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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1725)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors ("**Directors**") of USPACE Technology Group Limited (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2022.

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the Reporting Period was approximately RMB593.5 million, representing a decrease of approximately 6.6% as compared with RMB635.4 million for the corresponding period in 2022.

- Gross profit of the Group for the Reporting Period was approximately RMB64.7 million, representing an increase of approximately 148.8% as compared with RMB26.0 million for the corresponding period in 2022.

- Loss for the year attributable to equity holders of the Company for the Reporting Period increased to approximately RMB211.1 million from approximately RMB154.3 million for the corresponding period in 2022.

- Basic and diluted loss per share attributable to equity holders of the Company was RMB68.19 cents for the Reporting Period.

CONSOLIDATED INCOME STATEMENT
For The Year Ended 31 December 2023

	Note	**2023** *RMB'000*	2022 *RMB'000*
Revenue	*3*	**593,508**	635,432
Cost of sales	*4*	**(528,799)**	(609,390)
Gross profit		**64,709**	26,042
Other income	*5*	**6,735**	5,084
Other losses, net	*6*	**(977)**	(5,673)
Selling and distribution expenses	*4*	**(21,405)**	(21,327)
General and administrative expenses	*4*	**(250,237)**	(143,280)
Impairment losses on financial assets	*4*	**(6,266)**	(1,688)
Operating loss		**(207,441)**	(140,842)
Finance income		**360**	560
Finance costs		**(19,604)**	(12,699)
Finance costs, net	*7*	**(19,244)**	(12,139)
Loss before income tax		**(226,685)**	(152,981)
Income tax credit/(expense)	*8*	**3,904**	(1,310)
Loss for the year		**(222,781)**	(154,291)
Loss for the year attributable to:			
Equity holders of the Company		**(211,141)**	(154,290)
Non-controlling interest		**(11,640)**	(1)
		(222,781)	(154,291)
Loss per share attributable to equity holders of the Company			
Basic and diluted	*9*	**(RMB68.19 cents)**	(RMB49.93 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For The Year Ended 31 December 2023

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

CONSOLIDATED BALANCE SHEET
As at 31 December 2023

	Note	**2023** *RMB'000*	2022 *RMB'000*
Assets			
Non-current assets			
Properties, plant and equipment	*10*	**520,459**	424,674
Right-of-use assets	*10*	**173,477**	209,435
Investment properties		**5,610**	–
Intangible assets		**4,972**	5,511
Restricted cash		**2,683**	2,683
Financial asset at fair value through profit or loss		**917**	1,172
Prepayments and deposits		**45,891**	29,789
Deferred tax assets		**3,781**	3,162
		757,790	676,426
Current assets			
Inventories	*11*	**106,706**	129,199
Trade and bills receivables	*12*	**159,231**	127,450
Prepayments, deposits and other receivables		**50,801**	54,116
Amount due from a related company		**17**	17
Current income tax recoverable		**113**	141
Pledged bank deposits		**10,000**	17,500
Short-term bank deposits		**–**	187
Cash and cash equivalents		**70,225**	41,471
		397,093	370,081
Assets classified as held for sale		**–**	180,844
		397,093	550,925
Total assets		**1,154,883**	1,227,351
Equity			
Equity attributable to equity holders of the Company			
Share capital		**2,751**	2,693
Share premium		**326,330**	304,492
Accumulated losses		**(307,389)**	(96,562)
Reserves		**152,637**	35,260
		174,329	245,883
Non-controlling interest		**29,048**	(1)
Total equity		**203,377**	245,882

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2023

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

NOTES

1. GENERAL INFORMATION

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

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

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

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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 Directors on 27 March 2024.

2. BASIS OF PREPARATION

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

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

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

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

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

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

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

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

In view of these circumstances, the Directors have given careful consideration of the future liquidity and cash flows of the Group in assessing whether the Group will have sufficient resources to continue as a going concern.

