CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

中國航天國際控股有限公司

(Stock Code: 31)

2023 ANNUAL REPORT

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CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr Zhou Limin *(Chairman)*
Mr Song Shuqing *(President)*
(appointed on 10 February 2023)
Mr Jin Xuesheng *(President)*
(resigned on 10 February 2023)

Non-Executive Directors

Mr Luo Zhenbang *(Independent)*
Ms Chen Jingru *(Independent)*
Ms Xue Lan *(Independent)*
(appointed on 26 March 2024)
Mr Hua Chongzhi
Mr Teng Fangqian *(appointed on 2 March 2023)*
Mr Peng Jianguo *(appointed on 2 March 2023)*
Mr Liu Xudong *(resigned on 2 March 2023)*
Mr Mao Yijin *(resigned on 2 March 2023)*
Mr Wang Xiaojun *(Independent)*
(resigned on 26 March 2024)

AUDIT COMMITTEE

Mr Luo Zhenbang *(Chairman)*
Ms Chen Jingru
Mr Peng Jianguo *(appointed on 2 March 2023)*
Mr Mao Yijin *(resigned on 2 March 2023)*

REMUNERATION COMMITTEE

Ms Chen Jingru *(Chairman)*
Ms Xue Lan *(appointed on 26 March 2024)*
Mr Hua Chongzhi
Mr Wang Xiaojun *(resigned on 26 March 2024)*

NOMINATION COMMITTEE

Mr Zhou Limin *(Chairman)*
Mr Luo Zhenbang
Ms Chen Jingru
Ms Xue Lan *(appointed on 26 March 2024)*
Mr Teng Fangqian *(appointed on 2 March 2023)*
Mr Liu Xudong *(resigned on 2 March 2023)*
Mr Wang Xiaojun *(resigned on 26 March 2024)*

ENVIRONMENT, SOCIAL & GOVERNANCE COMMITTEE

Mr Zhou Limin *(Chairman)*
Mr Luo Zhenbang
Mr Hua Chongzhi

COMPANY SECRETARY

Ms Wong Cho Ching

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditor

SHARE REGISTRAR

Tricor Standard Limited

LEGAL COUNSEL

Reed Smith Richards Butler LLP

PRINCIPAL BANKS & FINANCIAL INSTITUTIONS

Bank of China (Hong Kong) Limited
Aerospace Science & Technology Finance
Company Limited* (航天科技財務有限責任公司)

REGISTERED OFFICE

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* These PRC entities mentioned in this Annual Report do not have English names, the English names set out herein are for identification purposes only.

CHAIRMAN'S STATEMENT

2023 is a critical year for the implementation of the "14th Five-Year Plan" of the Company. The Board of the Company shoulders the responsibility of setting strategies and establishing goals, and works closely with the management to lead all employees to work hard, forge ahead and overcome difficulties. The Company responds to various challenges by adhering to the working policy of "taking high-quality development as the goal, consolidating the foundation for development, adhering to innovation-driven development, building new capabilities, and improving soft power". During the year, the Board paid close attention to the changes in the market situation, and organized all Directors to visit industrial enterprises for on-site research, so as to understand the Company's market development and innovative development, communicate and discuss with the management face to face, and achieve results.

RESULTS

In 2023, the operating revenue of the Company and its subsidiaries decreased by 23.34% to HK$3,450,954,000; the loss for the year was HK$1,765,000, representing a significant decrease in loss as compared to 2022; the profit attributable to shareholders was HK$4,047,000 and the basic earnings per share attributable to shareholders increased to HK0.13 cents. Taking into account the Company's development needs and capital position, the Board has decided not to recommend the payment of a final dividend for 2023 (2022 final dividend: HK2 cents per share).

Facing the challenges of the global economic downturn and the severe business environment, the Board and the management worked together to ensure the stable development of various core businesses. During the year, despite the severe decline in overseas orders and the significant decline in product profits, industrial enterprises were able to make continuous efforts and actively respond to the changing environment, promote market expansion with the policy of "Prevent Risks, Steady Expand", to expand domestic and foreign markets, stabilize existing markets and expand new markets, take active actions, and conduct in-depth research on market demand and trends to cope with the severe and complex market situation such as fierce industry competition and the rapid development of emerging technologies. At the same time, industrial companies continued to optimize their business, market and product structure based on the market and the Company's order demand, actively promoted technological innovation and the improvement of production capacity and efficiency, and the Intelligent Research Institute also further strengthened cooperation with various industrial companies to improve quality and reduce costs.

Affected by the macroeconomic environment, the leasing demand for office buildings in Shenzhen declined significantly, coupled with the continuous increase in the supply of office buildings, the occupancy rate of Aerospace Science & Technology Plaza fell short of expectations. During the year, Aerospace Technology optimized its leasing strategy and increased its efforts in attracting tenants, resulting in an increase in the occupancy rate. In addition, in respect of the litigations initiated by Aerospace Technology against Hangke Houhai and Huabaorun etc for the recovery of arrears of rent, the Board is highly concerned and has kept abreast of the progress of the litigation. In each litigation, the Company will actively advocate and safeguard its own interests in accordance with the law.

During the year, the construction of three projects, namely the new capacity construction of Nantong Hong Yuen, the industrial development of intelligent power modules (IPM) and the Plants Construction Project Phase 5 of Huizhou Industrial Garden, were progressing steadily. Among them, the construction project of the integrated circuit packaging carrier plant of Nantong Hong Yuen Circuit Technology Co., Limited ("Nantong Hong Yuen") has been carried out smoothly, and the main structure of the plants No. 1 and No. 2 has been topped out, which is expected to be completed in late May 2024. In addition, the intelligent power module (IPM) product has entered the corporate commercialized operation model from project research and development. With Chiphow Microelectronics (Huizhou) Co., Ltd. ("Chiphow Microelectronics") as the operating carrier, it has formed the capability of mass production packaging products. The construction of the Phase 5 plant of Huizhou Industrial Garden has been completed and has entered the stage of full acceptance and will be put into use in 2024, which will further expand the production capacity of the Company's hi-tech manufacturing.

The Company has always insisted that promoting technological innovation is one of the main elements leading higher and stronger development. During the year, the Company made necessary and timely investment in fields such as technological innovation, research and development, and generated fruitful results. Among them, Hong Yuen Company passed the re-evaluation of Guangdong Provincial Enterprise Technology Centre, applied for and won the individual champion of Guangdong Provincial Manufacturing Industry; Semiconductor Company will continue to explore the depth of technology, break through the large-size lamination technology, and invest in the research and development of 3D touch technology in advance according to customer needs; Chee Yuen Company continued to explore compression injection moulding and pulsatile injection moulding processes in new processes, and made new breakthroughs in improving product quality and saving manufacturing costs; Jeckson Company continued to adhere to technological innovation, and successfully achieved breakthroughs in key technologies such as two-way grid connexion and integration of energy storage power sources and remote OTA upgrade, and continuously optimized the intelligent wheelchair control algorithm; in terms of the research and development project of 5G mm-wave filter of the Intelligent Research Institute, the first 5G mm-wave filter trial production line in China has been built, and the yield rate of some wafers of the four-stage and six-stage filters has reached more than 90%, initially possessing the ability to test and verify in small batches, creating sufficient conditions for the next step.

In addition, the Company continued to improve the efficiency of internal control. During the year, the Company promoted informatization construction management, improved the human resources management system, comprehensively promoted the construction of the rule of law, compliance operation and management, and strengthened measures such as safe production, confidentiality and security, energy conservation and environmental protection. The Company attaches great importance to the construction of a talent team and will continue to cultivate and introduce more high-quality talents to lay a solid foundation for future development.

PROSPECTS

Looking forward to 2024, the mainland economy continues to rebound, yet business operations still remain challenging due to the downside risks of global economy, coupled with geopolitical changes. The Company will continue to make every effort to strengthen market development, actively integrate into the new domestic development pattern, adjust the direction of market expansion, and strive to achieve the goals of the 14th Five-Year Plan in accordance with the working philosophy of "innovative development of industrial enterprises, coordinated development of modern service enterprises, and strategic and coordinated development of new technology investment enterprises". In the coming year, the Company will actively study and judge the development trend of key industries, consolidate the foundation, and ensure steady progress in operation; continuously strengthen investment in innovation to ensure the orderly progress of major projects; increase investment in technological transformation to ensure the quality and efficiency of existing businesses of industrial enterprises; explore the business model to ensure the direct leasing and operation of Aerospace Science & Technology Plaza; coordinate the resources of all parties to ensure that major legal litigation cases are properly resolved; strengthening refined management and continuously improving financial management and control capabilities; strengthen the construction of talent team and improve the talent training and incentive mechanism. With the continuous enrichment and improvement of various necessary construction and infrastructure, as well as the continuous improvement and optimization of various management measures and rules and regulations, we are confident that the prospects and development of the Company are optimistic and bright.

APPRECIATION

Mr Jin Xuesheng resigned as Executive Director and President on 10 February 2023 and Mr Liu Xudong and Mr Mao Yijin resigned as Non-Executive Directors of the Company on 2 March 2023 respectively due to retirement. On behalf of the Board of Directors, I would like to express my heartfelt respect and thanks to Mr Jin Xuesheng, Mr Liu Xudong and Mr Mao Yijin for their great contributions to the Company during their tenure as Executive Director and President, Non-Executive Directors, and welcome Mr Song Shuqing as the Executive Director and President, Mr Teng Fangqian and Mr Peng Jianguo as Non-Executive Directors of the Company.

On behalf of the Board, I express my profound gratitude to all the staff for their dedication and loyal services. Grateful thanks are also due to shareholders, bankers, business partners and members of the community who have supported the Company's development all along.

By order of the Board,

Zhou Limin
Chairman and Executive Director
Hong Kong, 26 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS PERFORMANCE

The revenue of the Company and the subsidiaries for the year ended 31 December 2023 was HK$3,450,954,000, representing a decrease of 23.34% as compared with that of HK$4,501,532,000 for 2022. The loss of this year was HK$1,765,000, representing a significant decrease in loss as compared with a loss of HK$252,722,000 for 2022.

PROFIT ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

Profit attributable to the shareholders of the Company was HK$4,047,000, representing a turnaround as compared to the loss attributable to shareholders of HK$119,918,000 in 2022.

The decrease in revenue was mainly due to the significant decrease in sales from the hi-tech manufacturing business, especially the PCB business. No significant loss of lease termination and impairment of rental receivables were recorded during the year, but the fair value of investment properties decreased by HK$123,085,000 due to the decrease in its valuation, resulting in a loss for the year.

Based on the issued share capital of 3,085,022,000 shares during the year, the basic earnings per share was HK0.13 cents, representing a profit as compared with basic loss per share of HK3.89 cents for 2022.

DIVIDENDS

Taking into account the Company's development needs and capital position, the Board has decided not to recommend the payment of a final dividend for 2023 (2022 final dividend: HK2 cents per share).

The distribution of 2022 final dividend of HK2 cents per share was approved by shareholders at the Annual General Meeting in June 2023 and warrants of which were dispatched to all shareholders on 18 July 2023. During the year, the Board resolved not to declare an interim dividend for 2023 (2022 interim dividend: HK0.5 cent per share).

RESULTS OF CORE BUSINESSES

The core businesses of the Company and the subsidiaries are principally engaged in the research and development, design, professional production, sales and services of the hi-tech manufacturing business such as plastic products, electronic products, power products and semiconductor products, as well as the property management business of Shenzhen Aerospace Science & Technology Plaza.

The Company promotes various businesses in accordance with the outline of the five-year plan, focuses on the development of advanced manufacturing, modern services industries and high-tech industries, fully utilizing the resources from both global and China markets, and comprehensively deepening reform to achieve high-quality development of the Company.

The revenue of the hi-tech manufacturing business is the main source of the Company's revenue and that contributes a significant profit and cash flow, while the property management business of Shenzhen Aerospace Science & Technology Plaza also brings in rental and management fee income for the Company. The Company will continue to identify and develop new business opportunities, and thereby creating value for shareholders.

Hi-tech Manufacturing

In 2023, affected by factors such as geopolitical tensions, continuous inflation and interest rate hikes in many countries, the global economy was impacted. Market demand was weak, overseas orders from industrial enterprises declined severely, market price competition was fierce, product profits declined significantly, and the annual results were not satisfactory. The overall revenue and profit both recorded a double-digit decline.

For the year ended 31 December 2023, the revenue of the hi-tech manufacturing business was HK$3,234,653,000, representing a decrease of 22.63% as compared with last year, and the operating profit was HK$57,773,000, representing a decrease of 72.81% as compared with last year. The results of the hi-tech manufacturing business are shown below:

	Turnover (HK$'000)			Operating Profit (HK$'000)		
	2023	2022	Changes (%)	**2023**	2022	Changes (%)
Plastic Products	**1,412,413**	1,430,081	(1.24)	**37,196**	16,422	126.50
Printed Circuit Boards	**872,700**	1,258,426	(30.65)	**22,438**	135,543	(83.45)
Intelligent Chargers	**216,605**	378,380	(42.75)	**(17,876)**	10,372	Loss
Liquid Crystal Display	**716,845**	1,104,540	(35.10)	**63,498**	51,265	23.86
Intelligent Power Modules	**6,432**	—	100.00	**(39,690)**	—	100.00
Industrial Property Investment	**9,658**	9,485	1.82	**(7,793)**	(1,114)	599.55
Total	**3,234,653**	4,180,912	(22.63)	**57,773**	212,488	(72.81)

In particular, the operating results of the PCB business recorded the most significant decline. Even though certain achievements were made in the fields of automotive sensing and optoelectronic modules, the orders from customers in other market applications generally declined, especially the customers of MEMS packaging substrates experienced a significant decline, with a sales decline of nearly fifty percent, and the overall revenue decreased by 30.65% as compared with last year, and the profit decreased by more than 83%. The intelligent chargers business was also unable to make up for the shortfall in the short term even if there were breakthroughs in bringing in new customers due to the significant reduction in sales orders from major customers, resulting in a decrease both in revenue and profit as compared with last year. The liquid crystal display business recorded a decrease in revenue by 35.10% as compared with last year due to weak market demand and continued sluggish demand. However, due to factors such as the stabilization of supply chain and the reduction of material prices, the profit increased by 23.86% as compared with last year. Plastic products actively expanded the domestic and overseas markets. On the basis of consolidating the existing customers, several new overseas customers were successfully introduced, and the revenue remained the same as compared with last year. Due to factors such as the decline in raw material prices and the timely adjustment of technical transformation contents, the annual profit recorded a multiple increase. The intelligent power module (IPM) has completed the commissioning of the production line and the verification of equipment performance and process, and is capable of mass production, and has achieved revenue in the first year. However, the trial production of products is in a critical period, and the product verification cycle is also extended, and the realization of mass production and profit is delayed to a certain extent. Revenue from industrial property investment increased 1.82% as compared with last year, of which the occupancy rate of Huizhou Industrial Garden reached 99.30%.

On 12 May 2023, Nantong Hong Yuen entered into the Construction Contract with China Construction No 8 in relation to the Plant Construction Project Phase I at a consideration of RMB316,860,000 (equivalent to approximately HK$358,890,000). The construction of the Plant Phase I has been carried out in an orderly manner and will be used as Nantong Hong Yuen's self-use plant for the production of integrated circuit packaging substrates upon completion, which is expected to be completed in late May 2024. For details, please refer to the announcements and circular of the Company dated 12 May, 25 May and 21 June 2023, respectively.

The construction of the Plants Construction Project Phase 5 of Huizhou Industrial Garden has been completed and has entered the completion acceptance stage, which will be put into use in 2024 as the production plants of the Company and its subsidiaries.

In addition, the Intelligent Research Institute continued to assist all industrial enterprises in the R&D and upgrading of high-tech products and the transformation of manufacturing capabilities, including studying AVI equipment, developing LCD screen cutting machines and AOI equipment with industrial enterprises. In addition, the Intelligent Research Institute actively studied automation systems to help promote the intelligent upgrading and transformation of the plants. During the year, the 5G mm-wave filters chip completed the formation of the process team, as well as the commissioning and acceptance of equipment, and continued to move towards the pace of industrialization.

