

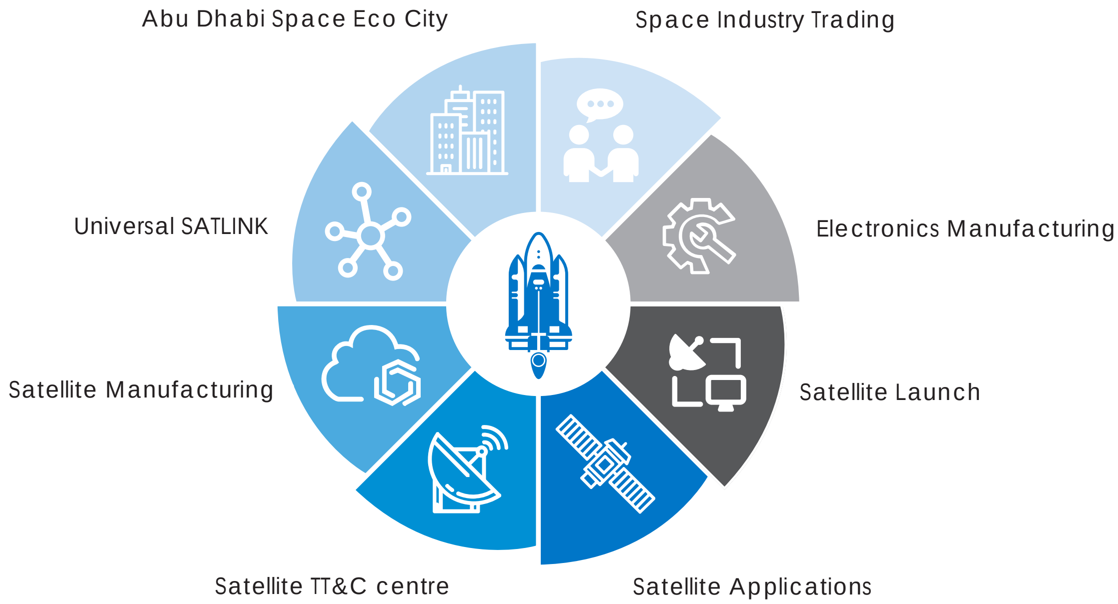
2.1 Introduction to the Group

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

2.2 Main Business and Products

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

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



USPACE Main Services

USPACE Rolls out 6 Highly Globally Competitive Commercial Optical Satellites Mark a New Milestone in Satellite Mass Production and Commercialization

USPACE is pleased to announce the rollout of 6 commercial optical satellites and related aerospace products. With a highly competitive pricing strategy, the Group aims to enter the global market and expand its customer base, capturing the rapidly growing demand from emerging markets and small and medium-sized enterprises (SMEs). It marks a new milestone in USPACE's satellite mass production and commercialization efforts, representing a significant step forward in the Group's globalization strategy.

On 25 July 2024, marking the first anniversary of the establishment of the Group's ASPACE Hong Kong Satellite Manufacturing Center, the Group unveiled its disruptively low-priced commercial optical satellites on its official website. The Group also plans to offer nearly a hundred types of satellite components and application services, including separation seats, multi-satellite dispensers, and 0.5-meter resolution lightweight cameras.

The Group is confident that through this series of satellite products, it can directly participate in the competition of the global commercial aerospace market, rapidly enhance its brand awareness, significantly expand its customer base and further increase its market share.

The growth potential of the commercial optical satellite market is enormous. With the rapid development of emerging technologies such as the Internet of Things and artificial intelligence, the demands for satellite remote sensing data, communication services, and navigation and positioning are increasing rapidly. The emergence of commercial optical satellites with competitive advantages and huge market demand will effectively lower the barriers to entry for various satellite applications, unleashing market potential and creating tremendous commercial value.

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USPACE has its own production factory with 20,000 square meter ASPACE Hong Kong Satellite Manufacturing Center, the first of its kind in the city. The center boasts the capability to simultaneously develop multiple types of satellites, including communication, navigation, remote sensing, and radar satellites ranging from 10 kilograms to 1,000 kilograms, with an annual production capacity of 500 satellites.

USPACE's globalization strategy continues to make substantial progress. The Company is gradually building a complete aerospace ecosystem while innovating and creating core satellite products.

List of USPACE's Commercial Optical Satellites

Product	
0.5m resolution **990,000** USD	0.5-meter resolution commercial optical satellite
0.75m resolution **740,000** USD	0.75-meter resolution commercial optical satellite
1m resolution **450,000** USD	1-meter resolution commercial optical satellite
1.5m resolution **300,000** USD	1.5-meter resolution commercial optical satellite
3m resolution **90,000** USD	3-meter resolution commercial optical satellite
5m resolution **35,000** USD	5-meter resolution commercial optical satellite

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

2.3 Global Distribution

In view of the rapid development of emerging technologies such as the Internet of Things and artificial intelligence, the demands for satellite remote sensing data, communication services, and navigation and positioning are increasing rapidly. In 2024, we signed a contract with the Asia-Pacific Space Cooperation Organization (APSCO) for Golden Bauhinia Satellite Constellation Remote Sensing Satellite Data Procurement Service. The signing of the contract between USPACE and APSCO is of great significance for both parties to deepen cooperation further and expand USPACE's international business.

USPACE and Brazilian Space Startup Alliance signed a Comprehensive Strategic Cooperation Agreement

16 July 2024, USPACE signed a Comprehensive Strategic Cooperation Agreement with the Brazilian Space Startup Alliance, composed of 13 companies, opening a new chapter for USPACE to develop its business in Brazil and South America.

The Brazilian Space Startup Alliance was co-founded by 13 Brazilian space companies, including two cooperative companies and 11 independent South American space agencies and experts. It is the largest enterprise organisation for space alliances in South America. ASB's business scope includes rocket manufacturing, satellite manufacturing, satellite TT&C, ground station construction, equipment manufacturing, software development, wind energy, electric energy, drones, and space education.

Under the comprehensive strategic partnership agreement, USPACE and the Brazilian Space Startup Alliance are set to embark on a journey of cooperation and shared success in space fields such as satellite manufacturing, satellite payloads, satellite components, satellite launches, satellite data applications, satellite TT&C, and satellite constellations.

This comprehensive strategic cooperation empowers USPACE to develop further the space market in South America, Latin America, and the Caribbean. It will also leverage space technology to foster the growth of the space industry in South America.

USPACE Signs Strategic Cooperation Agreement UCETC, and Thunder International Group INC

On June 4, 2024, USPACE held a grand signing ceremony for a strategic cooperation agreement with the US-China E-commerce Trading Chamber (UCETC) and Thunder International Group INC in its Hong Kong headquarters. This signing ceremony marks the deep collaboration among the parties in the fields of cross-border logistics, e-commerce, and satellite technology applications, aiming to promote innovation and development in global trade.

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Joint Efforts to Pioneer a New Era of Cross-border Logistics

USPACE, headquartered in Dubai, United Arab Emirates, and Hong Kong, plans for a dual listing in the overseas in 2024. Based in the UAE Space Eco City, USPACE is committed to building an industry ecosystem cluster and utilizing cutting-edge satellite and space technology to enhance real-time monitoring and tracking capabilities in global logistics and cross-border e-commerce.

UCETC focuses on promoting the development of Sino-US e-commerce trade and provides comprehensive support and services to businesses to enhance cooperation and communication between the two sides. UCETC is dedicated to building bridges and facilitating deep cooperation between Chinese and American e-commerce enterprises, contributing to the mutual development of both parties.

Thunder International Group INC, founded in 2010, has become an international cross-border logistics enterprise integrating five core businesses: first-leg air and sea transportation, domestic warehousing and distribution across the US, global express and overseas shopping, product quality inspection and maintenance, and cross-border e-commerce brand expansion. Thunder International Group INC holds an important position in the international logistics field and continues to provide efficient and reliable logistics solutions to global customers.

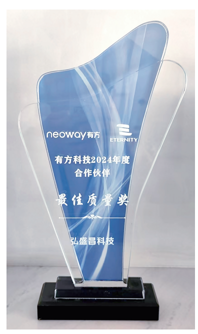
ThunderSat-1: The World's First Cross-border Logistics Monitoring Satellite

The cooperation plan includes the launch of ThunderSat-1, the world's first cross-border logistics monitoring satellite, in the first quarter of 2025. This initiative will promote the construction and operation of a satellite Internet of Things (IoT) constellation, providing more reliable technical support for global logistics. Additionally, leveraging USPACE's Golden Bauhinia Satellite, BeiDou satellite technology, and satellite IoT terminals, both parties will collaborate on pilot projects to achieve real-time positioning and tracking in cross-border logistics, significantly improving the efficiency and transparency of logistics management.

2.4 Honours & Awards

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

- In 2024, we were honoured to have received the "Neoway Technology 2024 Partner Best Quality Award" (有方科技2024年度合作夥伴最佳質量獎). This prestigious recognition highlights our commitment to quality excellence and the strength of our partnership with Neoway Technology.



- We were nominated for a "Caring Company" in 2024, a significant achievement that demonstrates our social and environmental excellence.

商界展關懷
caringcompany
Awarded by The Hong Kong Council of Social Service
香港社會服務聯會頒發

3.0 SUSTAINABLE DEVELOPMENT MANAGEMENT

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

3.1 Corporate Governance Structure

The Group is committed to establishing and continuously improving corporate governance with the aim of essentially separating ownership and management rights. To this end, we have set up key functional departments such as the general meeting of shareholders and the Board, each performing its duties and highly coordinated to ensure the steady operation of daily business activities. The Group takes diversity into account in the selection of Directors and attracts professionals with diverse backgrounds to the governance level, covering various disciplines such as physics, finance, space experiments, etc., with rich academic backgrounds ranging from bachelor's degrees to doctorates. Through continuous improvement of the governance structure, we promote the sustainable and healthy development of the Group and lay a solid foundation for achieving the UN SDGs.

<table>
<tr><td>Gender</td><td colspan="2">Male
11</td><td colspan="2">Female
1</td></tr>
<tr><td>Position</td><td colspan="2">Executive Director
4 persons</td><td>Independent
Non-Executive
Director 5 persons</td><td>Non-Executive
Director
3 persons</td></tr>
<tr><td>Nationality</td><td>Chinese
2 persons</td><td>Saudi Arabian
1 person</td><td>Middle East
(excluding Saudi
Arabia) 3 persons</td><td>European and
American
6 persons</td></tr>
<tr><td>Profession</td><td>Space Experiments
and Physics
5 persons</td><td>Finance
1 person</td><td>Engineering
5 persons</td><td>others
1 person</td></tr>
</table>

Composition of the Board

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

Remuneration Committee

- Formulate the Company's policy and structure for the remuneration of all Directors and senior management;
- Establish and advise on including formal and transparent procedures in remuneration policy.

Audit Committee

- Monitor the completeness of the Company's financial statements and accounts of annual reports, interim reports and quarterly reports, and review significant judgements relating to financial reporting;
- Make recommendations to the Board on the appointment, reappointment and removal of external auditors and formulate and enforce the system for hiring external auditors.

Nomination Committee

- Review the structure, size and composition of the Board annually and make recommendations;
- Nominate candidates for the Board;
- Make recommendations to the appointment or new appointment of directors and the director succession plan.

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

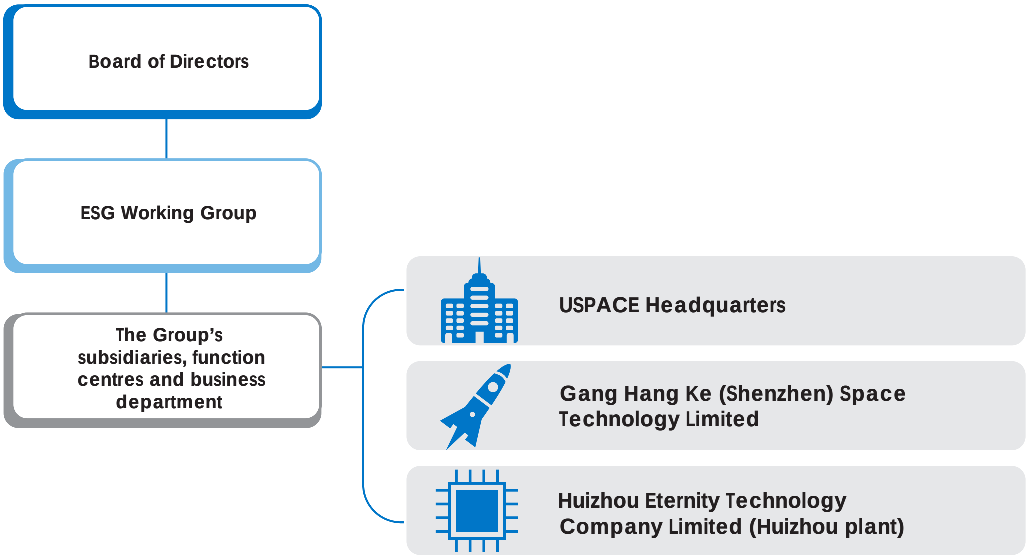
During the reporting period, the Group held a total of 2 general meetings and 9 Board of Directors' meetings.

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

3.2 ESG Governance Structure

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

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



Notes:

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

(2) Huizhou Eternity Technology Company Limited, the subsidiary of the Group, is our main EMS manufacturing provider.

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

The Board

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

ESG Working Group

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

The Group's subsidiaries, function centres and business departments

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

3.3 Respond to the United Nations Sustainable Development Goals

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

Chapter	Responding to UN SDGs	Responding to issues of materiality	Key actions
Care for Employees to Create a Harmonious Workplace	3 GOOD HEALTH AND WELL-BEING	Occupational Health and Safety	• Caring the Mental and Physical Health of Our Employees • Identifying occupational health and safety risks • Making more efforts on occupational health and safety risks training • Providing a safe and healthy working environment

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Chapter	Responding to UN SDGs	Responding to issues of materiality	Key actions
Care for Employees to Create a Harmonious Workplace	5 GENDER EQUALITY	Employee Benefits Training and Education	• Creating an equal employment environment • Eliminating occupational discrimination • Creating a harmonious working environment
Green Development and Low-carbon Operation	6 CLEAN WATER AND SANITATION	Use of Water Resources	• Practising water conservation • Strengthening resource usage management
Care for Employees to Create a Harmonious Workplace	8 DECENT WORK AND ECONOMIC GROWTH	Employee Benefits Training and Education	• Formulating employee cultivation plans • Providing multiple career development paths • Establishing a reasonable remuneration system
Innovation-driven and Quality-led Development	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Product Innovation Satellite Monitoring Capabilities	• Enhancing the capability of product innovation • Providing high-quality solutions
Innovation-driven and Quality-led Development	11 SUSTAINABLE CITIES AND COMMUNITIES	Technology Application Product Quality Community Investment	• Promoting Technology-Enabled Products • Enhancing Product Quality Management • Enhancing Intellectual Property Protection • Love for the Community
Innovation-driven and Quality-led Development Responsible Procurement and Win-win Cooperation with Suppliers	12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Compliance Operation Product Quality Data Security and Privacy Protection	• Optimising supplier assessment standards • Enhancing supplier assessment system • Promoting communication with suppliers
Green Development and Low-carbon Operation	13 CLIMATE ACTION	Energy Consumption Greenhouse Gas ("**GHG**") Emissions Energy Saving and Emission Reduction	• Practising green operation • Active response to climate change

USPACE has marked a significant milestone in satellite industrialization with the rollout of six highly competitive commercial optical satellites, demonstrating their commitment to mass production and global commercialization. Leveraging their newly established ASPACE Hong Kong Satellite Manufacturing Center — a 20,000 square meter facility capable of producing 500 satellites annually — the company has implemented a disruptively low-cost pricing strategy designed to capture rapidly growing demand from emerging markets and SMEs worldwide. This strategic move, which includes offering nearly a hundred types of satellite components and application services, positions USPACE to effectively lower market entry barriers, significantly expand their customer base, and capitalize on the enormous growth potential in commercial satellite applications driven by advancing technologies such as IoT and AI.

4.0 STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

4.1 Stakeholder Engagement

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

Types	Shareholders and investors	Customers	Employees	Suppliers	Governmental bodies	Community
Concerns	• Corporate development plan • Legal and compliance operation • Return on investment	• Product research & development and technological innovation • After-sales services • Legal and compliance operation	• Equal employment opportunities • Smooth career development path • Safe and healthy working environment • Perfect education and training system	• Integrity and fairness • Stable supply demand • Fair pricing	• Compliance with laws and regulations • Tax payment in accordance with laws • Environmental protection • Economic development	• Charity
Communication Channels	• General meetings • Annual reports and interim reports • Announcements, circulars and press releases • Periodic meetings • Reply to media enquiries • Press conferences	• Investigation and visits • Customer meetings • Customer service hotline and email	• Performance appraisal • Occupational health and safety training • Regular meetings between the management and employees • Suggestion box, email and bulletin board	• Annual business review meetings • Regular supplier review and performance review • Purchasing arrangements	• Meetings and interviews • Participating in government projects	• Information reporting • Community notices

Types	Shareholders and investors	Customers	Employees	Suppliers	Governmental bodies	Community
Response	• Periodic disclosure of business consulting • Maintaining good profitability • Constantly improving corporate governance	• Strictly controlling research & development, procurement, production and other parts • Enhancing quality management system • Quick response to customer needs • Committed to providing high-quality customer service standards • Customer satisfaction poll	• Holding employee activities • Paying attention to employee health • Offering training opportunities • Ensuring a safe working environment	• Open tender • Establishing supplier management system • Responsible procurement initiatives • Improving management efficiency • Building a culture of integrity	• Complying with laws and regulations • Expanding new markets, and increasing sales and tax revenue	• Disaster relief

4.2 Material Issues Assessment

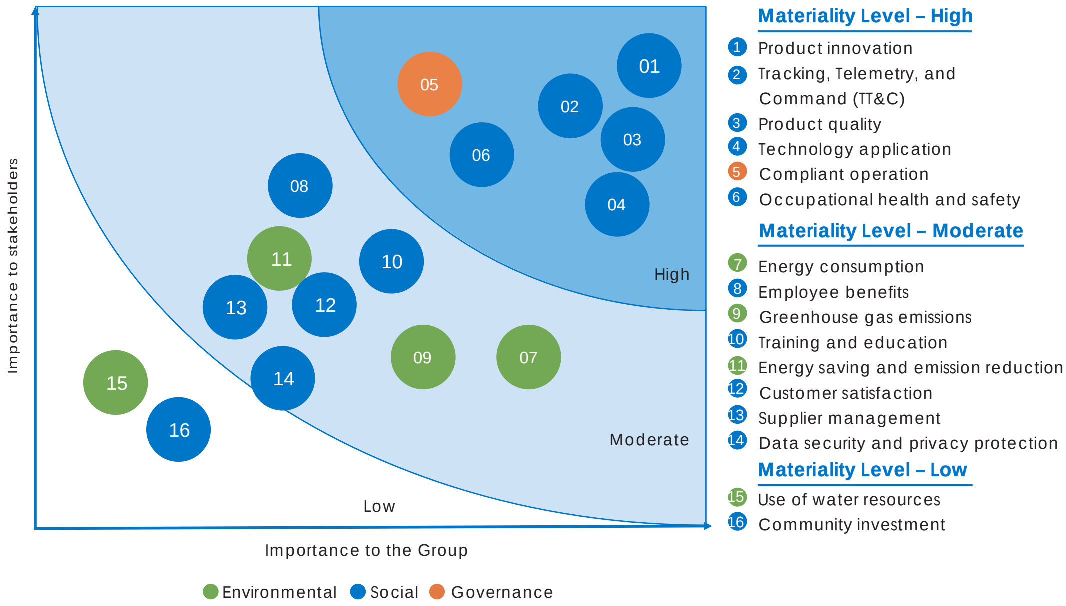
Materiality Assessment

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

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

Material Issues Assessment Steps

During the Reporting Period, the Group's stakeholders and operational conditions have not undergone significant changes. As such, we confirm that the results of the materiality matrix from last year's ESG report remain relevant for 2024 and continue to effectively address stakeholder expectations. The Group's materiality in the ESG issues matrix is as follows:



The Group has listed product innovation, satellite TT&C capabilities, product manufacturing quality, technology application, compliance operations, and occupational health and safety as the topics of the Group's greatest concern. These issues will continue to receive attention in the Group's sustainability management and will be highlighted in this Report.

5.0 INTEGRITY AND COMPLIANCE OPERATIONS

5.1 Anti-Corruption and Business Ethics

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

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

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

Fair competition

We effectively fulfil the work requirements of fair trading, and integrity and compliance. During the Reporting Period, there was no incident in which the Group was penalised for violating the *Anti-Monopoly Law of the PRC* and the *Anti-Unfair Competition Law of the PRC*.

Employee integrity requirements

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

Supplier integrity requirements

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

Whistleblower protection

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

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

6.0 INNOVATION-DRIVEN AND QUALITY-LED DEVELOPMENT

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

6.1 Product Innovation and Quality Management

6.1.1 Satellite and Aerospace Business

In terms of satellite products and services, the Board is pleased to announce that the Group entered into a purchase contract with TREEFAM Holdings L.L.C-FZ ("**TREEFAM**"), pursuant to which the Company shall supply and TREEFAM shall purchase 600 5-metre spatial resolution remote sensing satellites (model number: A-OS15-6U). The A-OS15-6U satellite platform exemplifies small satellite technology, boasting high stability and reliability, specifically designed for high-resolution remote sensing and other demanding space missions. Key technical specifications include a weight of approximately 15 pounds, a design lifespan exceeding 36 months, a resolution of 5 meters at an altitude of 500 kilometres, and a data transmission rate ranging from 5 Mbps to 40 Mbps.

The Group has been testing various satellite manufacturing and testing equipment and have now successfully entered into production. The Group expects to continue to ramp up its production volume to achieve the production target of 100 satellite products by the first quarter of 2025. The Company is of the view that the Contract represents a further acceleration of the Group's expansion into the global commercial satellite market and will have a positive impact on the Group's revenue streams and market influence. It is in line with the Group's global expansion strategy and the interests of the Company and its shareholders as a whole.

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

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

R&D of Next-generation Satellite Technology

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

Data Processing and Analysis Platform

Space Communications Services

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

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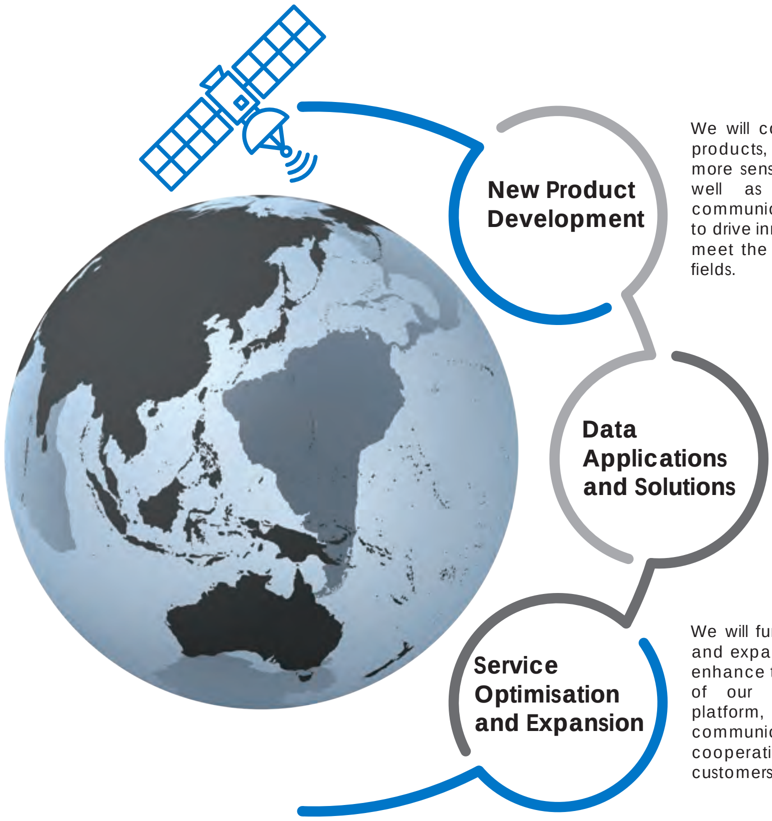
To meet the growing needs of our customers, we will continue to focus on product innovation and service improvement in the future. Our plan is to constantly promote the innovation and development of satellite products and services, providing customers with more advanced and reliable solutions through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



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

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

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

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6.1.2 EMS Business

In the Electronics Manufacturing, one of the Group's eight major services, USPACE adheres to quality first, strictly abides by the relevant laws and regulations of the regions in which we operate such as the *Product Quality Law of the People's Republic of China* and other international quality, environment, safety and other management system standards, continuously improves technology and product quality. The Group constantly reviews and updates its quality management system. Through the implementation of strict product quality standards, we ensure the effective implementation of quality management measures in all aspects of production and manufacturing and provide customers with products of higher quality. During the Reporting Period, the Huizhou Plant of the Group's EMS business obtained several certifications, as below:

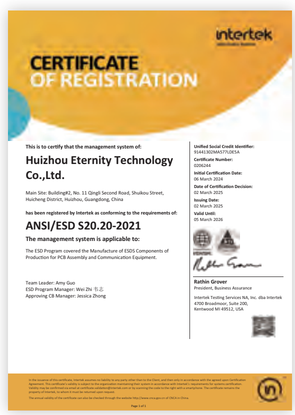
ISO 9001 Quality Management System Certificate

ISO 14001 Environmental Management System Certificate

ISO 45001 Occupational Health and Safety Management System Certification

ISO 13485 Medical Devices-Quality Management System Certificate

IATF 16949 Manufacturing of Printed Circuit Boards Assemblies Certificate of Registration

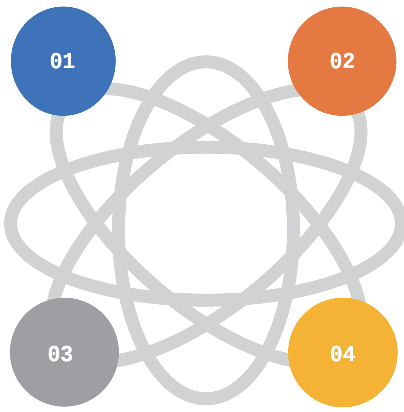


ANSI/ESD S20.20-2021 Manufacture of ESDS Components of Production for PCB Assembly and Communication Equipment Certificate of Registration

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

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

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



The Group introduced new dispensing machines and laser engraving machines, which also improved the quality and production efficiency of the Company's products.