For this purpose, the management has prepared a forecast covering a period of not less than twelve months from the end of the Reporting Period taking into account of the followings:

(i) On 15 March 2024, the Group obtained a letter of undertaking (the "**Undertaking Letter**") from Mr. Sun Fengquan ("**Mr. Sun**"), chairman and an executive director who is also a major shareholder of the Company, pursuant to which Mr. Sun has irrevocably undertaken to provide the Group with an unsecured and interest-free revolving loan up to HK$500 million (approximately RMB454.5 million). The Undertaking Letter is valid and subsisting up to 1 April 2025 and any loan drawn thereunder shall be repayable on 1 April 2025;

(ii) In April 2022 and January 2023, the Group entered into loan agreements with Vision International Group Limited ("**Vision**"), a company wholly owned by Mr. Sun, pursuant to which Vision has agreed to provide the Company unsecured and interest-free loan facilities of HK$300 million (approximately RMB272.7 million) ("**Vision facilities**") in total. The Vision facilities are valid and subsisting up to April 2023 and January 2024, respectively, and any loan drawn thereunder shall be repayable on demand. Up to 27 March 2024, the Group drew a total of approximately RMB266.5 million from the Vision facilities;

(iii) In June 2022, the Group entered into a loan agreement with Hong Kong Aerospace Technology Holdings Limited ("**HKATH(BVI)**"), a company wholly owned by Vision, pursuant to which HKATH(BVI) has agreed to provide the Company an unsecured and interest-free loan facility of HK$100 million (approximately RMB91 million) ("**HKATH(BVI) facility**"). The HKATH(BVI) facility is valid and subsisting up to June 2023, and any loan drawn thereunder shall be repayable on demand. Up to 27 March 2024, the Group drew a total of approximately RMB34.8 million from the HKATH(BVI) facility;

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

(v) In July and October 2021, the Group entered into legally binding agreements with an independent third-party lender (the "**Lender**") for loans in the aggregate sum of approximately RMB98.2 million (the "**Loans**"). In March 2022 and March 2024, the Group has entered into supplemental agreements with the Lender to extend the repayment date of the Loans to 7 March 2024 and further to 7 March 2025 respectively. As at 31 December 2023, the Loans amounted to approximately RMB91.1 million;

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

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

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

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

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

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

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

The Directors have reviewed the Group's cash flow projections, which cover a period of not less than twelve months from 31 December 2023. In the opinion of the Directors, assuming the successful and timely implementation of the above plans and measures, the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the coming twelve months from 31 December 2023. Accordingly, the Directors consider that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

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

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

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

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

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

(b) New and amended standards adopted by the Group

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

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

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

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

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

By following the Guidance, the Group has therefore changed its accounting policy and ceased to apply the practical expedient and reattribute the deemed employee contributions on a straight-line basis from the date when services by employees first lead to their benefits in terms of the LSP legislation in accordance with HKAS 19 paragraph 93(a). This change in accounting policy upon the cessation in applying the practical expedient has resulted in a catch-up adjustment for past service costs and a corresponding increase in the Group's LSP obligations in the year of enactment of the Amendment Ordinance (i.e. year ended 31 December 2022).

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

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

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

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

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

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

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

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

3. REVENUE AND SEGMENT INFORMATION

The Company is an investment holding company and the Group is principally engaged in (i) the EMS Business; and (ii) the Aerospace Business, which includes (1) satellite manufacturing; (2) satellite communication; (3) satellite measurement and controlling; and (4) satellite launching.

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

During the Reporting Period, the Group had three reportable operating segments being:

(i) EMS Business — Smart home devices;
(ii) EMS Business — Banking and finance and other devices; and
(iii) Aerospace Business.