Looking forward to 2024, the business environment will remain severe and the global economic downward pressure will still be high. The revenue forecast cannot be optimistic. All Hi-tech Manufacturing businesses will actively expand its customer base, develop new businesses and carry out a proper risk management, continue to optimize the yield rate, and improve quality and reduce costs. At the same time, improving the level of production automation, maintain production scale and capacity, as well as energy conservation and emission reduction, strictly control energy consumption, recruit professional talents, continue technical transformation and research and development, take innovation as the first driving force, optimize the industrial structure, so as to meet the changing market environment and look forward to expanding profitability.

Shenzhen Aerospace Science & Technology Plaza

In 2023, Aerospace Technology and its wholly-owned subsidiary, Shenzhen Aerospace Technology Property Management Company Limited ("Aerospace Property Management"), which is responsible for the management of Shenzhen Aerospace Science & Technology Plaza, recorded a total revenue of HK$206,745,000 (2022: HK$310,268,000) and a segment loss of HK$5,304,000 (2022: a segment profit of HK$389,340,000). The segment loss was mainly derived from the rental and property management fee income less expenses and provision for lease receivables during the year.

As at 31 December 2023, the valuation of Shenzhen Aerospace Science & Technology Plaza was approximately RMB7,784,000,000 (2022: RMB7,860,000,000).

With the implementation of self-managed operation model by Aerospace Technology, as at 31 December 2023, the occupancy rates of Shenzhen Aerospace Science & Technology Plaza were approximately 72.90% (31 December 2022: 39.40%) for the commercial portion and 41.00% (31 December 2022: 32.70%) for the office portion, respectively.

In 2023, the respective litigations of Aerospace Technology with Hangke Houhai and Huabaorun have been heard separately. The first-instance judgments have been obtained in respect of the First Hangke Houhai Litigation (Aerospace Technology's claim against Hangke Houhai to claim for arrears of rent and liquidated damages for breach of contract, etc.), the Second Hangke Houhai Litigation (Hangke Houhai's request to the court to order Aerospace Technology to pay Hangke Houhai operating losses for failure to deliver properties to Hangke Houhai in a timely manner and provide property ownership certificates, etc.), the Third Hangke Houhai Litigation (Hangke Houhai's claim against Aerospace Technology for the repayment of the overpaid rent and the interest losses), the Fourth Hangke Houhai Litigation (Aerospace Technology's claim against Hangke Houhai for losses incurred arising from vacant property due to early termination of lease, and for the pre-paid rent collected from the sub-tenants), and the Sixth Hangke Houhai Litigation (Aerospace Property Management, Aerospace Technology's wholly-owned subsidiary, claim against Hangke Houhai for arrears of property management fees, etc.). Aerospace Technology also filed an appeal against certain judgments, which have been filed with the court and are pending hearing. As for the Fifth Hangke Houhai Litigation (Aerospace Technology has filed a proceeding against Shenzhen Jindian Industrial Group Co., Ltd., a shareholder of Hangke Houhai, for joint and several liabilities under the guarantee contract), which has been filed with the court and is pending trial. In addition, the First Huabaorun Litigation (the claims of Aerospace Technology against Huabaorun for unpaid rent and liquidated damages, etc.), the Second Huabaorun Litigation (the claims of Aerospace Technology against Huabaorun for the loss of vacant properties caused by early termination of leases and the collection of advanced rent from sub-tenants, etc.), and the Third Huabaorun Litigation (the claims of Aerospace Property Management, a wholly-owned subsidiary of Aerospace Technology, against Huabaorun for arrears of property management fees) have been heard respectively, pending further notice from the court. For details, please refer to the announcements of the Company dated 12 May 2022, 14 June 2022, 5 July 2022, 30 September 2022, 7 November 2022,14 February 2023, 24 March 2023, 11 July 2023, 14 July 2023, 25 August 2023 and 14 September 2023, respectively. Except for the change of the abbreviation of "Shenzhen Aerospace" and "Shenzhen Property Management" to "Aerospace Technology" and "Aerospace Property Management", respectively, other definitions are the same as those in the aforementioned announcements.

In 2024, Aerospace Technology will continue to carry out self-managed operation, introduce large-scale enterprises to settle in, and actively advocate and enforce its own rights in various litigations in accordance with applicable laws.

Other Business

RAYITEK Hi-Tech Film Company Ltd., Shenzhen (深圳瑞華泰薄膜科技股份有限公司) ("Rayitek"), an associate company in which the Company indirectly holds 23.38% interest through its direct wholly-owned subsidiary, CASIL New Century Technology Development (Shenzhen) Company Limited* (航科新世紀科技發展(深圳)有限公司) ("CASIL New Century"), distributed a dividend of RMB0.7 per 10 shares during the year and the Company received dividends of approximately RMB2,945,800 in total.

ASSETS

(HK$'000)	31 December 2023	31 December 2022	Changes (%)
Non-Current Assets	**11,319,869**	11,602,450	(2.44)
Current Assets	**3,263,415**	3,663,378	(10.92)
Total Assets	**14,583,284**	15,265,828	(4.47)

The decrease in non-current assets was mainly due to the decrease in valuation of investment properties, as well as the decrease in Hong Kong dollar equivalent arising from the conversion of assets denominated in RMB at the balance sheet date, while the decrease in current assets was due to the decrease in receivables and inventories.

The equity attributable to the shareholders of the Company for the year was HK$7,411,477,000, representing a decrease of 3.23% as compared with that of HK$7,658,694,000 as at the end of 2022.

The equity attributable to the shareholders of the Company decreased as compared with the end of last year, which was mainly due to the reduction in retained profits due to the dividend paid during the year and the decrease in exchange reserves caused by the decline in the RMB exchange rate. Based on the issued share capital of 3,085,022,000 shares during the year, the net assets per share attributable to the shareholders of the Company was HK$2.4.

As at 31 December 2023, a cash deposit of HK$29,546,000 and bills receivable of HK$54,994,000 of the Company and the subsidiaries had been pledged to banks to obtain credit facilities. Property right certificates at approximate value of RMB1,900,000,000 and RMB170,000,000 of Shenzhen Aerospace Science & Technology Plaza were mortgaged by Aerospace Technology to Aerospace Science & Technology Finance Company Limited* (航天科技財務有限責任公司) and bank respectively so as to obtain a 12-year term loan facility in the amount of RMB1,300,000,000 and a 10-year bank loan in the amount of RMB100,000,000.

LIABILITIES

(HK$'000)	31 December 2023	31 December 2022	Changes (%)
Non-Current Liabilities	**3,684,676**	3,321,318	10.94
Current Liabilities	**1,427,648**	2,159,847	(33.90)
Total Liabilities	**5,112,324**	5,481,165	(6.73)

The substantial increase in non-current liabilities was mainly due to an increase in major shareholder loans, related party loans and bank loans during the year which offset the decrease in the conversion of liabilities denominated in RMB into Hong Kong dollar equivalents on the balance sheet date, whereas the decrease in current liabilities was mainly due to the repayment of a loan payable to a major shareholder during the year.

As at 31 December 2023, the Company and its subsidiaries had bank and other borrowings of HK$107,143,000 and HK$1,281,415,000.

OPERATING EXPENSES

The administrative expenses of the Company and the subsidiaries in 2023 were HK$394,991,000, representing a decrease of 12.59% as compared to last year, mainly due to a decrease in labour costs and depreciation and amortization expenses and the reclassification of certain sales related expenses to selling expenses. The finance costs amounted to HK$60,818,000, representing a decrease of 20.23% as compared to last year mainly due to decrease in borrowing rates.

CONTINGENT LIABILITIES

In 2022, Aerospace Technology, as the defendant, was claimed by Hangke Houhai, its major tenant, for its past operating losses in an aggregate amount of approximately RMB119,000,000 (the "Second Hangke Houhai Litigation"). In July 2023, the Court ruled against Aerospace Technology in the Second Hangke Houhai Litigation. Aerospace Technology has appealed this first-instance judgments. The cases have been heard and are pending judgement.

The Company has sought legal opinion and filed appeal to all the court's judgment on the Hangke Houhai Litigation which has been ruled down by the court. After considering the advice from the legal advisor of Aerospace Technology, the Directors of the Company believe that the appeal can be highly probably to succeed, and it is not probable that an outflow of resources embodying economic benefits will be required to settle the claims. Therefore, the litigations are disclosed as contingent liabilities of the Company and no provision is made.

Save for the disclosure above, the Company and the subsidiaries did not have any other material contingent liabilities.

FINANCIAL RATIOS

	2023	2022
Gross Profit Margin	20.31%	21.97%
Return on Net Assets	(0.02%)	(2.58%)

	31 December 2023	31 December 2022
Assets-Liabilities Ratio	35.06%	35.90%
Current Ratio	2.29	1.70
Quick Ratio	1.95	1.44

LIQUIDITY

The source of funds of the Company and the subsidiaries mainly relies on internal resources and banking and financial institution facilities. As at 31 December 2023, the cash and cash equivalents and short-term bank deposits amounted to HK$1,713,152,000, the majority of which were in Hong Kong Dollars and Renminbi.

CAPITAL EXPENDITURE

As at 31 December 2023, the capital commitments of the Company and the relevant subsidiaries contracted for but not provided in the consolidated financial statements was approximately HK$535,289,000, mainly the capital expenditure for the acquisition of fixed assets.

FINANCIAL RISKS

The Company and the subsidiaries review the cash flow and financial position periodically and do not presently engage into any financial instruments or derivatives to hedge the exchange and the interest rate risks.

HUMAN RESOURCES AND REMUNERATION POLICIES

The remuneration policy of the Company and the subsidiaries is based on the employee's qualifications, experience and performance on the job, with reference to the current market situation. The Company and the subsidiaries will continue to upgrade the human resources management skills and strictly implement the performance-based appraisal system, in order to motivate employees to make continuous improvement in their individual performance and contributions to the Company.

As at 31 December 2023, the Company and the subsidiaries had a total of approximately 7,200 employees based in the mainland, Hong Kong and Vietnam respectively.

APPRECIATION

I would like to express my heartfelt thanks to our shareholders, banks, business partners and all other friends from the community who have rendered support to the Company's development, and to express my gratitude and high praise for all employees of the Company their loyalty to the Company and professional attitude.

By order of the Board,

Song Shuqing
Executive Director and President
Hong Kong, 26 March 2024

CORPORATE GOVERNANCE REPORT

The Company had complied throughout the reporting period with the provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

"**Patriotic, Innovative, Integrity, Harmony, Conscientiousness**" represent the essence of the Company's corporate culture and the Company's corporate mission. It also serves as the business development principles and the core values of employees in daily business and operations. The Company focuses on long-term value and benefits creation for our customers, shareholders, employees and the society. The Company is committed to promoting technological innovation and specialized production in the long run, devoted in the provision of high quality and high efficiency services to the supply chain and industrial chain industries and focuses on advanced manufacturing and modern service industries as core competencies, aiming to become an international enterprise with focus in the future, with remarkable innovation capability and continuous creation of value for customers, providing customers with professional, efficient, safe and environmentally friendly products and services. The Company adopts a prudent attitude in operating and managing its business to achieve sustainable growth of the Company's business and contribute to the economic development of the society. The Company has formulated a long-term planning outline and continuously evaluates the potential opportunities and challenges faced by the Company. Through the core of the Company's corporate culture, we will continue to enhance employees' ethics, improve the corporate governance system, and effectively prevent any business risks and compliance risks. This will give the employees themselves and the Company a competitive advantage to develop various businesses steadily, and strengthen Company's performance in revenue, profitability and return on shareholders' equity.

BOARD OF DIRECTORS

In 2023, the Board of Directors of the Company comprised the Executive Directors, namely, Mr Zhou Limin (Chairman), Mr Song Shuqing (President) (appointed on 10 February 2023) and Mr Jin Xuesheng (President) (resigned on 10 February 2023); the Non-Executive Directors, namely, Mr Hua Chongzhi, Mr Teng Fangqian (appointed on 2 March 2023), Mr Peng Jianguo (appointed on 2 March 2023), Mr Liu Xudong (resigned on 2 March 2023), and Mr Mao Yijin (resigned on 2 March 2023); and the Independent Non-Executive Directors, namely, Mr Luo Zhenbang, Mr Wang Xiaojun, Ms Chen Jingru. Each of the Directors is not related to each other in financial, business or family aspects.

The Chairman of the Company is Mr Zhou Limin, whereas the President of the Company is Mr Song Shuqing (appointed on 10 February 2023) and Mr Jin Xuesheng (President) (resigned on 10 February 2023). Mr Zhou Limin, Mr Song Shuqing and Mr Jin Xuesheng are not related to each other in financial, business or family aspects. The roles of Chairman and President have been divided according to respective written Terms of Reference.

Each of the Directors of the Company will receive a comprehensive and formal induction on the first occasion of their respective appointment, so as to ensure that they have a proper understanding of the operations and business of the Company and are fully aware of their responsibilities under common law, the Listing Rules, applicable legal requirements, other regulatory requirements and the business and governance policies of the Company.

The specific term for each Non-Executive Director (including Independent Non-Executive Directors) of the Company is two years, and is subject to retirement by rotation and re-election, if eligible, under the Articles of Association of the Company.

Those Directors appointed by the Board during the year shall hold office only until the next annual general meeting and shall then be eligible for re-election. The process for re-election of a Director is in accordance with the Company's Articles of Association, which requires that, other than those Directors appointed during the year, one-third of the Directors for the time being (or the nearest number) are required to retire by rotation at each annual general meeting and are eligible to stand for re-election. The annual report and the circular for annual general meeting contain information on re-election of Directors including biography of all Directors standing for election or re-election so as to ensure shareholders to make an informed decision on their election. If shareholders propose a person for election as a director of the Company, it should be made in pursuant to procedures stipulated in the Hong Kong Companies Ordinance, the Listing Rules and the Company's Articles of Association etc. Procedures of Articles of Association can be downloaded from the Company's website for reference.

The Company had complied with the requirements of the Listing Rules to appoint three Independent Non-Executive Directors during 2023, namely, Mr Luo Zhenbang, Mr Wang Xiaojun, Ms Chen Jingru, they are unrelated to each other in every aspect, including financial, business or family. Among those Independent Non-Executive Directors, Mr Luo Zhenbang has appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules.

The Company had received a letter from each of the Independent Non-Executive Directors confirming his or her immediate family members' independence in compliance with Rule 3.13 of the Listing Rules. In addition, Mr Luo Zhenbang and Mr Wang Xiaojun have been Independent Non-Executive Directors of the Company for more than nine years who continuously demonstrates the characters of being Independent Non-Executive Directors and are able to provide independent opinion. The Board of Directors considered that their tenure would not affect their independence. As such, the Board of Directors confirmed the same upon the Nomination Committee had reviewed and confirmed that all Independent Non-Executive Directors are independent.

The Company entered into an engagement letter with each of the Directors, in which specified that their responsibilities to comply with the rules and regulations and the Articles of Association and to report director's duties, their right to receive a director's remuneration and to reimburse their expenses incurred reasonably, their length of term and the ways to terminate their appointment and so on. The Directors have understood their duty that they should commit sufficient time and effort to deal with the Company's matters and have confirmed the same to the Company.

The Company had adopted the *Model Code for Securities Transactions by Directors of Listed Issuers*, Appendix 10 of the Listing Rules and *The Code and Enforcement Details for Securities Transactions by Directors* of the Company as the required standard for the Directors to trade the securities of the Company. The Company had also established the *Model Code for Securities Transactions by Employees* for employees as the required standard to trade the securities of the Company. The Company has required that, from 30 days before the publication of interim results and 60 days before the publication of annual results, Directors, other management and each of their respective associates are not allowed to trade any securities of the Company.

The Company had enquired with all the Directors as to whether they had complied with Appendix 10 and *The Code and Enforcement Details for Securities Transactions by Directors* while trading the securities of the Company during 2023. So far as was known to the Company, all Directors had complied with Appendix 10 and other relevant provisions during the year.

The Board is responsible for determining the Company and its subsidiaries' objectives, strategies, policies, principal business plans, risk management and internal control, and corporate governance, and the management is delegated the responsibilities of running the Company's businesses, making day-to-day decisions concerning business operations and the implementation of the approved strategies in achieving the overall development strategies of the Company.