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

Quality Management Key Initiatives

The Group's EMS production base carries out quality performance control in the areas of incoming material inspection and finished product inspection based on the product positioning, process characteristics and development needs of the plant. Moreover, we decompose the quality control work piece by piece and allocate it to the main departments of the relevant processes to build up a quality management target system linked to the performance of each department. In 2024, the qualified rate of incoming materials inspection of the Group's EMS products in the month reached 99.32%, the qualified rate of finished product batches reached 98.98%, and the on-time delivery rate of products reached 99.17%, which has reached our expected goals. During the Reporting Period, we did not experience any product recalls due to product quality and health and safety issues.

6.1.3 Intelligent Quality Management and Control

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

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

01

Enhancing Product Traceability

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

02

Enhancing Production Efficiency

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

03

Enhancing Order Control

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

6.2 Protection of Intellectual Property Rights

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

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

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

2024

The Group had a total of **10** R&D personnel.
Cumulative number of patent applications was **20**.
Cumulative number of granted patents was **17**.

6.3 Quality Service

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

In strict compliance with the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* and other relevant laws and regulations, the Group has established internal working guidelines on customer satisfaction and customer complaints. We maintain close communication with our customers through various channels to gain insight into their needs. Before business development, we fully communicate with customers to confirm their requirements and expectations for products. To ensure the quality of our products, we have designated a specialised QE (Quality Engineer) to follow up on the quality problems encountered in the process of new product development and mass production. We receive on-site customer reviews or third-party reviews from time to time every year. In 2024, the customer review pass rate was 98.82%.

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

In terms of handling customer complaints, in 2024, our EMS business received a total of 17 customer complaints. In response to the complaints, our Quality Department dealt with them uniformly, formulating corrective plans and solutions. So far, all customer complaints have been 100% resolved and revisited, forming a closed-loop process for handling complaints.

To strengthen communication with customers and to obtain customers' objective evaluation of the Group's products and services, the Group's EMS business regularly conducts customer satisfaction surveys to all customers on a yearly basis. The survey items mainly cover 10 scoring points, including product quality, delivery, production capacity, after-sales service, environmental protection requirements and technical support, which are mainly in the form of a paper survey report with a ten-point scale. In the second half of 2024, we conducted questionnaire surveys to 16 customers, and the survey results reached an average of 92.3 points. In response to the issues raised by customers, the Group held internal meetings to discuss rectification policies to ensure timely and effective solutions to customer feedback. The timeliness and feasibility of the rectification measures were also assessed by the quality tracking system, and continuous improvement and tracking were followed up for closed-loop processing.

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

6.4 Data Security and Privacy Protection

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

Data management based on grading and classification

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

Data backup

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

Data security operations and maintenance

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

Attack and defence drills

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

Data security training

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

Prevention of computer viruses

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

Key Data Security Initiatives

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

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

The Group attaches great importance to the information security awareness training of employees and continues to strengthen information security publicity efforts. In addition to regular security system training for new employees, we held an on-site network security training for product engineers and technicians in May 2024, with a total of 1 course. Through this training, employees' awareness of network information security and data compliance has been effectively enhanced.

In 2024, there were no customer data breaches and no confirmed complaints concerning customer privacy and loss of customer data.

6.5 Industry Exchange and Talent Training

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

6.5.1 Industry Exchange

01

In June 2024, Mr. Niu Aimin, Vice President of USPACE, represented the company at the World Geospatial Industry Council (WGIC) Annual General Meeting in London. The conference reviewed WGIC's 2023 achievements, 2024 plans, financial reports, and welcomed new members. As a WGIC Board member, Mr. Niu presented USPACE's Abu Dhabi Space Eco-City construction plan, generating significant interest among attendees. During his visit, he also attended the GEO Business International Exhibition at London's Excel Exhibition Centre. Since joining WGIC in 2023, USPACE has actively contributed through its satellite manufacturing, operations, data processing, and 3-million-square-meter Abu Dhabi Aerospace City project, influencing WGIC members to increase focus on Middle East opportunities.

02

In September 2024, His Excellency Bandar Alkhorayef, Minister of Industry and Mineral Resources of Saudi Arabia, and his delegation visited USPACE Technology Group Limited. The delegation received a comprehensive overview of USPACE's business operations and toured the satellite manufacturing center, satellite operation center, and data application center. The Minister commended USPACE's large-scale facilities and advanced equipment at the ASPACE Hong Kong Satellite Manufacturing Center, acknowledging the company's achievements in satellite development, operations, and data applications. Following the tour, His Excellency and USPACE's Chairman and CEO held substantive discussions exploring opportunities to deepen space cooperation throughout the Middle East and African regions.

03

In November 2024, the Consul-General of Thailand in Hong Kong, Mr. Chaturont Chaiyakam, and his delegation visited USPACE to explore cooperation opportunities in satellite projects. During the visit, the delegation toured USPACE's satellite manufacturing, tracking, telemetry and command (TT&C), and data application facilities, expressing high regard for the company's advanced equipment and infrastructure. Following the tour, the Consul-General engaged in substantive discussions with USPACE's CEO, pledging policy support for USPACE's plans to establish a satellite component manufacturing center and host a 103-satellite exhibition in Thailand, marking a significant milestone in aerospace collaboration between the parties.

In June 2024, USPACE signed a strategic cooperation agreement with the US-China E-commerce Trading Chamber and Thunder International Group at its Hong Kong headquarters. The partnership will integrate satellite technology with cross-border logistics, featuring the Q1 2025 launch of ThunderSat-1, the first dedicated logistics monitoring satellite, and the development of a satellite IoT constellation for real-time tracking. USPACE will provide Thunder International with preferential warehouse facilities in Abu Dhabi Spaceport City and explore investment opportunities as Thunder pursues a US stock exchange listing. This initiative aims to enhance efficiency and transparency in global trade operations.

In addition, USPACE and China Railway 18th Bureau Group signed a cooperation memorandum following discussions between their respective chairmen in Hong Kong. The agreement focuses on the Abu Dhabi Space Eco City project, a 3-million-square-meter development in Khalifa Economic Zone designed to accommodate 3,000+ global space industry enterprises. China Railway 18th Bureau will leverage its established Middle East presence and cross-border construction expertise to support this commercial space ecosystem project. The delegation also toured Uspace's satellite manufacturing and TT&C facilities during their visit.

USPACE Delivers First Experimental Satellite for Alya-1 Constellation

In June 2024, USPACE delivered its first experimental satellite to Alya Satélite e Produção de Fotografias Aéreas Limitada (Alya Space) of Brazil. Chairman and CEO of USPACE, along with the CEO of Alya Space, presided over the official delivery ceremony, with the Alya Space executive expressing high satisfaction with the satellite's quality.

This experimental satellite represents the initial phase of the 108-satellite Earth observation constellation (Alya-1) contract signed between the companies in October 2023. Scheduled for launch in Q4 2024, the satellite will perform critical technical verification for the full constellation deployment. Alya Space has already secured international orbital frequency registration with the International Telecommunication Union.

The successful delivery marks a significant milestone as USPACE's first completed satellite project and initiates a new phase in the company's satellite production capabilities. Additionally, USPACE has delivered Amazon rainforest monitoring image data to Alya Space and will continue providing long-term environmental monitoring data, strengthening their partnership while contributing to vital environmental protection efforts.

USPACE's First Experimental Satellite Completed Acceptance and Delivered

6.5.2 Talent Training

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

In March 2024, the Group along with the Space Generation Advisory Council (SGAC), established a strategic partnership with the International Space University (ISU). This collaboration focuses on expanding educational opportunities in aerospace by providing full scholarships to academically outstanding students from underprivileged regions, with the first scholarship designated for an African candidate to attend the 2024–2025 Master of Space Studies program.

The partnership extends beyond scholarships to include long-term educational initiatives at the Abu Dhabi Space Eco Park being developed by the Group. This innovative Industry 5.0 Space Enterprise Hub will house a dedicated space research and education centre that will collaborate with ISU and SGAC on space education programs. This initiative aligns with USPACE's commitment to developing global talent for the space sector while creating opportunities for students from underrepresented communities.

This educational partnership complements USPACE's existing academic collaborations, including joint programs with the City University of Hong Kong in aerospace engineering education, reinforcing the company's dedication to nurturing future space industry professionals and enhancing the industry's global competitiveness through talent development.

ISU-ASPACE Scholarship Initiative

7.0 GREEN DEVELOPMENT AND LOW-CARBON OPERATION

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

In order to ensure compliance with environmental protection, the Group strictly complied with the *Law of the People's Republic of China on Environmental Protection*, the *Law of the People's Republic of China on Environmental Impact Assessment,* the *Law of the People's Republic of China on Prevention and Control of Air Pollution,* the *Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste,* the *Law of the People's Republic of China on Prevention and Control of Environmental Noise Pollution*, other relevant laws and regulations. On this basis, we have also formulated and enhanced systems and guidelines such as the "Provisions on Waste Management", "Provisions on Hygiene Management of Canteen Environment", "Procedures for Control of Energy Consumption", "Procedures for the Disposal of Waste", and "Procedures for Monitoring and Measuring of Environmental Occupational Health and Safety Performance". Additionally, we actively performed our environmental protection responsibilities in accordance with the requirements of the government where we operate. To further enhance the standard of environmental management, the Group has obtained ISO 14001:2015 Environmental Management System) certification. During the Reporting Period, the Group strictly complied with the environmental protection laws and regulations and did not commit any violation of the relevant environmental protection laws and regulations.

Certificate HK24/00000161.02

ASPACE Satellite Technology Limited
航天衛星技術有限公司

ISO 14001:2015

Certificate HK24/00000161.01

USPACE Technology Group Limited
洲際航天科技集團有限公司

ISO 14001:2015

ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFICATE

We hereby certify that

Huizhou Eternity Technology Co.,Ltd/
Huizhou Eternity Technology Co.,Ltd.

Environmental Management System

ISO 14001:2015

CHINA QUALITY CERTIFICATION CENTRE

ISO14001 Environmental Management System Certificate

7.1 Energy and Resource Usage Management

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

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

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

Energy conservation

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

Water conservation

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

Use of consumables

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

Labels Displayed in the Office to Encourage Energy Conservation

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

7.1.1 Energy Management

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

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

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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

Roof-Mounted Photovoltaic Power Generation Project

The Group's EMS business segment, Huizhou Plant, installed rooftop photovoltaic to promote the use of cleaner resources, reduce costs and increase efficiencies. In 2024, the Group's total photovoltaic generation amounted to 696,098.00 kilowatt hours.

Roof-Mounted Photovoltaic Power Generation

During the Reporting Period, the Group's total energy consumption amounted to 7,552,495.55 kilowatt hours. Of which, the Group's total electricity consumption was 6,828,638.96 kilowatt hours, representing an 16.98% increase as compared with 2023, mainly due to the increased in air conditioning use during summer, there has been a surge in electricity consumption. For details of total energy consumption and energy intensity, please refer to the section headed "APPENDIX I: ESG KPIS FOR 2024".

7.1.2 Water Resources Management

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

- ✓ Put up slogans in places such as office areas and pantries to advocate water conservation among our employees;
- ✓ Monitor and analyse water usage and enhance internal training to optimise the water utilisation efficiency and reduce waste.

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

- ✓ Repair leaking taps and other water equipment in a timely manner and supervise staff to report water leaks in a timely manner;
- ✓ Put up slogans in places such as office areas and pantries to advocate water conservation among our employees;
- ✓ Install showers to improve the water utilisation efficiency and reduce waste;
- ✓ Prioritise the installation of water saving devices such as sensor taps and dual-flush energy-saving toilets in the washrooms to reduce water waste.

Labels Displayed in the Office to Encourage Water Conservation

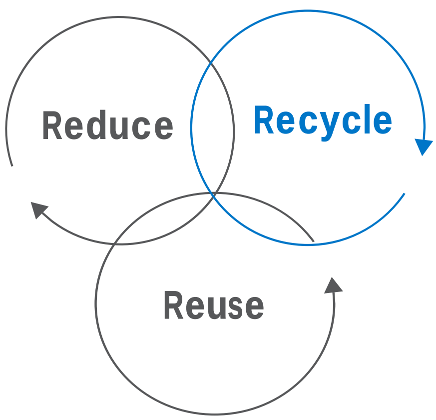
The Group's water source was mainly urban tap water for domestic and production purposes. The Group's total water consumption was 43,478.77 tonnes during the Reporting Period, representing an 23.75% decrease as compared with 2023, mainly due to the effective water resources management systems and measures. For details of water consumption and intensity, please refer to the section headed "APPENDIX I: ESG KPIS FOR 2024".

The Group strictly complies with all laws and regulations on wastewater discharge and highly values the compliant treatment of wastewater. In this way, we strive to reduce the generation and discharge of domestic wastewater. To reduce domestic wastewater from daily office operations, staff dormitories and canteens, we strictly limit the use of detergents containing phosphorus and ensure that domestic wastewater generated from toilets in the Group is discharged to municipal sewers in a compliant manner. The wastewater is then treated by specialised municipal wastewater treatment plants to ensure that it does not affect the water quality of the water outlet discharge channel in any way. Moreover, due to the Group's business, we do not generate or discharge any industrial wastewater in our production process.

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

7.1.3 Packaging Materials

Based on the "3R" principle, i.e. Reduce, Recycle and Reuse, the Group endeavours to promote the efficient use of packaging materials and strictly enforce internal guidelines such as the "Resource and Energy Management Procedures".



"3R" Principle

In respect of the EMS business, the packaging materials involved were mainly cartons, anti-static shielding bags, plus cotton and cushion gaskets for packaging and transportation of electronic products. We have taken several measures to reduce packaging waste. These include reducing waste of raw materials, increasing the reuse rate of packages, and reusing and recycling all pallets, unused cartons and inflatable bags used in the production and packaging process. For details of the amount of packaging materials used during the Reporting Period, please refer to the section headed "APPENDIX I: ESG KPIS FOR 2024".

7.1.4 Green Office

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

7.2 Emission Management and Data

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

7.2.1 Emission Reduction Goals and Measures

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

7.2.2 Air Pollution Prevention and Control

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

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

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

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

7.2.3 GHG Emissions

The Group's strategy focuses on measuring and reducing carbon emissions, primarily comprising Scope 1 direct emissions from the use of official vehicles and town gas, and Scope 2 indirect emissions from purchased electricity. For details of GHG emissions and intensity, please refer to section headed "APPENDIX I: ESG KPIS FOR 2024".

7.2.4 Waste Management

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

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

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

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

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

Goals and Measures for Waste Reduction

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

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

Waste reduction at source

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

Waste classification

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

Recycle

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

Waste reduction awareness

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

Disposal of Hazardous Waste

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

During the Reporting Period, hazardous waste generated during the manufacturing process of the EMS business segment was the main source of our hazardous waste, with hazardous waste output totalling 825.40 kg. We continue to strengthen the management of hazardous waste to ensure the standardised treatment of all waste, to contribute to our sustainable development.

Disposal of Non-hazardous Waste

During the Reporting Period, the Group generated non-hazardous waste mainly in the form of packaging materials generated in the production process and domestic waste generated in office areas, staff dormitories and canteens. We have strictly implemented and complied with relevant laws and regulations of the place of operation and placed separate waste collection bins in the electronic manufacturing production plant, staff dormitories and office areas, and clearly required the employees to put out waste in accordance with the classification requirements. The vast majority of the non-hazardous waste generated by the Group has been recycled or is taken away for disposal on a daily basis by companies licensed to operate, so as to ensure compliant waste disposal and resource utilisation.

Environmental Targets

The Group's steadfast commitment to driving sustainable development is exemplified by its dedication to establishing a comprehensive set of quantitative environmental targets based on baseline years in 2024. These targets serve as measurable benchmarks against the Group's future progress and achievements in environmental sustainability. By setting clear and quantifiable objectives, the Group aims to enhance its sustainability initiatives' transparency, accountability, and performance. With these targets in place, the Group is well-positioned to track its environmental progress and make informed decisions that contribute to a more sustainable future.

Aspects	Environmental Target
Air Emissions	Based on the baseline year of 2024, the Group aims to maintain or reduce emissions of SO_x, NO_x, and Particulate Matter (PM), respectively, by the year ending 2026.
GHG Emissions	Based on the baseline year of 2024, the Group has established a target to achieve a 5% reduction in its GHG emissions intensity (tCO_2e/employee) by the year ending 2026.
Hazardous Waste	Based on the baseline year of 2024, the Group has established a target to achieve a 5% reduction in its hazardous waste intensity (kg/employee) by the year ending 2026.
Non-hazardous Waste	Based on the baseline year of 2024, the Group has established a target to achieve a 5% reduction in its non-hazardous waste intensity (kg/employee) by the year ending 2026.
Use of Energy	Based on the baseline year of 2024, the Group has established a target to achieve a 5% reduction in its energy consumption intensity (MWh/employee) by the year ending 2026.
Use of Water	Based on the baseline year of 2024, the Group has established a target to achieve a 5% reduction in its water consumption intensity (t/employee) by the year ending 2026.
Use of Packaging Materials	Based on the baseline year of 2024, the Group aims to maintain or reduce its consumption of total packaging materials by the year ending 2026.

7.3 Addressing Climate Change

The Group is fully aware of the seriousness and urgency of the climate change issues and is actively exploring a few measures to address climate change. We reference to the recommendations of Task Force on Climate-Related Financial Disclosures (the "**TCFD**") to effectively disclose its climate-related risks and opportunities based on four key thematic areas: governance, strategy, risk management, indicators and targets.

Governance

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

Strategy

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

Risk Management

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

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

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

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

Indicators and Goals

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

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

8.0 CARE FOR EMPLOYEES TO CREATE A HARMONIOUS WORKPLACE

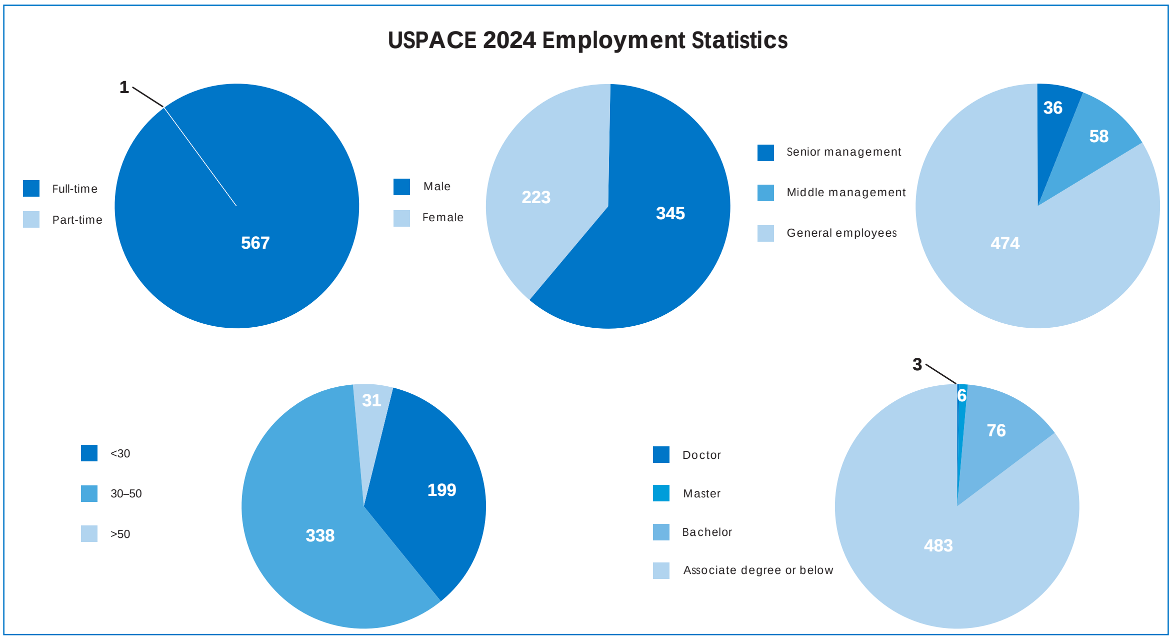
We believe that talent is a valuable asset for the long-term development of the Group. Adhering to the people-oriented approach, we create a diverse and equitable working environment for our employees. We attach importance to the health and safety of our employees, organise a wealth of training activities,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

8.1 Diversity and Equal Employment

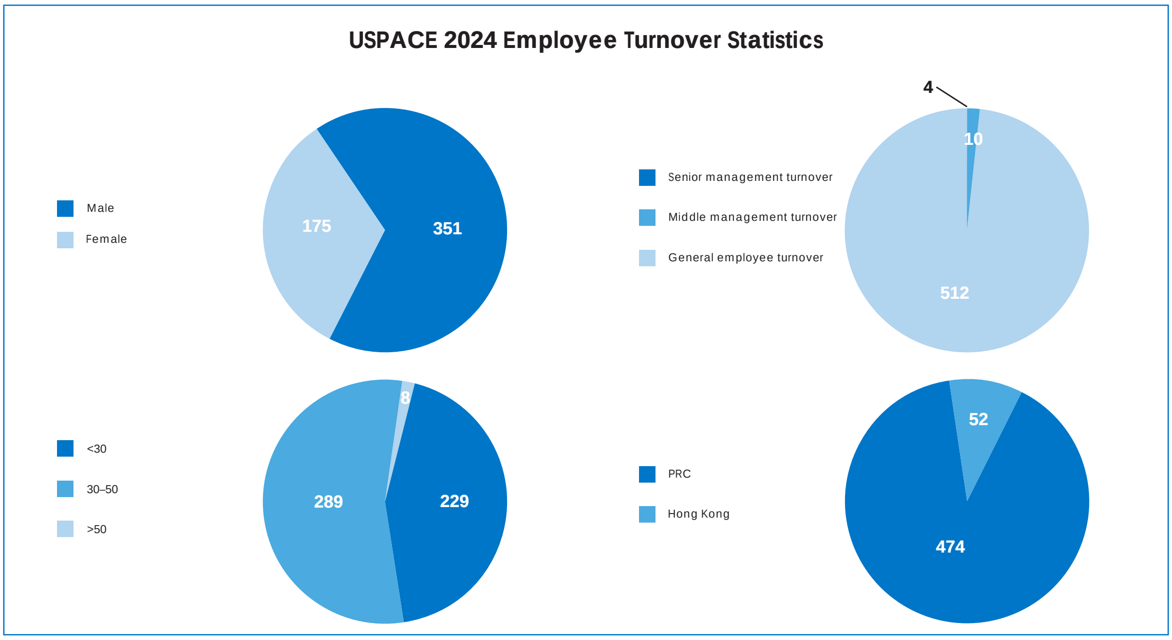
We strictly comply with the laws and regulations of the countries and regions in which we operate, including the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China* and the *Employment Ordinance* of Hong Kong. We have formulated and put into use a series of human resource management systems, including the "Recruitment and Onboarding Management Regulations" and the "Employee Handbook", establishing a human resource management system based on respect for human rights. The Group upholds a fair and respectful attitude in selecting and employing talents, prohibits to differentiate between candidates based on their personal information, such as gender and sexual orientation, and is committed to creating an equal and inclusive working environment. At the same time, we strictly prohibit child labour or any form of forced labour. To prevent illegal employment, we check the identity documents of applicants when they join the Group. With regard to the prohibition of forced labour, we have clearly stipulated the 8-hour schedule in the "Employee Handbook" and do not force employees to work overtime. In 2024, there were no incidents of child labour, forced labour, discrimination, harassment or human rights violations.

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

As at 31 December 2024, the Group had a total of 568 employees, of which 533 were from Mainland China, 32 were from Hong Kong, China and 3 were from other regions. The classification of employees by gender, employment type, job level, age, and education are shown as follows:



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



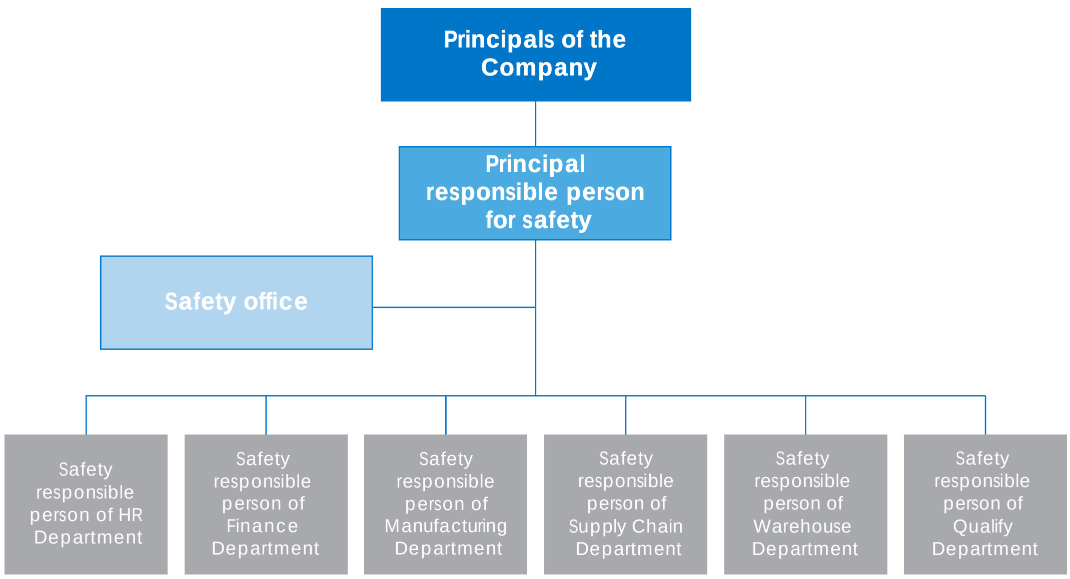
8.2 Occupational Health and Safety

8.2.1 Employee Safety Management System

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

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

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



Departmental Safety Responsibilities

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

Safety Signs

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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

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


Certificate HK24/00000162.02
SGS
ASPACE Satellite Technology Limited
航天衛星技術有限公司
ISO 45001:2018
IAF


Certificate HK24/00000162.01
SGS
USPACE Technology Group Limited
洲際航天科技集團有限公司
ISO 45001:2018
IAF

QUALITY MANAGEMENT SYSTEM CERTIFICATE
We hereby certify that
Huizhou Eternity Technology Co., Ltd /Huizhou Hengchangsheng Technology Co.,Ltd.
Quality Management System
ISO 9001:2015
中国质量认证中心
CHINA QUALITY CERTIFICATION CENTRE

Occupational Health and Safety management System Certification

8.2.2 Safety Education and Training

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

2024 Safety Education and Training

Safety Education and Training

- On 11 April 2024, we organised all our staff to watch a safety awareness video and to publicise the contents of the work safety and the environmental management system.