(a) Segment revenue and gross profit

	EMS Business			
	Smart home devices *RMB'000*	**Banking and finance and other devices** *RMB'000*	**Aerospace Business** *RMB'000*	**Total** *RMB'000*
For the year ended 31 December 2023				
Segment revenue	**126,051**	**473,036**	**–**	**599,087**
Inter-segment revenue	**(1,606)**	**(3,973)**	**–**	**(5,579)**
Revenue from external customers	**124,445**	**469,063**	**–**	**593,508**
Segment cost of sales	**(114,070)**	**(414,729)**	**–**	**(528,799)**
Segment gross profit	**10,375**	**54,334**	**–**	**64,709**
Other segment information:				
Depreciation of properties, plant and equipment	**2,245**	**16,262**	**11,821**	**30,328**
Depreciation of right-of-use assets	**3,378**	**2,426**	**31,725**	**37,529**
Depreciation of investment properties	**–**	**252**	**–**	**252**
Amortisation of intangible assets	**–**	**970**	**–**	**970**
Provision for impairment losses of properties, plant and equipment	**–**	**–**	**25,422**	**25,422**
Additions to non-current segment assets*	**560**	**4,432**	**177,651**	**182,643**

	EMS Business			
	Smart home devices	Banking and finance and other devices	Aerospace Business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 December 2022				
Segment revenue	168,157	486,654	–	654,811
Inter-segment revenue	(8,911)	(10,468)	–	(19,379)
Revenue from external customers	159,246	476,186	–	635,432
Segment cost of sales	(151,036)	(458,354)	–	(609,390)
Segment gross profit	8,210	17,832	–	26,042
Other segment information:				
Depreciation of properties, plant and equipment	2,028	14,496	5,721	22,245
Depreciation of right-of-use assets	3,378	3,938	16,730	24,046
Amortisation of intangible assets	–	477	–	477
Additions to non-current segment assets*	2,964	142,971	251,218	397,153

* For the Reporting Period, the additions to non-current segment assets include i) additions to properties, plant and equipment, right-of-use assets and intangible assets; and ii) prepayments for the acquisitions of properties, plant and equipment and intangible assets (For the year ended 31 December 2022: included i) additions to properties, plant and equipment, right-of-use assets and intangible assets; ii) prepayments for the acquisitions of properties, plant and equipment and intangible assets; and iii) prepayments for construction works).

(b) Segment assets and liabilities

	EMS Business			
	Smart home devices	**Banking and finance and other devices**	**Aerospace Business**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
As at 31 December 2023				
Segment assets	**102,342**	**446,045**	**601,685**	**1,150,072**
Segment liabilities	**71,188**	**311,715**	**559,362**	**942,265**

	EMS Business			
	Smart home devices	Banking and finance and other devices	Aerospace Business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2022				
Segment assets	98,533	655,778	468,548	1,222,859
Segment liabilities	74,878	501,100	392,072	968,050

Reportable segment assets are reconciled to total assets as follows:

	2023	2022
	RMB'000	*RMB'000*
Segment assets	**1,150,072**	1,222,859
Financial asset at fair value through profit or loss	**917**	1,172
Current income tax recoverable	**113**	158
Deferred tax assets	**3,781**	3,162
Total assets	**1,154,883**	1,227,351

Reportable segment liabilities are reconciled to total liabilities as follows:

	2023	2022
	RMB'000	*RMB'000*
Segment liabilities	**942,265**	968,050
Current income tax liabilities	**8,445**	7,843
Deferred tax liabilities	**796**	5,576
Total liabilities	**951,506**	981,469

(c) Disaggregation of revenue from contracts with customers

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

	2023	2022
	RMB'000	*RMB'000*
Timing of revenue recognition		
At a point in time – sales of goods	**593,508**	635,432

(d) Segment revenue by customers' geographical location

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

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

(e) Details of contract liabilities

	2023	2022
	RMB'000	*RMB'000*
Contract liabilities *(Note 14)*	**18,492**	19,630

Notes:

(i) Contract liabilities represent advanced payments received from the customers for goods that have not yet been transferred to the customers. The balances of contract liabilities fluctuated during the years ended 31 December 2023 and 2022 with sales order with advanced payments.