The attendance record of Directors during 2023 is set out below (Mr Song Shuqing, Executive Director & President, who had another business engagement and was unable to attend the annual general meeting and extraordinary general meeting. However, all the meeting documents had been reviewed by him before the meeting, and the process of the meeting, shareholders' questions and voting results were immediately learnt by him after the meeting):

	Annual General Meeting		Extraordinary General Meeting		Board Meeting	
Directors	**Number of meetings entitled to attend**	**Number of attendance**	**Number of meetings entitled to attend**	**Number of attendance**	**Number of meetings entitled to attend**	**Number of attendance**
Zhou Limin	1	1	1	1	6	6
Song Shuqing	1	0	1	0	5	4
Hua Chongzhi	1	1	1	1	6	6
Teng Fangqian	1	1	1	1	4	4
Peng Jianguo	1	1	1	1	4	4
Luo Zhenbang	1	1	1	1	6	6
Wang Xiaojun	1	1	1	1	6	5
Chen Jingru	1	1	1	1	6	6
Jin Xuesheng	0	0	0	0	1	0
Liu Xudong	0	0	0	0	2	2
Mao Yijin	0	0	0	0	2	2

CORPORATE GOVERNANCE POLICY

The Board is responsible for the Company's corporate governance and shall review and approve the Company's corporate governance in board meeting(s) in a timely manner. This includes but not limited to reviewing the effectiveness and sufficiency of corporate governance measures and policies, reviewing the training arrangements of Directors and senior management, whether the Company's policies comply with requirements of rules and regulations, applicability of the Company's internal codes, whether the Company complies with requirements of the Corporate Governance Code, and whether these have been disclosed in the Corporate Governance Report.

The corporate governance policy has been covered in the Company's *Rules of Board Procedure* which mainly regulate and monitor the discussion and decision making procedure of the Board in order to raise the effectiveness of corporate governance. Besides, the Board has made an appropriate internal control, risk management system and whistle-blowing system so as to effectively monitor the Company's financial and governance situation. The company formulated the *Anti-Corruption Policy* and *Whistle-blowing Policy* to further strengthen the performance of corporate governance, at the same time, the Company updated the *Shareholders & Investors Communication Policy* to effectively put forward disclosures of information and increase the Company's transparency.

The Company has established *Mechanisms to Ensure Board Access to Independent Views and Advice* to ensure that the Board is provided with independent views and opinions, as well as checks and balances to facilitate the steady development of the Company. The relevant mechanisms are set out in the *Rules of Board Procedure* and the *Rules for the Selection and Appointment of Independent Non-Executive Directors* of the Company, and are also embodied in the governance structure such as the number of Independent Non-Executive Directors on the Board. The Board conducts annual reviews on the implementation and effectiveness of these mechanisms.

Pursuant to the Company's *Rules of Board Procedure*, regular board meetings are held at least four times a year, and, if necessary, additional meetings would be arranged. In 2023, the Company held 6 board meetings, and Mr Zhou Limin, the Chairman, convened a meeting with the Independent Non-Executive Directors without the presence of other Directors and management officers.

The Company Secretary assists the Directors in establishing the meeting agenda. Notice of meeting and information package are sent to Directors within reasonable and practical time prior to a meeting in order to facilitate the Directors informed discussion and decision-making.

The Company Secretary is responsible for taking minutes of meetings. Draft minutes are sent to all Directors for their comments within a reasonable time after each meeting and to be approved by the Board or the relevant committee at the immediate following meeting. Final versions of the board minutes are sent to all Directors for record. The minutes books are kept by the Company Secretary and are open for inspection by the Directors upon request. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board and for advising the Board that the procedures are followed and that the Listing Rules are complied with.

BOARD COMMITTEES

The Board has established Audit Committee, Remuneration Committee, Nomination Committee and Environment, Social & Governance ("ESG") Committee, all of which respectively monitor the Company's governance matters in relation to financial position, directors and senior management's remuneration policy, nomination of directors, and ESG. The committees are governed by their respective Terms of Reference and accountable to the Board. The Terms of Reference of respective committees can be downloaded from the websites of both The Hong Kong Exchanges and Clearing Limited and the Company for reference.

Audit Committee

In 2023, the Audit Committee comprises Mr Luo Zhenbang (Chairman), Ms Chen Jingru, all being Independent Non-Executive Directors; Mr Peng Jianguo (appointed on 2 March 2023) and Mr Mao Yijin (resigned on 2 March 2023), being a Non-Executive Director. The major functions of the Audit Committee include serving as a focal point for communication between the Directors and external auditors, reviewing the Company's financial information as well as overseeing the Company's financial reporting system, risk management and internal control procedures.

The Audit Committee met twice during 2023 for the purpose of assessing and reviewing the internal control system, risk management, the financial results for half year and whole year, corporate governance practices, including the annual review of *Whistle-blowing Policy*, etc. The external auditors, the Chief Accountant, the Senior Finance Controller, the General Manager of Internal Audit & Risk Management Department and the Company Secretary attended both meetings, while the Deputy General Manager of Finance Department attended one of the meetings.

The Audit Committee had also reviewed, discussed and approved the financial statements for the year ended 31 December 2023.

The attendance record of Audit Committee members during 2023 is set out below:

	Number of meetings eligible to attend	Number of attendance
Luo Zhenbang	2	2
Chen Jingru	2	2
Peng Jianguo	2	2
Mao Yijin	0	0

Remuneration Committee

In 2023, the Remuneration Committee comprises Ms Chen Jingru (Chairman) and Mr Wang Xiaojun, all being Independent Non-Executive Directors, and Mr Hua Chongzhi, being a Non-Executive Director. The Remuneration Committee takes the role of advisory and proposes to the Board on the emoluments of the Directors and senior management with regard to the operating results of the Company, the individual performance and the comparable market information.

The remuneration of each Director and committee member is determined in accordance with the Company's *Standard on Directors' Remuneration and Special Allowances* and is adjusted from time to time to take account of actual circumstances, including comparable market conditions.

The Directors' fees and any other reimbursement or emolument payable to each Director during the year are set out in the "Notes to the Consolidated Financial Statements" of this Annual Report.

The Remuneration Committee held 3 meetings in 2023 for the purpose of approving the remuneration of newly appointed directors, and the remuneration and the appraisal policy of the Company's Directors and senior management respectively. The Company Secretary attended all meetings, while the General Manager of Human Resources Department attended the meeting to review the remuneration and appraisal policy of the Company's Directors and senior management. In 2023, no Director was involved in determining his/her own remuneration.

The attendance record of Remuneration Committee members during 2023 is set out below:

	Number of meetings eligible to attend	**Number of attendance**
Chen Jingru	3	3
Wang Xiaojun	3	2
Hua Chongzhi	3	3

Nomination Committee

In 2023, the Nomination Committee comprises Mr Zhou Limin (Chairman), the Chairman and Executive Director; Mr Teng Fangqian (appointed on 2 March 2023) and Mr Liu Xudong (resigned on 2 March 2023), being a Non-Executive Director, and Mr Luo Zhenbang, Mr Wang Xiaojun, Ms Chen Jingru, all being Independent Non-Executive Directors. The main functions of the Nomination Committee are to review the structure, size and composition of the Board in order to implement the Company's strategy.

The *Board Diversity Policy* is a reference base of the Company for the selection of director candidates. With reference to the Company's unique corporate culture and background, the Company will consider the candidate's different personal factors, including skills, regional and industrial experience, background, expertise, culture, independence, age, sex and other professional qualifications etc. in assessing the board's most suitable composition. Appointment depends on capability. Besides, as practically as possible, the Company will maintain the right balance and recruit the most suitable personnel with ample experience to manage various businesses of the Company. The Nomination Committee reviews the implementation of *Board Diversity Policy* at appropriate time and measurable targets in order to ensure effectiveness of the policy and fit into the ongoing business development of the Company. In 2023, female directors accounted for 12.5% of the board members, and targets to increase the proportion of female directors to more than 20% in 2025.

The Company has formulated the *Directors' Nomination Policy*, which has been considered and passed by the Nomination Committee and the Board. Highlights of the policy are as follows:

1. The Nomination Committee shall at least consider the following factors when assessing candidates:

   a. compliance with the requirements on assuming directorship under, among others, the *Hong Kong Companies Ordinance, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* and the *Articles of Association* of the Company;

   b. suitable candidate selected is based on the Board structure and actual needs of the Company's operation, including but not limited to the determination of the type of director to be identified (i.e. executive director, non-executive director or independent non-executive director), the determination of the director to be identified (e.g. possession of experience on finance and accounting, law or peers; lowering average age; candidates for the succession of the Board), the determination of the requirements for the director to be identified (e.g. one of the independent directors must possess experience on finance and accounting);

   c. the *Board Diversity Policy* of the Company;

   d. in case the assumption of the role of independent non-executive director of the Company represents his/her directorship in seven or more listed companies, the reasons why that independent non-executive director candidate could devote sufficient time; and

   e. other factors, including but not limited to, among others, his/her contributions to the Company (e.g. view and perspective, skills and experience, promotion of board diversity), familiarity with legal requirements in Hong Kong and China, as well as time to be devoted to the affairs of the Company.

2. Potential nominees shall provide sufficient information, such as biographical details, to the Nomination Committee for consideration.

3. Assessment on the independence of potential nominees.

4. The Nomination Committee could invite other directors or senior management to assist in identifying candidates.

5. If necessary, the Nomination Committee can invite potential nominee(s) to attend meeting(s) for it to further learn about him/her.

6. The Nomination Committee has the discretion to nominate or reject the identified candidate(s).

In 2023, there are 8 members in the Board of the Company, including 7 male directors and 1 female director. All directors possess university or above educational level whereas some possess professional qualifications in accountancy and laws etc., and have ample experiences in large enterprise management, financial management, legal and human resources etc. in various industries.

The Nomination Committee held 3 meetings in 2023 while the Company Secretary attended all meetings. The Nomination Committee had reviewed the structure, composition and diversity of the Board, confirmed the rotation list of Directors at the Annual General Meeting, and assessed the independency of each of the Independent Non-Executive Directors and confirmed all of them are independent, and the Board, based on the recommendation of the Nomination Committee, also considered all Independent Non-Executive Directors to be independent.

The attendance record of Nomination Committee members during 2023 is set out below:

	Number of meetings eligible to attend	**Number of attendance**
Zhou Limin	3	3
Luo Zhenbang	3	3
Wang Xiaojun	3	2
Chen Jingru	3	3
Teng Fangqian	1	1
Liu Xudong	2	2

Environment, Social & Governance Committee

In 2023, the Environment, Social & Governance ("ESG") Committee comprises Mr Zhou Limin (Chairman), the Chairman and Executive Director, Mr Hua Chongzhi, a Non-Executive Director, and Mr Luo Zhenbang, an Independent Non-Executive Director. The responsibilities of the ESG Committee are to establish the policies and its reporting relating to environment, social and governance.

The ESG Committee met twice during 2023 for the purpose of discussing and reviewing the 2022 ESG Report, setting up the annual work plan, as well as following up the work progress. The ESG Consultant Firm and the Company Secretary attended both meetings. The ESG working group leader was unable to attend the meetings due to official business arrangements. However, he reviewed all submissions before the meeting and authorised the secretary of the ESG working group to report relevant work to the committee. During the year, the ESG Committee had also reviewed the interim work progress report of the working group, including the stakeholder questionnaire survey results, interim data review and analysis, compilation of the ESG materiality matrix, and risk assessment, etc. In addition, the ESG working group met once where the ESG consulting company explained the climate-related information disclosure requirements under the ESG framework and discussed with each group member. The chairman of the ESG Committee and ESG working group leader attended the meeting and gave instructions on the work.

The attendance record of ESG Committee members during 2023 is set out below:

	Number of meetings eligible to attend	**Number of attendance**
Zhou Limin	2	2
Luo Zhenbang	2	2
Hua Chongzhi	2	2

DIRECTORS' TRAINING

The Directors have been reported the financial and the operational information by the Company periodically, and will be informed of, both in written and by meetings, the latest amendments of the relevant laws related to listed companies and the Listing Rules, in order to let them understand the related directors' duties and responsibilities. Besides, the Company already informed each Director of the requirement of receiving relevant training each year and the provision of a record of the training they received to the Company. In 2023, the Company arranged the legal counsel of the Company to conduct training sessions for Directors and other management regarding Directors and Senior Management compliance training. In addition, the Company also provided online learning materials on anti-corruption for Directors' ongoing training. All Directors participated appropriate trainings according to their own needs and provided a training record during 2023 to the Company pursuant to the Corporate Governance Code.

During the year, the training hours received by the directors of the Company are as follows:

Directors	Training Hours
Zhou Limin	17
Song Shuqing	18.5
Luo Zhenbang	18
Wang Xiaojun	18
Chen Jingru	18
Hua Chongzhi	17
Teng Fangqian	16.5
Peng Jianguo	16.5
Jin Xuesheng‡	0
Mao Yijin*	2
Liu Xudong*	2

LIABILITY INSURANCE

The Company had already purchased an insurance for Directors and senior management of the Company and its subsidiaries in respect of the protection against contingent loss and liabilities arising from daily operations that may be borne by Directors and other management.

COMPANY SECRETARY

The selection, appointment or dismissal of Company Secretary (if any) should be approved by the Board at a meeting. The Company Secretary should report to the Chairman of the Board and the President.

The Company Secretary of the Company is Ms Wong Cho Ching, fellow member of The Hong Kong Chartered Governance Institute and has been serving the Company for many years. Ms Wong Cho Ching had taken not less than 15 hours' professional training in 2023 which met the requirements as stipulated in Rules 3.28 and 3.29 of the Listing Rules.

‡ Resigned on 10 February 2023, the training hours are recorded as at the date of resignation.

* Resigned on 2 March 2023, the training hours are recorded as at the date of resignation.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Company's Board of Directors is responsible for the risk management and internal control system and ensuring their effectiveness. The Company has gradually established, maintained and implemented an effective internal control system with clear definition of the responsibilities and duties of all businesses and operating departments, and has set up Internal Audit & Risk Management Department which is responsible for conducting regular or irregular audit on relevant businesses and operating departments to ensure effective check and balance of power, and for maintaining and implementing the risk management and internal control system. The Company has also established an ESG working group to report regularly to the ESG Committee to help assess and identify risk management in ESG aspect in order to assess and manage significant ESG-related issues. During the year, the ESG Committee conducted an interim investigation and analysis of ESG risk management and control matters in various Major Operating Enterprises. no significant ESG risk management issues were identified.

The Company's management evaluates the risk management and internal control system each year. Firstly, each of the subsidiaries reviews and evaluates the design and actual operation of their organizational structure, development strategy, human resource, corporate culture, social responsibility and so on. Secondly, the Company reviews the internal control of such companies by examining the risk identification and analysis and solutions taken, as well as reviewing and verifying the design and operation of relevant control measures on such as financing activities, asset management, purchase, sales, research and development, engineering project, guarantees, outsourcing, overall budget and contract management.

If any potential loophole is noted and recognized, the Company will put forward proposals, requiring relevant companies to enact or revise their rules and rectify the loophole within a specified period. Appraisal of the internal control environment will be carried out each year. Continuous improvements can strengthen the Company and its subsidiaries' internal control and reduce the possibility of risk occurrence.

During this year, the Company and its subsidiaries had inspected whether or not the risk management and internal control system is effective, and reviewed and restructured the internal rules and systems to confront the potential operational, market and financial risks during daily operation. The inspection covered all major control levels including financial, operational, compliance and risk management control. It especially standardized the decision making on major issues, including important appointment and removal, arrangement for material projects and use of large amount of funds.

The Company has established the *Rules on Administration of Information Disclosure Affairs* and *Guidelines on Identification of Discloseable Transactions and Inside Information* to maintain sound corporate governance and duly fulfill information disclosure obligations of a listed company and protect the rights and interests of the Company and investors. The Company and its subsidiaries shall regularly monitor their transactions and identify whether the counterparty is a connected party or not. Where a possible notifiable transaction is identified, it shall report to the Company immediately. When a transaction is confirmed as a notifiable transaction, the Company Secretary will draw up disclosure documents as soon as possible, and publish an announcement upon obtaining approval from the Board of Directors.

During the period, employees who have become aware of the transaction shall bear the duty of confidentiality and may not disclose it to the public without authorization. The *Model Code for Securities Transactions by Employees* of the Company also provides that specific employees who are aware of or privy to any negotiations or agreements related to a notifiable transaction, connected transaction or any inside information must refrain from dealing in the Company's securities on the date as they become aware of them or privy to them.

The Board of Directors has considered and believed that the Company has sufficient resources, employee qualification and experience in executing accounting, financial reporting and internal audit functions, and ESG reporting and relevant employees have received sufficient and proper training.