Fire Safety Training

- On 14 May 2024, we organised a one-hour comprehensive canteen fire safety training, in which employees learnt about fire safety tips and escape routes.
- On 18 July 2024, we organised a fire safety and prevention of industrial accidents training for employees. Through this training, they learned more about fire safety and improved their fire safety skills.

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

Three-level Safety Education and Training for New Employees

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

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

8.2.3 Occupational Disease Prevention and Control

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

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

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

To raise the employees' awareness of occupational disease prevention and control, in 2024, we organised an occupational health training for our staff. During the training, we introduced the *Law of the People's Republic of China on Prevention and Control of Occupational Diseases* and the responsibility of employers for employees' occupational health examinations. We also offered several suggestions on the prevention of occupational diseases, such as improving personal protection, developing good hygiene habits, and strictly following safe operating procedures.

8.2.4 Coping with Extreme Weather

Climate risk has a complex impact on the Group's physical operations, supply chain integrity and other production and operational processes. With the increasing occurrence of extreme weather events, the Group's management of extreme weather events plays an important role in the Group's operations, which helps to ensure that the Group is adequately prepared to deal with climate risks and to minimise their impact on the Group. In anticipation of potential typhoon activity, the Group organised the management of the Company to conduct factory inspections prior to the arrival of the typhoon and arranged for the reinforcement of advertisement boards, the roof of the loading platform, the roof-top exhaust gas treatment facilities and the air-conditioning units, to protect the health of the employees and ensure the safety of the Company's properties.

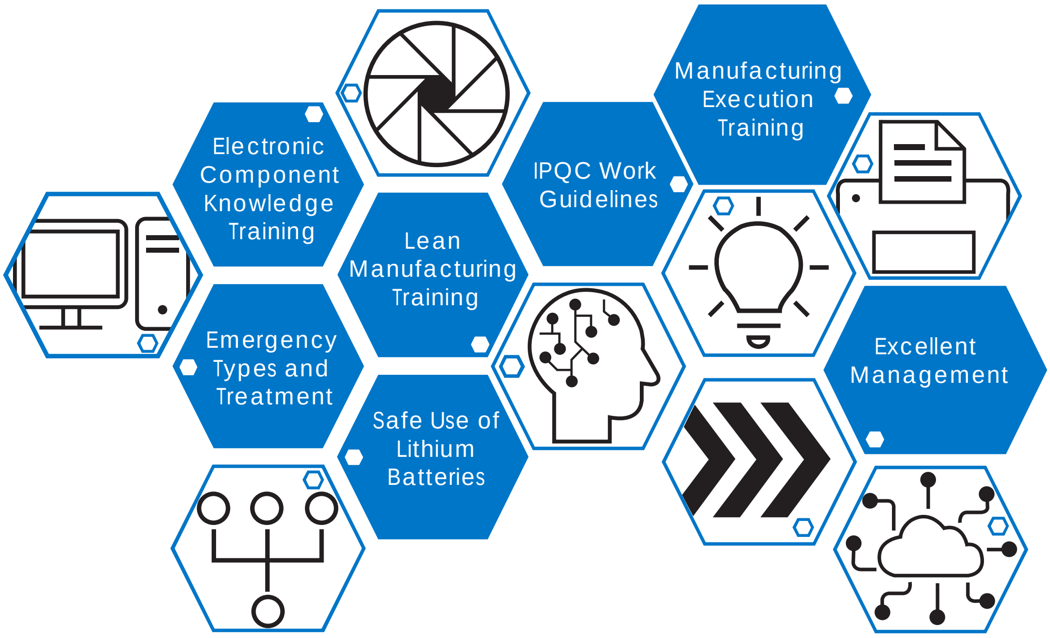
8.3 Employee Training and Promotion

8.3.1 Employee Training

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

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

In 2024, we organised more than 198 training activities for all employees in the EMS business, with a total of 2,957 training hours during the Reporting Period. The training topics cover management talent training and professional skills training, effectively enhancing the Group's management skills, production management capabilities and team cohesiveness. Through these efforts, we continue to grow potential talents and strengthen the core competitiveness of the Group.



Training Project for Employees of EMS Business

8.3.2 Employee Promotion

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

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

8.4 Employee Care and Communication

8.4.1 Employee Activities with Our Care

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

Employee Activities

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

Employee Birthday Party

The Family Day

8.4.2 Employee Remuneration and Benefits

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

8.4.3 Communication with Employee

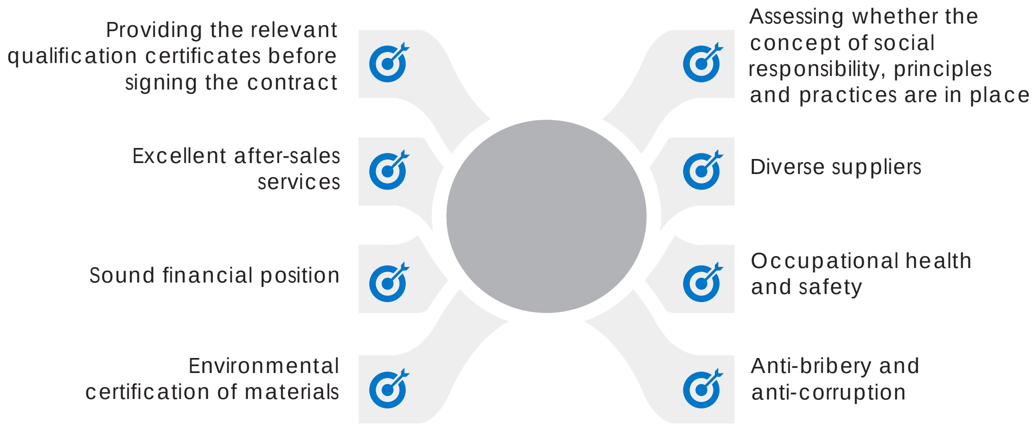
We highly value the opinions and suggestions from our employees. In addition to monthly interviews with new employees during their probation period, we also regularly collect feedback from employees. Employees may give their feedback via channels such as morning meetings, complaints to the Management Department and the General Manager's email. In this way, we enhance the sense of understanding, belonging and accomplishment of our employees, and create a workplace of mutual respect, communication and trust, as well as harmonious labour-management relations.

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

9.0 RESPONSIBLE PROCUREMENT AND WIN-WIN COOPERATION WITH SUPPLIERS

9.1 Cooperation with Suppliers

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



Principles for the Overall Management of Suppliers to the Aerospace Business

During the Reporting Period, to improve the satellite development and manufacturing and to reduce manufacturing risks and material waste, we signed strategic cooperation agreements and system contracts with a number of domestic and foreign partners and space agencies. By sharing resources, knowledge and technologies during the cooperation, we have further optimised the design of satellites, reduced material waste and provided advanced satellite measurement, control and operation and maintenance solutions.

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

During the Reporting Period, we maintained strict management of our suppliers, ensuring stable quality and safety of supply. Our supplier pool consists of 304 qualified suppliers, distributed across regions as follows:

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

Region	number	percentage
Chinese Mainland	260	85.53%
Hong Kong	16	5.26%
Taiwan	1	0.33%
Overseas	27	8.88%

9.2 Supply Chain Management

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

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

Full Lifecycle Management System for Aerospace Business Suppliers

Improve supplier management

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

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

Enhance supplier selection

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

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

Regulate procurement management

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

Full Lifecycle Management System for Aerospace Business Suppliers

Conduct internal control procedures

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

Enhance supplier assessment

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

Cooperate with environmentally friendly suppliers

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

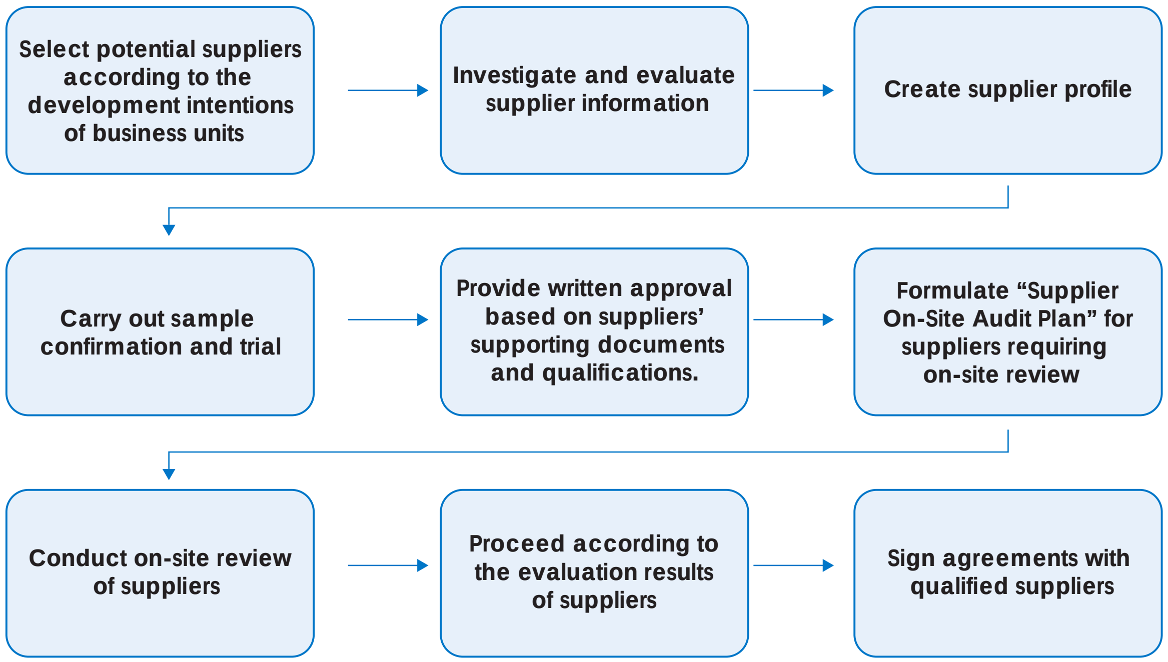
Intellectual Property Protection

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

In the EMS business, to enhance the quality of our products and services, we have the "Supplier Development and Introduction Control Procedures" in place to formulate supplier types and the assessment standards of various suppliers, thus allowing a more rigorous review and comprehensive evaluation of the introduction of suppliers.

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

Application and Review Process for New Suppliers



9.2.1 Supplier Assessment

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

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

9.2.2 Green Procurement

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

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

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

10.0 DELIVERY OF SUPPORT WITH COMMITMENT TO PUBLIC WELFARE

10.1 Community Contribution and Public Welfare

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

During the Reporting Period, the Group donated HK$360,000 to The International Space University, a non-profit organisation dedicated to space education. This donation will fund scholarships exclusively for students from underprivileged and underrepresented communities. Additionally, the Group contributed HK$18,000 as a “Green Member” in Foodgrace’s 2024 corporate membership program, supporting environmental improvement and sustainable community development in Hong Kong. We remain committed to raising public awareness about environmental and sustainability policies while encouraging waste reduction and low-carbon lifestyles among residents.

— Green Corporate Membership —

USPACE TECHNOLOGY GROUP LIMITED

In addition, we are honoured to be nominated for the Caring Company Award for the year 2024, which fully reflects our efforts and achievements in corporate social responsibility. We will continuously devote ourselves to promoting the development of social welfare and contribute to building a better future.

APPENDIX I: ESG KPIS FOR 2024

Environmental

KPIs		Unit	2024	2023	2022
Air emissions	Sulphur oxide	kg	0.71	1.12	0.48
	Nitrogen oxide	kg	335.04	231.36	100.74
	Particulate matter	kg	22.57	21.72	9.40
GHG emissions[2]	GHG emissions (Scope 1)	tCO_2e	172.14	194.31	84.76
	GHG emissions (Scope 2)	tCO_2e	3,822.80	3,402.90	5,556.45
	Total GHG emissions	tCO_2e	3,994.94	3,597.21	5,641.21
	Total GHG emissions intensity	tCO_2e/employee	7.03	4.37	4.85
Hazardous waste	Total hazardous waste consumption	kg	825.40	639.67	1,103.70
	Total hazardous waste intensity	kg/employee	1.45	0.78	0.95
Non-hazardous waste	Total non-hazardous waste consumption	kg	77,900.00	103,443.00	121,191.70
	Total non-hazardous waste intensity	kg/employee	137.15	125.69	104.12
Use of energy[3]	Direct Energy Consumption — Stationary Combustion	kWh	262,737.91	N/A	N/A
	Direct energy Consumption — Mobile Combustion	kWh	461,118.68	705,060.00	300,910.00
	Indirect energy Consumption — Purchased electricity	kWh	6,828,638.96	5,837,679.22	9,543,044.03
	Total energy consumption	MWh	7,552.50	6,542.74	9,843.95
	Total energy intensity	MWh/employee	13.30	7.95	8.46
Use of water	Total water consumption	m^3	43,478.77	57,022.31	62,479.00
	Total water intensity	m^3/employee	76.55	69.29	53.68
Use of packaging materials	Total packaging materials used	t	61.77	38.99	42.53

2. Scope 1 GHG emissions are mainly derived from fuel consumption of official vehicles and town gas, while scope 2 GHG emissions are generated from consumption of purchased electricity, sourced from payment slips of relevant fees and administrative statistical ledgers. The emission factors for purchased electricity reference to the average emission factor of 0.5703 tCO_2/MWh for the national power grid in 2022, as stated in the "Notice on the Management of Greenhouse Gas Emissions Reporting for Enterprises in the Power Generation Industry for the Years 2023–2025" (關於做好2023–2025年發電行業企業溫室氣體排放報告管理有關工作的通知) issued by the Ministry of Ecology and Environment (MEE) of the People's Republic of China. For other emission factors, reference is made to the "Appendix 2: Reporting Guidance on Environmental KPIs" issued by the Stock Exchange.

3. The types of energy consumed by the Group in 2024 include fuel for official vehicles, purchased electricity, and town gas. The sources of information are the payment slips of the relevant expenses and the administrative statistics ledger. The energy factors refer to the conversion factors provided by the International Energy Agency (IEA) and the "General Rules for Calculating Comprehensive Energy Consumption GB/T2589-2008" of the PRC.

Social

KPIs		2024	
Total number of employees by gender, age group, region			
		Number of employees (persons)	**Percentage (%)**
By gender	Male	345	60.74
	Female	223	39.26
By age group	Below 30	199	35.04
	31–50 years old	338	59.51
	Over 50	31	5.46
By region	Chinese Mainland	533	93.84
	Overseas, Hong Kong, Macao and Taiwan regions	35	6.16
Total number of employees		568	
Employee turnover ratio by gender, age group, region			
		Number of employee turnover (persons)	**Total employee turnover ratio (%)[4]**
By gender	Male	351	50.43
	Female	175	43.97
By age group	Below 30	229	53.50
	31–50 years old	289	46.09
	Over 50	8	20.51
By region	Chinese Mainland	474	47.07
	Overseas, Hong Kong, Macao and Taiwan regions	52	59.77
Health and Safety			
Number of work-related fatalities in the past 3 years		0	
Rate of work-related fatalities		3	
Lost days due to work injury		42	

4 Percentage of Turnover rate = Number of resignations / (Number of resignations + Total number of employees at the end of the financial year) * 100%.

Percentage of employees trained and average training hours by gender and employment category			
		Proportion of employees trained (%)[5, 6]	Average training hours per capita (h)[7, 8]
By gender	Male	63.54	5.63
	Female	36.46	4.54
By employment category	Senior and middle management	93.02	4.05
	Non-middle and senior management	6.98	5.43
Supply Chain Management			
Number of suppliers by region	Chinese Mainland	260	
	Hong Kong, Macao and Taiwan regions	17	
	Overseas	27	
Total number of suppliers		304	
Product Responsibility			
Number of products and service-related complaints received (case)		17	
Number of resolved product and service-related complaints (case)		17	
Community Investment			
Total amount of investment (HK dollar)		378,000	

5 Total percentage of employees trained = Total number of employees trained during the Reporting Period / Total number of employees at the end of the financial year x 100%.

6 Percentage of employees trained = Number of employees trained by category during the Reporting Period / Total number of employees trained during the Reporting Period x 100%.

7 Total Average training hours completed per employee = Total number of training hours completed during the Reporting Period / Total number of employees at the end of the financial year.

8 Average training hours completed per employee = Total number of training hours completed by category during the Reporting Period / Total number of employees at the end of the financial year.

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

ESG indicator		Disclosure	Location in report
A1 General disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Disclosed	GREEN DEVELOPMENT AND LOW-CARBON OPERATION
A1.1	The types of emissions and respective emissions data.	Disclosed	Appendix I
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix I
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix I
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Disclosed	GREEN DEVELOPMENT AND LOW-CARBON OPERATION ENVIRONMENTAL TARGET
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Disclosed	GREEN DEVELOPMENT AND LOW-CARBON OPERATION ENVIRONMENTAL TARGET
A2 General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Disclosed	GREEN DEVELOPMENT AND LOW-CARBON OPERATION
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix I
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	Appendix I
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Disclosed	GREEN DEVELOPMENT AND LOW-CARBON OPERATION ENVIRONMENTAL TARGET

ESG indicator		Disclosure	Location in report
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Disclosed	GREEN DEVELOPMENT AND LOW-CARBON OPERATION ENVIRONMENTAL TARGET
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Disclosed	Appendix I
A3 General disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Disclosed	GREEN DEVELOPMENT AND LOW-CARBON OPERATION
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed	GREEN DEVELOPMENT AND LOW-CARBON OPERATION
B1 General disclosure	Policies on remuneration and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare and compliance with relevant laws and regulations that have a significant impact on issuers.	Disclosed	CARE FOR EMPLOYEES TO CREATE A HARMONIOUS WORKPLACE
B1.1	Total workforce by gender, employment type (for example, full-or part-time), age group and geographical region.	Disclosed	CARE FOR EMPLOYEES TO CREATE A HARMONIOUS WORKPLACE Appendix I
B1.2	Employee turnover rate by gender, age group and geographical region.	Disclosed	CARE FOR EMPLOYEES TO CREATE A HARMONIOUS WORKPLACE Appendix I
B2 General disclosure	Policies on providing a safe working environment and protecting employees from occupational hazards and compliance with relevant laws and regulations that have a significant impact on issuers.	Disclosed	CARE FOR EMPLOYEES TO CREATE A HARMONIOUS WORKPLACE
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Disclosed	Appendix I

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG indicator		Disclosure	Location in report
B2.2	Lost days due to work injury.	Disclosed	Appendix I
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Disclosed	CARE FOR EMPLOYEES TO CREATE A HARMONIOUS WORKPLACE
B3 General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Disclosed	CARE FOR EMPLOYEES TO CREATE A HARMONIOUS WORKPLACE
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Disclosed	Appendix I
B3.2	The average training hours completed per employee by gender and employee category.	Disclosed	Appendix I
B4 General disclosure	Policies on preventing child and forced labour and compliance with relevant laws and regulations that have a significant impact on issuers.	Disclosed	CARE FOR EMPLOYEES TO CREATE A HARMONIOUS WORKPLACE
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Disclosed	STAFF CARE AND HARMONIOUS WORKPLACE
B4.2	Description of steps taken to eliminate such practices when discovered.	Not Applicable	Not Applicable
B5 General disclosure	Policies on managing environmental and social risks of the supply chain.	Disclosed	RESPONSIBLE PROCUREMENT AND WIN-WIN COOPERATION WITH SUPPLIERS
B5.1	Number of suppliers by geographical regions.	Disclosed	Appendix I
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Disclosed	RESPONSIBLE PROCUREMENT AND WIN-WIN COOPERATION WITH SUPPLIERS
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Disclosed	RESPONSIBLE PROCUREMENT AND WIN-WIN COOPERATION WITH SUPPLIERS
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Disclosed	RESPONSIBLE PROCUREMENT AND WIN-WIN COOPERATION WITH SUPPLIERS

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ESG indicator		Disclosure	Location in report
B6 General disclosure	Policies on health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress and compliance with relevant laws and regulations that have a significant impact on issuers.	Disclosed	RESPONSIBLE PROCUREMENT AND WIN-WIN COOPERATION WITH SUPPLIERS
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Disclosed	Appendix I
B6.2	Number of products and service related complaints received and how they are dealt with.	Disclosed	RESPONSIBLE PROCUREMENT AND WIN-WIN COOPERATION WITH SUPPLIERS Appendix I
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Disclosed	INNOVATION-DRIVEN AND QUALITY-LED DEVELOPMENT
B6.4	Description of quality assurance process and recall procedures.	Disclosed	INNOVATION-DRIVEN AND QUALITY-LED DEVELOPMENT
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Disclosed	INNOVATION-DRIVEN AND QUALITY-LED DEVELOPMENT
B7 General disclosure	Policies on bribery, extortion, fraud and money laundering and compliance with relevant laws and regulations that have a significant impact on issuers.	Disclosed	INTEGRITY AND COMPLIANCE OPERATIONS
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Not Applicable	Not Applicable
B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Disclosed	INTEGRITY AND COMPLIANCE OPERATIONS
B7.3	Description of anti-corruption training provided to directors and staff.	Disclosed	INTEGRITY AND COMPLIANCE OPERATIONS

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ESG indicator		Disclosure	Location in report
B8 General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Disclosed	DELIVERY OF SUPPORT WITH COMMITMENT TO PUBLIC WELFARE
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Disclosed	DELIVERY OF SUPPORT WITH COMMITMENT TO PUBLIC WELFARE
B8.2	Resources contributed (e.g. money or time) to the focus area.	Disclosed	DELIVERY OF SUPPORT WITH COMMITMENT TO PUBLIC WELFARE

Climate-related Disclosures		Disclosure	Location in report
I. Governance **19.** An issuer shall disclose information about:			
(a)	the governance body(s) (which can include a board, committee or equivalent body charged with governance) or individual(s) responsible for oversight of climate-related risks and opportunities. Specifically, the issuer shall identify that body(s) or individual(s) and disclose information about:	Disclosed	Addressing Climate Change
(i)	how the body(s) or individual(s) determines whether appropriate skills and competencies are available or will be developed to oversee strategies designed to respond to climate-related risks and opportunities;	Not yet disclosed	The Group will disclose it once available.
(ii)	how and how often the body(s) or individual(s) is informed about climate-related risks and opportunities;	Disclosed	The Group will disclose it once available.
(iii)	how the body(s) or individual(s) takes into account climate-related risks and opportunities when overseeing the issuer's strategy, its decisions on major transactions, and its risk management processes and related policies, including whether the body(s) or individual(s) has considered trade-offs associated with those risks and opportunities;	Not yet disclosed	The Group will disclose it once available.

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Climate-related Disclosures		Disclosure	Location in report
(iv)	how the body(s) or individual(s) oversees the setting of, and monitors progress towards, targets related to climate-related risks and opportunities, including whether and how related performance metrics are included in remuneration policies; and	Not yet disclosed	The Group will disclose it once available.
(b)	management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related risks and opportunities, including information about:	Disclosed	Addressing Climate Change
(i)	whether the role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and	Not yet disclosed	The Group will disclose it once available.
(ii)	whether management uses controls and procedures to support the oversight of climate-related risks and opportunities and, if so, how these controls and procedures are integrated with other internal functions.	Not yet disclosed	The Group will disclose it once available.
II. Strategy **20.** An issuer shall disclose information to enable an understanding of climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term. Specifically, the issuer shall:			
(a)	describe climate-related risks and opportunities that could reasonably be expected to affect the issuer's cash flows, its access to finance or cost of capital over the short, medium or long term;	Not yet disclosed	The Group will disclose it once available.
(b)	explain, for each climate-related risk the issuer has identified, whether the issuer considers the risk to be a climate-related physical risk or climate-related transition risk;	Disclosed	Addressing Climate Change
(c)	specify, for each climate-related risk and opportunity the issuer has identified, over which time horizons — short, medium or long term — the effects of each climate-related risk and opportunity could reasonably be expected to occur; and	Not yet disclosed	The Group will disclose it once available.

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Climate-related Disclosures		Disclosure	Location in report
(d)	explain how the issuer defines "short term", "medium term" and "long term" and how these definitions are linked to the planning horizons used by the issuer for strategic decision-making.	Not yet disclosed	The Group will disclose it once available.
Business model and value chain **21.** An issuer shall disclose information that enables an understanding of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain. Specifically, the issuer shall disclose:			
(a)	a description of the current and anticipated effects of climate-related risks and opportunities on the issuer's business model and value chain; and	Disclosed	Addressing Climate Change
(b)	a description of where in the issuer's business model and value chain climate-related risks and opportunities are concentrated (for example, geographical areas, facilities and types of assets).	Not yet disclosed	The Group will disclose it once available.
Strategy and decision making **22.** An issuer shall disclose information that enables an understanding of the effects of climate-related risks and opportunities on its strategy and decision-making. Specifically, the issuer shall disclose:			
(a)	information about how the issuer has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, including how the issuer plans to achieve any climate-related targets it has set and any targets it is required to meet by law or regulation. Specifically, the issuer shall disclose information about:	Disclosed	Addressing Climate Change
(i)	current and anticipated changes to the issuer's business model, including its resource allocation, to address climate-related risks and opportunities;	Disclosed	Addressing Climate Change
(ii)	current and anticipated adaptation and mitigation efforts (whether direct or indirect);	Not yet disclosed	The Group will disclose it once available.