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

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**10,058**	45,130

(f) Major customers

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

	2023	2022
	RMB'000	*RMB'000*
Customer A	**118,024**	157,905
Customer B	**74,198**	147,597

The five largest customers accounted for approximately 57% (2022: 65%) of revenue for the Reporting Period.

(g) Unsatisfied performance obligations

As at 31 December 2023 and 2022, all performance obligations not yet satisfied by the Group were from contracts with original expected duration of less than one year. Therefore, as permitted by the relevant practical expedient under HKFRS 15, the transaction price allocated to these unsatisfied performance obligations was not disclosed.

(h) Non-current assets by geographical location

The total amounts of non-current assets, other than financial instruments and deferred tax assets of the Group as at 31 December 2023 and 2022 are located in the following regions:

	2023	2022
	RMB'000	*RMB'000*
Chinese Mainland	**185,645**	246,784
Hong Kong	**547,035**	405,565
Germany	**243**	28
	732,923	652,377

4. EXPENSES BY NATURE

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

	2023	2022
	RMB'000	*RMB'000*
Cost of raw materials used	**425,507**	453,465
Consumables	**1,268**	1,876
Subcontracting charges	**8,474**	17,411
Employee benefit expenses and manpower services expenses, including Directors' emoluments	**161,359**	151,771
Rental expenses of short-term leases in respect of machinery and properties	**4,548**	11,547
Building management fee	**11,082**	5,093
Government rates	**4,394**	1,083
Utilities	**6,405**	8,146
Amortisation	**970**	477
Depreciation for properties, plant and equipment and right-of-use assets *(Note 10)*	**67,857**	45,636
Depreciation for investment properties	**252**	–
(Reversal of provision)/provision for inventories	**(11,453)**	11,225
Service fees for product development	**718**	7,252
Repairs and maintenance	**1,235**	1,100
Auditor's remuneration		
— Audit services	**2,976**	2,690
— Non-audit services	**484**	1,152
Professional fees	**16,315**	17,216
Provision for impairment losses of properties, plant and equipment *(Note 10)*	**25,422**	–
Share-based payments	**13,970**	–
Travelling expenses	**13,100**	3,520
Service charges	**6,388**	5,488
Provision for impairment losses of financial assets *(Note 12)*	**6,266**	1,688
Advertising	**5,200**	764
Entertainment	**5,069**	5,021
Transportation	**792**	1,018
Other taxes	**5,413**	6,814
Others	**22,696**	14,232
Total cost of sales, selling and distribution expenses, general and administrative expenses and impairment losses on financial assets	**806,707**	775,685

5. OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
Government grants	**4,234**	4,964
Rental income	**774**	–
Sundry income	**1,727**	120
	6,735	5,084

6. OTHER LOSSES, NET

	2023	2022
	RMB'000	*RMB'000*
Exchange loss	**(5,214)**	(4,673)
Loss on disposal of properties, plant and equipment	**(960)**	(476)
Gain on lease modification	**52**	204
Gain on disposal of financial asset at fair value through profit or loss	**–**	600
Fair value changes from financial asset at fair value through profit or loss	**(255)**	(1,328)
Gain on disposal of subsidiaries	**5,400**	–
	(977)	(5,673)

7. FINANCE COSTS, NET

	2023	2022
	RMB'000	*RMB'000*
Finance income		
Interest income on cash at banks	**360**	560
Finance costs		
Interest expense on bank and other borrowings	**(9,194)**	(13,452)
Interest expense on lease liabilities	**(7,679)**	(5,460)
Interest expense on bonds payable	**(2,731)**	(616)
Less: Capitalised on qualifying assets *(Note)*	**–**	6,829
	(19,604)	(12,699)
Finance costs, net	**(19,244)**	(12,139)

Note: During the year ended 31 December 2022, interest expenses on bank and other borrowings were capitalised at the weighted average rate of its general borrowings of approximately 4.66%.