The Company's management has provided the Board of Directors with a confirmation letter relating to the effectiveness of the risk management and internal control system. The Board of Directors believes that such risk management and internal control system was designed to manage rather than eliminate the risks arising from the failure to meet business objectives, and will only make a reasonable but no absolute guarantee shall there be no significant misrepresentation or loss to be incurred. Therefore, the Company believes it is sufficient to implement the current risk management and internal control system, but it will make necessary review and revision from time to time to meet the requirements of laws and regulations, the Listing Rules, and internal management so as to strengthen its risk management and internal control.

ACCOUNTABILITY AND AUDIT

The Directors are responsible for preparing the accounts of each financial year, which give a true and fair view of the state of affairs, the results and the cash flows of the Company and its subsidiaries for that period. In preparing the accounts for the year ended 31 December 2023, the Directors had selected suitable accounting policies and adopted Hong Kong Financial Reporting Standards and applied them consistently. Based on judgments and estimations that are prudent and reasonable, the Directors prepared the accounts on a going concern basis. Auditor's reporting responsibilities are set out on the financial statements by the auditor.

During 2023, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt on the Company's ability to continue as a going concern. The Company aims at presenting a balanced, clear and comprehensive assessment of the Company's performance, position and prospects in all published documents such as announcements, circulars, interim reports and annual reports. The Company has announced its annual and interim results in a timely manner within the limits of 3 months and 2 months respectively after the end of the relevant period as laid down in the Listing Rules.

In 2023, the Company paid a total of approximately HK$5,483,000 to the auditor, of which included an audit fee of approximately HK$3,998,000 and a non-audit fee of approximately HK$1,485,000. The latter comprised fees for provision of services in reviewing interim report, results announcements, continuing connected transactions and taxation.

INVESTORS' RELATION

The Company has not amended its Articles of Association in 2023.

The information on the website of the Company will be updated in a proper and timely manner to maintain a quick, fair and transparent disclosure of its information.

The Board reviewed and revised the *Shareholders' and Investors' Communication Policy* in August 2023, including amendments to the distribution channels of corporate communication to shareholders. The Board also reviewed the effectiveness of the policy and considered it continues to be effective. The contents of the *Shareholders' and Investors' Communication Policy* are available for download from the websites of The Hong Kong Exchanges and Clearing Limited and the Company.

The Company, when holding any general meeting, will propose a separate resolution for each material issue. No "bundling" resolution will be proposed, including nomination of each director.

Meanwhile, the Company, according to the requirements of Rule 13.39(4) of the Listing Rules, has set out clearly in the circulars to its shareholders that all resolutions to be made at general meetings would be conducted by poll. Besides, all proxies are counted and poll results are announced promptly at the meeting, of which the same will be uploaded in the websites of both The Hong Kong Exchanges and Clearing Limited and the Company on the same day.

The Company held an annual general meeting and an extraordinary general meeting respectively in June 2023. Circulars of both meetings were sent beforehand as required by related rules. In the annual general meeting, the shareholders reviewed and approved the resolutions on the Company's financial results of 2022, the payment of a final dividend, re-election of Directors, remuneration fixing of Directors, the re-appointment of auditors and authorization to the Board in remuneration fixing of auditors, and the general mandate to the Board to issue and repurchase shares. All proposed resolutions were approved by the shareholders. In the extraordinary general meeting, the shareholders reviewed and approved the resolutions to enter into the construction contract between Nantong Hong Yuen Circuit Technology Company Limited and China Construction Eighth Engineering Division Corp., Ltd. All proposed resolutions were approved by the shareholders.

The Company had set aside enough time for shareholders to raise questions and for Directors to respond in both annual general meeting and extraordinary general meeting. The results of resolutions were verified by the share registrar, of which the same were uploaded in the websites of both The Hong Kong Exchanges and Clearing Limited and the Company respectively on the same day's afternoon.

SHAREHOLDERS' RIGHTS

Shall any shareholder of the Company demand the holding of an extraordinary general meeting for approval of any specific resolution, he/she may so demand in accordance to the requirements of Hong Kong Companies Ordinance and the Company's Articles of Association. And that shareholder or such shareholders shall hold not less than one-twentieth of the paid up share capital of the Company on the date of acquisition. The said requirements can be downloaded from the Company's website for reference.

Shall any shareholder intend to put forward suggestions in any general meeting or enquiries to the Board, he/she shall do so in written to the Company Secretary. The letter shall state clearly the identity of the shareholder, the number of shareholding, correspondence address and telephone number, and the related suggestions and enquiries. The Company shall, in a reasonable and practicable manner, pass the said matter to the Board or the President and respond it according to the situation.

In addition, the Company receives letters or phone enquiries from shareholders from time to time, the Company shall, in a reasonable and practicable manner, respond as quickly as possible. For matters concerning the Company's shares and basic information of announcements, enquiries shall be put forward to the email at comsec@casil-group.com while for matters concerning investor relations and enquiries from reporters, enquiries shall be put forward to the email at investor.relations@casil-group.com.

CHANNELS FOR THE DISSEMINATION OF CORPORATE COMMUNICATIONS TO SHAREHOLDERS

Corporate communications of the Company include circulars to shareholders, annual report (including the ESG report) and interim report, etc., all of which will be published on both the websites of Hong Kong Exchanges and Clearing Limited and the Company. Shareholders with registered email addresses will receive relevant notification by email when such corporate communications are published.

Shareholders may also obtain corporate communications in printed form from the Company upon request through the Company's share registrar, Tricor Standard Limited. Shall there be any queries regarding the dissemination of the corporate communications, shareholders may contact the Company's share registrar at (852) 2980 1333 or by email (casil-31-ecom@hk.tricorglobal.com).

SUFFICIENCY OF PUBLIC FLOAT

As at 31 December 2023, the issued share capital was approximately 3,085,022,000 shares, and the market capitalization was about HK$971,781,000.

As at 31 December 2023, the Company had total registered shareholders of 986. Since many other shareholders hold shares through Hong Kong Securities Clearing Company Nominees Limited in Hong Kong, the actual number of shareholders should be greater than the registered numbers.

Among which, the major shareholder, China Aerospace Science and Technology Corporation Limited, holds a total of 1,183,598,636 shares (approximately 38.37%) of the Company's shares through Burhill Company Limited, of which 1,143,330,636 shares are registered in the name of Burhill Company Limited and the remaining 40,268,000 shares are held under the name of Hong Kong Securities Clearing Company Nominees Limited.

According to the public information obtained by the Company and to the best knowledge of the Directors, the Company complied with the sufficiency of public float of not less than 25% as required by the Listing Rules as of 31 December 2023.

STAFF DIVERSITY

As at 31 December 2023, the Company and its subsidiaries had a total of 7,208 employees (including senior management) (31 December 2022: 7,489) located in the Mainland, Hong Kong and Vietnam.

The total number of senior management and employees and their gender ratio are approximately as follows:

	31 December 2022		**31 December 2023**	
	Total Persons	Percentage	**Total Persons**	**Percentage**
Male	4,353	58.13%	**4,239**	**58.81%**
Female	3,136	41.87%	**2,969**	**41.19%**
	7,489	100.00%	**7,208**	**100.00%**

The gender ratio of male and female employees of the Company and its subsidiaries has remained roughly balanced from approximately 58.81%:41.19% (31 December 2022: 58.13%:41.87%). The company and its subsidiaries will continue with the current employment policy in the coming year, will not focus on hiring a certain gender, and endeavour to maintain a balanced gender ratio.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. BOARD OF DIRECTORS' GOVERNANCE STATEMENT ON ENVIRONMENT, SOCIETY AND GOVERNANCE

The Board of Directors of the Company plays a leading and supervisory role, actively integrates environmental, social and governance ("ESG") into the Company's operation and management while carries out its business planning, monitors relevant ESG aspects, and continuously seeks to improve the Company's sustainable development performance. While ensuring the continuous compliance with relevant laws and regulations in the regions where we operate, the Company also prioritises the interests of various stakeholders to meet the stakeholders' expectations in terms of ESG, and is committed to mitigating operational risks. The Board's commitment to this is also reflected in the Company's vision and mission. The Company focuses on advanced manufacturing and modern service industries as its core capabilities, and is committed to promoting technological innovation and professional manufacturing. The Company also focuses on providing high-quality and high-efficiency supply chain and industrial chain services, providing customers with professional, efficient, safe and environmentally friendly products and services, and is committed to becoming an international enterprise with significant innovation capabilities and continuous value creation for customers.

The Company regularly gathers ESG information through different functional departments and working groups, summarises, analyses and discloses them in the ESG Report. The Board has overall responsibility for ESG strategy and reporting, and has established and formulated a comprehensive ESG policy framework to ensure the effective implementation of the Company's policies and commitments. The Company has established an Environment, Social and Governance Committee (the "ESG Committee") since 2021, comprising Mr Zhou Limin (Chairman), the Chairman and Executive Director, Mr Hua Chongzhi, a Non-Executive Director, and Mr Luo Zhenbang, an Independent Non-Executive Director. The ESG Committee has set up an ESG working group, which is composed of management personnel of the relevant companies within the reporting scope, to assist in performing the above work and responsibilities, and regularly reports to the ESG Committee and the Board on relevant policies, measures, project progress, objectives and effectiveness. The Board regularly reviews the effectiveness of the ESG plan and understands the potential impact of ESG issues on the Company's business model and related risks. After consideration and review, the management of the Company has confirmed to the Board that the Company's ESG continues to be effective.

The Company has always attached great importance to the communication and interaction with stakeholders. During the reporting period, the ESG Committee and the ESG Working Group have conducted a questionnaire survey on ESG stakeholder engagement to collect opinions from directors, employees, suppliers and customers respectively, so as to assist the Board and the management to understand the current ESG performance. Through the survey, the gap between the stakeholders' expectations on the Company's ESG performance and the current situation is shown, and the comparison with market standards and expectations is made, so that the Company can optimise relevant sustainable development policies in the future to meet the needs of stakeholders. The results of the materiality assessment reflected that "product safety", "product quality" and "corporate governance and risk management" are the three most important ESG aspects of the Company.

On the other hand, the Board is responsible for evaluating and determining the Company's ESG-related risks, and ensuring that the Company establishes appropriate and effective ESG risk management, internal control systems and countermeasures. After discussion by the Board, taking into account historical operating experience, industry trends and cost analysis, the Directors also reflected their opinions on the degree of risks brought to the Company by different environmental, social and governance issues. After analysis, the issues were prioritised, among which the risks of "product safety" and "product quality" were the highest. The Board will take corresponding measures in response to the analysis results, continuously improve the Company's environmental, social and governance performance in response to the above identified material issues and related risks, and make disclosures in the annual report.

The Board recognises the importance of setting ESG performance-related performance targets. As an enterprise in the manufacturing and service industries, the Company inevitably consumes energy and water and generates relevant emissions in its daily production and manufacturing process. Setting performance targets helps to manage and improve the Company's ESG performance. Despite the operational difficulties and challenges in the market, the Board will continue to lead the ESG Committee and the Working Group, formulate forward-looking statements on various high-materiality aspects, and actively promote enterprises to set quantifiable targets. For key performance that is closely related to the Company's business, such as total emissions, waste generation and energy and water consumption efficiency, the Company has established an appropriate management system and regularly reviews the performance of various indicators.

With the increasing concerns from regulators and investors on sustainability issues, the Board believes that the ESG work will be challenging. Looking ahead, with the cooperation of the ESG Committee and its ESG working group, as well as all relevant units, the Company will overcome difficulties and continue to promote various ESG work in business operations under the conditions of sustainable production, sales and management. We are confident that we can actively create a sustainable environment and create long-term value for the Company.

2. CORPORATE AND REPORT BASIC INFORMATION

2.1 PRINCIPAL BUSINESS

The Company and its subsidiaries mainly engage in the research and development, design, specialized production, sales and services of plastic products, semiconductor products, electronic products and power products, as well as the operations of Shenzhen Aerospace Science & Technology Plaza, with its principal place of business in Mainland China and Hong Kong.

The turnover of the hi-tech manufacturing is the main source of the Company's turnover and that contributes a significant profit and operating cash flow of the Company. Asset management of Shenzhen Aerospace Science & Technology Plaza also brought in constant rental income for the Company. The Company will continue to identify and implement the development of new business opportunities with a view to reduce the risk of single business.

2.2 ABOUT THIS REPORT

This Environmental, Social and Governance Report (the "Report") discloses the performance of the Company in respect of environmental, social and governance issues from 1 January 2023 to 31 December 2023.

This Report has been prepared in accordance with the requirements of the mandatory disclosure rules and "comply or explain" provisions set out in the "Environmental, Social and Governance Reporting Guide" in Appendix 27 of the Rule Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

2.3 SCOPE OF REPORTING

Unless otherwise stated, the Report identifies the reporting scope based on the principle of materiality, and considers the core business, main income sources and the relationship between the business and the environment and society. The ESG performance, policies and management measures disclosed in the Report include a number of major technology industrial enterprises established in Mainland China, including Chee Yuen Plastic Products (Huizhou) Company Limited, Conhui (Huizhou) Semiconductor Company Limited, Dong Guan Hong Yuen Electronics Co., Limited, and Huizhou Jeckson Electric Company Limited, which are responsible for the manufacturing and sales of plastic products, semiconductor products, electronic products and power supply products(hereinafter referred to as the "Major Industrial Enterprise(s)"), where their revenues and profits accounted for a significant portion of their respective businesses, as well as an indirect subsidiary of the Company established in Mainland China, Shenzhen Aerospace Technology Property Management Company Limited, responsible for the property management of Shenzhen Aerospace Science & Technology Plaza (hereinafter referred to as the "Property Management Company"), and all companies are collectively referred to as the "Major Operating Enterprises".

2.4 PRINCIPLE OF REPORTING

This Report follows "Environmental, Social and Governance Reporting Guide", Appendix 27 of the Listing Rules and applies the following principles:

Materiality: In order to identify and assess material issues that have an impact on business stakeholders, the Company conducted a substantive assessment through a number of communication activities with business stakeholders to determine the environmental, social and governance issues that have a significant impact on investors and other stakeholders.

Quantitative: Quantitative principles are applied to all information in this Report, with performance indicators clearly defined and with units of measurement clearly indicated.

Balance: The information in this Report has been derived from the internal statistics and internal communication documents of the Company and does not contain any false statements and misleading representations and we are responsible for the truthfulness, accuracy and completeness of the contents.

Consistency: The Company reports in accordance with "Environmental, Social and Governance Reporting Guide", Appendix 27 of the Listing Rules in reporting. If there are any changes in the future that may affect the comparison with previous reports, a note will be added by the Company to the corresponding content of the Report.

Unless otherwise stated, the data for 2022 and 2023 in this Report adopts the same calculation method and is thus sustainable and comparable.

3. COMMUNICATION WITH STAKEHOLDERS AND ASSESSMENT OF MATERIAL ISSUES

Stakeholder engagement helps the Company review potential sustainability risks and opportunities and has a significant impact on the Company's strategic development. Therefore, the Company strives to adopt the opinions of stakeholders (including shareholders, employees, suppliers, customers and the public) and protect their interests through various constructive communication methods, and regularly reviews them to determine the long-term development direction of the Company and maintain a close relationship with them.