Climate-related Disclosures		Disclosure	Location in report
(iii)	any climate-related transition plan the issuer has (including information about key assumptions used in developing its transition plan, and dependencies on which the issuer's transition plan relies), or an appropriate negative statement where the issuer does not have a climate-related transition plan; and	Not yet disclosed	The Group will disclose it once available.
(iv)	how the issuer plans to achieve any climate-related targets (including any greenhouse gas emissions targets (if any)), described in accordance with paragraphs 37 to 40; and	Not yet disclosed	The Group will disclose it once available.
(b)	information about how the issuer is resourcing, and plans to resource, the activities disclosed in accordance with paragraph 22(a).	Not yet disclosed	The Group will disclose it once available.
23.	An issuer shall disclose information about the progress of plans disclosed in previous reporting periods in accordance with paragraph 22(a).	Not yet disclosed	The Group will disclose it once available.
Financial position, financial performance and cash flows **24.** An issuer shall disclose qualitative and quantitative information about:			
(a)	how climate-related risks and opportunities have affected its financial position, financial performance and cash flows for the reporting period; and	Not yet disclosed	The Group will disclose it once available.
(b)	the climate-related risks and opportunities identified in paragraph 24(a) for which there is a significant risk of a material adjustment within the next annual reporting period to the carrying amounts of assets and liabilities reported in the related financial statements.	Not yet disclosed	The Group will disclose it once available.
25. The issuer shall provide qualitative and quantitative disclosures about:			
(a)	how the issuer expects its financial position to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities, taking into consideration:	Not yet disclosed	The Group will disclose it once available.
(i)	its investment and disposal plans; and	Not yet disclosed	The Group will disclose it once available.
(ii)	its planned sources of funding to implement its strategy; and	Not yet disclosed	The Group will disclose it once available.

Climate-related Disclosures		Disclosure	Location in report
(b)	how the issuer expects its financial performance and cash flows to change over the short, medium and long term, given its strategy to manage climate-related risks and opportunities.	Not yet disclosed	The Group will disclose it once available.
Climate resilience **26.** An issuer shall disclose information that enables an understanding of the resilience of the issuer's strategy and business model to climate-related changes, developments and uncertainties, taking into consideration the issuer's identified climate-related risks and opportunities. An issuer shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with an issuer's circumstances. In providing quantitative information, the issuer may disclose a single amount or a range. Specifically, the issuer shall disclose:			
(a)	the issuer's assessment of its climate resilience as at the reporting date, which shall enable an understanding of:	Not yet disclosed	The Group will disclose it once available.
(i)	the implications, if any, of the issuer's assessment for its strategy and business model, including how the issuer would need to respond to the effects identified in the climate-related scenario analysis;	Not yet disclosed	The Group will disclose it once available.
(ii)	the significant areas of uncertainty considered in the issuer's assessment of its climate resilience; and	Not yet disclosed	The Group will disclose it once available.
(iii)	the issuer's capacity to adjust, or adapt its strategy and business model to climate change over the short, medium or long term;	Not yet disclosed	The Group will disclose it once available.
(b)	how and when the climate-related scenario analysis was carried out, including:	Not yet disclosed	The Group will disclose it once available.
(i)	information about the inputs used, including:	Not yet disclosed	The Group will disclose it once available.
(1)	which climate-related scenarios the issuer used for the analysis and the sources of such scenarios;	Not yet disclosed	The Group will disclose it once available.
(2)	whether the analysis included a diverse range of climate-related scenarios;	Not yet disclosed	The Group will disclose it once available.
(3)	whether the climate-related scenarios used for the analysis are associated with climate-related transition risks or climate-related physical risks;	Not yet disclosed	The Group will disclose it once available.

Climate-related Disclosures		Disclosure	Location in report
(4)	whether the issuer used, among its scenarios, a climate-related scenario aligned with the latest international agreement on climate change;	Not yet disclosed	The Group will disclose it once available.
(5)	why the issuer decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties;	Not yet disclosed	The Group will disclose it once available.
(6)	time horizons the issuer used in the analysis; and	Not yet disclosed	The Group will disclose it once available.
(7)	what scope of operations the issuer used in the analysis (for example, the operation, locations and business units used in the analysis);	Not yet disclosed	The Group will disclose it once available.
(iii)	the key assumptions the issuer made in the analysis; and	Not yet disclosed	The Group will disclose it once available.
(iv)	the reporting period in which the climate-related scenario analysis was carried out.	Not yet disclosed	The Group will disclose it once available.
III. Risk Management **27.** An issuer shall disclose information about:			
(a)	the processes and related policies it uses to identify, assess, prioritise and monitor climate-related risks, including information about:	Not yet disclosed	The Group will disclose it once available.
(i)	the inputs and parameters the issuer uses (for example, information about data sources and the scope of operations covered in the processes);	Not yet disclosed	The Group will disclose it once available.
(ii)	whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related risks;	Not yet disclosed	The Group will disclose it once available.
(iii)	how the issuer assesses the nature, likelihood and magnitude of the effects of those risks (for example, whether the issuer considers qualitative factors, quantitative thresholds or other criteria);	Not yet disclosed	The Group will disclose it once available.
(iv)	whether and how the issuer prioritises climate-related risks relative to other types of risks;	Not yet disclosed	The Group will disclose it once available.
(v)	how the issuer monitors climate-related risks; and	Not yet disclosed	The Group will disclose it once available.

Climate-related Disclosures		Disclosure	Location in report
(vi)	whether and how the issuer has changed the processes it uses compared with the previous reporting period;	Not yet disclosed	The Group will disclose it once available.
(b)	the processes the issuer uses to identify, assess, prioritise and monitor climate-related opportunities (including information about whether and how the issuer uses climate-related scenario analysis to inform its identification of climate-related opportunities); and	Not yet disclosed	The Group will disclose it once available.
(c)	the extent to which, and how, the processes for identifying, assessing, prioritising and monitoring climate-related risks and opportunities are integrated into and inform the issuer's overall risk management process.	Not yet disclosed	The Group will disclose it once available.
III. Metrics and Targets **Greenhouse gas emissions** **28.** An issuer shall disclose its absolute gross greenhouse gas emissions generated during the reporting period, expressed as metric tons of CO_2 equivalent, classified as:			
(a)	Scope 1 greenhouse gas emissions;	Disclosed	Appendix I
(b)	Scope 2 greenhouse gas emissions; and	Disclosed	Appendix I
(c)	Scope 3 greenhouse gas emissions.	Disclosed	Appendix I
29. An issuer shall			
(a)	measure its greenhouse gas emissions in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) unless required by a jurisdictional authority or another exchange on which the issuer is listed to use a different method for measuring greenhouse gas emissions;	Disclosed	Appendix I
(b)	disclose the approach it uses to measure its greenhouse gas emissions including:	Disclosed	Appendix I
(i)	the measurement approach, inputs and assumptions the issuer uses to measure its greenhouse gas emissions;	Disclosed	Appendix I
(ii)	the reason why the issuer has chosen the measurement approach, inputs and assumptions it uses to measure its greenhouse gas emissions; and	Disclosed	Appendix I

Climate-related Disclosures		Disclosure	Location in report
(iii)	any changes the issuer made to the measurement approach, inputs and assumptions during the reporting period and the reasons for those changes;	Disclosed	Appendix I
(c)	for Scope 2 greenhouse gas emissions disclosed in accordance with paragraph 28(b), disclose its location-based Scope 2 greenhouse gas emissions, and provide information about any contractual instruments that is necessary to enable an understanding of the issuer's Scope 2 greenhouse gas emissions; and	Disclosed	Appendix I
(d)	for Scope 3 greenhouse gas emissions disclosed in accordance with paragraph 28(c), disclose the categories included within the issuer's measure of Scope 3 greenhouse gas emissions, in accordance with the Scope 3 categories described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011).	Not yet disclosed	The Group will disclose it once available.
Climate-related transition risks			
30.	An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related transition risks.	Not yet disclosed	The Group will disclose it once available.
Climate-related physical risks			
31.	An issuer shall disclose the amount and percentage of assets or business activities vulnerable to climate-related physical risks.	Not yet disclosed	The Group will disclose it once available.
Climate-related opportunities			
32.	An issuer shall disclose the amount and percentage of assets or business activities aligned with climate-related opportunities.	Not yet disclosed	The Group will disclose it once available.
Capital deployment			
33.	An issuer shall disclose the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities.	Not yet disclosed	The Group will disclose it once available.

Climate-related Disclosures		Disclosure	Location in report
Internal Carbon prices **34.** An issuer shall disclose:			
(a)	an explanation of whether and how the issuer is applying a carbon price in decision-making (for example, investment decisions, transfer pricing, and scenario analysis); and	Not yet disclosed	The Group will disclose it once available.
(b)	the price of each metric tonne of greenhouse gas emissions the issuer uses to assess the costs of its greenhouse gas emissions;	Not yet disclosed	The Group will disclose it once available.
Remuneration			
35.	An issuer shall disclose whether and how climate-related considerations are factored into remuneration policy, or an appropriate negative statement. This may form part of the disclosure under paragraph 19(a)(iv).	Not yet disclosed	The Group will disclose it once available.
Industry-based metrics			
36.	An issuer is encouraged to disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterise participation in an industry. In determining the industry-based metrics that the issuer discloses, an issuer is encouraged to refer to and consider the applicability of the industry-based metrics associated with disclosure topics described in the IFRS S2 Industry-based Guidance on implementing Climate-related Disclosures and other industry-based disclosure requirements prescribed under other international ESG reporting frameworks.	Not yet disclosed	The Group will disclose it once available.
Climate-related targets			
37.	An issuer shall disclose (a) the qualitative and quantitative climate-related targets the issuer has set to monitor progress towards achieving its strategic goals; and (b) any targets the issuer is required to meet by law or regulation, including any greenhouse gas emissions targets. For each target, the issuer shall disclose:	Disclosed	Indicators and Goals
(a)	the metric used to set the target;	Not yet disclosed	The Group will disclose it once available.

Climate-related Disclosures		Disclosure	Location in report
(b)	the objective of the target (for example, mitigation, adaptation or conformance with science-based initiatives);	Not yet disclosed	The Group will disclose it once available.
(c)	the part of the issuer to which the target applies (for example, whether the target applies to the issuer in its entirety or only a part of the issuer, such as a specific business unit or geographic region);	Not yet disclosed	The Group will disclose it once available.
(d)	the period over which the target applies;	Not yet disclosed	The Group will disclose it once available.
(e)	the base period from which progress is measured;	Not yet disclosed	The Group will disclose it once available.
(f)	milestones or interim targets (if any);	Not yet disclosed	The Group will disclose it once available.
(g)	if the target is quantitative, whether the target is an absolute target or an intensity target; and	Not yet disclosed	The Group will disclose it once available.
(h)	how the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the target.	Not yet disclosed	The Group will disclose it once available.
38.	An issuer shall disclose information about its approach to setting and reviewing each target, and how it monitors progress against each target, including:	Not yet disclosed	The Group will disclose it once available.
(a)	whether the target and the methodology for setting the target has been validated by a third party;	Not yet disclosed	The Group will disclose it once available.
(b)	the issuer's processes for reviewing the target;	Not yet disclosed	The Group will disclose it once available.
(c)	the metrics used to monitor progress towards reaching the target; and	Not yet disclosed	The Group will disclose it once available.
(d)	any revisions to the target and an explanation for those revisions.	Not yet disclosed	The Group will disclose it once available.
39.	An issuer shall disclose information about its performance against each climate-related target and an analysis of trends or changes in the issuer's performance.	Not yet disclosed	The Group will disclose it once available.
40.	For each greenhouse gas emissions target disclosed in accordance with paragraphs 37 to 39, an issuer shall disclose:	Not yet disclosed	The Group will disclose it once available.

Climate-related Disclosures		Disclosure	Location in report
(a)	which greenhouse gases are covered by the target;	Not yet disclosed	The Group will disclose it once available.
(b)	whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the target;	Not yet disclosed	The Group will disclose it once available.
(c)	whether the target is a gross greenhouse gas emissions target or a net greenhouse gas emissions target. If the issuer discloses a net greenhouse gas emissions target, the issuer is also required to separately disclose its associated gross greenhouse gas emissions target;	Not yet disclosed	The Group will disclose it once available.
(d)	whether the target was derived using a sectoral decarbonisation approach; and	Not yet disclosed	The Group will disclose it once available.
(e)	the issuer's planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions target. In explaining its planned use of carbon credits, the issuer shall disclose:	Not yet disclosed	The Group will disclose it once available.
(i)	the extent to which, and how, achieving any net greenhouse gas emissions target relies on the use of carbon credits;	Not yet disclosed	The Group will disclose it once available.
(ii)	which third-party scheme(s) will verify or certify the carbon credits;	Not yet disclosed	The Group will disclose it once available.
(iii)	the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal; and	Not yet disclosed	The Group will disclose it once available.
(iv)	any other factors necessary to enable an understanding of the credibility and integrity of the carbon credits the issuer plans to use (for example, assumptions regarding the permanence of the carbon offset).	Not yet disclosed	The Group will disclose it once available.
Applicability of cross-industry metrics and industry-based metrics			
41.	In preparing disclosures to meet the requirements in paragraphs 21 to 26 and 37 to 38, an issuer shall refer to and consider the applicability of cross-industry metrics (see paragraphs 28 to 35) and (ii) industry-based metrics (see paragraph 36).	Not yet disclosed	The Group will disclose it once available.

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 2024.

PRINCIPAL ACTIVITIES

The Group is principally engaged in (A) aerospace business (the "**Aerospace Business**"), comprising (1) satellite manufacturing, (2) satellite component manufacturing, (3) precision electronics manufacturing, (4) satellite data applications, (5) satellite telemetry, tracking, and controlling (TT&C), and (6) satellite launch; and (B) electronics manufacturing services business (the "**EMS Business**"), including assembling and production of printed circuit boards assemblies (the "**PCBAs**") and fully-assembled electronic products. Details of the principal activities of the Company's subsidiaries are set out in notes 1 and 33 to the consolidated financial statements.

BUSINESS REVIEW

The sections headed "Chairman's Statement" on pages 4 to 5 and "Management Discussion and Analysis" on pages 6 to 14 of this annual report provide a fair review of the Group's business for the Reporting Period, including the challenges faced and ways to confront them, along with a discussion of the Group's future development. Descriptions of the principal financial risks and uncertainties faced by the Group can be found in "Notes to The Consolidated Financial Statements". An account of the Group's environmental policies and performance together with the relationship with its key stakeholders is set out in the "ESG Report" on pages 36 to 112 of this annual report. The above sections form part of the Report of Directors.

RESULTS AND DIVIDENDS

The results of the Group for the Reporting Period and the state of affairs of the Group and the Company as at 31 December 2024 are set out in the consolidated financial statements on pages 129–132, and 224.

The Board did not recommend payment of final dividend for the Reporting Period (2023: nil).

SUBSIDIARIES

Details of the principal activities of the subsidiaries of the Company are set out in note 33 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in note 25 to the consolidated financial statements.

REPORT OF DIRECTORS

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

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

PURCHASE, SALE OR REDEMPTION 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 (including sales of treasury shares within the meaning of the Listing Rules). As of 31 December 2024, the Company did not hold or sell any of these treasury shares.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Reporting Period are set out in the consolidated statement of changes in equity on pages 133 to 135 of this annual report.

CHARITABLE DONATIONS

During the Reporting Period, the Group made charitable donations totaling approximately RMB348,000 (2023: RMB20,000).

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 were entered into or existed.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, revenue to the single largest customer from continuing operations of the Group and the five largest customers from continuing operations of the Group in aggregate accounted for approximately 9.5% and 40.2% (2023 (restated): approximately 9.7% and approximately 39.3%) of the total revenue from continuing operations of the year, respectively.

During the Reporting Period, purchases from the single largest supplier from continuing operations of the Group and the five largest suppliers from continuing operations of the Group in aggregate accounted for approximately 11.3% and 35.0% (2023 (restated): approximately 16.6% and approximately 50.7%) of the total purchases for continuing operations of the year, respectively.

None of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share) had any beneficial interest in the Group's five largest customers or suppliers.

DIRECTORS

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

Executive Directors

H.E. Mohamed Ben Amor *(Chairman)* (appointed on 2 October 2024)
H.H. Shaikh Mohammed Maktoum Juma Al-Maktoum *(Deputy Chairman)*
(appointed as deputy chairman on 10 May 2024)
Dr. Fabio Favata
Mr. Ma Fujun
Mr. Sun Fengquan (resigned on 2 October 2024)
Dr. Lam Lee G. (resigned on 10 May 2024)
Ms. Ku Ka Lee Clarie (retired on 25 June 2024)

Non-executive Directors

Mr. Alhamedi Mnahi F Alanezi
Professor Christian Feichtinger
Mr. Nathan Earl Whigham (appointed on 10 May 2024)
Professor Guo Huadong (resigned on 2 October 2024)
Dr. Mazlan Binti Othman (resigned on 2 October 2024)
Mr. Niu Aimin (resigned on 10 May 2024)

Independent Non-executive Directors

Ms. Barbara Jane Ryan
Mr. Boris Tadić (appointed on 2 October 2024)
Mr. Hung Ka Hai Clement
Mr. Juan de Dalmau-Mommertz
Mr. Marwan Jassim Sulaiman Jassim Alsarkal
Professor Wang Jianyu (resigned on 2 October 2024)
Mr. David Gordon Eldon (resigned on 27 April 2024)

Article 84(1) of the Articles provides that every Director shall be subject to retirement at annual general meeting at least once every three years and for this purpose, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to one-third but not less than one-third shall retire from office by rotation. Article 84(2) of the Articles 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.

REPORT OF DIRECTORS

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, H.E. Ben Amor, Dr. Favata, Mr. Ma, Prof. Feichtinger, Mr. Whigham and Mr. Tadić will retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 15 to 20 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

INDEMNITY OF DIRECTORS

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

DIRECTORS' OR CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in this annual report, no transactions, arrangements or contracts of significance to which the Company, or any of its holding companies, subsidiaries, fellow subsidiaries or controlling Shareholders was a party, and in which a Director or his or her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

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

As at 31 December 2024, interests or short positions in the shares, underlying shares and debentures of the Company and any of its associated corporations (as defined in Part XV of the SFO) held by the Directors and chief executive of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interests in the Company

Name of director or chief executive	Nature of interest	Number of shares held/ interested[1]	Approximate percentage of shareholding *(%)*
Mr. Sun	Interest of a controlled corporation[2]	98,929,553(L)	19.63%

Notes:

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

(2) These shares are directly held as to 20,586,000 shares, representing 4.09% of the total number of the issued shares, by Vision International Group Limited ("**Vision**") and 78,343,553 shares, representing 15.54% 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.

(ii) Interests in the ordinary shares of associated corporation

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

Notes:

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

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

Save as disclosed above, as at 31 December 2024, none of the Director 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

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

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware of, as at 31 December 2024, the following corporations/persons had interests or short position of 5% or more in the issued share capital or underlying shares, which would fall to be disclosed 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 (%)
Chen Lizhong	Beneficial owner	35,762,000 (L)	7.09
Liu Shoutang	Beneficial owner	35,762,000 (L)	7.09
HKATH (BVI)	Beneficial owner	78,343,553 (L)	15.54
Vision	Beneficial owner; Interest of a controlled corporation[2]	98,929,553 (L)	19.63

Notes:

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

(2) Vision was directly interested in 20,586,000 shares, representing 4.09% of the total number of the issued shares. HKATH (BVI) was directly interested in 78,343,553 shares, representing 15.54% 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, as at 31 December 2024, no other parties were recorded in the register required to be kept by the Company under Section 336 of the SFO as having interests or short positions in the issued share capital of the Company.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

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

SHARE OPTION SCHEME

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

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

As detailed in the Company's listing documents dated 3 August 2018, and in line with the latest Listing Rules, the total number of shares available for issue under the Share Option Scheme as of 1 January 2024 and 31 December 2024 was 30,000,000, representing 10% of the issued share capital of the Company as at the listing date approximately 9.51% of the issued share capital of the Company as of 1 January 2024 and approximately 5.95% of the issued share capital of the Company as of 31 December 2024. No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the adoption of the Share Option Scheme and during the Reporting Period and up to the date of this report.

REPORT OF DIRECTORS

EQUITY-LINKED AGREEMENTS

In 2023, the Company and Macquarie Bank Limited ("**Macquarie Bank**") entered into a series of agreements, pursuant to which the Company agreed to issue and Macquarie Bank agreed to subscribe at the subscription price of HK$686,000,000, for the collateralised convertible notes (the "**Convertible Notes**") in the principal amount of HK$700,000,000 at the coupon rate of 0.5% per annum and due on 17 October 2024.

Based on the terms and conditions of the Convertible Notes, Macquarie Bank is entitled to, during the conversion period stipulated in the Convertible Notes, convert the Convertible Notes into ordinary shares of HK$0.01 each in the share capital of the Company at the conversion price representing 95% of the volume weighted average prices of the shares as traded on the Stock Exchange on the trading day immediately preceding the conversion date. Pursuant to the agreements, the maximum number of shares of the Company could be issued to Macquarie Bank is 61,750,000 shares (the "**Conversion Shares**").

During the conversion period, Macquarie Bank had converted the Convertible Notes into the maximum number of shares allowed to be converted of 61,750,000 Conversion Shares, representing an aggregate nominal value of HK$617,500, at the average conversion price of HK$1.16. The aggregate gross proceeds was approximately HK$71.5 million and the net proceeds (after deduction of the professional and other related expenses) was approximately HK$69.7 million, which was fully utilised as to 50% for the working capital of the operation of the Group's Hong Kong satellite manufacturing centre and the Hong Kong satellite operation control and application centre located at the AMC and 50% for the general working capital of the Group. The remaining outstanding principal amount and the interest accrued thereon of the Convertible Notes were repaid in full on the maturity date (i.e. 17 October 2024).

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

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

RELATED PARTY TRANSACTIONS

Details of material related party transactions entered into by the Group during the Reporting Period are set out in note 39 to the consolidated financial statements. For the Reporting Period, none of these related party transactions is connected transaction which is subject to the reporting, disclosure and independent shareholders' approval requirements of Chapter 14A of the Listing Rules in respect of such transactions.

FUTURE PROSPECT AND DEVELOPMENT

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

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

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, reviewing the financial statements and related materials and provide independent advice in respect of the financial reporting process, and overseeing the risk management and internal control system of the Group. As at 31 December 2024, the Audit Committee comprises three members, all being the independent non-executive Directors, namely, Mr. Hung (chairman), Ms. Ryan and Mr. Alsarkal.

The Audit Committee reviewed the audited annual results of the Group for the year ended 31 December 2024.

AUDITORS

PricewaterhouseCoopers ("**PwC**") retired as the auditor of the Company at the closing of the annual general meeting of the Company ("**AGM**") convened on 25 June 2024.

Baker Tilly Hong Kong Limited was appointed as the auditor of the Company in place of PwC to fill the vacancy arising from the retirement of PwC at the extraordinary general meeting held on 23 December 2024 and hold office until the conclusion of the next AGM to be convened in 2025.

A resolution of the re-appointment of Baker Tilly Hong Kong Limited as the auditor of the Company will be proposed at the 2025 AGM to be convened in 2025.

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, reviewing and evaluating their performance in order to make recommendations on the remuneration package of each of the Directors and senior management personnel as well as other employee benefit arrangements. The Remuneration Committee now comprises three independent non-executive Directors, namely, Ms. Ryan (chairman), Mr. Hung and Mr. de Dalmau.

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 four members, one executive Director, namely, H.E. Ben Amor (chairman); and three independent non-executive Directors, namely, Ms. Ryan, Mr. Hung and Mr. de Dalmau.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

The Group believes that the remuneration package to its employees is in line with local industries. It offers its employees medical insurance coverage. The Group also offers its employees discretionary bonus depending on their respective performance and profitability of the Group. This approach not only encourages individual excellence but also fosters a collaborative work environment that contributes to departmental success. Details of the remuneration of the Directors are set out in note 41 to the consolidated financial statements. The emoluments of the Directors are reviewed and approved by the Remuneration Committee, having regard to factors including remuneration paid by comparable companies, time commitment, job duties and responsibilities of the Directors and performance of the Group in respect of the relevant positions.

CORPORATE GOVERNANCE PRACTICES

Corporate governance practices adopted by the Company are set out in the Corporate Governance Report on pages 21 to 35 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

From information publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float of not less than 25% of its total issued shares as required under the Listing Rules throughout the Reporting Period and up to the date of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the Reporting Period, to the best knowledge of the Directors, the Group had 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, to ensure that our staff stays up-to-date with the latest market and industry trends.

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

ENVIRONMENTAL POLICY AND SOCIAL RESPONSIBILITY

The Group understands the importance of environmental sustainability and protection and has adopted policies on pollution prevention, preservation of natural resources and adherence to environmental laws and regulations. Please refer to the ESG Report on pages 36 to 112 for details of our ESG performance.

By order of the Board

Mohamed Ben Amor
Chairman and Executive Director

Hong Kong, 31 March 2025

INDEPENDENT AUDITOR'S REPORT

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天職國際

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

OPINION

We have audited the consolidated financial statements of USPACE Technology Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 129 to 229, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards 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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw your attention to Note 2.1(a) to the consolidated financial statements, which states the Group recorded a net loss of RMB265,333,000 and a net cash outflow from operating activities from continuing operations of RMB42,705,000 for the year ended 31 December 2024. As at 31 December 2024, the Group's current liabilities exceeded its current assets by RMB161,690,000 while the Group's cash and cash equivalents amounted to RMB28,719,000. In addition, the Group had received writs of summons during the year in respect of alleged breaches of tenancy agreements for a total amount of approximately HK$47,354,000 (equivalent to approximately RMB44,498,000) for the premises located in Hong Kong. Furthermore, the Group had a significant capital expenditures commitment under various contracts and other arrangements as at 31 December 2024.