8. INCOME TAX (CREDIT)/EXPENSE

During the years ended 31 December 2023 and 2022, no provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group had no assessable profits in Hong Kong.

During the Reporting Period, Shenzhen Hengchang Sheng Technology Company Limited*, the Group's major operating subsidiary in Chinese Mainland has qualified for high and new technology enterprises status and is therefore subject to a preferential income tax rate of 15% (2022: 15%).

Gang Hang Ke (Shenzhen) Space Technology Co., Limited*, the Group's subsidiary in Chinese Mainland, has been qualified for small-scale enterprises with minimal profits status and is subject to an applicable tax rate of 20% (2022: 20%).

Other Group's entities in Chinese Mainland were subject to PRC corporate income tax ("**CIT**") at the tax rate of 25% during the Reporting Period (2022: 25%).

	2023	2022
	RMB'000	*RMB'000*
Current income tax		
— Withholding tax	**27**	25
Total current income tax	**27**	25
Deferred income tax	**(3,931)**	1,285
Income tax (credit)/expense	**(3,904)**	1,310

* *For identification purpose only*

The taxation on the Group's loss before income tax differed from the theoretical amount that would arise using the weighted average tax rate applicable to profits/(losses) of subsidiaries of the Group as follows:

	2023	2022
	RMB'000	*RMB'000*
Loss before income tax	**(226,685)**	(152,981)
Tax calculated at tax rates applicable to loss of the respective subsidiaries	**(39,041)**	(27,771)
Tax effect of:		
Income not subject to tax	**(1,701)**	(143)
Expenses not deductible for tax purpose	**29,665**	23,581
Tax loss for which no deferred income tax asset was recognised	**8,394**	7,261
Utilisation of tax loss previously not recognised	**(570)**	–
Temporary difference previously not recognised	**74**	80
Withholding tax	**27**	25
Super deductions from research and development expenditures *(Note)*	**(752)**	(1,723)
Income tax (credit)/expense	**(3,904)**	1,310

Note: According to the relevant laws and regulations promulgated by the State Administration of Taxation of Chinese Mainland, enterprises engaging in research and development activities are entitled to claim 150% to 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year.

9. LOSS PER SHARE

The basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2023 and 2022.

	2023	2022
Loss attributable to equity holders of the Company *(RMB'000)*	**(211,141)**	(154,290)
Weighted average number of ordinary shares in issue *(thousands of shares)*	**309,615**	309,000
Basic and diluted loss per share *(RMB cents)*	**(68.19)**	(49.93)

There were no differences between the basic and diluted loss per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2023 and 2022.

10. PROPERTIES, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	Right-of-use assets *RMB'000*	Properties, plant and equipment *RMB'000*	Total *RMB'000*
Year ended 31 December 2022			
Opening net book amount	87,712	340,456	428,168
Additions	164,145	220,320	384,465
Depreciation	(24,046)	(22,245)	(46,291)
Disposals	–	(621)	(621)
Assets classified as held for sales	(20,122)	(128,192)	(148,314)
Lease modification	(3,104)	–	(3,104)
Transfer	–	–	–
Exchange difference	4,850	14,956	19,806
Closing net book amount	209,435	424,674	634,109
At 31 December 2022			
Cost	237,628	508,142	745,770
Accumulated depreciation	(28,193)	(83,468)	(111,661)
Net book amount	209,435	424,674	634,109
Year ended 31 December 2023			
Opening net book amount	**209,435**	**424,674**	**634,109**
Additions	**290**	**153,913**	**154,203**
Depreciation	**(37,529)**	**(30,328)**	**(67,857)**
Disposals	**–**	**(3,693)**	**(3,693)**
Lease modification	**(3,193)**	**–**	**(3,193)**
Transfer to investment properties	**–**	**(5,862)**	**(5,862)**
Impairment losses (Note 4)	**–**	**(25,422)**	**(25,422)**
Exchange difference	**4,474**	**7,177**	**11,651**
Closing net book amount	**173,477**	**520,459**	**693,936**
At 31 December 2023			
Cost	**236,996**	**595,416**	**832,412**
Accumulated depreciation	**(63,519)**	**(74,957)**	**(138,476)**
Net book amount	**173,477**	**520,459**	**693,936**