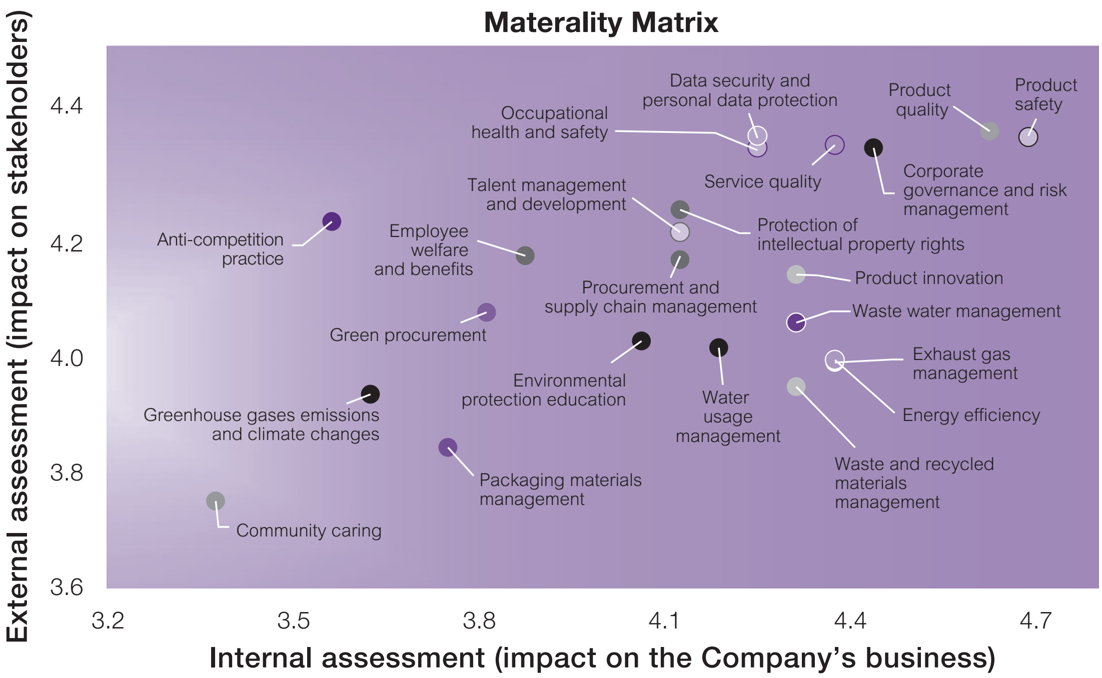
During the reporting period, in order to more clearly identify the environmental, social and governance issues of importance to the Company and all Major Operating Enterprises and stakeholders, we conducted a stakeholder communication exercise and a substantive assessment in which management, internal and external stakeholders participated in a questionnaire survey. The assessment process was conducted with reference to the "Environmental, Social and Governance Reporting Guide" and in accordance with the following steps:

Step 1 Identify the material issues	Based on factors such as the Company's development strategy, industry development trend, capital market requirements and regulatory issue, the Company and its ESG Committee conducted an internal assessment first and identified 22 material sustainability issues, covering four major aspects, namely environment, employment and labour practices, operating practices and community investment.
Step 2 Collect the opinions from stakeholders	Regarding the identified material issues, the Company collected feedback from internal and external stakeholders through questionnaires and assessed the importance of each relevant issue.
Step 3 Determine the material issues	The materiality of each issue was determined by two factors, namely its importance to stakeholders and our impact on the issue, and a materiality matrix was developed with reference to the assessment results.
Step 4 Acknowledge the assessment results	The ESG Working Group reports the assessment results to the ESG Committee, and the Board of Directors reviews and approves the final materiality assessment results and follows up.

By analysing the results of the questionnaire survey, the Company and the Major Operating Enterprises were ranked in different areas among the 22 relevant issues as follows:

Environmental Protection	**Employment and Labour Practices**	**Operational Practices**	**Community Investment**
1. Greenhouse gases emissions and climate changes 2. Exhaust gas management 3. Waste water management 4. Waste and recycled materials management 5. Packaging materials management 6. Energy efficiency 7. Water usage management 8. Environmental protection education 9. Green procurement	10. Employee welfare and benefits 11. Occupational health and safety 12. Talent management and development	13. Procurement and supply chain management 14. Product quality 15. Product safety 16. Product innovation 17. Service quality 18. Data security and personal data protection 19. Corporate governance and risk management 20. Protection of intellectual property rights 21. Anti-competition practice	22. Community caring

Based on the above assessment process, the materiality of each issue to the Company's business and the importance of stakeholders were considered, and the results of the substantive issue analysis were obtained, as shown in the materiality matrix below:



For the substantive issues identified in the assessment, the Company and all Major Operating Enterprises have taken corresponding measures, which are detailed in the subsequent sections of this Report. The Company will continue to review and formulate corresponding ESG policies, strategies and objectives, and formulate appropriate response measures and control procedures. At the same time, the Company also continued to strengthen communication with stakeholders and optimise the disclosure of the ESG Report, with a view to continuously improving our ESG performance and enhancing the value and competitiveness of the Company in the future.

4. ENVIRONMENT

4.1 EMISSIONS AND POLLUTION PREVENTION

In order to improve the Company's performance related to environmental protection, all Major Operating Enterprises have always established energy management systems, pollutant discharge and waste management control procedures and hazardous chemicals safety management systems according to the needs of different industries and relevant standards and regulations, and strictly abide by various laws and regulations in Mainland China on waste collection, pollutant discharge, noise emission, etc. These management systems are formulated and implemented by the management of each relevant company. In order to ensure that the treatment of exhaust gas, waste materials and wastewater meets the requirements of the environmental protection department of the local government, the Company is also committed to improving the treatment methods of emissions. All exhaust gas is filtered and adsorbed by water, and only discharged after meeting the standards. The waste generated is separated by different labelled trash cans for unified treatment, and domestic waste is handed over to the environmental sanitation management office for treatment. In addition, all Major Operating Enterprises declared hazardous waste through the dedicated webpage of local environmental protection bureaus, and chose companies with hazardous waste recycling licences for recycling. Qualified waste recycling companies are also selected for general waste recycling. The reclaimed water treatment facilities of the wastewater treatment system have increased the reuse rate of reclaimed water to reduce the discharge of wastewater. On the other hand, all Major Operating Enterprises have engaged qualified professional companies to test whether the level of noise, exhaust gas and wastewater exceeds the standards, and to treat and recycle various types of industrial hazardous waste to reduce and reduce the corresponding waste, so as to control and reduce the pollution to the community as much as possible.

All Major Operating Enterprises of the Company attach great importance to the proper treatment of emissions and strictly abide by the laws and regulations on environmental protection. The Major Industrial Enterprises are engaged in the manufacturing and sales of plastic products, semiconductor products, electronic products and power supply products, which consume electricity, water resources, various materials, etc. in the daily manufacturing process, and generate various pollutants, wastes and noise. The Property Management Company is engaged in the provision of property management services for Shenzhen Aerospace Science & Technology Plaza, and the main emissions are the generation of exhaust gas, domestic waste and waste. The discharge of these pollutants and wastes is the most important area for all Major Operating Enterprises. If there is a serious violation of the laws and regulations on environmental protection, it may be required by the government to rectify and impose fines or even compulsory suspension of business, which will inevitably affect the progress of production and significantly affect the overall performance of the Company.

All Major Operating Enterprises are required to comply with the laws and regulations relating to exhaust gas and greenhouse gases emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, and shall formulate corresponding measures, including: "The Atmospheric Pollution Prevention and Control Law" aims to protect and improve the environment, prevent and control atmospheric pollution, safeguard the health of the general public. "The Energy Conservation Law" aims to promote energy conservation in the whole society, enhance energy utilisation efficiency, protect and improve the environment, and promote comprehensive, coordinated and sustainable economic and social development. "The Cleaner Production Promotion Law" aims to promote cleaner production, raise the efficiency of utilisation of resources, reduce and avoid the generation of pollutants, protect and improve the environment, safeguard the health of the general public, and promote the sustainable development of economy and society. "The Environmental Protection Tax Law" levies environmental protection tax on enterprises and other manufacturers and operators who directly emit pollutants to the environment in order to protect and improve the environment as well as to reduce pollutant discharges. "Law on Prevention and Control of Environmental Pollution by Solid Waste" aims to protect and improve the ecological environment, prevent and control environmental pollution by solid wastes, safeguard the health of the general public, maintain the ecological safety, promote modern ecological construction as well as promote the sustainable development of the economy and society. "The National Hazardous Waste Inventory" determines the solid wastes mixing hazardous wastes and other substances, as well as the categories of solid wastes upon the utilisation and disposal of hazardous wastes. "The Law on Prevention and Control of Pollution from Environmental Noise" aims to prevent and control environmental noise pollution, protect and improve the living environment, safeguard the health of the general public and promote economic and social development. All Major Operating Enterprises are also committed to complying with the local regulations related to environmental protection.

All Major Operating Enterprises of the Company will identify emission sources, and gather monthly statistical emission data, as well as formulating the related management plan and emission reduction plan, such as "2023 Greenhouse Gas Emission Inventory and Emission Reduction Program", and update "2023 Hazardous Waste Management Program". Individual enterprises have set targets to reduce greenhouse gases emissions by 3% compared to the previous year, and recycle 10% of waste originally scheduled to be sent to landfills. The main exhaust gas generated by the Company's Major Industrial Enterprises in the production process is nitrogen oxide, hydrogen chloride and particulate matter. Individual enterprises engaged third parties to measure the overall emissions in 2023 which recorded a decrease compared to that of 2022, mainly due to the weak global economy and the decrease in orders, and the production volume in 2023 decreased compared to that of 2022. Greenhouse gases emissions mainly come from purchased electricity and fuel combustion. In order to reduce emissions and make due corporate responsibility for environmental protection, the Company continued to implement relevant emission reduction and energy conservation measures, and the energy consumption decreased accordingly during the year. Hazardous and non-hazardous waste generation also decreased compared to that of 2022, mainly due to the decrease in production in 2023. With reference to the above measures taken during the reporting year, the discharge of waste, pollutants and noise of all Major Operating Enterprises generally complied with the standards stipulated by laws, and there were no major violations of laws and regulations related to environmental protection, nor were there any accidents that had a significant negative impact on the environment.

In 2023, the KPIs for all Major Operating Enterprises of the Company relating to the emissions are in general as follows:

Emissions	Emissions in 2022	**Emissions in 2023**	**Unit[1]**
Sulphur oxides	18.02	**10.39**	kg
Intensity	*0.0058*	***0.0042***	*kg/RMB million output value*
Nitrogen oxides	953.09	**691.26**	kg
Intensity	*0.31*	***0.28***	*kg/RMB million output value*
Hydrogen chloride	4,475	**2,514.78**	kg
Intensity	*1.45*	***1.01***	*kg/RMB million output value*
Particulate matter[2]	3,764.90	**5,388.73**	kg
Intensity	*1.22*	***2.16***	*kg/RMB million output value*

Greenhouse Gases	Emissions in 2022	**Emissions in 2023**	**Unit[3]**
Direct (Scope 1)	1,059	**692.79**	tonnes of carbon dioxide equivalent
Energy indirect (Scope 2)	148,933	**103,765.05**	tonnes of carbon dioxide equivalent
Intensity	*48.64*	***41.84***	*tonnes of carbon dioxide equivalent/ RMB million output value*

1 The intensity calculation method has been updated to be in terms of RMB million output value, and the relevant data in 2022 has been adjusted.

2 One of the enterprises started to collect particulate matter data in 2023 due to the change of the particle discharge licence, and there was no relevant data statistics in 2022 and before.

3 The intensity calculation method has been updated to be in terms of RMB million output value, and the relevant data in 2022 has been adjusted.

Hazardous waste	Total amount in 2022	Total amount in 2023	Unit[4]
Hazardous waste produced	3,452	**3,400.42**	tonne
Intensity	*1.12*	***1.36***	*tonne/RMB million output value*

Non-hazardous waste	Total amount in 2022	Total amount in 2023	Unit[5]
Non-hazardous waste produced	4,515	**3,486.95**	tonne
Intensity	*1.46*	***1.40***	*tonne/RMB million output value*

The Company will strive to continue to reduce various types of emissions in the future and disclose key performance indicators such as exhaust gases emissions, greenhouse gases emissions and waste generation in its annual reports to reflect the effectiveness of our approach and commitment to this policy.

4.2 RESOURCE CONSUMPTION

The Company understands that the natural resources used in the business of all Major Operating Enterprises include various types of energy, water resources and various materials. We understand that these resources are limited and non-renewable on the planet. In order to balance the needs of corporate development and environmental protection, we continuously adjust the development direction to seek a green operation model that effectively reduces resource consumption. The Company encourages all Major Operating Enterprises to formulate relevant energy management plans and formulate their respective energy indicators every year, with the goal of reducing the dependence on natural resources and the adverse impact on the environment while developing their business. We have adopted a series of energy-saving measures, including fuel, energy, water and other raw materials. Use renewable energy and reuse materials whenever possible. Individual enterprises set targets such as total electricity consumption and total water consumption reduction of 3% compared to that of previous year. Since the beginning of 2019, the Company and its subsidiaries have fully utilised the office automation system. Colleagues can use different parts of the system according to their licences, including internal documents, document receipt and distribution, information and rules and regulations, so as to shorten the time of document transmission and reduce the use of paper. On the other hand, the Company always encourages employees to minimise the consumption of natural resources and adopt energy-saving measures, and improves energy efficiency through training and awareness-raising activities. We also require all subsidiaries to comply with the regulations related to environmental protection to ensure compliance with relevant regulations in the process of production and operation. All Major Operating Enterprises have also strengthened the continuous education of employees' awareness of energy conservation and environmental protection, and implemented target management of water and electricity consumption, such as using water stored in the rainwater collection system as cleaning and greening water, so as to minimise the demand for fresh water resources.

4 The intensity calculation method has been updated to be in terms of RMB million output value, and the relevant data in 2022 has been adjusted.

5 The intensity calculation method has been updated to be in terms of RMB million output value, and the relevant data in 2022 has been adjusted.

In addition, the Company has also replaced most of the lighting with LED energy-saving systems, regularly eliminated outdated processes and equipment with higher energy consumption to gradually reduce consumption. During the year, the outdoor lighting in the Dong Guan Hong Yuen factory was gradually replaced with solar energy lamps, which is expected to save approximately 12,264,000 kWh of electricity per year and further reduce energy consumption. We also attach great importance to the efficient use and recycling of materials, minimise the use of disposable items and use more recyclable packaging materials to reduce waste. The property management company uses high-demand electricity instead of a large number of types of electricity to supply electricity, and calculates and analyses the total electricity consumption on a monthly basis. When abnormalities are found, the Group will deal with them in a timely manner, and adopt automatic switches and related equipment and lighting in public areas, adjust indoor temperature according to outdoor temperature, so as to reduce unnecessary loss of natural resources and pollution to the environment, and continuously strive to seek a green operation model that effectively reduces resource consumption to achieve the goal of sustainable development.

In 2023, the KPIs for the Company relating to the use of resources are in general as follows:

Type of Energy	Consumption in 2022	**Consumption in 2023**	**Unit**[6]
Non-renewable fuel (Direct)			
— Liquefied petroleum gas	95.3	**33.2**	Thousand kWh
— *Intensity*	*0.03*	***0.01***	*Thousand kWh/RMB million output value*
— Natural gas	1,989.4	**1,735.8**	Thousand kWh
— *Intensity*	*0.65*	***0.70***	*Thousand kWh/RMB million output value*
— Environmental-friendly fuel	0	**0**	Thousand kWh
— *Intensity*	*0*	***0***	*Thousand kWh/RMB million output value*
— Gasoline	601.2	**560.6**	Thousand kWh
— *Intensity*	*0.19*	***0.22***	*Thousand kWh/RMB million output value*
— Diesel	258.3	**221.2**	Thousand kWh
— *Intensity*	*0.08*	***0.09***	*Thousand kWh/RMB million output value*
Purchase of energy (Indirect)			
— Electricity	147,573.0	**144,053.4**	Thousand kWh
— *Intensity*	*47.86*	***57.70***	*Thousand kWh/RMB million output value*
Intensity of energy consumption	*48.81*	***58.72***	*Thousand kWh RMB million output value*

6 The intensity calculation method has been updated to be in terms of RMB million output value, and the relevant data in 2022 has been adjusted.

Water Consumption	Consumption in 2022	**Consumption in 2023**	**Unit[7]**
Total water consumption	1,536,353	**1,185,683**	tonne
Intensity of water consumption	*498.22*	***474.90***	*tonne/RMB million output value*

Packaging materials	Consumption in 2022	**Consumption in 2023**	**Unit[8]**
Total packaging materials used	5,351	**4,059.8**	tonne
Intensity	*1.74*	***1.63***	*tonne/RMB million output value*

4.3 ENVIRONMENTAL AND NATURAL RESOURCES MANAGEMENT SYSTEM MEASURES

The Company and all Major Industrial Enterprises are committed to protecting the natural environment, promoting sustainable development, and respecting and protecting biodiversity in all business activities. We strictly monitor the whole cycle of production and operation, and strive to reduce the disturbance and damage to surrounding land and flora and fauna habitat through environmental and social impact assessment and special protection measures. The Company recognises the importance of biodiversity conservation and habitat restoration, and minimises the impact of production and operation on surrounding natural ecology and biodiversity.