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 judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment of trade and bills receivables Refer to Notes 2.2.10, 2.2.11, 3.1(c) and 21 to the consolidated financial statements. As at 31 December 2024, the Group had gross trade and bills receivables of approximately RMB98,647,000, against which an allowance for impairment of approximately RMB7,375,000 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 were 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.	Our audit procedures performed on impairment of trade and bills receivables included: • We obtained an understanding of the management's 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 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 the accuracy of key historical data inputs; • We evaluated the reasonableness of the forward-looking information including relevant macroeconomic variables; • 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

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
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 involved. 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.	• We also evaluated the reasonableness of 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. 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 MATTER

The consolidated financial statements of the Group for the year ended 31 December 2023 were audited by another independent auditor who expressed an unmodified opinion on those consolidated financial statements on 27 March 2024.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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 THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 HKFRS Accounting Standards 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

Those charged with governance are 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 solely to you, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. 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 skepticism 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.

INDEPENDENT AUDITOR'S REPORT

- 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.

- Plan and perform the group audit and obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basic for forming an opinion on the Group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, we determine the 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 the 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 director on the audit resulting in this independent auditor's report is Del Rosario, Faith Corazon.

Baker Tilly Hong Kong Limited
Certified Public Accountants

Del Rosario, Faith Corazon
Practising certificate number P06143
Hong Kong, 31 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For The Year Ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000 (restated)
Continuing operations			
Revenue	5	315,803	469,063
Cost of sales		(267,681)	(414,729)
Gross profit		48,122	54,334
Other income	7	7,143	5,857
Other losses, net	8	(3,535)	(834)
Selling and distribution expenses		(15,634)	(20,310)
General and administrative expenses		(187,182)	(217,945)
Impairment losses on properties, plant and equipment	6, 13	(87,934)	(25,422)
Impairment losses on assets of disposal group classified as held for sale	6, 23	(12,347)	–
Reversal of impairment/(impairment losses) on trade and bills receivables	6	903	(6,266)
Operating loss		(250,464)	(210,586)
Finance income		185	198
Finance costs		(17,490)	(17,625)
Finance costs, net	10	(17,305)	(17,427)
Loss before income tax		(267,769)	(228,013)
Income tax (expense)/credit	11	(824)	3,918
Loss from continuing operations		(268,593)	(224,095)
Profit from discontinued operations	22	3,260	1,314
Loss for the year		(265,333)	(222,781)
Loss for the year attributable to:			
Equity holders of the Company		(198,005)	(211,141)
Non-controlling interest		(67,328)	(11,640)
		(265,333)	(222,781)
(Loss)/profit for the year attributable to equity holders of the Company arises from:			
Continuing operations		(201,265)	(212,455)
Discontinued operations		3,260	1,314
		(198,005)	(211,141)

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000 (restated)
Loss for the year		**(265,333)**	(222,781)
Other comprehensive income/(loss):			
Item that will not be reclassified to profit or loss			
Currency translation differences		**7,959**	4,018
Item that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(5,069)**	(2,417)
Total comprehensive loss for the year		**(262,443)**	(221,180)
Total comprehensive loss for the year attributable to:			
Equity holders of the Company		**(194,764)**	(208,852)
Non-controlling interest		**(67,679)**	(12,328)
		(262,443)	(221,180)
Total comprehensive (loss)/income for the year attributable to equity holders of the Company arises from:			
Continuing operations		**(198,024)**	(210,166)
Discontinued operations		**3,260**	1,314
		(194,764)	(208,852)
Loss per share attributable to equity holders of the Company arises from continuing operations:			
Basic and diluted	12	**(RMB52.80 cents)**	(RMB68.62 cents)
Loss per share attributable to equity holders of the Company arises from continuing and discontinued operations			
Basic and diluted	12	**(RMB51.94 cents)**	(RMB68.19 cents)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Assets			
Non-current assets			
Properties, plant and equipment	13	316,744	520,459
Right-of-use assets	13	113,590	173,477
Investment property	14	–	5,610
Intangible assets	15	4,143	4,972
Restricted cash	20	–	2,683
Financial asset at fair value through profit or loss	17	–	917
Prepayments and deposits	18	48,350	45,891
Deferred tax assets	26	2,849	3,781
		485,676	757,790
Current assets			
Inventories	19	31,191	106,706
Trade and bills receivables	21	91,272	159,231
Prepayments, deposits and other receivables	18	77,223	50,801
Amount due from a related company	39	18	17
Current income tax recoverable		105	113
Pledged bank deposits	20	–	10,000
Cash and cash equivalents	20	28,719	70,225
		228,528	397,093
Assets of disposal group classified as held for sale	23	130,965	–
		359,493	397,093
Total assets		845,169	1,154,883
Equity			
Equity attributable to equity holders of the Company			
Share capital	25	4,488	2,751
Share premium	25	533,376	326,330
Accumulated losses		(501,317)	(307,389)
Reserves		138,300	152,637
		174,847	174,329
Non-controlling interest		(38,631)	29,048
Total equity		136,216	203,377

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Liabilities			
Non-current liabilities			
Deferred government grants	24	6,496	9,004
Lease liabilities	13(b)	95,226	131,983
Provision for reinstatement cost	28	23,022	22,268
Bank and other borrowings	29	62,208	51,036
Deferred tax liabilities	26	818	796
		187,770	215,087
Current liabilities			
Trade payables	27	61,763	85,153
Other payables and accruals	28	108,065	115,800
Contract liabilities	28	20,473	18,492
Lease liabilities	13(b)	70,829	36,648
Bank and other borrowings	29	60,825	195,932
Bonds payable	30	16,274	17,809
Loans from related companies	39	127,582	258,140
Current income tax liabilities		6,912	8,445
		472,723	736,419
Liabilities of disposal group classified as held for sale	23	48,460	–
		521,183	736,419
Total liabilities		708,953	951,506
Total equity and liabilities		845,169	1,154,883

The consolidated financial statements on pages 129 to 229 were approved by the Board of Directors on 31 March 2025 and were signed on its behalf.

Mohamed Ben Amor	**Ma Fujun**
Director	*Director*

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2024

	Attributable to equity holders of the Company									
	Share capital	Share premium	Statutory reserve	Share-based payment reserve	Other reserve	Exchange reserve	Accumulated losses	Sub-total	Non-controlling interest	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2024	2,751	326,330	13,971	13,501	117,952	7,213	(307,389)	174,329	29,048	203,377
Comprehensive loss										
Loss for the year	-	-	-	-	-	-	(198,005)	(198,005)	(67,328)	(265,333)
Other comprehensive income/(loss)										
Currency translation differences	-	-	-	-	-	7,959	-	7,959	-	7,959
Exchange differences on translation of foreign operations	-	-	-	-	-	(4,718)	-	(4,718)	(351)	(5,069)
Total comprehensive income/(loss)	-	-	-	-	-	3,241	(198,005)	(194,764)	(67,679)	(262,443)
Transactions with owners										
Issuance of ordinary shares upon placing new shares *(Note (b))*	1,228	150,734	-	-	-	-	-	151,962	-	151,962
Issuance of ordinary shares upon conversion of subscription right *(Note 35)*	509	56,312	-	(13,501)	-	-	-	43,320	-	43,320
Appropriation *(Note (a))*	-	-	(2,995)	-	-	-	2,995	-	-	-
Disposal of subsidiaries	-	-	(1,082)	-	-	-	1,082	-	-	-
Total transactions with owners	1,737	207,046	(4,077)	(13,501)	-	-	4,077	195,282	-	195,282
Balance at 31 December 2024	4,488	533,376	9,894	-	117,952	10,454	(501,317)	174,847	(38,631)	136,216

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2024

	Attributable to equity holders of the Company									
	Share capital *RMB'000*	Share premium *RMB'000*	Statutory reserve *RMB'000*	Share-based payment reserve *RMB'000*	Other reserve *RMB'000*	Exchange reserve *RMB'000*	Accumulated losses *RMB'000*	Sub-total *RMB'000*	Non-controlling interest *RMB'000*	Total *RMB'000*
Balance at 1 January 2023	2,693	304,492	14,285	–	13,997	6,978	(96,562)	245,883	(1)	245,882
Comprehensive loss										
Loss for the year	–	–	–	–	–	–	(211,141)	(211,141)	(11,640)	(222,781)
Other comprehensive income/(loss)										
Currency translation differences	–	–	–	–	–	4,018	–	4,018	–	4,018
Exchange differences on translation of foreign operations	–	–	–	–	–	(1,729)	–	(1,729)	(688)	(2,417)
Total comprehensive income/(loss)	–	–	–	–	–	2,289	(211,141)	(208,852)	(12,328)	(221,180)
Transactions with owners										
Issuance of share subscription rights *(Note 35)*	–	–	–	13,970	–	–	–	13,970	–	13,970
Issuance of ordinary shares *(Note 25)*	58	21,838	–	(469)	–	–	–	21,427	–	21,427
Appropriation *(Note (a))*	–	–	(314)	–	–	–	314	–	–	–
Disposal of subsidiaries *(Note 32)*	–	–	–	–	–	(2,054)	–	(2,054)	1	(2,053)
Changes in ownership interest in subsidiary without change of control *(Note 34)*	–	–	–	–	103,955	–	–	103,955	41,376	145,331
Total transactions with owners	58	21,838	(314)	13,501	103,955	(2,054)	314	137,298	41,377	178,675
Balance at 31 December 2023	2,751	326,330	13,971	13,501	117,952	7,213	(307,389)	174,329	29,048	203,377

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2024

Notes:

(a) The People's Republic of China (the "**PRC**") laws and regulations require companies registered in Mainland China 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 Mainland China 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.

(b) On 17 May 2024, the Company issued 30,000,000 new shares at a price of HK$1.51 per Share to an independent third party and raised net proceeds of approximately HK$45.0 million (equivalent to approximately RMB41.9 million). The new shares rank equally with all existing shares.

On 26 June 2024, the Company further issued 31,800,000 new shares at a price of HK$1.01 per Share to an independent third party and raised net proceeds of approximately HK$31.8 million (equivalent to approximately RMB29.6 million). The new shares rank equally with all existing shares.

On 8 November 2024, the Company further issued 71,524,000 new shares at a price of HK$1.23 per Share to an independent third party and raised net proceeds of approximately HK$87.1 million (equivalent to approximately RMB80.5 million). The new shares rank equally with all existing shares.

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 2024

	Note	2024 RMB'000	2023 RMB'000 (restated)
Cash flows from operating activities from continuing operations			
Cash used in continuing operations	31(a)	(43,146)	(130,409)
Income tax refunded		256	386
Interest received		185	198
Net cash used in operating activities from continuing operations		(42,705)	(129,825)
Net cash generated from/(used in) operation activities from discontinued operations	22	18,878	(3,046)
Net cash used in operating activities		(23,827)	(132,871)
Cash flows from investing activities from continuing operations			
Purchase of properties, plant and equipment		(9,538)	(187,321)
Proceeds from disposal of properties, plant and equipment	31(b)	906	2,733
Purchase of intangible assets		–	(359)
Net cash inflow from disposals of subsidiaries	32	32,363	67,171
Net cash generated from/(used in) investing activities from continuing operations		23,731	(117,776)
Net cash used in investing activities from discontinued operations	22	(40)	(2,637)
Net cash generated from/(used in) investing activities		23,691	(120,413)

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2024

	Note	2024 RMB'000	2023 RMB'000 (restated)
Cash flows from financing activities from continuing operations			
Proceeds from bank borrowings		80,819	103,734
Repayments of bank and other borrowings		(146,170)	(76,526)
Payment of interest on bank and other borrowings		(7,406)	(5,282)
Repayments of bonds		(18,891)	–
Proceeds from bonds issuance		15,758	–
Payment of interest on bonds payable		(1,691)	(1,669)
Transaction with non-controlling interest	34	–	145,331
Repayment of loan from a director		–	(3,618)
Proceeds from loans from related companies		84,268	303,324
Repayments of loans from related companies		(215,522)	(179,998)
Repayment of principal elements of lease liabilities		(4,653)	(29,955)
Repayment of interest elements of lease liabilities		(5,826)	(7,214)
Change in short-term bank deposits		–	187
Proceeds from issuance of shares		195,282	20,536
Net cash (used in)/generated from financing activities from continuing operations		(24,032)	268,850
Net cash (used in)/generated from financing activities from discontinued operations	22	(23,037)	11,137
Net cash (used in)/generated from financing activities		(47,069)	279,987
Net (decrease)/increase in cash and cash equivalents		(47,205)	26,703
Cash and cash equivalents at beginning of the year		70,225	41,471
Currency translation differences		6,093	2,051
Transferred to assets of disposal group classified as held for sale	23	(394)	–
Cash and cash equivalents at end of the year	20	28,719	70,225

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

USPACE Technology Group Limited 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 (A) aerospace business (the "**Aerospace Business**") comprising (1) satellite manufacturing, (2) satellite component manufacturing, (3) precision electronics manufacturing, (4) satellite data applications, (5) satellite telemetry, tracking, and controlling (TT&C), and (6) satellite launch; and (B) electronics manufacturing services ("**EMS**") business (the "**EMS Business**"), including assembling and production of printed circuit board assemblies (the "**PCBAs**") and fully-assembled electronic products. The operation of the Productive Group (details refer to Note 22) was discontinued during the year.

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

These consolidated financial statements are presented in unit of Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**"), unless otherwise stated. These consolidated financial statements were approved for issue by the board of directors ("**Directors**") on 31 March 2025.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with HKFRS Accounting Standards issued by the 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 of disposal group classified as held for sale which is measured at the lower of carrying amount and fair value less costs to sell.

The preparation of the consolidated financial statements in conformity with HKFRS Accounting Standards 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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

The Group recorded a net loss of RMB265,333,000 and a net cash outflow from operating activities from continuing operations of RMB42,705,000 for the year ended 31 December 2024. As at 31 December 2024, the Group's current liabilities exceeded its current assets by RMB161,690,000 while the Group's cash and cash equivalents amounted to RMB28,719,000.

In addition, the Group had received writs of summons during the year in respect of alleged breaches of tenancy agreements for a total amount of approximately HK$47.4 million (equivalent to approximately RMB44.5 million) for the premises located in Hong Kong.

Furthermore, the Group has entered into (1) a number of fitting-out contracts and procurement and installation contracts for the setting up of the Aerospace Business in Hong Kong and (2) procurement contracts for satellites. As at 31 December 2024, the Group's capital expenditures commitment expected to be payable within the next twelve months amounted to approximately RMB47.6 million.

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 had prepared a forecast covering a period of not less than twelve months from the end of the year taking into account of the followings:

(i) On 17 March 2025, the Group obtained a letter of undertaking (the "**Undertaking Letter**") from Mr. Sun Fengquan ("**Mr. Sun**", a substantial shareholder and chief executive officer of the Company), pursuant to which Mr. Sun has irrevocably undertaken to provide the Group with an unsecured and interest-free revolving loan when necessary to meet the Group's future financial obligation. The Undertaking Letter is valid and subsisting up to 31 March 2026 and any loan drawn thereunder shall be repayable on 31 March 2026;

(ii) On 17 March 2025, the Group entered into a loan agreement with Vision International Group Limited ("**Vision**"), a company wholly owned by Mr. Sun, pursuant to which Vision has agreed to provide the Company unsecured and interest-free loan facility of HK$200.0 million (approximately RMB187.9 million) ("**Vision facility**"). The Vision facility is valid and subsisting up to 31 March 2026. Up to the date of this report, the Group drew a total of approximately RMB106.7 million from the Vision facility;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

(iii) On 17 March 2025, the Group entered into a loan agreement with Hong Kong Aerospace Technology Holdings Limited ("**HKATH (BVI)**"), a company wholly owned by Vision, pursuant to which HKATH (BVI) has agreed to provide the Company an unsecured and interest-free loan facility of HK$100.0 million (approximately RMB94.0 million) ("**HKATH (BVI) facility**"). The HKATH (BVI) facility is valid and subsisting up to 31 March 2026. Up to the date of this report, the Group drew a total of approximately RMB26.6 million from the HKATH (BVI) facility;

(iv) In July and October 2021, the Group entered into legally binding agreements with an independent third-party lender (the "**Lender**") for loans in the aggregate sum of approximately RMB98.2 million (the "**Loans**"). The Group entered into supplemental agreements with the Lender to extend the repayment date of the Loans to 7 March 2026. As at 31 December 2024, the Loans amounted to approximately RMB59.4 million;

(v) On 4 November 2024, the Company entered into a placing agreement with a placing agent. Pursuant to the placing agreement, the Company agreed to appoint the placing agent and the placing agent agreed to arrange, on a best effort basis, the placees to subscribe for the one-year 10% per annum fixed coupon unsecured unsubordinated and unlisted bonds to be issued in tranches by the Company in an aggregate principal amount of up to HK$100.0 million. As at 31 December 2024, the Company successfully raised HK$19.0 million (approximately RMB17.9 million) in principal from the bondholders. The Company expects to receive more subscriptions of bonds during the rest of the placing period ending on 3 May 2025;

(vi) On 22 November 2024, Huizhou City Eternity Company Limited* (惠州市弘盛昌科技有限公司), a wholly-owned subsidiary of the Company (the "**Vendor**"), Huizhou City Long Ming Technology Company* (惠州市隆明科技有限公司), an independent third-party (the "**Purchaser**") and a wholly owned subsidiary of the Vendor namely Huizhou City Eternity Technology Company* (惠州市恒昌盛科技有限公司, the "**Target Company**") entered into an agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase the entire paid-up capital of the Target Company at a consideration of RMB27.1 million. The net proceeds from the disposal will be approximately RMB26.8 million which will be allocated for repayment of bank borrowings and general working capital of the EMS Business. The completion of the transaction is subject to various conditions precedent but the Group expects the transaction will be completed by the end of June 2025;

(vii) In August and December 2024, the Group obtained banking facilities totalling RMB58.0 million from two banks in Mainland China to support the general working capital of the EMS Business. As at 31 December 2024, the amount undrawn under these facilities totalled approximately RMB20.0 million;

* *for identification purpose only*

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

(viii) The Group will substantially improve its cash flow position by reducing its net operating cash outflows from operations for the next twelve months by implementing various business strategies including (i) the EMS Business being able to secure contracts from new customers with higher margins; (ii) the Aerospace Business being successful in its business development effort to expand its businesses abroad and also to secure new customers worldwide and generate cash inflows; and (iii) the Group will make a more effective use of its resources and minimise its operating costs and expenses;

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

(x) 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 reviewed the Group's cash flow projections, which cover a period of not less than twelve months from 31 December 2024. 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 2024. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

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

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

c) Successfully obtaining adequate funding through existing financing arrangements or new borrowings, renewing existing borrowings, and the issuance of new equity and/or debt securities as mentioned in Notes (v), (vii), (ix) and (x) above.

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Except as described below, the application of the amendments to HKFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The Group has applied the amendments for the first time in the current year.

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the year. Specifically, the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

- clarify that the settlement of a liability can be a transfer of cash, goods or services, or the entity's own equity instruments to the counterparty. If a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(b) Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year (Continued)

Impacts on application of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments") (Continued)

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the 2022 Amendments specifically clarify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date, even if compliance with the covenant is assessed only after the reporting date. The 2022 Amendments also specify that covenants with which an entity must comply after the reporting date (i.e. future covenants) do not affect the classification of a liability as current or non-current at the reporting date. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

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

The following new and amended standards have been published that are not mandatory for the Group's financial periods beginning 1 January 2024 and have not been early adopted by the Group.

HKFRS 18	Presentation and Disclosure in Financial Statements[4]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11[3]
Amendments to HKAS 21	Lack of Exchangeability[2]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after l January 2025.
3 Effective for annual periods beginning on or after 1 January 2026.
4 Effective for annual periods beginning on or after 1 January 2027.

Except for the new and amendments to HKFRS Accounting Standards mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made. HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies

2.2.1 Subsidiaries

(a) Consolidation

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

(i) Business combination

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

Acquisition-related costs are expensed as incurred.

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

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

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.1 Subsidiaries (Continued)

(a) Consolidation (Continued)

(i) Business combination (Continued)

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.

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

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

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

(iii) Disposal of subsidiaries

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

(b) Separate financial statements

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

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.2 Segment reporting

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

2.2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss 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 statement of profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets are recognised in other comprehensive income.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.3 Foreign currency translation (Continued)

(c) Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

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

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

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

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.4 Properties, plant and equipment

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

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

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

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

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

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

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 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.5 Investment property

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

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

Buildings	20 years

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

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

2.2.6 Intangible assets

System software

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

Membership right

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

2.2.7 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 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.8 Financial assets

(a) *Classification*

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

- those to be measured subsequently at fair value 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 be recorded in consolidated statement of profit or loss.

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

(b) *Recognition and 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.

(c) *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 statement of profit or loss.

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.8 Financial assets (Continued)

(c) Measurement (Continued)

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 statement of profit or loss and presented in 'other losses, net' together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value.

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

2.2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position 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 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.10 Impairment of financial assets

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

For trade and bills receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The 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.

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.

2.2.11 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 and bills receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Group holds the trade and bills receivables with the objective of collecting the contractual cash flows and therefore it measures them subsequently at amortised cost using the effective interest method.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.12 Inventories

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

2.2.13 Cash and cash equivalents

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

2.2.14 Share capital

Ordinary shares are classified as equity.

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

2.2.15 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade 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 and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.2.16 Borrowings

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

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

Covenants that the Group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current and non-current. Covenants that the Group is required to comply with after the reporting period do not affect the classification at the reporting date.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.17 Borrowing costs

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

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

All borrowing costs are recognised in consolidated statement of profit or loss in the period in which they are incurred.

2.2.18 Provisions

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

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

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

2.2.19 Current and deferred income tax

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

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries 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, and it considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on either the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.19 Current and deferred income tax (Continued)

(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 and does not give rise to equal taxable and deductible temporary differences. 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 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.

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

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.20 Employee benefits

(a) Short-term obligations

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

(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 statement of financial position 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.

The Group has arranged its employees in Hong Kong to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' mandatory contributions are subject to a cap of HK$1,500 per month.

(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 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.21 Share-based payments

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

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

2.2.22 Revenue recognition

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

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

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

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.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.22 Revenue recognition (Continued)

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

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

Sales of goods

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

2.2.23 Interest income

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

2.2.24 Dividend income

Dividends are received from financial assets measured at fair value through profit or loss. Dividends are recognised as other income in consolidated statement of profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits.

2.2.25 Lease

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

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

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.25 Lease (Continued)

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

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

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and

- makes adjustments specific to the lease, e.g. term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.25 Lease (Continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The useful life used for the assets' depreciation purpose are:

Properties	Over the lease term
Land	Over the lease term

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise equipment and small items of office furniture.

2.2.26 Dividend distribution

Dividend distribution to the shareholders is recognised as a liability in the years in which the dividend are approved by the Company's shareholders or directors, where appropriate.

2.2.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to expenses are deferred and recognised in the consolidated statement of profit or loss 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 statement of profit or loss on a straight-line basis over the expected lives of the related assets.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Material accounting policies (Continued)

2.2.28 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

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 statement of profit or loss.

2.3 Summary of other accounting policies

This note provides a list of other potentially material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.3.1 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amounts of obligation cannot be measured reliably.

2 BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Summary of other accounting policies (Continued)

2.3.1 Contingent liabilities (Continued)

A contingent liability is not recognised but is disclosed in the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

3 FINANCIAL RISK MANAGEMENT

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

3.1 Market risk

(a) Foreign exchange risk

The Group operates in Hong Kong and Mainland China 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Market risk (Continued)

(b) Interest rate risk (Continued)

The Group's interest rate risk arises mainly from restricted cash, pledged bank deposits, cash at banks and bank and other borrowings. Details of the Group's restricted cash, pledged bank deposits, cash at banks and bank and other borrowings have been disclosed in Notes 20 and 29 to the consolidated financial statements respectively.

As at 31 December 2024, if interest rates on restricted cash, pledged 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 RMB943,000 (2023 (restated): RMB1,458,000) higher/lower, mainly as a result of lower/higher of interest income on the restricted cash, pledged 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, cash at banks, amount due from a related company, trade and bills receivables, deposits 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 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.

The concentration of credit risk is limited due to the customer base being large and unrelated.

(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 2024, the balance of loss allowance in respect of these individually assessed receivables was RMB5,360,000 (2023: RMB11,277,000).

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 2024, the balance of loss allowance in respect of these collectively assessed receivables was approximately RMB2,015,000 (2023: RMB2,162,000).

Impairment losses on trade and bills receivables are presented as reversal of impairment/(impairment losses) on trade and bills receivables in the consolidated statement of profit or loss. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets carried at amortised cost

The Group's other financial assets carried at amortised cost include deposits and other receivables and amount due from a related company in the consolidated statement of financial position. 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 2024 and 2023, management considered the credit risk of deposits and other receivables and amount due from a related company to be low as counterparties have a strong capacity to meet their contractual cash flow obligations in the near term. The Group has assessed that the expected credit losses for these deposits and other receivables and amount due from a related company were immaterial under 12-month expected losses method. Therefore, the loss allowance provision for these balances was close to zero and no provision was recognised.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Market risk (Continued)

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the shorter and longer term.

The Group maintains liquidity by a number of sources including orderly realisation of short-term financial assets, receivables and certain assets that the Group considers appropriate and long-term financing including long-term borrowings and lease liabilities are also considered by the Group in its capital structuring. The Group aims to maintain flexibility in funding by keeping sufficient bank balances, committed credit lines available and interest-bearing borrowings which enable the Group to continue its business for the foreseeable future.

The Group recorded a net loss of RMB265,333,000 and a net cash outflow from operating activities from continuing operations of RMB42,705,000 for the year ended 31 December 2024. As at 31 December 2024, the Group's current liabilities exceeded its current assets by RMB161,690,000 while the Group's cash and cash equivalents amounted to RMB28,719,000. In addition, the Group had received writs of summons during the year in respect of alleged breaches of tenancy agreements for a total amount of approximately HK$47,354,000 (equivalent to approximately RMB44,498,000) for the premises located in Hong Kong. Furthermore, the Group had significant capital expenditures commitment under various contractual and other arrangements as at 31 December 2024, 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 2024, the total cash and bank balances of the Group amounted to approximately RMB9,574,000 (2023: RMB31,156,000) were deposited with various banks in Mainland China. The remittance of funds out of Mainland China is subject to the rules and regulations of foreign exchange control promulgated by the Government of the PRC.