11. INVENTORIES

	2023	2022
	RMB'000	*RMB'000*
Raw materials	**80,348**	92,048
Work in progress	**12,635**	17,813
Finished goods	**13,723**	19,338
	106,706	129,199

The cost of inventories recognised as expense and included in cost of sales during the Reporting Period amounted to approximately RMB525,597,000 (2022: RMB606,029,000).

12. TRADE AND BILLS RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**163,125**	123,854
Bills receivables	**9,545**	10,726
Less: provision for impairment of trade and bills receivables	**(13,439)**	(7,130)
Trade and bills receivables	**159,231**	127,450

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

As at 31 December 2023 and 2022, the aging analysis of trade and bills receivables, net of impairment, based on invoice date, was as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**141,925**	109,610
Over 3 months	**30,745**	24,970
	172,670	134,580
Less: provision for impairment of trade and bills receivables	**(13,439)**	(7,130)
	159,231	127,450

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

	2023	2022
	RMB'000	*RMB'000*
At beginning of the year	**7,130**	5,384
Provision for impairment of trade and bills receivables on individual basis	**5,386**	1,172
Provision for impairment of trade and bills receivables on collective basis	**880**	516
Written-off of provision for impairment	**(95)**	(300)
Exchange difference	**138**	358
At end of the year	**13,439**	7,130

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

	2023	2022
	RMB'000	*RMB'000*
RMB	**131,463**	94,703
United States Dollar ("**USD**")	**24,747**	30,344
Euro ("**EUR**")	**3,021**	2,403
	159,231	127,450

The maximum exposure to credit risk as at 31 December 2023 and 2022 was the carrying value of the trade and bills receivables mentioned above. The Group does not hold any collateral as security.

13. TRADE AND BILLS PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**85,153**	98,833
Bills payables	**–**	4,671
	85,153	103,504

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

	2023	2022
	RMB'000	*RMB'000*
RMB	**74,604**	83,474
USD	**10,441**	19,625
EUR	**108**	405
	85,153	103,504

As at 31 December 2023 and 2022, the carrying amounts of trade and bills payables approximated their fair values.

14. PROVISION FOR REINSTATEMENT COST, CONTRACT LIABILITIES, OTHER PAYABLES AND ACCRUALS

	2023	2022
	RMB'000	*RMB'000*
Current portion		
Payables for construction works	**26,094**	18,006
Payables for acquisition of properties, plant and equipment	**1,632**	13,658
Interest payable	**4,727**	2,534
Other tax payables	**2,021**	5,091
Other payables	**12,031**	9,393
Accrued salaries and bonus	**30,209**	30,236
Accrued expenses	**8,979**	13,233
Customer deposits	**19,107**	–
Deposit received for construction work	**11,000**	4,000
Contract liabilities (Note 3(e))	**18,492**	19,630
	134,292	115,781
Non-current portion		
Provision for reinstatement cost	**22,268**	8,402
	156,560	124,183

As at 31 December 2023 and 2022, the carrying amounts of contract liabilities, other payables and accruals approximated their fair values and were denominated in the following currencies:

	2023	2022
	RMB'000	*RMB'000*
RMB	**100,686**	73,166
USD	**16,392**	18,952
Hong Kong Dollar ("**HK$**")	**15,529**	20,064
EUR	**1,685**	3,407
Japanese Yen	**–**	192
	134,292	115,781

15. DIVIDEND

No dividend has been paid or declared by the Company during the years ended 31 December 2023 and 2022.