The day-to-day operations of all Major Operating Enterprises have different degrees of impact on the environment. The exhaust gas generated by the Major Industrial Enterprises includes sulphur oxide, nitrogen oxide, hydrogen chloride and particulate matter, and also emits greenhouse gases such as carbon dioxide, and generates wastewater and solid waste. The business impact of the Property Management Company on the environment mainly includes exhaust gas, greenhouse gases emissions, domestic waste and waste generation, electricity and water consumption, and consumption of various materials. All businesses also consume and use various raw materials and packaging materials, which indirectly results in carbon dioxide emissions and environmental pollution. In response to these environmental and biodiversity impacts, all Major Operating Enterprises have identified the corresponding impacts of the Company's business scope, identified the corresponding environmental factors, prioritised these environmental impacts through scientific methods, identified major environmental factors, and took appropriate measures for these major environmental factors, including improvement of manufacturing technology, satisfaction of regulatory requirements (including 24-hour real-time testing of wastewater volume and pH level by relevant government departments), reduction of emissions, recycling, emergency plans, reduction targets, etc., for reasonable management. In addition, individual enterprises also arrange awareness training such as environmental lectures, and provide corresponding training for new employees. Every year, each department conducts internal environmental protection assessments to ensure effective implementation of environmental protection measures. In order to reduce the Company's significant impact on the environment and natural resources, all Major Operating Enterprises have obtained the ISO14001 environmental management system certification, and regularly arranges third-party institutions to review to systematically manage continuous monitoring and improvement. These measures are designed to ensure that the Company's environmental impact is effectively managed and controlled, and that environmental performance is continuously improved.

7 The intensity calculation method has been updated to be in terms of RMB million output value, and the relevant data in 2022 has been adjusted.

8 The intensity calculation method has been updated to be in terms of RMB million output value, and the relevant data in 2022 has been adjusted.

4.4 CLIMATE CHANGE

The Company continues to pay attention to climate change issues and is committed to taking the best measures to reduce greenhouse gases emissions from business operations in line with the national strategy to cope with climate change. We are deeply aware of the potential impact of climate change on our operations. Therefore, we have conducted a comprehensive climate risk assessment and formulated corresponding action plans. Since 2021, our Major Industrial Enterprises have formulated documents such as the "Emergency Plan for Natural Disaster Accidents", "Emergency Plan for Environmental Emergencies" and "Emergency Preparedness and Response Control Procedures" to regularly check to deal with the occurrence of bad weather and accidents.

For the Company's business activities, we are exposed to various climate risks, including acute and chronic physical risks such as typhoons, floods, extreme temperature differences and rising sea levels. In response to these risks, our Major Operating Enterprises have implemented various countermeasures, including regular inspection of emergency materials and equipment, reinforcement of building structure, assessment of the safety of employees working outdoors, provision of appropriate training, purchase of flood control sandbags, and installation of flood control gates in the car park of the building. At the same time, we also closely monitor other transitional climate risks, such as legal, technological and market changes related to the low-carbon economy, so that we can deploy resources in a timely manner to respond to possible costs and opportunities. The Company will continue to strive to reduce the impact of its operations on the climate and actively seek innovative solutions to achieve the goal of sustainable development. We attach great importance to the cooperation with relevant stakeholders, jointly respond to the challenges brought by climate change, and strive to protect the environment and society, and make positive contributions to a green and sustainable future.

5. SOCIAL

EMPLOYMENT AND LABOUR PRACTICE

5.1 EMPLOYMENT-RELATED EMPLOYEE RIGHTS AND LABOUR STANDARDS

The Company and its subsidiaries have always attached great importance to the fair treatment of every employee. We abide by all local regulations in accordance with applicable laws and regulations, and update them with reference to relevant laws, and formulate a series of employment policies and measures to ensure that employees are treated fairly and reasonably. Recruitment of employees is based on the principle of fairness, regardless of age, gender, marital status, race, nationality, religious belief and disability, and employees are always regarded as the most important asset. On the other hand, the Company and its subsidiaries continuously improve the level of human resources management and strictly implement the performance-based appraisal system to motivate employees to continuously improve their personal performance and contribution to the Company.

The Company and its subsidiaries provide employees with reasonable remuneration, appropriate medical insurance and other insurance, so that employees can work in a stable environment. Equal opportunities are given to all employees and their remuneration is determined based on their qualifications, experience and work performance, taking into account the prevailing industry practices. In addition, a sound dismissal policy is in place, which is carried out in a fair and reasonable manner in accordance with the requirements of the current employment compensation regulations, and strictly complies with relevant local labour laws.

At the same time, the Company attaches great importance to the diversified development of employees, and ensures that all employees are respected and treated with dignity and are not subject to any discrimination due to any circumstances. Subject to regulations and based on actual needs, the Company and its subsidiaries have put in place various benefits, including but not limited to labour protection for female workers and underage workers, adequate protection of staff's work and rest time, paid annual leaves and occupational injury management.

All Major Operating Enterprises must comply with the laws and requirements related to employment, mainly the "Labour Law of the People's Republic of China", "Labour Contract Law of the People's Republic of China", "Provisions on Prohibition of Using Child Labour" and "Protection System for Women Labour and Underage Labour", as well as regulations related to employment at the place where the companies are located at.

"The Labour Law of the People's Republic of China" aims to protect the legitimate rights and interests of labourers, readjust labour relationship, establish and safeguard the labour system suiting the socialist market economy, and promote economic development and social progress. "The Labour Contract Law of the People's Republic of China" aims to improve the labour contractual system, clarify the rights and obligations of both parties of labour contracts, protect the legitimate rights and interests of labourers, and establish and develop a harmonious and stable labour relationship. "The Provisions on Prohibition of Using Child Labour" protects the physical and psychological health of the minors, promotes the implementation of compulsory education system and safeguards the legitimate rights and interests of the minors. "The Protection System for Women Labour and Underage Labour" aims to enhance the protection of women labour and the minors.

In 2023, with reference to the above measures adopted, all Major Operating Enterprises generally complied with the legal requirements and did not have material violations of the legal requirements related to employment. Also, no incident exerting material adverse impact was noted.

In 2023, the number of employees of the Company by different categories are in general as follows:

Category	2022	2023
By gender		
Male	3,332	**3,267**
Female	2,383	**2,176**
By employment category		
Full-time	5,715	**5,442**
Part-time	0	**1**
By age group		
18 to 30	2,226	**2,009**
Above 30	3,489	**3,434**
By geographical region		
Mainland China	5,715	**5,443**
Other than Mainland China	0	**0**

The turnover rate of employees of the Company by different categories are in general as follows:

Category[9]	2022	2023
By gender		
Male	23.56%	**20.63%**
Female	14.09%	**13.56%**
By age group		
18 to 30	22.79%	**19.88%**
Above 30	14.85%	**14.30%**
By geographical region		
Mainland China	37.64%	**32.74%**
Other than Mainland China	Not Applicable	**Not Applicable**

During the year, due to the impact of the weak global economy, the total number of employees decreased slightly compared with 2022, and the mobility of employees also decreased slightly compared with 2022. The Company regularly reviews the situation of employees, analyses the results, and makes timely adjustments to human resources management policies. At the same time, in accordance with the Company's business development direction, the Company provides employees with development platforms and career guidance in various aspects, including inter-departmental position competition and priority right for recruitment, and enhanced incentive measures to give employees a sense of security.

The Company and its subsidiaries attach great importance to the compliance of labour standards and expressively stipulate that no child labour of less than 16 years old will be employed and endeavour not to employ child labour by accident, and will not support the practice of employing child labour by other companies or social groups. Currently, all staff are 18 years old or above.

According to the "Management System of Recruitment" formulated by the Company, staff of the human resource department of all Major Operating Enterprises must carry out a strict inspection of the personal documentation of candidates during recruitment, and to verify their photos to confirm it is the candidate himself/herself before such application can be registered. The candidate must fill in a registration form and staff of the human resource department will check the information filled in by the candidate and verify the information in the registration form if necessary. If it is found out that any child labour is employed by the enterprise out of negligence, the child labour should be stopped from working and arrangement should be made as soon as possible to have the child labour back to the place where he/she is domiciled under the supervision of his/her parents or guardian and report to the local labour authority.

9 Due to the nature of the industry, the employee turnover rate in this report is calculated as the number of employees leaving the company/(total number of employees + total number of employees leaving the company) * 100%.

The Company and its subsidiaries also make it clear that they will neither mandatorily require employees to work overtime persistently nor conduct the practice of forced labour, and employees can work overtime only on a voluntary basis.

All Major Operating Enterprises must comply with the laws and requirements related to labour protection, mainly the "Labour Law of the People's Republic of China", "Labour Contract Law of the People's Republic of China", "Provisions on Prohibition of Using Child Labour" and "Protection System for Women Labour and Underage Labour", as well as regulations related to labour protection at the place where the companies are located at.

"The Labour Law of the People's Republic of China" aims to protect the legitimate rights and interests of labourers, readjust labour relationship, establish and safeguard the labour system suiting the socialist market economy, and promote economic development and social progress. "The Labour Contract Law of the People's Republic of China" aims to improve the labour contractual system, clarify the rights and obligations of both parties of labour contracts, protect the legitimate rights and interests of labourers, and establish and develop a harmonious and stable labour relationship. "The Provisions on Prohibition of Using Child Labour" protects the physical and psychological health of the minors, promotes the implementation of compulsory education system and safeguards the legal rights and interests of the minors. The "Protection System for Women Labour and Underage Labour" aims to enhance the protection of women labour and the minors.

In 2023, with reference to the above measures adopted, all Major Operating Enterprises generally complied with the legal requirements and did not have material violations of the legal requirements related to labour protection. Also, no incident exerting material adverse impact and no significant labour disputes were noted. As at 31 December 2023, all Major Operating Enterprises had a total of 5,443 employees (31 December 2022: 5,715 employees).

5.2 EMPLOYEE HEALTH AND SAFETY

The Company attaches great importance to the occupational safety and health of employees, and we recognise that it is essential to the well-being of employees and the long-term development of the Company. Therefore, we continuously strive to improve our occupational health and safety management system to ensure the safety and health of our employees at work. We are committed to continuous improvement and innovation to ensure that all hazard sources are properly assessed and managed, and clear safety operating procedures and methods are in place. We attach great importance to the management of safety performance and regularly evaluate and assess the effectiveness of safety measures.

All Major Operating Enterprises have established a complete occupational health and safety management system, including the methods for the evaluation, treatment and management of hazard sources, the formulation of various safety operation procedures and methods, and the corresponding safety performance management methods. In addition, individual industrial enterprises also implement the management system of SA8000 (Social Responsibility Standard). In order to ensure the effective implementation of these methods, all Major Operating Enterprises have established a production safety management committee to conduct regular supervision and inspection. In addition, they are required to evaluate hazard sources once a year, regularly train all safety operation procedures, conduct emergency plan management and drills, and evaluate and assess safety performance. We are committed to providing a safe working environment to ensure that employees are able to perform their job duties under safe conditions. All Major Operating Enterprises will provide employees with body check on a regular basis, and new employees will receive pre-employment training and can only be recruited after they have passed the assessment.

All Major Operating Enterprises must comply with the laws and requirements related to employees' health and occupational safety, mainly the "Labour Law of the People's Republic of China", "Production Safety Law of the People's Republic of China", "Law on the Prevention and Treatment of Occupational Diseases of the People's Republic of China" and "Fire Control Law of the People's Republic of China", as well as regulations related to employees' health and occupational safety at the place where the companies are located at.

"The Labour Law of the People's Republic of China" aims to protect the legitimate rights and interests of labour, readjust labour relationship, establish and safeguard the labour system suiting the socialist market economy, and promote economic development and social progress. "The Production Safety Law of the People's Republic of China" aims to enhance safe production, prevent and reduce production safety accidents, defend the safety of life and property of the masses, and promote the continuous and healthy development of the economy and the society. "The Law on the Prevention and Treatment of Occupational Diseases of the People's Republic of China" aims to prevent, control and eliminate the harm of occupational diseases, prevent and treat occupational diseases, protect the health and relevant rights and interests of the labour, and promote the economic development. "The Fire Control Law of the People's Republic of China" aims to prevent and reduce fire damage, improve emergency rescue, safeguard citizen's personal security and security of property, and uphold public security.

In 2023, with reference to the above measures taken, all Major Operating Enterprises generally complied with the legal requirements and did not materially violate the legal requirements related to employment health and occupational safety. Total lost days due to work injury were more than half lower than last year, reflecting the Company's continued focus on employee safety. In the past three years, the number of work-related fatalities was 0. In 2023, the number of lost days due to work injury was 254 days (2022 lost days due to work injury: 663 days).

5.3 EMPLOYEE DEVELOPMENT AND TRAINING

Human capital nourishment and development have always been the focal points of the Company. The Company has continued to improve its human resources management standards and implementing a strict performance-based appraisal system to motivate employees to continuously improve their personal performance and contribution to the Company.

The Company and its subsidiaries continue to improve the talent development plan and formulate a series of relevant policies, such as the "Annual Training Plan" and the "Employee Training Subsidy Management Method". All new employees are required to undergo induction training to better understand the Company's business and development prospects. The Company will also provide appropriate subsidies for employees to participate in external training courses, such as academic degrees and professional skills, to encourage employees to continuously study and strengthen their own competitiveness, so as to adapt to the changes in the market and meet the needs of the Company. In addition, individual industrial enterprises have also set up a special training management centre and arranged internal lecturers to conduct internal training for employees, covering a wide range of topics, including production operation skills, process technology, quality assurance, occupational safety and health, various vocational skills training, environmental protection matters, etc. Through these trainings, we aim to improve the professional capability and knowledge level of our employees so that they can better cope with work challenges.

In 2023, percentage of trained employees and average hours of training completed per employee of the Company by different categories are in general as follows:

Category	Percentage of trained employees in 2022 (%)	**Percentage of trained employees in 2023 (%)**	Average hours of training completed per employee in 2022 (hours)	**Average hours of training completed per employee in 2023 (hours)**
By gender				
Male	100	**100**	1–54	**0.4–60**
Female	100	**100**	1–54	**0.4–60**
By employee category				
Senior management	100	**100**	2–34	**1–35.8**
Middle management	100	**100**	2–55.25	**1–60**
Other employees	100	**100**	1–28.92	**1–35**

OPERATING PRACTICES

5.4 SUPPLY CHAIN SECURITY AND MANAGEMENT

Supply chain is an integral part of the Company's business. We have close contact with suppliers and pay great attention to the environmental and social performance of our partners in our operations. Through the implementation of management standards, we are committed to achieving operational excellence. The Company and its subsidiaries have always attached great importance to fair trade, conducted transactions with business partners and lending banks on fair, just and reasonable terms, and complied with relevant regulations to reduce risks.

All Major Operating Enterprises must comply with the law and requirements related to supply chain management, mainly the "Anti-Money Laundering Law of the People's Republic of China", "Anti-Unfair Competition Law of the People's Republic of China", "Anti-Monopoly Law of the People's Republic of China", "Bidding Law of the People's Republic of China" and "Interim Provisions on Banning Commercial Bribery", as well as regulations related to supply chain management at the place where the companies are located at.

"The Anti-Money Laundering Law of the People's Republic of China" aims to prevent money-laundering, preserve financial order, and check the crime of money-laundering as well as related crimes. The "Anti-Unfair Competition Law of the People's Republic of China" aims to safeguard the healthy development of socialist market economy, encourage and protect fair competition, repress unfair competition acts, and protect the legitimate rights and interests of business operators and consumers. "The Anti-Monopoly Law of the People's Republic of China" aims to prevent and restrain monopolistic conducts, protect fair market competition, enhance economic operating efficiency, safeguard the interests of consumers and the interests of the society as a whole, and promote the healthy development of socialist market economy. "The Bidding Law of the People's Republic of China" aims to regulate bid invitation and bidding activities, protect the interests of the State and the public as well as the legitimate rights and interests of the parties involved in bid invitation and bidding activities, increase economic benefits and ensure project quality. "The Interim Provisions on Banning Commercial Bribery" aims to curb commercial bribery and maintain fair competition and order. All Major Operating Enterprises have put into place procedures for administration and control of suppliers to identify the practices of environmental and social risks of each segment of the supply chain, including qualification identification, annual review and regular supervision for suppliers, formulated anti-commercial bribery rules. Meanwhile, management system for product delivery and service has been established, which includes product quality control methods and product complaint handling. To ensure product and service quality, individual industrial enterprises have established and continuously optimised their respective supplier appraisal and management mechanism. Such enterprises have formulated and documented a set of rules and systems to strictly select suppliers and regularly assess their performance.