As at 31 December 2024, the Group's total undrawn banking facilities amounted to approximately RMB20,000,000 (2023: RMB125,100,000), and the Group's total drawn banking facilities amounted to approximately RMB107,136,000 (2023: RMB153,996,000), which included an amount of RMB47,351,000 (2023: Nil) that reclassified as held for sale as at 31 December 2024.

The table below analyses the non-derivative financial liabilities of the Group into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Market risk (Continued)

(d) Liquidity risk (Continued)

The amounts disclosed in the table were the contractual undiscounted cash flows and the earliest date the Group can be required to pay. Balances due within twelve months equal their carrying balances as impact from discounting is not significant.

Specifically, for bank and other borrowings and lease liabilities which contain a repayment on demand clause which can be exercised at the lender's sole discretion, the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the lender were to invoke the unconditional rights to call the loans with immediate effect.

	Repayable on demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2024					
Trade payables	–	61,763	–	–	61,763
Other payables	–	68,821	–	–	68,821
Lease liabilities	33,310	37,519	38,032	57,194	166,055
Bank and other borrowings					
— principal portion	–	60,825	62,208	–	123,033
Bonds payable	–	16,274	–	–	16,274
Loans from related companies	127,582	–	–	–	127,582
	160,892	245,202	100,240	57,194	563,528
At 31 December 2023					
Trade payables	–	85,153	–	–	85,153
Other payables	–	83,570	–	–	83,570
Lease liabilities	–	36,648	38,800	93,183	168,631
Bank and other borrowings					
— principal portion	–	195,932	26,233	24,803	246,968
Bonds payable	17,809	–	–	–	17,809
Loans from related companies	258,140	–	–	–	258,140
	275,949	401,303	65,033	117,986	860,271

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 *RMB'000*	Between 1 and 2 years *RMB'000*	Between 2 and 5 years *RMB'000*	Total *RMB'000*
At 31 December 2024				
Lease liabilities	75,179	41,094	59,064	175,337
Bank and other borrowings				
— Principal portion	60,825	62,208	–	123,033
— Interest portion	3,911	603	–	4,514
Bonds payable				
— Principal portion	17,854	–	–	17,854
— Interest portion	1,581	–	–	1,581
	159,350	103,905	59,064	322,319
At 31 December 2023				
Lease liabilities	48,348	43,231	97,804	189,383
Bank and other borrowings				
— Principal portion	195,932	26,233	24,803	246,968
— Interest portion	5,564	1,797	849	8,210
Bonds payable				
— Principal portion	18,632	–	–	18,632
— Interest portion	1,288	–	–	1,288
	269,764	71,261	123,456	464,481

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 related companies) and total equity, as shown in the consolidated statement of financial position. The total debt to total capital ratios at 31 December 2024 and 2023 were as follows:

	2024	2023
	RMB'000	*RMB'000*
Total borrowings	**432,944**	691,548
Total equity	**136,216**	203,377
Total debt to total capital ratio	**318%**	340%

The decrease in total debt to total capital ratio as at 31 December 2024 was mainly due to repayment of loans from related companies and bank and other borrowings with the issuance of ordinary shares during the year ended 31 December 2024.

3.3 Fair value estimation

The carrying amounts of the Group's financial assets and liabilities include cash and cash equivalents, pledged bank deposits, restricted cash, trade and bills receivables, deposit and other receivables, amount due from a related company, trade payables, other payables, loans from related companies, bank and other borrowings, bonds payable and lease liabilities approximate their fair values due to their short maturities. The carrying amounts of non-current deposits, bank and other borrowings and lease liabilities approximate their fair values which are estimated based on the discounted cash flows.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The carrying values of financial instruments measured at fair value at the statement of financial position 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 2024 and 2023:

	Level 1 *RMB'000*	Level 2 *RMB'000*	Level 3 *RMB'000*	Total *RMB'000*
At 31 December 2024				
Financial asset at fair value through profit or loss				
— unlisted equity securities	**–**	**–**	**–**	**–**
At 31 December 2023				
Financial asset at fair value through profit or loss				
— unlisted equity securities	–	–	917	917

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position 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 2024:

	RMB'000
As at 1 January 2023	1,172
Loss on fair value changes of financial asset at fair value through profit or loss *(Note 8)*	(255)
As at 31 December 2023 and 1 January 2024	917
Loss on fair value changes of financial asset at fair value through profit of loss *(Note 8)*	(917)
As at 31 December 2024	–

Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements (see above for the valuation techniques adopted):

Description	Fair value at 31 December 2024 *RMB'000*	Fair value at 31 December 2023 *RMB'000*	Unobservable inputs	Range of inputs 31 December 2024	Range of inputs 31 December 2023	Relationship of unobservable inputs to fair value
Unlisted equity securities	–	917	Discount rate	N/A	30%	The higher discount rate, the lower fair value.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

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 Impairment on receivables

The Group makes provision for impairment on 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 on 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 loss for the impairment on receivables recognised in the periods in which such estimates have been changed.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

4.3 Impairment on properties, plant and equipment

The Group conducts impairment review on properties, plant and equipment that are subject to depreciation whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

As disclosed in Note 5, the segment assets in the Aerospace Business amounted to approximately RMB454,884,000 as at 31 December 2024. The Group had made an impairment on the relevant Group's aerospace assets according to the fair value less cost of disposal with amounted to approximately RMB87,934,000 during the year. For details, please refer to Note 13(a).

For the impairment losses amounted to RMB12,347,000 on the properties, plant and equipment under disposal group classified as held for sale, please refer to Note 23 for details.

As disclosed in Note 2.1(a), the Group is implementing various plans and measures to obtain the necessary funding. If the Group fails to achieve those plans and measures, it might not be able to continue as a going concern, and adjustments would have to be made to write down the carrying value of the Group's assets (including properties, plant and equipment) to their recoverable amounts, and to reclassify non-current assets (including properties, plant and equipment) as current assets. The effects of these adjustments have not been reflected in these consolidated financial statements.

5 REVENUE AND SEGMENT INFORMATION

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

The 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 2024, the Group had two reportable operating segments being:

(i) EMS Business — Banking and finance and other devices*; and
(ii) Aerospace Business.

* Included the assets of disposal group classified as held for sale as disclosed in Note 23.

For the EMS Business — Smart home devices, it was classified as discontinued operations in the current year. The segment information reported does not include any amounts for the discontinued operations, which are described in Note 22.

5 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenue and gross profit

	EMS Business *RMB'000*	Aerospace Business *RMB'000*	Total *RMB'000*
For the year ended 31 December 2024			
Continuing operations			
Segment revenue	316,554	–	316,554
Inter-segment revenue	(751)	–	(751)
Revenue from external customers	315,803	–	315,803
Segment cost of sales	(267,681)	–	(267,681)
Segment gross profit	48,122	–	48,122
Other segment information:			
Depreciation of properties, plant and equipment	13,139	27,640	40,779
Depreciation of right-of-use assets	1,714	31,858	33,572
Depreciation of investment properties	302	–	302
Amortisation of intangible assets	929	–	929
Impairment losses on properties, plant and equipment	–	87,934	87,934
Impairment losses on assets of disposal group classified as held for sale	12,347	–	12,347
Reversal of impairment on trade and bills receivables	(903)	–	(903)
Provision for inventories	4,534	–	4,534
Additions to non-current segment assets*	1,986	7,511	9,497

5 REVENUE AND SEGMENT INFORMATION (Continued)

(a) Segment revenue and gross profit (Continued)

	EMS Business *RMB'000*	Aerospace Business *RMB'000*	Total *RMB'000*
For the year ended 31 December 2023 (restated)			
Continuing operations			
Segment revenue	473,036	–	473,036
Inter-segment revenue	(3,973)	–	(3,973)
Revenue from external customers	469,063	–	469,063
Segment cost of sales	(414,729)	–	(414,729)
Segment gross profit	54,334	–	54,334
Other segment information:			
Depreciation of properties, plant and equipment	16,262	11,821	28,083
Depreciation of right-of-use assets	2,426	31,725	34,151
Depreciation of investment properties	252	–	252
Amortisation of intangible assets	970	–	970
Provision for impairment losses of properties, plant and equipment	–	25,422	25,422
Impairment losses on trade and bills receivables	6,266	–	6,266
Reversal of provision for inventories	(11,823)	–	(11,823)
Additions to non-current segment assets*	4,432	177,651	182,083

* For the year ended 31 December 2024, the additions to non-current segment assets include additions to properties, plant and equipment and right-of-use assets (2023: included (i) additions to properties, plant and equipment, right-of-use assets and intangible assets; and (ii) prepayments for the acquisitions of properties, plant and equipment and intangible assets).

5 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

	EMS Business *RMB'000*	Aerospace Business *RMB'000*	Total *RMB'000*
As at 31 December 2024			
Continuing operations			
Segment assets*	**387,331**	**454,884**	**842,215**
Segment liabilities#	**240,067**	**461,156**	**701,223**

	EMS Business *RMB'000*	Aerospace Business *RMB'000*	Total *RMB'000*
As at 31 December 2023 (restated)			
Continuing operations			
Segment assets	446,045	601,685	1,047,730
Segment liabilities	311,715	559,362	871,077

Reportable segment assets are reconciled to total assets as follows:

	2024 ***RMB'000***	2023 *RMB'000* (restated)
Segment assets*	**842,215**	1,047,730
Assets relating to discontinued operations##	**–**	102,637
Financial asset at fair value through profit or loss	**–**	917
Current income tax recoverable	**105**	113
Deferred tax assets	**2,849**	3,486
Total assets	**845,169**	1,154,883

5 REVENUE AND SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities (Continued)

Reportable segment liabilities are reconciled to total liabilities as follows:

	2024 *RMB'000*	2023 *RMB'000* (restated)
Segment liabilities#	701,223	871,077
Liabilities relating to discontinued operations	–	71,188
Current income tax liabilities	6,912	8,445
Deferred tax liabilities	818	796
Total liabilities	708,953	951,506

* Included in segment assets, there are assets of disposal group classified as held for sales of RMB130,965,000 for the EMS Business as at 31 December 2024.

\# Included in segment liabilities, there are liabilities of disposal group classified as held for sales of RMB48,460,000 for the EMS business as at 31 December 2024.

\## Included in assets relating to discontinued operations, there are deferred tax assets of RMB295,000 as at 31 December 2023.

(c) Disaggregation of revenue from contracts with customers

The Group derives revenue from the sales of goods at a point in time as follow:

	2024 *RMB'000*	2023 *RMB'000* (restated)
Continuing operations		
Timing of revenue recognition		
At a point in time — sales of goods	315,803	469,063

5 REVENUE AND SEGMENT INFORMATION (Continued)

(d) Segment revenue by customers' geographical location

The Group's revenue from continuing operations by geographical location, which is determined by the location of customers, is as follows (excluding those related to discontinued operations):

	2024	2023
	RMB'000	*RMB'000*
		(restated)
Mainland China	**177,715**	353,275
Vietnam	**30,568**	3,662
India	**30,038**	27,689
Hong Kong	**26,488**	10,411
South Korea	**17,823**	14,894
Australia	**13,008**	15,375
Germany	**10,137**	26,363
The United States of America (the "**USA**")	**6,165**	9,307
Austria	**–**	4,989
Others	**3,861**	3,098
	315,803	469,063

(e) Details of contract liabilities

	2024	2023
	RMB'000	*RMB'000*
Contract liabilities *(Note 28)*	**20,473**	18,492

Notes:

(i) Contract liabilities represent advanced payments received from the customers for goods that have not been transferred to the customers. The balances of contract liabilities fluctuated during the years ended 31 December 2024 and 2023 with sales order with advanced payments.

(ii) The following table shows the amount of revenue recognised in the current year relating to carried-forward contract liabilities:

	2024	2023
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**7,609**	10,058

5 REVENUE AND SEGMENT INFORMATION (Continued)

(f) Major customers

There is no single customer from continuing operations contributing over 10% of total revenue of the Group for the year ended 31 December 2024 and 2023.

(g) Unsatisfied performance obligations

As at 31 December 2024 and 2023, all performance obligations not yet satisfied by the Group were from contracts with original expected duration of less than one year. Therefore, as permitted by the relevant practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations was not disclosed.

(h) Non-current assets by geographical location

The total amounts of non-current assets, other than those related to discontinued operations and financial instruments and deferred tax assets of the Group as at 31 December 2024 and 2023 are located in the following regions:

	2024	2023
	RMB'000	*RMB'000*
		(restated)
Hong Kong	**393,693**	547,035
Mainland China	**63,987**	174,526
Germany	**8**	243
	457,688	721,804

6 LOSS FOR THE YEAR FROM CONTINUING OPERATIONS

Loss for the year form continuing operations has been arrived at after charging (crediting):

	2024 RMB'000	2023 RMB'000 (restated)
Continuing operations		
Cost of raw material used	187,673	340,998
Employee benefit expenses and manpower services expenses, including Directors' emoluments *(Note 9)*	123,756	140,289
Rental expenses of short-term leases in respect of machinery and properties *(Note 13(b))*	4,117	3,962
Amortisation of intangible assets *(Note 15)*	929	970
Depreciation for properties, plant and equipment and right-of-use assets	74,351	62,234
Depreciation for investment properties *(Note 14)*	302	252
Provision/(reversal of provision) for inventories	4,534	(11,823)
Auditor's remuneration		
— Audit services	2,000	2,976
— Non-audit services	234	484
Impairment losses on properties, plant and equipment *(Note 13)*	87,934	25,422
Impairment losses on assets of disposal group classified as held for sale *(Note 23)*	12,347	–
Share-based payments *(Note 35)*	–	13,970
(Reversal of impairment)/impairment losses on trade and bills receivables *(Note 21)*	(903)	6,266
Exchange loss	1,792	5,075
Loss on disposal of properties, plant and equipment	55	960
Fair value changes from financial asset at fair value through profit or loss *(Note 3.3(c))*	917	255
Gain on lease modification	–	(52)

7 OTHER INCOME

	2024 RMB'000	2023 RMB'000 (restated)
Continuing operations		
Government grants	2,890	3,411
Service income	2,191	–
Rental income	661	774
Sundry income	1,401	1,672
	7,143	5,857

8 OTHER LOSSES, NET

	2024 RMB'000	2023 RMB'000 (restated)
Continuing operations		
Gains on disposals of subsidiaries	–	5,404
Exchange loss	(1,792)	(5,075)
Fair value changes from financial asset at fair value through profit or loss *(Note 3.3(c))*	(917)	(255)
Gain on lease modification	–	52
Loss on disposal of properties, plant and equipment *(Note 31(b))*	(55)	(960)
Others	(771)	–
	(3,535)	(834)

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

	2024 RMB'000	2023 RMB'000 (restated)
Continuing operations		
Salaries, wages and bonus	118,751	120,507
Pension costs		
— defined contribution plans *(Note (a))*	3,809	14,369
Other staff welfares	1,130	5,015
Total employee benefit expenses (including Directors' remunerations)	123,690	139,891
Manpower services expenses *(Note (b))*	66	398
	123,756	140,289

(a) Pension costs — defined contribution plans

Mainland China

As stipulated under the relevant rules and regulations in the PRC, the subsidiaries operating in Mainland China contribute to state-sponsored retirement plans for its employees. For the years ended 31 December 2024 and 2023, 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 post-retirement 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 2024 and 2023, the Group had no forfeited contributions available to reduce the existing level of contributions.

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

(a) Pension costs — defined contribution plans (Continued)

Hong Kong

The Group has arranged its employees in Hong Kong to join the Mandatory Provident Fund Scheme (the "**MPF Scheme**"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the Group's and the employees' mandatory contributions are subject to a cap of HK$1,500 per month.

No forfeited contribution is available to reduce the contribution payable in future year.

(b) Manpower services expenses

During the years ended 31 December 2024 and 2023, the Group entered into certain manpower service arrangements with several external manpower service organisations in Mainland China. 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 highest paid individuals in the Group include two former Directors for the year ended 31 December 2024 (2023: four existing Directors), whose emoluments are reflected in the analysis presented in Note 41. The emoluments payable to the remaining three individuals for the year ended 31 December 2024 (2023: one) are as follows:

	2024 *RMB'000*	2023 *RMB'000*
Salaries, allowances and benefits in kind	5,687	2,200
Discretionary bonus	55	328
Pension costs — defined contribution plans	117	16
	5,859	2,544

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

(c) Five highest paid individuals (Continued)

The emoluments of the highest paid employees who are not the Directors fell within the following bands:

	Number of individuals	
	2024	2023
Emolument bands		
HK$1,500,001 — HK$2,000,000	**1**	–
HK$2,000,001 — HK$2,500,000	**2**	–
HK$2,500,001 — HK$3,000,000	**–**	1

(d) During the years ended 31 December 2024 and 2023, 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

	2024	2023
	RMB'000	*RMB'000*
		(restated)
Continuing operations		
Finance income		
Interest income on cash at banks	**185**	198
Finance costs		
Interest expense on bank and other borrowings	**(7,406)**	(7,732)
Interest expense on lease liabilities *(Note 13(b))*	**(5,826)**	(7,162)
Interest expense on bonds payable	**(2,726)**	(2,731)
Late interest on rental charges	**(1,532)**	–
	(17,490)	(17,625)
Finance costs, net	**(17,305)**	(17,427)

11 INCOME TAX EXPENSE/(CREDIT)

During the years ended 31 December 2024 and 2023, no provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profits in Hong Kong.

During the year ended 31 December 2024, Shenzhen Hengchang Sheng Technology Company Limited* ("**Shenzhen Hengchang Sheng**"), the Group's major operating subsidiary in Mainland China has qualified for high and new technology enterprises status and is therefore subject to a preferential income tax rate of 15% (2023: 15%).

Gang Hang Ke (Shenzhen) Space Technology Co., Limited* ("**SZ Gang Hang Ke**"), the Group's subsidiary in Mainland China, has been qualified for small-scale enterprises with minimal profits status and is subject to an applicable tax rate of 20% (2023: 20%).

Eternity Electronic Manufacturing Service GmbH, the Group's subsidiary in Germany were subject to German corporate income tax at the tax rate of 15.825% during the year ended 31 December 2024 (2023: 15.825%).

Other Group's entities in Mainland China were subject to the corporate income tax ("**CIT**") in the PRC at the tax rate of 25% during the year ended 31 December 2024 (2023: 25%).

	2024	2023
	RMB'000	*RMB'000*
		(restated)
Continuing operations		
Current income tax		
— Withholding tax	**–**	27
— German Enterprise Income Tax	**64**	–
	64	27
Under provision in prior year:		
— PRC Enterprise Income Tax	**123**	–
Deferred income tax *(Note 26)*	**637**	(3,945)
Income tax expense/(credit)	**824**	(3,918)

* *For identification purpose only*

11 INCOME TAX EXPENSE/(CREDIT) (Continued)

The taxation on the Group's loss before income tax differed from the theoretical amount that would arise using the weighted average tax rate applicable to profits/(losses) of subsidiaries of the Group as follows:

	2024 ***RMB'000***	2023 *RMB'000* (restated)
Loss before income tax	**(267,769)**	(228,013)
Tax calculated at tax rates applicable to profits/losses of the respective subsidiaries	**(45,319)**	(39,484)
Tax effect of:		
Income not subject to tax	**(1,076)**	(1,701)
Expenses not deductible for tax purpose	**48,105**	30,238
Tax loss for which no deferred income tax asset was recognised	**1,623**	8,250
Underprovision in prior year	**123**	–
Utilisation of tax loss previously not recognised	**(2,376)**	(570)
Temporary difference previously not recognised	**(174)**	74
Withholding tax	**–**	27
Super deductions from research and development expenditures *(Note)*	**(82)**	(752)
Income tax expense/(credit)	**824**	(3,918)

Note: According to the relevant laws and regulations promulgated by the State Administration of Taxation of Mainland China, 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

For continuing operations

The calculation of the basic loss per share attributable to equity holders of the Company is based on the following data:

	2024 *RMB'000*	2023 *RMB'000*
Loss:		
Loss for the year attributable to equity holders of the Company	(198,005)	(211,141)
Less: Profit for the year from discontinued operations	3,260	1,314
Loss for the purposes of basic loss per share from continuing operations	(201,265)	(212,455)
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic loss per share (thousands of shares)	381,195	309,615

For continuing and discontinued operations

The calculation of the basic loss per share from continuing and discontinued operations attributable to equity holders of the Company is based on the following data:

	2024 *RMB'000*	2023 *RMB'000*
Loss:		
Loss for the purpose of basic loss per share		
Loss for the year attributable to equity holders of the Company	(198,005)	(211,141)

The denominator used are the same as those detailed above for basic loss per share.

For discontinued operations

Basic profit per share for the discontinued operations is RMB0.86 cents (2023: RMB0.43 cents) per share, based on profit for the period/year from discontinued operations of RMB3,260,000 (2023: RMB1,314,000) and the denominator detailed above for basic loss per share.

No diluted loss per share is presented as there is no potential ordinary share outstanding for both years.

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

		Properties, plant and equipment									
	Right-of-use assets	Buildings	Furniture and fixtures	Office equipment	Plant and machinery	Motor vehicles	Satellites	Leasehold improvements	Construction in progress	Subtotal	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2023											
Opening net book amount	209,435	91,671	730	589	45,327	796	25,338	31,370	228,853	424,674	634,109
Additions	290	–	77	197	2,772	385	14,710	1,856	133,916	153,913	154,203
Depreciation	(37,529)	(3,851)	(169)	(297)	(7,107)	(357)	(9,892)	(8,655)	–	(30,328)	(67,857)
Disposals	–	–	(26)	(69)	(3,598)	–	–	–	–	(3,693)	(3,693)
Lease modification	(3,193)	–	–	–	–	–	–	–	–	–	(3,193)
Transfer to investment property *(Note 14)*	–	(5,862)	–	–	–	–	–	–	–	(5,862)	(5,862)
Impairment losses *(Note 6)*	–	–	–	–	–	–	(25,422)	–	–	(25,422)	(25,422)
Exchange difference	4,474	–	5	3	–	8	–	185	6,976	7,177	11,651
Closing net book amount	173,477	81,958	617	423	37,394	832	4,734	24,756	369,745	520,459	693,936
At 31 December 2023											
Cost	236,996	90,963	806	2,719	82,021	4,236	6,817	38,109	369,745	595,416	832,412
Accumulated depreciation	(63,519)	(9,005)	(189)	(2,296)	(44,627)	(3,404)	(2,083)	(13,353)	–	(74,957)	(138,476)
Net book amount	173,477	81,958	617	423	37,394	832	4,734	24,756	369,745	520,459	693,936
Year ended 31 December 2024											
Opening net book amount	173,477	81,958	617	423	37,394	832	4,734	24,756	369,745	520,459	693,936
Additions	2,375	–	123	27	334	–	–	179	6,500	7,163	9,538
Depreciation	(36,387)	(3,802)	(203)	(258)	(15,972)	(293)	(1,386)	(20,991)	–	(42,905)	(79,292)
Disposals	(227)	–	–	–	(734)	–	–	–	–	(734)	(961)
Transfer to assets of disposal group classified as held for sale	(24,689)	(70,821)	(36)	(9)	–	–	–	(11,864)	–	(82,730)	(107,419)
Written-off	–	–	–	–	–	–	–	–	(6,175)	(6,175)	(6,175)
Impairment losses *(Note 6)*	–	–	(5)	(7)	(57,405)	–	(3,348)	(4,304)	(22,865)	(87,934)	(87,934)
Disposal of subsidiaries	(5,067)	–	–	(5)	(3,018)	(75)	–	–	–	(3,098)	(8,165)
Transfer	–	–	–	–	174,220	–	–	99,191	(273,411)	–	–
Exchange difference	4,108	–	–	21	31	5	–	155	12,486	12,698	16,806
	113,590	7,335	496	192	134,850	469	–	87,122	86,280	316,744	430,334
At 31 December 2024											
Cost	200,926	11,448	842	2,691	160,262	4,017	3,470	106,044	86,280	375,054	575,980
Accumulated depreciation	(87,336)	(4,113)	(346)	(2,499)	(25,412)	(3,548)	(3,470)	(18,922)	–	(58,310)	(145,646)
Net book amount	113,590	7,335	496	192	134,850	469	–	87,122	86,280	316,744	430,334

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 2024, depreciation expenses from continuing operations of approximately RMB70,563,000 (2023 (restated): RMB51,069,000) were charged in general and administrative expenses; approximately RMB583,000 (2023 (restated): RMB789,000) were charged in selling and distribution expenses; approximately RMB3,205,000 (2023 (restated): RMB10,376,000) were charged in cost of sales.

As at 31 December 2024 and 2023, given that the business plan to generate economic benefits to the Group from the satellites was further delayed from the management's original business plan, the Group has carried out an impairment assessment over the satellites. Considering the useful life of satellites and the revised business plan, the Group decided to make a full impairment of approximately RMB3,348,000 (2023: RMB25,422,000) for those satellites without secured sales orders.

The Group considered that the date of commencement of the commercial operation of the Group's satellite measurement and controlling business has been deferred from its original plan, and therefore an impairment indicator has existed at 31 December 2024 and 2023 for this business, which is a separate cash generating unit. The Group has engaged an external valuer to determine the fair value less cost of disposal of the business at 31 December 2024 and 2023, using the following key assumptions:

	2024	2023
Enterprise value to total asset multiple:	**1.28**	N/A
Price to book value (PB) multiple *(Note i)*:	**N/A**	1.259
Discount for bulk disposal *(Note ii)*:	**N/A**	15%
Discount for lack of marketability *(Note iii)*:	**34%**	15%
Cost of disposal:	**2%**	2%

Note i — Price-to-book value is not applicable as Aspace Satellite Technology Limited and Hong Kong Aerospace Satellite Tracking and Control Limited recorded net liabilities as of 31 December 2024.