BUSINESS REVIEW

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

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

Business Strategies and Outlook

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

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

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

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

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

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

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

OPERATING RESULTS

Revenue by Customers' Geographical Location

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

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

Revenue by Product Type

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

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

PCBAs

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

Fully-assembled electronic products

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

Gross Profit and Gross Profit Margin by Product Type

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

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

PCBAs

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

Fully-assembled electronic products

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

Other Income

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

Other Losses, Net

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

Selling and Distribution Expenses

Selling and distribution expenses mainly comprised (i) employee benefit expenses which include salaries and allowance, social insurance contributions and staff welfare expenses for sales staff; (ii) transportation charges; (iii) sales commission paid to the sales agents in respect of customer introduction; and (iv) other expenses. For the Reporting Period, selling and distribution expenses amounted to approximately RMB21.4 million (2022: approximately RMB21.3 million). Selling and distribution expense against revenue ratio remained at a very similar level, with approximately 3.6% for the Reporting Period and approximately 3.4% for the year ended 31 December 2022.

General and Administrative Expenses

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

Impairment Losses on Financial Assets

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

Finance Costs, Net

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

Income Tax Credit/(Expense)

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

Loss Attributable to Equity Holders of the Company

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

LIQUIDITY AND CAPITAL RESOURCES

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

Net Current Liabilities

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

Borrowings, the Pledge of Assets and Restricted Cash

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

As at 31 December 2023 and 2022, the cash and cash equivalents, pledged bank deposits and restricted cash and bank and other borrowings were mainly denominated in RMB, HK$, USD and EUR. The Group had unutilised banking facilities of approximately RMB125.1 million as at 31 December 2023 (31 December 2022: approximately RMB8.3 million).

Convertible Notes

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

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

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

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

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

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

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

Gearing Ratio

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

Capital Structure

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

Foreign Exchange Exposure and Exchange Rate Risk

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

Capital Expenditure

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

DIVIDEND

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

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

EMPLOYEES AND EMOLUMENTS POLICY

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

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

CAPITAL COMMITMENT

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

CONTINGENT LIABILITIES

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

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

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

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

CORPORATE GOVERNANCE PRACTICES

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

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

(a) Pursuant to code provision C.2.1 of the CG Code, the role(s) of chairman and chief executive should be separated and should not be performed by the same individual. Mr. Sun currently serves as both the chairman and the chief executive officer of the Company. The Board believes that it is necessary to vest the roles of chairman and chief executive in the same person due to its unique role, Mr. Sun's experience and expertise in the aerospace industry, and the importance of Mr. Sun in the strategic development of the Company. The dual role arrangement provides strong and consistent market leadership and is critical for efficient business planning and decision making of the Company.

AUDIT COMMITTEE

The audit committee of the Board ("**Audit Committee**") was established on 25 July 2018 with terms of reference in compliance with the CG Code for the purpose of making recommendations to the Board on the appointment and removal of the external auditor, to review the financial statements and related materials and provide independent advice in respect of the financial reporting process, and to oversee the risk management and internal control systems of the Group. As at 31 December 2023, the Audit Committee comprises three members, all being independent non-executive Directors, namely, Mr. Hung Ka Hai Clement (chairman), Mr. Marwan Jassim Sulaiman Jassim Alsarkal and Professor Wang Jianyu. 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 year to discuss with the Audit Committee members on the audit and financial reporting related matters. The chairman of the Audit Committee provided the Board with a briefing on the significant issues after 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 announcement, and confirmed that this announcement 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.

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

The Company has adopted the Model Code 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, and the related notes thereto for the Reporting Period as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the Reporting Period. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

EXTRACT OF INDEPENDENT AUDITOR'S OPINION

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31 December 2023.

Our Opinion

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

Material Uncertainty Related to Going Concern

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

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement will be published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.uspace.com). The annual report of the Company for the Reporting Period will be published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Company would like to take this opportunity to thank the management and all our employees for the contribution they have made towards the Group's continued progress and to our shareholders, customers and business partners for their support.

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

Hong Kong, 27 March 2024

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