In addition, before engaging suppliers, all Major Operating Enterprises will identify suitable suppliers based on actual requirements and collect information on various aspects such as quality, service, delivery time, price and reputation within the industry, and request suppliers to provide basic information and product samples as basis for selection at the same time. The Company and all subsidiaries will perform agreements in accordance with provisions therein, and settle accounts payable within a reasonable and feasible time as prescribed therein and never defer payment without cause. It also hopes its clients to perform agreements likewise and settle their accounts payable within a reasonable and feasible time and never defer payment without cause to ensure non-disruption of respective capital flow and respective businesses will not be affected.

Individual enterprises have also established a green procurement system, setting out the requirements in the bidding and procurement process, increasing the proportion of green products in corporate procurement, and giving priority to suppliers with excellent performance in environmental protection, such as suppliers who have obtained ISO14001 environmental management system certification, relevant awards issued by environmental protection authorities and environmental demonstration institutions recognised by government departments. The Group continuously reviews various products, explores more possibilities to reduce the demand for raw materials through innovative ways, and urges suppliers to use more environmentally friendly products and services.

For procurement and supply chain management, all employees must strictly comply with all integrity systems, and keep the enterprises' trade secret confidential. Those enterprises have also signed the "Declaration on Integrity for Service Co-operation" with its partners, which clearly prescribes the respective authorities and obligations.

In 2023, with reference to the above measures adopted, all Major Operating Enterprises generally complied with the legal requirements and did not have material violations of the legal requirements related to supply chain management. Also, no incident exerting material adverse impact was noted.

In 2023, the total number of suppliers of the supply chain of the Company is 1,349 (in 2022, it was 1,204), and the number of suppliers by different geographical region are in general as follows:

Region	2022	Percentage	2023	Percentage
Overseas	157	13%	**143**	**10.6%**
Mainland China	1047	87%	**1,206**	**89.4%**
Total	1,204	100%	**1,349**	**100%**

Of which, 458 suppliers (in 2022, it was 347 suppliers) engaged have implemented environmental, social and governance-related practices, including the requirement to sign environmental and social regulations and conduct on-site inspections, accounting for approximately 30% of the total number of suppliers. The Company will continue to communicate with its supply chain partners to identify relevant environmental and social risks, and will adhere to the principle of giving priority to environmentally friendly materials in the materials selection process, with a view to enhancing its sustainability performance in all aspects.

5.5 PRODUCT RESPONSIBILITY AND SERVICE MANAGEMENT

The Company attaches great importance to product quality, safety, intellectual property protection and customer data privacy. Each industrial enterprise is responsible for producing different types of products and has established a strict internal testing system to maintain a low waste rate. All products comply with relevant product safety regulations to ensure that customers' health and safety are not affected. The Property Management Company is committed to providing property management services and continuously improving service quality based on the reasonable opinions of tenants. We are committed to ensuring that our products and services meet the highest quality standards and that the interests of our customers are adequately protected.

All Major Operating Enterprises must comply with the laws and requirements related to product liabilities, mainly the "Civil Code of the People's Republic of China", "Company Law of the People's Republic of China", "Product Quality Law of the People's Republic of China", "Trademark Law of the People's Republic of China" and "Patent Law of the People's Republic of China", as well as regulations related to product liabilities at the place where the companies are located at.

"The Civil Code of the People's Republic of China" protects the legitimate rights and interests of civil subjects, regulates civil relations and safeguards the social and economic order. "The Company Law of the People's Republic of China" aims to standardise the organisation and behaviour of companies, protect the legitimate rights and interests of companies, shareholders and creditors, maintain the socio-economic order and promote the development of the socialist market economy. "The Product Quality Law of the People's Republic of China" aims to strengthen the supervision and control over product quality, improve product quality, define the liability relating thereto, protect the legitimate rights and interests of consumers and safeguard the social and economic order. "The Trademark Law of the People's Republic of China" aims to improve the administration of trademarks, protect the exclusive right to the use of a trademark, and encourage producers and dealers to guarantee the quality of their goods and services and preserve the credibility of trademarks, so as to protect the interests of consumers, producers and dealers and promote the development of the socialist market economy. "The Patent Law of the People's Republic of China" aims to protect patent rights for inventions-creations, encourage inventions-creations, facilitate the wide application of inventions-creations, enhance the ability of creation, promote the progress of science and technology, and the development of the economy and society.

In response to the needs of different industries and customers' requirements, the Major Operating Enterprises have applied for and obtained relevant international certifications, such as Quality Management System Standard (ISO9001), Environmental Management System Standard (ISO14001), Occupational Health and Safety Management System Standard (OHSAS18001), Restriction of Hazardous Substances Directive (ROHS2.0), Quality System Requirements for Automotive Products and Services (ISO/TS16949) and Social Responsibility Standard (SA8000). Some industrial enterprises have also established green product manuals and green product management technical specifications. Relevant management personnel and employees must learn and be familiar with various regulations to meet various specific requirements in the production process, which also reflects the Company's emphasis on social responsibility, and are willing to protect the interests of various stakeholders and reasonably undertake social responsibility.

All Major Industrial Enterprises have established methods of product quality inspection. It will be carried out during purchase of materials, manufacturing and delivery. In case of complaints or recall of products, such enterprises will conduct sufficient communication with the counterparty, track, curb, assess and dispose unqualified products. In the meantime, those enterprises will analyse and verify preliminarily the cause of problem so that improvement and precautionary measures can be formed to reduce the possibility of problem recurrence. All Major Industrial Enterprises are committed to continuously improving product quality, ensuring that products meet high standards, and continuously improving customer satisfaction.

All Major Operating Enterprises have formulated the "Guidelines for Handling Customers' Complaints", "Customer Service Procedures", etc. Abiding vigorously the legal requirements and reasonable request of customers, it is expressly stipulated that customer service departments shall get back to customers within five working days. In order to implement the strictest confidentiality measures, the Company requires the employee at major position and suppliers to sign the confidentiality agreement. Dedicated personnel are employed to be responsible for management of intellectual property rights, establishment of system of trade secret, maintenance of trade secret and protection of data and privacy of all parties. During the reporting period in 2023, the number of products and service-related complaints received by Major Operating Enterprises in relation to products and services is 513 cases (the number of complaints received in 2022[10]: 497 cases). The statistics are based on written complaints received. The received complaints were mainly about the appearance of the product, all of which have been handled and followed up by the dedicated customer service department in a timely manner, and all of them have been resolved.

In 2023, with reference to the above measures adopted, all Major Operating Enterprises generally complied with the legal requirements and did not have material violations of the legal requirements related to product liabilities. Also, no incident exerting material adverse impact was noted.

In 2023, the KPIs of all Major Operating Enterprises of the Company relating to the product quality are in general as follows:

Indicator	Percentage/ number in 2022	Percentage/ number in 2023
Percentage of total products sold or shipped subject to recalls for safety and health reasons	0%	0%

In order to further improve the operation capacity and operation quality, in addition to ensuring product quality, the Company has also continued to make breakthroughs in innovation capability. Conhui (Hui Zhou) Semiconductor Company Limited, a subsidiary of the Company, was awarded the "High and New Technology Enterprise in Guangdong Province" and Dong Guan Hong Yuen Electronics Co., Limited was awarded the "High and New Technology Product Certificate of Dongguan City". In addition, Dong Guan Hong Yuen Electronics Co., Limited also performed well in the field of green products and was awarded the "Excellent Enterprise in Green Manufacturing and Environmental Protection". The Company also spares no effort in protecting intellectual property rights. Conhui (Huizhou) Semiconductor Company Limited was awarded the "National Intellectual Property Advantage Enterprise" to enhance the Company's reputation and value in the market.

10 Data in 2022 has been adjusted after re-verification.

COMMUNITY

5.6 SOCIAL CONTRIBUTION AND INVESTMENT

The Company is committed to corporate development and does not forget public welfare undertakings and gives back to the society. The Company and all Major Operating Enterprises have close interaction with the communities in which they operate, and are very concerned about the needs of different operating regions. When conducting any business operations, they will consider the interests of the communities, and encourage employees to participate in social services and care for the community. Based on the different situations of the surrounding communities or people in need, all Major Operating Enterprises will use appropriate resources to implement necessary assistance to support community activities, such as arranging volunteer activities and setting up charity funds.

During the year, the Company's volunteer service team continued to actively participate in volunteer activities organised by local communities, including "escorting primary school students through the road", "picking up the running with love" and participating in anti-fraud publicity activities. The KPI related to community investment is in general as follows:

Indicator	Number
Resources used in focus area in the charity sector	Number of participants: 34 persons
	Participation hours: 4.5 hours

6. GOVERNANCE

6.1 GOVERNANCE STRATEGY AND ORGANISATIONAL STRUCTURE

The Board of the Company is responsible for supervising the relevant environmental, social and governance (ESG) aspects, assuming the role of leading the Company and supervising, actively integrating ESG into the Company's operation and management, and continuously seeking to improve the Company's sustainable development performance. In order to mitigate operational risks, while ensuring the continuous compliance with relevant laws and regulations in the regions where we operate, the Company also prioritises the interests of various stakeholders to meet the expectations of stakeholders on ESG aspects. To ensure the effective implementation of the Company's policies and commitments, the Board assumes full responsibility for ESG strategy and reporting. In addition, different functional departments and working groups of the Company also regularly collect ESG information. Such information is gathered, analysed and published in the ESG Report.

The Company and its subsidiaries are committed to providing employees with reasonable remuneration, appropriate medical coverage and other insurances to create a stable working environment for them. We firmly believe that employees should enjoy equal opportunities, and remuneration is determined based on employees' qualifications, experience and work performance, taking into account industry practices. In addition, we have also established a sound dismissal policy, which is dealt with in a fair and reasonable manner in accordance with the current employment compensation regulations, and strictly abide by relevant local labour laws.

6.2 STANDARDISED GOVERNANCE

In order to create positive corporate atmosphere, the Company has a mechanism to prevent bribery, extortion, fraud and money laundering. All Major Operating Enterprises have also established relevant anti-corruption rules. Through various measures such as integrity education, sound supervision system, and strengthened reporting and accountability mechanism, the Company continuously standardises the management decisions of various businesses of the Company, forming a working mechanism with mutual restriction and supervision, and continuously strengthens the work style development of the Company's units at all levels, alerting risks, and strengthening employees' awareness of anti-corruption, so as to protect the Company's economic benefits and management efficiency.

The Company is committed to demanding the operating enterprises in enhancing the awareness and personal integrity of its employees so as to eliminate the possibility of bribery, accepting bribe, extortion, fraud and money laundering in the course of daily operations. In particular, the "Integrity and Ethical Standards Management Procedures", "Employee Conflict of Interest Declaration Form" and "Reward and Punishment Management Measures" have been formulated respectively, to clearly regulate the amount of gifts and cash received by employees, prohibit employees from receiving rebates and commissions from customers or suppliers, and take disciplinary actions against employees who violate anti-corruption laws.

The Company has established an effective whistle-blowing system with formal channels for employees, management and directors to report any misconduct and dishonest behaviour. We are committed to ensuring that employees can report their concerns in an absolute and confidential manner, uphold the Company's ethical standards and comply with the laws and regulations of the relevant operating regions, and ensure a fair and transparent operating environment. In 2023, all Major Operating Enterprises did not receive any complaints from institutions or individuals regarding the misconduct or other violations of laws by employees.

In addition, the Company and all Major Operating Enterprises have arranged corruption prevention training for directors, senior management and staff respectively in 2023.

All personnel involved in the procurement of goods and services must abide by the code of business ethics. The Company requires all personnel to declare any conflict of interest. Procurement is generally conducted by way of tender with clear policies outlining the standard rules and regulations to be followed.

All Major Operating Enterprises must comply with the laws and requirements related to anti-corruption, mainly the "Anti-Money Laundering Law of the People's Republic of China", "Anti-Unfair Competition Law of the People's Republic of China", "Anti-Monopoly Law of the People's Republic of China", "Bidding Law of the People's Republic of China" and "Interim Provisions on Banning Commercial Bribery", as well as regulations related to anti-corruption at the place where the companies are located at.

"The Anti-Money Laundering Law of the People's Republic of China" aims to prevent money-laundering, preserve financial order, and check the crime of money-laundering as well as related crimes. The "Anti-Unfair Competition Law of the People's Republic of China" aims to safeguard the healthy development of socialist market economy, encourage and protect fair competition, repress unfair competition acts, and protect the legitimate rights and interests of business operators and consumers. "The Anti-Monopoly Law of the People's Republic of China" aims to prevent and restrain monopolistic conducts, protect fair market competition, enhance economic efficiency, safeguard the interests of consumers and the interests of the society as a whole, and promote the healthy development of socialist market economy. "The Bidding Law of the People's Republic of China" aims to regulate bid invitation and bidding activities, protect the interests of the State and the public as well as the legitimate rights and interests of the parties involved in bid invitation and bidding activities, increase economic benefits and ensure project quality. "The Interim Provisions on Banning Commercial Bribery" aims to curb commercial bribery and maintain fair competition and order.

In 2023, with reference to the above measures adopted, all Major Operating Enterprises generally complied with the legal requirements and did not have material violations of the legal requirements related to anti-corruption. Also, no incident exerting material adverse impact was noted.

In 2023, none of the Major Operating Enterprises have received any complaints from organisations or individuals about staff misconduct or other breaches of the law, the KPI relating to the number of concluded legal cases regarding corrupt practices is in general as follows:

Indicator	2022	**2023**
Number of concluded legal cases regarding corrupt practices brought against the Company and the Major Operating Enterprises or their employees	0	**0**

The Company and all Major Operating Enterprises have formulated and implemented an internal integrity system and clearly defined misconduct such as bribery, corruption, embezzlement, insider trading and theft of the Company's assets in the employee handbook. If employees accept bribes such as money, gifts or rebates, the Company and all Major Operating Enterprises have the right to terminate their employment contracts and reserve the right to pursue actions to avoid crimes such as corruption and fraud. We are committed to ensuring internal integrity and safeguarding the Company's reputation and asset safety.

CONCLUSION

The Company believes that the implementation of current measures on environmental protection and social responsibility is sufficient in compliance with relevant laws and the Listing Rules, but it will make necessary review and revision from time to time in response to the requirements of laws, the Listing Rules and internal management to strengthen its measures on environmental protection and social responsibility.

The Company's Board of Directors reviewed, discussed and approved the contents of this Environmental, Social and Governance Report and its publication on 26 March 2024.

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BIOGRAPHICAL DETAILS OF DIRECTORS

Mr Zhou Limin, aged 60, a Researcher, is the Chairman and Executive Director of the Company, graduated from National University of Defense Technology with a master degree. From 1989 to 2002, he worked in the 11th Institute of 067 Base, and served as Designer, Deputy Supervisor, Deputy Supervisor and Supervisor of the Pressure Vessel Design Office, Director of the Operation and Development Department, Assistant to Director General and Deputy Director General. From 2002 to 2008, he served successively as Deputy Director General and Director General of Beijing Aerospace Propulsion Research Institute. From 2008 to September 2020, he served as Deputy Dean of Academy of Aerospace Propulsion Technology, during which he also served as Director of Beijing Shenzhou Aerospace Software Technology Co., Ltd., Chairman of East China Chemical Engineering Inc., Director General of Beijing Aerospace Propulsion Research Institute, Chairman of Beijing Aerospace Petrochemical Technology & Equipment Engineering Corporation Limited, Beijing Aerospace Petrochemical Technology Energy Conservation & Environmental Protection Corporation Limited, Xi'an Huawei Chemical & Biological Engineering Co., Ltd and China Chang Jiang Energy Corporation; he also served as Chairman of Shaanxi Aerospace Power Hi-tech Co. Ltd., shares of which are listed on Shanghai Stock Exchange (stock code: 600343), from June 2017 to February 2020. In June 2023, he was appointed as the Chairman of Shenzhen Aerospace Technology Investment Company Limited. On 30 May 2023, China Securities Regulatory Commission ("CSRC") issued a notification letter proposed to impose a warning and a fine on Mr Zhou. For details, please refer to the announcement of the Company dated 3 June 2023. Further on 25 March 2024, an administrative penalty decision from CSRC was received with the same warning and fine as disclosed in the announcement dated 3 June 2023. Mr Zhou possesses ample experience in enterprise management. In September 2020, he was appointed as the Chairman and Executive Director of the Company.