Note ii — This was applied to the asset sale scenario in 2023. In 2024, no asset sale scenario is considered. It is solely assumed to be a continuous operation scenario.

Note iii — A higher DLOM is adopted, considering the ongoing litigation that affects the marketability of the property, plant, and equipment.

Based on the valuation carried out by the valuer, the Group considered that an impairment of RMB84,586,000 was necessary at 31 December 2024 as the fair value less cost of disposal of the business was below its carrying value.

For information on non-current assets pledged as securities by the Group, refer to Note 38.

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

(b) Leases

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2024	2023
	RMB'000	*RMB'000*
Right-of-use assets		
Land-use rights	**–**	25,244
Properties	**113,590**	148,233
	113,590	173,477

	2024	2023
	RMB'000	*RMB'000*
Lease liabilities		
Current portion	**70,829**	36,648
Non-current portion	**95,226**	131,983
	166,055	168,631

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

	2024	2023
	RMB'000	*RMB'000*
RMB	**1,449**	8,689
HK$	**164,606**	159,710
Euro ("**EUR**")	**–**	232
	166,055	168,631

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

(b) Leases (Continued)

(ii) Amounts recognised in the consolidated statement of profit or loss

	2024 *RMB'000*	2023 *RMB'000* (restated)
Continuing operations		
Depreciation charge of right-of-use assets		
Land-use rights	555	555
Properties	33,017	33,596
	33,572	34,151
Interest expense on lease liabilities *(Note 10)*	5,826	7,162
Rental expenses of short-term leases in respect of machinery and properties *(Note 6)*	4,117	3,962

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

During the years ended 31 December 2024 and 2023, the total cash outflows for leases were analysed as below:

	2024 *RMB'000*	2023 *RMB'000* (restated)
Cash flows from operating activities from continuing operations*		
Payments for short-term leases in respect of machineries and properties	4,117	3,962
Cash flows from financing activities from continuing operations		
Repayment of principal elements of lease liabilities	4,653	29,955
Repayment of interest elements of lease liabilities	5,826	7,214
The total cash outflow of leases	14,596	41,131

* Payments for short-term leases were not shown separately, but included in the line of 'loss before income tax' in respect of the net cash used in operations using the indirect method.

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

(b) Leases (Continued)

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

The Group leases various offices, staff quarters and a factory. Rental contracts are typically made for fixed periods of 2 to 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants.

(v) Termination options

Termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of termination options are exercisable only by the Group as lessee and not by the respective lessor.

14 INVESTMENT PROPERTY

	2024	2023
	RMB'000	*RMB'000*
At cost		
Beginning net book amount of the year	**5,610**	–
Transfer from properties, plant and equipment *(Note 13)*	**–**	5,862
Depreciation	**(302)**	(252)
Transfer to assets of disposal group classified as held for sale *(Note 23)*	**(5,308)**	–
End of the year	**–**	5,610
Cost	**5,862**	5,862
Accumulated depreciation	**(554)**	(252)
Transfer to assets of disposal group classified as held for sale *(Note 23)*	**(5,308)**	–
Net book amount	**–**	5,610

The fair values of the Group's investment property as at 31 December 2024 were approximately RMB7,800,000 (2023: RMB7,950,000), as determined by an independent professional valuation firm. It is transferred to assets of disposal group classified as held for sale during the year ended 31 December 2024.

Investment property is situated in Mainland China.

Depreciation of approximately RMB302,000 for the year ended 31 December 2024 (2023: RMB252,000) has been included in general and administrative expenses.

15 INTANGIBLE ASSETS

	Membership right RMB'000	System software RMB'000	Software under development RMB'000	Total RMB'000
Year ended 31 December 2023				
Opening net book amount	467	2,496	2,548	5,511
Additions	–	34	325	359
Amortisation	(41)	(929)	–	(970)
Exchange difference	–	–	72	72
Closing net book amount	426	1,601	2,945	4,972
At 31 December 2023				
Cost	610	3,397	2,945	6,952
Accumulated amortisation	(184)	(1,796)	–	(1,980)
Net book amount	426	1,601	2,945	4,972
Year ended 31 December 2024				
Opening net book amount	**426**	**1,601**	**2,945**	**4,972**
Amortisation	**(40)**	**(889)**	**–**	**(929)**
Exchange difference	**–**	**–**	**100**	**100**
Closing net book amount	**386**	**712**	**3,045**	**4,143**
At 31 December 2024				
Cost	**610**	**3,397**	**3,045**	**7,052**
Accumulated amortisation	**(224)**	**(2,685)**	**–**	**(2,909)**
Net book amount	**386**	**712**	**3,045**	**4,143**

During the year ended 31 December 2024, amortisation expenses of approximately RMB821,000 (2023: RMB865,000) were charged in general and administrative expense and approximately RMB108,000 (2023: RMB105,000) were charged in cost of sales.

16 FINANCIAL INSTRUMENTS BY CATEGORY

	2024 *RMB'000*	2023 *RMB'000*
Assets as per consolidated statement of financial position		
Financial assets at amortised cost		
Trade and bills receivables *(Note 21)*	91,272	159,231
Deposits and other receivables *(Note 18)*	30,377	30,943
Amount due from a related company *(Note 39)*	18	17
Restricted cash *(Note 20)*	–	2,683
Pledged bank deposits *(Note 20)*	–	10,000
Cash and cash equivalents *(Note 20)*	28,719	70,225
	150,386	273,099
Financial asset at fair value		
Financial asset at fair value through profit or loss *(Note 17)*	–	917
	150,386	274,016
Liabilities as per consolidated statement of financial position		
Financial liabilities at amortised cost		
Trade payables *(Note 27)*	61,763	85,153
Other payables *(Note 28)*	68,821	83,570
Lease liabilities *(Note 13(b))*	166,055	168,631
Bank and other borrowings *(Note 29)*	123,033	246,968
Bonds payable *(Note 30)*	16,274	17,809
Loans from related companies *(Note 39)*	127,582	258,140
	563,528	860,271

17 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024	2023
	RMB'000	*RMB'000*
Unlisted equity securities	**–**	917

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

As at 31 December 2023, the unlisted equity securities were revalued by an independent professional valuation firm. As at 31 December 2024, the unlisted equity securities was fully impaired during the year.

18 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2024	2023
	RMB'000	*RMB'000*
Current portion		
Prepayments	**43,348**	15,887
Deposits *(Note)*	**2,509**	2,503
Value-added tax receivables	**20,473**	21,457
Other receivables *(Note)*	**10,893**	10,954
	77,223	50,801
Non-current portion		
Prepayments for the acquisition of properties, plant and equipment and intangible asset	**31,375**	28,405
Deposits *(Note)*	**16,975**	17,486
	48,350	45,891
	125,573	96,692

Note: As at 31 December 2024 and 2023, the carrying amounts of deposits and other receivables approximated their fair values.

18 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

The carrying amounts of the Group's deposits and other receivables were denominated in the following currencies:

	2024 RMB'000	2023 RMB'000
RMB	9,265	2,456
USD	1,424	207
HK$	19,670	28,253
EUR	18	27
	30,377	30,943

19 INVENTORIES

	2024 RMB'000	2023 RMB'000
Raw materials	24,177	80,348
Work in progress	1,994	12,635
Finished goods	5,020	13,723
	31,191	106,706

The cost of inventories recognised as expense and included in cost of sales during the year ended 31 December 2024 amounted to approximately RMB266,338,000 (2023 (restated): RMB414,196,000).

20 CASH AND CASH EQUIVALENTS, PLEDGED BANK DEPOSITS AND RESTRICTED CASH

	2024 *RMB'000*	2023 *RMB'000*
Current portion		
Cash at banks	28,647	69,999
Cash on hand	72	226
Cash and cash equivalents *(Note (a))*	28,719	70,225
Pledged bank deposits *(Note (b))*	–	10,000
Non-current portion		
Restricted cash *(Note (c))*	–	2,683
Total cash and bank balances	28,719	82,908
Maximum exposure to credit risk	28,647	82,682

The carrying amounts of the Group's cash and cash equivalents, pledged bank deposits and restricted cash approximated their fair value and were denominated in the following currencies:

	2024 *RMB'000*	2023 *RMB'000*
RMB	7,629	29,374
USD	9,537	27,435
HK$	3,579	11,858
EUR	7,955	14,060
Others	19	181
	28,719	82,908

As at 31 December 2024, the total cash and bank balances of the Group amounted to approximately RMB9,574,000 (2023: RMB31,156,000) were deposited with various banks in Mainland China. The remittance of funds out of Mainland China is subject to the rules and regulations of foreign exchange control promulgated by the Government of the PRC.

20 CASH AND CASH EQUIVALENTS, PLEDGED BANK DEPOSITS AND RESTRICTED CASH (Continued)

Notes:

(a) Cash at banks earned interest at floating rates based on daily bank deposits rate.

(b) As at 31 December 2023, bank deposits amounted to approximately RMB10,000,000, which were pledged for a performance bond provided for customer contract. The pledged bank deposit was released during the year. As at 31 December 2023, the weighted average interest rate of the pledged bank deposits was 1.40% per annum.

(c) The Group entered into an agreement with Huizhou City Huicheng District Natural Resources Bureau on 22 July 2019 pursuant to which the Group acquired a land-use right in Huizhou City. The Group is required to develop and utilise the land as its manufacturing plant.

As at 31 December 2024 and 2023, a bank deposit of 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. As at 31 December 2024, such deposits are reclassified to assets of disposal group classified as held for sale.

21 TRADE AND BILLS RECEIVABLES

	2024	2023
	RMB'000	*RMB'000*
Trade receivables	**98,635**	163,125
Bills receivables	**12**	9,545
Less: provision for impairment on trade and bills receivables	**(7,375)**	(13,439)
Trade and bills receivables	**91,272**	159,231

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

21 TRADE AND BILLS RECEIVABLES (Continued)

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

	2024 RMB'000	2023 RMB'000
Within 3 months	87,800	141,925
Over 3 months	10,847	30,745
	98,647	172,670
Less: provision for impairment on trade and bills receivables	(7,375)	(13,439)
	91,272	159,231

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

	2024 RMB'000	2023 RMB'000
At beginning of the year	13,439	7,130
(Reversal of impairment)/provision for impairment on trade and bills receivables on individual basis	(755)	5,386
(Reversal of impairment)/provision for impairment on trade and bills receivables on collective basis	(148)	880
Written-off of provision for impairment	(5,443)	(95)
Exchange difference	282	138
At end of the year	7,375	13,439

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

	2024 RMB'000	2023 RMB'000
RMB	67,475	131,463
USD	23,251	24,747
EUR	546	3,021
	91,272	159,231

The maximum exposure to credit risk as at 31 December 2024 and 2023 was the carrying value of the trade and bills receivables mentioned above. The Group does not hold any collateral as security.

22 DISCONTINUED OPERATIONS

On 28 June 2024, the Group entered into an agreement with a third party in relation to the disposal of the entire equity interest of Productive Glory Limited (then an indirect wholly-owned subsidiary of the Company) which, together with its subsidiaries (the "**Productive Group**"), for a consideration of HK$37,387,000 (equivalent to approximately RMB34,420,000) (the "**Disposal**").

The Disposal of the operating segment — smart home devices is completed on 29 October 2024 and constitutes a discontinued operation under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" as the disposal group. As a result, this reportable operating segment was not included in the continuing segment information in Note 5.

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

Financial performance and cash flow information

The financial performance and cash flow information presented below are for the period from 1 January 2024 to 29 October 2024 and the year ended 31 December 2023. The comparative figures in the consolidated statement of profit or loss, the consolidated statement of comprehensive income and consolidated statement of cash flows have been restated to represent the disposal group as discontinued operations.

	Period ended 29 October 2024 *RMB'000*	Year ended 31 December 2023 *RMB'000*
Revenue	**107,944**	126,051
Cost of sales	**(103,987)**	(115,676)
Gross profit	**3,957**	10,375
Other income	**3,819**	878
Other losses, net	**(301)**	(143)
Selling and distribution expenses	**(621)**	(1,095)
General and administrative expenses	**(5,256)**	(6,870)
Finance costs, net	**(1,000)**	(1,817)
Income tax expense	**(678)**	(14)
(Loss)/profit from discontinued operations	**(80)**	1,314
Gain on disposals of subsidiaries *(Note 32)*	**3,340**	–
	3,260	1,314
Net cash inflow/(outflow) from operating activities	**18,878**	(3,046)
Net cash outflow from in investing activities	**(40)**	(2,637)
Net cash (outflow)/inflow from in financing activities	**(23,037)**	11,137
Net (decrease)/increase in cash generated by the discontinued operations	**(4,199)**	5,454

23 A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 22 November 2024, the Group entered into an agreement with a third party for the disposal of its entire equity interest in Huizhou City Eternity Technology Company (the "**Target Company**"), an indirect wholly-owned subsidiary of the Company, at a consideration of RMB27,100,000. The principal asset of the Target Company comprises a parcel of land and a building located in the PRC.

As of 31 December 2024, the completion of the disposal subject to various conditions specified in the agreement and is expected to take place within twelve months.

The assets and liabilities of the Target Company were reclassified as a disposal group held for sale and presented separately in the consolidated statement of financial position as at 31 December 2024. As at 31 December 2024, the assets and liabilities of the disposal group were measured at the fair value less cost to sell, which was lower than the carrying amount and an impairment loss of approximately to RMB12,347,000 was made.

The following assets and liabilities were reclassified as held for sale in relation to the disposal group as at 31 December 2024:

	RMB'000
Assets of disposal group classified as held for sale	
Properties, plant and equipment	107,419
Investment property	5,308
Inventories	16,917
Prepayments, deposits and other receivables	10,591
Restricted cash	2,683
Cash and cash equivalents	394
	143,312
Less: Impairment losses on assets of disposal group classified as held for sale *(Note 6)*	(12,347)
Total assets of disposal group classified as held for sale	130,965
Liabilities of disposal group classified as held for sale	
Other payables and accruals	1,109
Bank borrowings *(Note a)*	47,351
Amount due to the Group	55,405
	103,865
Less: Amount due to the Group *(Note b)*	(55,405)
Total liabilities of disposal group classified as held for sale	48,460
Carrying amounts of net assets disposed of	27,100

Notes:

(a) As at 31 December 2024, the bank borrowings and facilities of the disposal group were secured by the land-use-right with carrying value of RMB24,689,000.

(b) The amount due to the Group arises from inter-company balances that will be eliminated in the consolidated statement of financial position. The management anticipates that the amount due to the Group would be settled prior to the completion of the disposal.

24 DEFERRED GOVERNMENT GRANTS

	2024 RMB'000	2023 RMB'000
At 1 January	9,004	12,223
Released to the consolidated statement of profit or loss	(2,581)	(3,308)
Exchange difference	73	89
At 31 December	6,496	9,004

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

25 SHARE CAPITAL AND SHARE PREMIUM

	Number of shares '000	Nominal value HK'000
Share capital		
Authorised:		
Ordinary shares of HK$0.01 each as at 1 January 2023, 31 December 2023, 1 January 2024 and 31 December 2024	8,000,000	80,000

	Number of shares '000	Nominal value HK$'000	Share premium HK$'000	Nominal value RMB'000	Share premium RMB'000
Issued and fully paid:					
At 1 January 2023	309,000	3,090	363,461	2,693	304,492
Issuance of ordinary shares	6,378	64	22,937	58	21,838
At 31 December 2023 and 1 January 2024	315,378	3,154	386,398	2,751	326,330
Issuance of ordinary shares	188,696	1,887	226,321	1,737	207,046
At 31 December 2024	504,074	5,041	612,719	4,488	533,376

26 DEFERRED TAX ASSETS/(LIABILITIES)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority.

The analysis of deferred tax assets/(liabilities) was as follows:

	2024	2023
	RMB'000	*RMB'000*
Deferred tax assets	**2,849**	3,781
Deferred tax liabilities	**(818)**	(796)
	2,031	2,985

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

	2024	2023
	RMB'000	*RMB'000*
At beginning of year	**2,985**	(932)
(Charged)/credited to consolidated statement of profit or loss *(Note 11)*	**(637)**	3,945
Disposal of subsidiaries	**(317)**	(14)
Exchange difference	**–**	(14)
At end of year	**2,031**	2,985

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 DEFERRED TAX ASSETS/(LIABILITIES) (Continued)

The movement in deferred tax assets during the years ended 31 December 2024 and 2023, without taking into consideration the offsetting of balances within the same tax jurisdiction, was as follows:

	PRC accrued expenses	Lease liabilities	Government grants	Provision	Tax loss	Unrealised profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023	2,572	3,707	1,333	438	1,757	101	9,908
Credited/(charged) to the consolidated statement of profit or loss	879	(766)	(380)	39	(890)	36	(1,082)
Disposal of subsidiaries	(25)	(496)	–	–	–	–	(521)
At 31 December 2023 and 1 January 2024	**3,426**	**2,445**	**953**	**477**	**867**	**137**	**8,305**
Credited/(charged) to the consolidated statement of profit or loss	**(368)**	**118**	**(269)**	**–**	**(867)**	**–**	**(1,386)**
Disposal of subsidiaries	**(192)**	**(2,433)**	**–**	**–**	**–**	**–**	**(2,625)**
At 31 December 2024	**2,866**	**130**	**684**	**477**	**–**	**137**	**4,294**

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 RMB23,130,000 (2023: RMB26,486,000) in respect of losses amounting to RMB131,619,000 (2023: RMB137,647,000) as at 31 December 2024. These tax losses are subject to the agreement with the tax authorities and can be carried forward against future taxable income. The tax losses have no expiry date except for tax losses amounting to RMB105,070,000 (2023: RMB113,195,000) of Mainland China subsidiaries which will expire in 5 years.

26 DEFERRED TAX ASSETS/(LIABILITIES) (Continued)

As at 31 December 2024 and 2023, the expiry dates for the Group's unused tax losses are as follows:

	2024	2023
	RMB'000	*RMB'000*
Expiry in		
2024	**–**	198
2025	**393**	393
2026	**32,031**	41,449
2027	**33,929**	36,677
2028	**31,322**	34,478
2029	**7,395**	–
No expiry date	**12,212**	12,423
	117,282	125,618

The movement in deferred tax liabilities during the years ended 31 December 2024 and 2023, without taking into consideration the offsetting of balances within the same tax jurisdiction, was as follows:

	Tax depreciation	**Right-of-use assets**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2023	(7,270)	(3,570)	(10,840)
Credited to the consolidated statement of profit or loss	4,281	746	5,027
Disposal of subsidiaries	–	507	507
Exchange differences	(14)	–	(14)
At 31 December 2023 and 1 January 2024	**(3,003)**	**(2,317)**	**(5,320)**
Credited/(charged) to the consolidated statement of profit or loss	**867**	**(118)**	**749**
Disposal of subsidiaries	**–**	**2,308**	**2,308**
At 31 December 2024	**(2,136)**	**(127)**	**(2,263)**

The Group had undistributed earnings of subsidiaries in the Mainland China of approximately RMB89,542,000 as at 31 December 2024 (2023: RMB127,458,000), 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 Mainland China subsidiaries and is not expected to distribute these profits in the foreseeable future.

27 TRADE PAYABLES

	2024 RMB'000	2023 RMB'000
Trade payables	61,763	85,153

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

	2024 RMB'000	2023 RMB'000
RMB	48,692	74,604
USD	13,050	10,441
EUR	21	108
	61,763	85,153

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

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

	2024 RMB'000	2023 RMB'000
Within 3 months	57,936	75,755
Over 3 months	3,827	9,398
	61,763	85,153

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

	2024 *RMB'000*	2023 *RMB'000*
Current portion		
Payables for construction works	25,902	26,094
Payables for acquisition of properties, plant and equipment	–	1,632
Interest payable	5,969	4,727
Other tax payables	4,895	2,021
Other payables	20,867	12,031
Payable on litigation case *(Note)*	11,188	–
Accrued salaries and bonus	32,368	30,209
Accrued expenses	6,876	8,979
Refundable customer deposits	–	19,107
Deposit received for construction work	–	11,000
Contract liabilities *(Note 5(e))*	20,473	18,492
	128,538	134,292
Non-current portion		
Provision for reinstatement cost	23,022	22,268
	151,560	156,560

As at 31 December 2024 and 2023, the carrying amounts of contract liabilities, other payables and accruals approximated their fair values and were denominated in the following currencies:

	2024 *RMB'000*	2023 *RMB'000*
RMB	65,037	100,686
USD	38,570	16,392
HK$	17,610	15,529
EUR	7,315	1,685
JPY	6	–
	128,538	134,292

Note: During the year, the Group has been served writs for alleged breaches of tenancy agreements for an amount of approximately RMB44,498,000 in relation to the legal proceedings commenced by Hong Kong Science and Technology Parks Corporation. In which, the Group made provision on litigation case of approximately RMB11,188,000 and the remaining outstanding rent of approximately RMB33,310,000 was recognised as lease liabilities.

29 BANK AND OTHER BORROWINGS

Bank and other borrowings were analysed as follows:

	2024 RMB'000	2023 RMB'000
Current		
Bank borrowings — secured	59,785	104,860
Other borrowings — secured *(Note)*	–	91,072
Other borrowings — unsecured	1,040	–
	60,825	195,932
Non-current		
Bank borrowings — secured	–	49,136
Other borrowings — secured *(Note)*	59,389	–
Other borrowings — unsecured	2,819	1,900
	62,208	51,036
	123,033	246,968

As at 31 December 2024 and 2023, the weighted average interest rate per annum of the Group's bank and other borrowings was 3.48% and 3.93% respectively.

As at 31 December 2024 and 2023, the carrying amounts of the bank and other borrowings approximated their fair values.

Note: The Group has entered into supplemental agreements with the lender to extend the repayment date of the loans of approximately RMB59.4 million to 7 March 2026.

29 BANK AND OTHER BORROWINGS (Continued)

As at 31 December 2024, the bank and other borrowings and facilities were secured by the following:

(i) Properties with carrying value of RMB2,607,000;

(ii) Equipment with carrying value of RMB9,335,000;

(iii) Shares of the Company's subsidiary;

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

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

As at 31 December 2023, the bank borrowings and banking facilities were secured by the following:

(i) Land-use-rights with carrying value of RMB25,244,000;

(ii) Properties with carrying value of RMB2,661,000;

(iii) Equipment with carrying value of RMB10,817,000;

(iv) Shares of the Company's subsidiary;

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

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

As at 31 December 2024 and 2023, the Group's bank and other borrowings were repayable as follows:

	2024 ***RMB'000***	2023 *RMB'000*
Within 1 year or on demand	**60,825**	195,932
Between 1 and 2 years	**62,208**	26,233
Between 2 and 5 years	**–**	24,803
	123,033	246,968

29 BANK AND OTHER BORROWINGS (Continued)

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

	2024 *RMB'000*	2023 *RMB'000*
RMB	**60,825**	155,896
HK$	**62,208**	91,072
	123,033	246,968

30 BONDS PAYABLE

	2024 *RMB'000*	2023 *RMB'000*
Current		
Unlisted bonds *(Note)*	**16,274**	17,809

Note:

On 11 August 2022, the Company and Venture Smart Asia Limited (the "**Placing Agent A**") entered into a placing agreement pursuant to which the Placing Agent A 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 ("**Bond A**").

For Bond A, during the year ended 31 December 2022, the Company has issued the bonds with an aggregate principal amount of approximately RMB16,291,000. No bonds were issued for the year ended 31 December 2023. During the year ended 31 December 2024, the bonds had been fully redeem together with the accrued interests on maturity date.

During the year ended 31 December 2024, the Company and Geo Securities Limited (the "**Placing Agent B**") entered into a placing agreement pursuant to which the Placing Agent B has agreed to procure independent places to subscribe for the one-year 10% per annum fixed coupon unsecured unsubordinated and unlisted bonds to be issued by the Company in an aggregate principal amount of HK$100,000,000 for six months from the date of the placing agreement ("**Bond B**"). For Bond B, the Company has issued the bonds with an aggregate principal amount of approximately RMB17,854,000 during the year ended 31 December 2024.

Both bonds payable is subject to the fulfillment of covenants relating to certain of the Group's consolidated statement of financial position ratio, as is commonly found in similar lending arrangement for both years. As at 31 December 2023, for Bond A, the financial covenant for the Group's bonds payable was not met. As a result, the bondholders have the right to serve a notice to the Group and to demand for immediate redemption of the bonds which were originally due on various dates from August to December 2024 and it had been fully redeemed during the year. For Bond B, at 31 December 2024, the Company has met such requirements on consolidated statement of financial position ratio, and no breach of financial covenant is noted.

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

31 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash used in continuing operations

	Note	2024 RMB'000	2023 RMB'000 (restated)
Loss before income tax		(267,769)	(228,013)
Adjustments for:			
Finance income	10	(185)	(198)
Finance costs	10	17,490	17,625
Depreciation	6	74,653	62,486
Amortisation	6	929	970
Share-based payment	6	–	13,970
Provision/(reversal of provision) for inventories	6	4,534	(11,823)
Impairment losses on assets of disposal group classified as held for sale	6	12,347	–
Impairment losses on properties, plant and equipment	6	87,934	25,422
(Reversal of impairment)/impairment losses on trade and bills receivables	6	(903)	6,266
Loss on disposal of properties, plant and equipment	6	55	960
Lease modification	6	–	(52)
Gains on disposals of subsidiaries		–	(5,404)
Government grants	24	(2,581)	(3,308)
Fair value changes from financial asset at fair value through profit or loss	6	917	255
		(72,579)	(120,844)
Changes in working capital:			
— Trade and bills receivables		40,811	(31,529)
— Prepayments, deposits and other receivables		(37,789)	6,600
— Inventories		29,072	32,473
— Trade payables		(7,148)	(25,059)
— Related company balances		–	(17)
— Contract liabilities, other payables and accruals		4,487	467
— Pledged bank deposits		–	7,500
Cash used in continuing operations		(43,146)	(130,409)

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

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

	2024 *RMB'000*	2023 *RMB'000*
Net book amount disposed	961	3,693
Loss on disposal of properties, plant and equipment *(Note 8)*	(55)	(960)
Proceeds from disposal of properties, plant and equipment	906	2,733

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

	Bank and other borrowings and interest payable *RMB'000*	Bonds payable and interest payable *RMB'000*	Lease liabilities *RMB'000*	Loans from related companies *RMB'000*	Total *RMB'000*
At 1 January 2024	251,560	18,578	168,631	258,140	696,909
Cash flow:					
— Repayments	(180,223)	(20,582)	(10,479)	(215,522)	(426,806)
— Additions	106,619	15,758	2,375	84,268	209,020
Other non-cash movements:					
— Interest	8,253	2,726	6,126	–	17,105
— Change in working capital	1,864	(579)	(475)	–	810
— Disposals of subsidiaries	(15,900)	–	(5,522)	–	(21,422)
— Currency translation differences	2,413	577	5,399	696	9,085
Reclassification:					
Assets of disposal group classified as held for sale	(47,351)	–	–	–	(47,351)
At 31 December 2024	127,235	16,478	166,055	127,582	437,350

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

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

	Bank and other borrowings and interest payable *RMB'000*	Bonds payable and interest payable *RMB'000*	Lease liabilities *RMB'000*	Loan from a Director *RMB'000*	Loans from related companies *RMB'000*	Total *RMB'000*
At 1 January 2023	251,630	16,643	200,877	3,538	121,403	594,091
Cash flow						
— Repayments	(137,267)	(1,669)	(40,947)	(3,618)	(179,998)	(363,499)
— Additions	165,634	–	290	–	311,798	477,722
Other non-cash movements						
— Interest	9,194	2,731	7,679	–	–	19,604
— Lease modification	–	–	(3,245)	–	–	(3,245)
— Change in working capital	(2,453)	–	–	–	–	(2,453)
— Disposals of subsidiaries	(40,234)	–	–	–	–	(40,234)
— Currency translation differences	5,056	873	3,977	80	4,937	14,923
At 31 December 2023	251,560	18,578	168,631	–	258,140	696,909

32 DISPOSALS OF SUBSIDIARIES

On 28 June 2024, the Group entered into an agreement with a third party in relation to the disposal of the entire equity interest of Productive Glory Limited (then an indirect wholly-owned subsidiary of the Company) which, together with its subsidiaries (the "**Productive Group**"), for a consideration of HK$37,387,000 (approximately to RMB34,420,000). All conditions precedent under the share sale and purchase agreement were fulfilled and the disposal was completed on 29 October 2024.

Details of the net assets disposed of are as follows:

	For the year ended 31 December 2024 Productive Group *RMB'000*
Consideration received or receivable:	
Cash	**34,420**
Carrying amounts of net liabilities disposed of	**3,340**
Waiver of shareholder loan	**(34,420)**
Gains on disposals of subsidiaries	**3,340**

32 DISPOSALS OF SUBSIDIARIES (Continued)

The carrying amounts of assets and liabilities as at the date of disposal (29 October 2024) were:

	On 29 October 2024 Productive Group *RMB'000*
Property, plant and equipment	8,165
Inventories	24,992
Trade receivables	27,259
Other receivables	3,565
Restricted cash	10,000
Cash and cash equivalents	2,057
Deferred tax assets	295
Total assets	76,333
Bank borrowings	15,900
Trade payables	15,697
Other payables	6,209
Current income tax liabilities	1,925
Lease liabilities	5,522
Shareholder loan	34,420
Total liabilities	79,673
Net liabilities	3,340
Net cash inflow arising on disposal	
Cash consideration received	34,420
Cash and cash equivalents on disposal group	(2,057)
	32,363

On 16 February 2023, the Group disposed all of its 65% equity interest in Hong Kong Aerospace ZeroG Space Technology Limited ("**ZeroG**") with the carrying amount of net assets disposed of approximately RMB4,000 to the remaining 35% shareholding partner for a consideration of approximately RMB1 in receivable with losses on disposals of subsidiary of approximately RMB4,000 because ZeroG has not carried out any business since its incorporation. The Group ceased to hold any equity interest of ZeroG.

32 DISPOSALS OF SUBSIDIARIES (Continued)

On 30 December 2022, the Group entered into the share sale and purchase agreement with a third party to dispose of the entire equity interest of Positive Expert Limited (then indirect wholly-owned subsidiary of the Company) which, together with its subsidiaries ("**Positive Group**"), primarily owns a parcel of land and a production plant in Daya Bay Western District, the PRC, for a consideration of HK$75,000,000 (equivalent to approximately RMB67,845,000). All conditions precedent under the share sale and purchase agreement were fulfilled and the disposal was completed on 30 May 2023.

Details of the net assets disposed of are as follows:

	For the year ended 31 December 2023 Positive Group *RMB'000*
Consideration received or receivable:	
Cash	67,845
Carrying amounts of net assets disposed of	(64,495)
Gains on disposals of subsidiaries before reclassification of foreign currency translation reserve	3,350
Reclassification of foreign currency translation reserve	2,054
Gains on disposals of subsidiaries *(Note 6)*	5,404

The carrying amounts of assets and liabilities as at the date of disposal (30 May 2023) were:

	On 30 May 2023 Positive Group *RMB'000*
Property, plant and equipment	194,693
Inventories	3,630
Trade receivables	18,137
Other receivables	24,942
Cash and cash equivalents	674
Total assets	242,076
Bank borrowings	125,201
Trade payables	22,362
Other payables	28,536
Deferred tax liabilities	1,482
Total liabilities	177,581
Net assets	64,495

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2024 and 2023 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 2024 Interest held	2023 Interest held
Total United Holdings Limited*	BVI, limited liability company	Investment holding in BVI	USD1	100%	100%
Agreeable Company Limited#	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$1	100%	100%
Shenzhen Hengchang Sheng#	PRC, limited liability company	Electronic services in PRC	RMB38,692,579	100%	100%
Eternity Technology Development Limited#	Hong Kong, limited liability company	Sales of electronic products in Hong Kong	HK$2	100%	100%
Huizhou City Eternity Technology Company Limited#	PRC, limited liability company	Electronic services in PRC	RMB58,100,000	100%	100%
Eternity Electronic Manufacturing Service GmbH#	Germany, limited liability company	Electronic services in Germany	EUR100,000	100%	100%
Eternity Technology (Xiamen) Company Limited#	PRC, limited liability company	Electronic services in PRC	RMB35,000,000	–##	100%
Huizhou Eternity Technology Company Limited#	PRC, limited liability company	Electronic services in PRC	RMB30,000,000	100%	100%
SZ Gang Hang Ke#	PRC, limited liability company	Satellite procurement in PRC	RMB1,000,000	100%	100%
Aspace Satellite Technology Limited#	Hong Kong, limited liability company	Satellite manufacturing in Hong Kong	HK$20,000	51%	51%
Hong Kong Aerospace Satellite Tracking and Control Limited#	Hong Kong, limited liability company	Satellite tracking and controlling in PRC and Hong Kong	HK$10,000	100%	100%
Hong Kong Aerospace Smart City Limited#	Hong Kong, limited liability company	Smart city with satellite big data applications and solutions in PRC and Hong Kong	HK$10,000	100%	100%

* Equity interest directly held by the Company.

\# Equity interest indirectly held by the Company.

\## The subsidiary was disposed during the year.

34 TRANSACTION WITH NON-CONTROLLING INTEREST

In July 2023, the Group entered into a share subscription agreement with Superb Ever Worldwide Limited ("**Superb Ever**"), an independent third party, to issue 9,800 shares of Aspace Satellite Technology Limited ("**Aspace**") to Superb Ever for USD20,500,000 (equivalent to approximately RMB145,331,000) by enlargement of the issued share capital of Aspace.

The transaction was completed on 11 September 2023 (the "**Disposal date**") and the Group's equity interest in Apsace decreased from 100% before the disposal to 51% as at 11 September 2023. The Group retains control of Aspace as a non-wholly owned subsidiary.

Accordingly, the Group recognised a credit of approximately RMB41,376,000 to non-controlling interests ("**NCI**") and a credit of approximately RMB103,955,000 to other reserve on the Disposal date.

	On 11 September 2023 *RMB'000*
Carrying amount of non-controlling interests disposed	41,376
Less: consideration paid by non-controlling interest	(145,331)
Excess of consideration paid by non-controlling interest recognised within equity	(103,955)

Set out below is the summarised financial information for Aspace, a subsidiary that has NCI that is material to the Group as at 31 December 2024 and 2023. The amounts disclosed for the subsidiary are before inter-company eliminations.

Summarised statement of profit or loss and other comprehensive income

	Aspace 2024 ***RMB'000***	Aspace 2023 *RMB'000*
Revenue	**–**	–
Loss for the year	**(137,425)**	(62,834)
Other comprehensive loss	**(715)**	(672)
Total comprehensive loss	**(138,140)**	(63,506)
Loss allocated to NCI	**(67,328)**	(11,550)
Other comprehensive loss allocated to NCI	**(351)**	(688)
Total comprehensive loss allocated to NCI	**(67,679)**	(12,238)

34 TRANSACTION WITH NON-CONTROLLING INTEREST (Continued)

Summarised statement of financial position

	2024 RMB'000	2023 RMB'000
Current assets	1,990	1,833
Current liabilities	(308,630)	(244,967)
Net current liabilities	(306,640)	(243,134)
Non-current assets	312,716	410,287
Non-current liabilities	(85,237)	(108,173)
Net non-current assets	227,479	302,114
Net (liabilities)/assets	(79,161)	58,980

Summarised statement of cash flows

	2024 RMB'000	2023 RMB'000
Cash inflows/(outflows) from operating activities	13,975	(38,420)
Cash outflows from investing activities	(149)	(107,652)
Cash inflows from financing activities	–	151,873
Net increase in cash and cash equivalents	13,826	5,801

35 SHARE-BASED PAYMENTS

Pursuant to the agreement dated 12 May 2023, the supplemental agreement dated 31 August 2023 and the Company's public announcement dated 18 October 2023, the Company granted share subscription rights to Macquarie Bank Limited ("**Macquarie**"), to subscribe the Company's shares at 95% of volume weighted average stock price on the Hong Kong Stock Exchange on transacting date with an additional 2% redemption discount on net proceed and 0.5% transaction cost per annum paid to Macquarie for the period from 18 October 2023 to 18 October 2024. The Company has the right to reject the request of share subscription if the stock price of the Company is below HK$6.5. The total maximum shares can be subscribed by Macquarie are 61,750,000 shares. Any share subscription rights not exercised by Macquarie as of 18 October 2024 has lapsed and cease to be valid for all purposes. The ordinary shares issued from the exercise of share subscription rights shall rank pari passu in all respects with the existing issued ordinary shares of the Company. Such arrangement of share subscription rights constitutes a share-based payment, of which the fair value of the subscription rights of approximately RMB13,970,000 was charged to the Group's consolidated statement of profit or loss during the year ended 31 December 2023. The fair value of share subscription rights are determined with reference to the share price of the Company's shares as of the grant date, volatility of share price, rejection price of HK$6.5 per share for share subscription and the maximum number of share subscription pursuant to the share subscription agreement.

During the year ended 31 December 2023, Macquarie subscribed 6,377,800 shares with the net proceeds of approximately HK$23,520,000 (equivalent to approximately RMB21,688,000).

During the year ended 31 December 2024, Macquarie subscribed the remaining 55,372,200 shares with the net proceeds of approximately HK$47,232,000 (equivalent to approximately RMB43,320,000).

36 CAPITAL COMMITMENTS

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

	2024	2023
	RMB'000	*RMB'000*
Contracted but not provided for:		
Properties, plant and equipment and intangible asset	**185,314**	196,202

37 DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 December 2024 and 2023.

38 ASSETS PLEDGED AS SECURITIES

The carrying amounts of assets pledged as securities are:

	2024 *RMB'000*	2023 *RMB'000*
Current		
Floating charge		
Pledged bank deposits	–	10,000
Total current assets pledged as securities	–	10,000
Non-current		
Fixed charge		
Land-use rights *(Note)*	–	25,244
Equipment	9,335	10,817
Properties	2,607	2,661
Total non-current assets pledged as securities	11,942	38,722
Total assets pledged as securities	11,942	48,722

Note: The amount was reclassified as assets of disposal group classified as held for sale as at 31 December 2024.

39 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.

Major related parties that had transactions and/or balances with the Group during the years ended and as at 31 December 2024 and 2023 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
Anhua (Shenzhen) Information Technology Consulting Co., Ltd.* (安華深圳信息技術咨詢有限公司) (formerly named as Shenzhen Hangke Space Technology Limited* (深圳航科空間技術有限公司))	Controlled by a director of the subsidiary
Vision	A related company controlled by Mr. Sun (during the year ended and as at 31 December 2024 and 2023: the ultimate holding company of the Company and controlled by Mr. Sun)
HKATH(BVI)	A related company controlled by Mr. Sun (during the year ended and as at 31 December 2024 and 2023: the immediate holding company of the Company and controlled by Mr. Sun)
Mr. Sun	Former director (resigned on 2 October 2024) and substantial shareholder of the Company
Ms. Ku Ka Lee Clarie ("**Ms. Ku**")	Director retired on 25 June 2024
Prof. Christian Feichtinger	Director
Dr. Fabio Favata	Director

* *For identification purpose only*

39 RELATED PARTY TRANSACTIONS (Continued)

(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 2024 and 2023, at terms mutually agreed by both parties:

(i) Office rental and management fees paid to related companies

	2024 RMB'000	2023 RMB'000
Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司) *(Note)*	817	922

(ii) Consultancy fee paid to a director

	2024 RMB'000	2023 RMB'000
Christian Feichtinger *(Note)*	322	54
Fabio Favata *(Note)*	322	54

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*

(b) Key management compensation

Compensation paid or payable to directors and other members of key management is shown below:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	20,279	17,734
Discretionary bonus	164	780
Pension costs — defined contribution plan	172	110
	20,615	18,624

39 RELATED PARTY TRANSACTIONS (Continued)

(c) Balances with related parties

	Note	2024 RMB'000	2023 RMB'000
Amount due from Rich Blessing Group Limited	(i)	18	17
Prepayment to Ms. Ku	(iii)	–	1,391
Loan from HKATH (BVI)	(i)	26,567	14,335
Loan from Vision	(i)	101,015	243,805
Rental deposit paid to Shenzhen Qianhai Yufa Technology Company Limited* (深圳市前海宇發科技有限公司)	(ii)	119	119

Notes:

(i) Balances were unsecured, interest free and repayable on demand. Their carrying amounts approximated its fair value.

(ii) Balance was unsecured, interest free and repayable within two years (2023: one year) from the year end. Its carrying amounts approximated its fair value.

(iii) Prepayment was presented in the consolidated statement of financial position within "Prepayments, deposits and other receivables" (Note 18).

* *For identification purpose only*

(d) Personal guarantees

During the years ended 31 December 2024 and 2023, certain bank and other borrowings of the Group and the disposal group were secured by personal guarantees from a director of the Company as set out in Note 23 and 29.

(e) Undertaking from a director and related companies

On 17 March 2025, the Group obtained a letter of undertaking from Mr. Sun, a substantial shareholder and chief executive officer of the Company, pursuant to which Mr. Sun has irrevocably undertaken to provide the Group with an unsecured and interest-free revolving loan when necessary to meet the Group's future financial obligations. The Undertaking Letter is valid and subsisting up to 31 March 2026 and any loan drawn thereunder shall be repayable on 31 March 2026.

On the same day, the Group entered into a loan agreement with each of Vision and HKATH(BVI), pursuant to which Vision and HKATH(BVI) has agreed to provide the Company an unsecured and interest-free loan facility of HK$200.0 million (approximately RMB187.9 million) and HK$100.0 million (approximately RMB94.0 million), respectively. The loan facility provided by each of Vision and HKATH(BVI) is valid and subsisting up to 31 March 2026, and any loan drawn thereunder shall be repayable on demand.

40 STATEMENT OF FINANCIAL POSITION AND EQUITY MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company as at 31 December 2024

	Note	2024 RMB'000	2023 RMB'000
Assets			
Non-current asset			
Interests in subsidiaries	(c)	49,057	47,445
Current assets			
Other receivables, deposits and prepayments		4,431	2,777
Amounts due from subsidiaries		304,824	468,831
Cash and cash equivalents		3,322	3,635
Total current assets		312,577	475,243
Total assets		361,634	522,688
Equity			
Equity attributable to equity holders of the Company			
Share capital	(b)	4,488	2,751
Share premium	(b)	533,376	326,330
Reserves	(b)	46,614	50,551
Accumulated losses	(b)	(451,099)	(201,632)
Total equity		133,379	178,000
Liabilities			
Non-current liability			
Other borrowings		2,819	–
Current liabilities			
Other payables and accruals		19,917	8,812
Bonds payable		16,274	17,809
Amounts due to subsidiaries		7,160	2,211
Other borrowings		54,503	52,716
Loans from related companies		127,582	263,140
Total current liabilities		225,436	344,688
Total liabilities		228,255	344,688
Total equity and liabilities		361,634	522,688

The statement of financial position of the Company was approved by the Board of Directors on 31 March 2025 and was signed on its behalf.

Mohamed Ben Amor *Director*	**Ma Fujun** *Director*

40 STATEMENT OF FINANCIAL POSITION AND EQUITY MOVEMENT OF THE COMPANY (Continued)

(b) Equity movement of the Company

	Share capital RMB'000	Share premium RMB'000	Exchange reserve RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2023	2,693	304,492	12,061	19,692	–	(137,269)	201,669
Comprehensive loss:							
Loss for the year	–	–	–	–	–	(64,363)	(64,363)
Other comprehensive income:							
Currency translation differences	–	–	5,297	–	–	–	5,297
Total comprehensive income/(loss)	–	–	5,297	–	–	(64,363)	(59,066)
Transactions with owners							
Issuance of share subscription right	–	–	–	–	13,970	–	13,970
Issuance of ordinary shares	58	21,838	–	–	(469)	–	21,427
Total transactions with owners	58	21,838	–	–	13,501	–	35,397
At 31 December 2023	2,751	326,330	17,358	19,692	13,501	(201,632)	178,000
At 1 January 2024	**2,751**	**326,330**	**17,358**	**19,692**	**13,501**	**(201,632)**	**178,000**
Comprehensive loss:							
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(249,467)**	**(249,467)**
Other comprehensive income:							
Currency translation differences	**–**	**–**	**9,564**	**–**	**–**	**–**	**9,564**
Total comprehensive income/(loss)	**–**	**–**	**9,564**	**–**	**–**	**(249,467)**	**(239,903)**
Transactions with owners							
Issuance of ordinary shares upon placing of new shares	**1,228**	**150,734**	**–**	**–**	**–**	**–**	**151,962**
Issuance of ordinary shares upon conversion of subscription rights	**509**	**56,312**	**–**	**–**	**(13,501)**	**–**	**43,320**
Total transactions with owner	**1,737**	**207,046**	**–**	**–**	**(13,501)**	**–**	**195,282**
At 31 December 2024	**4,488**	**533,376**	**26,922**	**19,692**	**–**	**(451,099)**	**133,379**

40 STATEMENT OF FINANCIAL POSITION AND EQUITY MOVEMENT OF THE COMPANY (Continued)

(c) Interests in subsidiaries

	2024 *RMB'000*	2023 *RMB'000*
Equity investments at cost *(Note (i))*	–	–
Amounts due from subsidiaries *(Note (ii))*	49,057	47,445
	49,057	47,445

Notes:

(i) As at 31 December 2024 and 2023, 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.

41 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of each director is set out below:

Name of directors	Fees RMB'000	Salary RMB'000	Discretionary bonus RMB'000	Allowances and benefits in kind RMB'000	Employer's contribution to pension scheme RMB'000	Other emoluments paid or payables in respect of director's other service RMB'000	Total RMB'000
For the year ended 31 December 2024							
Executive Directors:							
— Mohamed Ben Amor *(Note i)*	82	–	–	–	–	–	82
— Shaikh Mohammed Maktoum Juma Al-Maktoum	332	–	–	–	–	–	332
— Fabio Favata	332	–	–	–	–	332	664
— Ma Fujun	111	828	–	–	39	–	978
— Sun Fengquan *(Chief executive officer) (Note ii)*	2,247	–	–	916	–	–	3,163
— Lam Lee G. *(Note iii)*	1,067	–	–	–	–	–	1,067
— Ku Ka Lee Clarie *(Note iv)*	1,410	–	–	–	–	–	1,410
Non-Executive Directors:							
— Alhamedi Mnahi F Alanezi	332	–	–	–	–	–	332
— Christian Feichtinger	332	–	–	–	–	332	664
— Nathan Earl Whigham *(Note v)*	213	–	–	–	–	–	213
— Guo Huadong *(Note ii)*	250	–	–	–	–	–	250
— Mazlan Binti Othman *(Note ii)*	250	–	–	–	–	–	250
— Niu Aimin *(Note iii)*	119	712	–	99	7	–	937
Independent Non-Executive Directors:							
— Barbara Jane Ryan	332	–	–	–	–	–	332
— Boris Tadić *(Note i)*	82	–	–	–	–	–	82
— Hung Ka Hai Clement	332	–	–	–	–	–	332
— Juan de Dalmau-Mommertz	–*	–	–	–	–	–	–*
— Marwan Jassim Sulaiman Jassim Alsarkal	332	–	–	–	–	–	332
— Wang Jianyu *(Note ii)*	250	–	–	–	–	–	250
— David Gordon Eldon *(Note vi)*	108	–	–	–	–	–	108
	8,513	1,540	–	1,015	46	664	11,778

* *Below RMB1,000*

Notes:

(i) appointed on 2 October 2024

(ii) resigned on 2 October 2024

(iii) resigned on 10 May 2024

(iv) retired on 25 June 2024

(v) appointed on 10 May 2024

(vi) resigned on 27 April 2024

41 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' emoluments (Continued)

Name of directors	Fees *RMB'000*	Salary *RMB'000*	Discretionary bonus *RMB'000*	Allowances and benefits in kind *RMB'000*	Employer's contribution to pension scheme *RMB'000*	Other emoluments paid or payables in respect of director's other service *RMB'000*	Total *RMB'000*
For the year ended 31 December 2023							
Executive Directors:							
— Shaikh Mohammed Maktoum Juma Al-Maktoum *(Note ii)*	30	–	–	–	–	–	30
— Fabio Favata *(Note ii)*	30	–	–	–	–	54	84
— Ma Fujun	109	746	–	–	77	–	932
— Sun Fengquan *(Chief executive officer)*	2,931	–	–	507	–	–	3,438
— Lam Lee G.	2,931	–	–	–	–	–	2,931
— Ku Ka Lee Clarie	2,562	–	–	–	–	–	2,562
— Lam Kin Fung Jeffrey *(Note i)*	986	–	–	–	–	–	986
Non-Executive Directors:							
— Alhamedi Mnahi F Alanezi *(Note ii)*	30	–	–	–	–	–	30
— Christian Feichtinger *(Note ii)*	30	–	–	–	–	54	84
— Guo Huadong *(Note ii)*	30	–	–	–	–	–	30
— Mazlan Binti Othman	326	–	–	–	–	–	326
— Niu Aimin	326	1,954	452	269	16	–	3,017
— Yip Chung Yin *(Note i)*	296	–	–	–	–	–	296
Independent Non-Executive Directors:							
— Barbara Jane Ryan *(Note ii)*	30	–	–	–	–	–	30
— Hung Ka Hai Clement	326	–	–	–	–	–	326
— Juan de Dalmau-Mommertz *(Note ii)*	–*	–	–	–	–	–	–*
— Marwan Jassim Sulaiman Jassim Alsarkal *(Note ii)*	30	–	–	–	–	–	30
— Wang Jianyu *(Note ii)*	30	–	–	–	–	–	30
— David Gordon Eldon *(Note ii)*	30	–	–	–	–	–	30
— Brooke Charles Nicholas *(Note i)*	296	–	–	–	–	–	296
— Chan Ka Keung, Ceajer *(Note i)*	296	–	–	–	–	–	296
— Yuen Kwok Keung *(Note i)*	296	–	–	–	–	–	296
	11,951	2,700	452	776	93	108	16,080

* *Below RMB1,000*

Notes:

(i) resigned on 27 November 2023

(ii) appointed on 28 November 2023

During the years ended 31 December 2024 and 2023, none of the directors of the Company waived or has agreed to waive any emolument.

41 BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(b) Directors' retirement benefits and termination benefits

During the years ended 31 December 2024 and 2023, 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 2024 and 2023, 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 2024 and 2023, save as disclosed elsewhere, there were no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities.

(e) Directors' material interests in transactions, arrangements or contracts

Save as disclosed elsewhere in the consolidated financial statements, no other significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

FINANCIAL SUMMARY

The following is a summary of the consolidated results, assets and liabilities of the Group for the last five financial years, as extracted from published audit financial statements of the Group. This summary does not form part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		(Restated)			
REVENUE	**315,803**	469,063	635,432	650,230	547,825
GROSS PROFIT	**48,122**	54,334	26,042	37,116	49,594
(LOSS)/PROFIT BEFORE INCOME TAX	**(267,769)**	(228,013)	(152,981)	(46,957)	20,327
INCOME TAX (EXPENSE)/CREDIT	**(824)**	3,918	(1,310)	(6,118)	(3,004)
PROFIT FROM DISCONTINUED OPERATIONS	**3,260**	1,314	–	–	–
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO:					
EQUITY HOLDERS OF THE COMPANY	**(198,005)**	(211,141)	(154,290)	(53,075)	17,323
NON-CONTROLLING INTEREST	**(67,328)**	(11,640)	(1)	–	–

ASSETS AND LIABILITIES

	Year ended 31 December				
	2024	2023	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS	**485,676**	757,790	676,426	443,870	140,300
CURRENT ASSETS	**359,493**	397,093	550,925	497,441	435,463
TOTAL ASSETS	**845,169**	1,154,883	1,227,351	941,311	575,763
NON-CURRENT LIABILITIES	**187,770**	215,087	358,876	107,926	32,030
CURRENT LIABILITIES	**521,183**	736,419	622,593	441,842	293,443
TOTAL LIABILITIES	**708,953**	951,506	981,469	549,768	325,473