Mr Song Shuqing, aged 52, Master, Researcher, is an Executive Director and President of the Company, graduated from National University of Defense Technology with a master degree. From 1994 to 2011, he held such positions as the Chief Engineer, the General Manager of Tertiary Industry Division of the China Academy of Space Technology and a Deputy Director General, the Director General of its Infrastructure Department; an Assistant to the General Manager, a Deputy General Manager of Shenzhou Tianchen Science and Technology Industrial Co. Ltd, and a Deputy General Manager of its Assurance Service Division and the Director General of the Infrastructure Department; the Officer-in-charge of the Preparatory Unit of Zhongguancun Aerospace Innovation Park Company Limited. From 2011 to 2019, he served as the General Manager, a Director and the General Manager of Aerospace Times Real Estate Development Co., Ltd. During such period, he also served as a Director of Xian National Civil Aerospace Industry Base Development Co., Ltd. and an Executive Director of Aerospace Times Real Estate Development (Wuhan) Co., Ltd. and a Vice Chairman of Beijing Aerospace Hengrun Real Estate Co., Ltd. From June 2019 to January 2023, he served as a Vice President of China Academy of Aerospace Electronics Technology. From November 2019 to March 2023, he served as a Director of China Aerospace Times Electronics Co., Ltd. (shares of which are listed on Shanghai Stock Exchange (stock code: 600879)). From August 2020 to February 2023, he served as the Chairman of Chongqing Aerospace Rocket Electronics Technology Co., Ltd. Mr Song was appointed as the Chairman of RAYITEK Hi-Tech Film Company Ltd., Shenzhen (shares of which are listed on Shanghai Stock Exchange (stock code: 688323)) with effect from July 2023. Mr Song has extensive experience in corporate management. In February 2023, he was appointed as Executive Director and President of the Company.

Mr Luo Zhenbang, aged 57, is an Independent Non-Executive Director of the Company and a director and managing partner of BDO China Shu Lun Pan Certified Public Accountants LLP. Mr Luo graduated from the School of Business of Lanzhou in 1991 majoring in Enterprise Management. He has been managing the audit works for many listed companies since 1994. He has been an expert supervisor of China Xinda Asset Management Corporation and China Great Wall Asset Management Corporation. He was also an independent director of Long March Vehicle Technology Company Limited, Orient Tantalum Industry Company Limited, Wuzhong Instrument Company Limited, Shengxue Company Limited, Avic Heavy Machinery Co. Ltd., Digital China Information Service Company Ltd., Xinjiang Goldwind Science & Technology Co., Ltd. And Cowell e Holdings Inc., as well as an internal audit expert of Northeast Securities Company Limited, shares of which are listed on Shenzhen Stock Exchange (stock code: 000686). From July 2013 to June 2023, he served as an independent non-executive director of Glory Health Industry Limited (formerly known as "Guorui Properties Limited"), shares of which are listed on The Stock Exchange of Hong Kong (stock code: 2329). He currently serves as independent non-executive director of BII Railway Transportation Technology Holdings Company Limited (formerly known as China City Railway Transportation Technology Holdings Company Limited), shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 1522). On 16 January 2023, Mr Luo received a warning letter dated 29 December 2022 from the Tibet Bureau of the China Securities Regulatory Commission. For details, please refer to the announcement of the Company dated 18 January 2023. Mr Luo possesses several professional qualifications, such as Chinese certified public accountant, certified accountant in securities and futures industry, Chinese certified assets valuer and Chinese certified tax accountant and has in-depth experience in accounting, auditing and financial management. He is familiar with the audit of listed companies from various sectors and extensively participates in corporate restructuring for listing, listed company restructure and other business consultation services. He was appointed as an Independent Non-Executive Director of the Company in December 2004.

Ms Chen Jingru, aged 59, Master of Law, is an Independent Non-Executive Director of the Company and a global partner of DeHeng Law Offices. Ms Chen obtained a Bachelor's degree majoring in law in 1985 and a Master's degree majoring in law in 1990 from Nankai University. Ms Chen was awarded her professional qualification as a lawyer conferred by the Lawyer Qualification Committee of the PRC Ministry of Justice in 1993. She served as Deputy Officer of the Comprehensive Teaching and Research Office of the Insurance Department of the Central Institute of Finance and Economics (now known as Central University of Finance and Economics), Director of the Beijing Insurance Association, Director of the China Maritime Law Association, Deputy Officer of the Law Department of the Central University of Finance and Economics, and Member of the Third GEM Issuance Examination Committee of the China Securities Regulatory Commission. From May 2011 to January 2014, Ms Chen was an independent director of Cloud Live Technology Group Co., Ltd. (stock code: 002306) listed on the Shenzhen Stock Exchange. Ms Chen was an independent non-executive director of Glory Health Industry Limited from July 2014 to November 2022, shares of which are listed on The Stock Exchange of Hong Kong (stock code: 2329) and the external internal auditor of BOC International (China) Co., Ltd. (stock code: 601696) from October 2019 to October 2022, shares of which are listed on the Shanghai Stock Exchange. In 2015, Ms Chen was given a warning and an administrative fine by China Securities Regulatory Commission. For details, please refer to the announcement of the Company dated 6 September 2022. Ms Chen has been working in DeHeng Law Offices since 1993. She has extensive experience in the corporate and securities aspects. She was appointed as an Independent Non-Executive Director of the Company in August 2022.

Ms Xue Lan, aged 58, graduated from Renmin University of China with bachelor's degree in history in 1986 and master degree in economics in 1996. She obtained an EMBA degree from the Guanghua School of Management of Peking University in 2001. From August 1986 to December 1988, Ms Xue served as an Assistant Archivist at the Archives of the Ministry of Foreign Affairs of the People's Republic of China. From December 1988 to May 1992, she served as the Deputy Consul at the Consulate General of the People's Republic of China in Sydney, Australia. Ms Xue joined the Securities Association of China as the Director of the International Department from December 1992 to August 1997. She served as the General Manager of the International Business Department at China Securities Co., Ltd. from August 1997 to December 2005. From December 2005 to August 2006, she served as the General Manager of the International Business Department at CSC Financial Co., Ltd. (shares of which are listed on The Stock exchange of Hong Kong (stock code: 6066) and Shanghai Stock Exchange (stock code: 601066)). Ms Xue held the positions of Director and General Manager at Financial Products Department, BOC International Holdings Limited from August 2006 to March 2014. From March 2014 to March 2018, she served as the Chief Operating Officer of Huatai Financial Holdings Ltd. Since March 2018, Ms Xue has been serving respectively as the Chief Operating Officer at China Securities (International) Finance Holding Co., Ltd. and as director of several of its subsidiaries, including but not limited to CSCI Insurance Broker Limited, CSCIF China

Limited, CSCIF Hong Kong Limited, China Securities (International) Finance Company Limited, China Securities City Development Equity Investment Asset Management (Shenzhen) Company Limited, CSCIF Asia Limited (Bond Codes: CSCIF A N2508, N2406, N2504, N2604); and the director and a Responsible Officer of China Securities (International) Brokerage Company Limited in respect of types 1 (dealing in securities), 2 (dealing in futures contracts), 4 (advising on securities), and 5 (advising on futures contracts) regulated activities under the Securities and Futures Ordinance; and a Responsible Officer of China Securities (International) Asset Management Co. Ltd in respect of types 1 (dealing in securities) and 9 (asset management) regulated activities under the Securities and Futures Ordinance. Ms Xue is a Responsible Officer registered with the Securities and Futures Commission of Hong Kong for types 1 (dealing in securities), 2 (dealing in futures contracts), 4 (advising on securities), 5 (advising on futures contracts), and 9 (asset management) regulated activities. Ms Xue has extensive experience and knowledge in the financial sector. She was appointed as an Independent Non-Executive Director of the Company in March 2024.

Mr Hua Chongzhi, aged 62, Master, is a Non-Executive Director of the Company. He graduated from Harbin Institute of Technology in 1985 with a master degree of Mechanical Engineering and from Tsinghua University with an EMBA degree in 2012, he has been working in aerospace industry field for 39 years. He had been appointed as a Deputy Director of an institute under China Aerospace Corporation in November 1994, the Deputy Director of Foreign Affairs Department of China National Space Administration in June 1996, Deputy Director of Administration Department of China Aerospace Science and Technology Corporation in July 1999 and a Director and Vice President of China Great Wall Industry Cooperation in December 2004. He was the Vice President and a Research Fellow (associate dean grade) of Shanghai Academy of Spaceflight Technology from October 2013 to August 2021. He has been a director of China Great Wall Industry Cooperation since April 2020. He was appointed as a Non-Executive Director of the Company in April 2020.

Mr Teng Fangqian, aged 61, Researcher, is a Non-Executive Director of the Company. He graduated from Shandong Institute of Chemical Technology with a bachelor's degree in chemical engineering and completed a postgraduate programme in corporate management at Zhongnan University of Economics and Law. He joined the Second Film Factory of the Ministry of Chemical Industry in 1983 and held such positions as the Section Head and Deputy Director of the PS plate workshop. From August 1996 to November 2012, he served as the Deputy Factory Director and Factory Director of the Second Film Factory of China Lucky Film Corporation; the General Manager of Lucky Huaguang Graphics Co., Ltd.; the Deputy General Manager of China Lucky Film Corporation and the General Manager of Lucky Huaguang Graphics Co., Ltd. From November 2012 to December 2019, he served as the Deputy General Manager of China Lucky Group Corporation and the General Manager of Lucky Huaguang Graphics Co., Ltd. and the Managing Director of China Lucky Group Corporation. During which, he was the Chairman of Baoding Lucky Innovative Materials Co., Ltd. (shares of which are listed on Shenzhen Stock Exchange (stock code: 300446)) from May 2013 to September 2015. From December 2019 to September 2022, he served as the Chairman of China Lucky Group Corporation. During which, he was the Chairman of Lucky Film Co., Ltd. (share of which are listed on Shanghai Stock Exchange (stock code: 600135)) from November 2014 to February 2020, the Executive Director of Beijing Lucky Technology Co., Ltd. form September 2015 to May 2020, the Chairman of Lucky Huaguang Graphics Co., Ltd. from September 2015 to December 2020. Mr Teng has been a director of China Great Wall Industry Corporation and Aerospace Investment Holdings Limited since May 2023 and December 2023 respectively. Mr Teng has extensive experience in corporate management. He was appointed as a Non-Executive Director of the Company in March 2023.

Mr Peng Jianguo, aged 56, Doctor, Researcher, is a Non-Executive Director of the Company. He graduated from the National University of Defense Technology, Xi'an Jiaotong University and Northwestern Polytechnical University and obtained a bachelor's degree in engineering, a master's degree in public administration and a doctoral degree in management respectively. From July 1990 to April 2004, he held such positions as the Deputy Division Director, the Division Director of the Finance Division, and the Deputy Chief Accountant and Division Director of the Finance Division of the 11th Institute of China Aerospace. From April 2004 to March 2017, he served as the Deputy Division Director, the Division Director of Accounting and Finance Department, and the Chief Accountant and Division Director of Accounting and Finance Department of the Academy of Aerospace Propulsion Technology. From March 2017 to December 2021, he served as the Chief Accountant of the China Academy of Launch Vehicle Technology. He also served as a Director of Aerospace Science & Technology Finance Company Limited from April 2011 to March 2020, a Director of Western Metal Materials Co., Ltd. (shares of which are listed on Shenzhen Stock Exchange (stock code: 002149)) from July 2011 to April 2017, the Vice Chairman of China Chang Jiang Energy Corporation from November 2016 to August 2017, and concurrently served as a Director of Aerospace Times Real Estate Development Co., Ltd. during August 2017 and May 2019. He has been an associate-level researcher at the China Academy of Launch Vehicle Technology since December 2021; since August 2022 to present, he has been a supervisor of the Supervisory Board of Beijing Aerospace Medical Co., Ltd.; he has been serving as the Chairman of the Supervisory Board of China Aerospace Investment Holdings Ltd. since January 2023 and a Director of China Lucky Group Corporation since February 2023. Mr Peng has extensive experience in financial management. He was appointed as a Non-Executive Director of the Company in March 2023.

Mr Jin Xuesheng, aged 61, a Senior Engineer. He graduated from Harbin Institute of Technology with a bachelor's degree in engineering and the University of Lancaster in the United Kingdom with a MBA degree. From 1984, he held such positions as Deputy Division Director and Division Director of the Planning and Operation Division, Engineer and Deputy Factory Director at Capital Engineering Factory under China Academy of Launch Vehicle Technology, as well as Managing Director of Langfang Hangxing Packaging Machinery Company Limited, the Vice President and Financial Controller of China Spacesat Company Limited (stock code: 600118), the shares of which are listed on Shanghai Stock Exchange, Deputy General Manager of Beijing Aerospace Satellite Applications Company and Deputy General Manager of Aerospace Technology Investment Holdings Limited. Among which, he was the Executive Director and Vice President of the Company from September 1999 to May 2001, and the Director, Deputy General Manager and Financial Controller of Shanghai Aerospace Technology Investment Management Company Limited, a subsidiary of the Company, from November 2006. Mr Jin possesses extensive corporate management experience, especially the experience in financial management. He was appointed as a Non-Executive Director of the Company in March 2008 and was re-designated as an Executive Director and appointed as Executive Vice President in May 2010. He resigned the position of Executive Director in December 2018 but remained the position of Executive Vice President. He was appointed as the Executive Director and President from December 2019 to February 2023.

Mr Liu Xudong, aged 64, a Research Level Accountant. He graduated from Tianjin University of Finance and Economics and Harbin Institute of Technology and obtained a bachelor's degree in economics and a master degree in management respectively. From October 1991 to August 2019, he held such positions as Deputy Division Director, Division Director of Accounting and Finance Department of China Aerospace Science & Industry Aviation Technology Academy; Chief Accountant of the Finance Department of China Aerospace Corporation; Deputy Director of Finance Department, Chief of Audit Bureau, Director General of Audit Department of China Aerospace Science and Technology Corporation; Chief Accountant of China Academy of Space Technology; Director of the Finance Department of China Aerospace Science and Technology Corporation. He is a Director of both China Aerospace Investment Holdings Limited and Aerospace Science & Technology Finance Company Limited. Mr Liu possesses ample experience in financial management. He was appointed as a Non-Executive Director of the Company from December 2018 to March 2023.

Mr Mao Yijin, aged 61 graduated from the Faculty of Industrial Economics, Hubei Institute of Finance and Economics in 1985. He joined No. 1 Research Academy under China Aerospace Science & Technology Corporation shortly after graduation and held such posts as staff of the Planning Department, a Deputy Division Director and Senior Engineer of the Planning Division, a Division Director of the Finance Division, a Deputy Director General of the General Business Department; a Deputy Director General of No. 18 Research Institute, the Chief Accountant of No 11 Research Academy, and the Chief Accountant, Deputy Dean, Senior Engineer and researcher of Shanghai Academy of Spaceflight Technology. He is a Director of both China Lucky Group Corporation and China Great Wall Industry Corporation. Mr Mao has ample experience in administration management and financial management. Mr Mao was appointed as a Non-Executive Director of the Company from August 2016 to March 2023.

Mr Wang Xiaojun, aged 69, Master of Law, is an Independent Non-Executive Director of the Company. Mr Wang is a practicing solicitor admitted in the Mainland China, Hong Kong and the United Kingdom. Mr Wang Xiaojun obtained a Bachelor's degree in Laws from the Renmin University of China in 1983 and a Master of Laws from the Chinese Academy of Social Sciences in 1986. He joined The Stock Exchange of Hong Kong Limited in 1992 and served Richards Butler from 1993 to 1996. In 1996, he served as an associate director of Peregrine Capital Limited. From 1997 to 2001, he served as a director of ING Barings. He established X. J. Wang & Co. in 2001 and that was associated with Jun He Law Offices in 2005, and was a partner of Jun He Law Offices Hong Kong Branch. He is currently a principal of Wang & Co. From 2011 to 2012, Mr Wang Xiaojun served as managing director of CCB International (Holdings) Limited. He was an independent non-executive director of Norinco International Company Limited, shares of which are listed on Shenzhen Stock Exchange (stock code: 000065), CSSC Offshore & Marine Engineering (Group) Company Limited (formerly known as Guangzhou Shipyard International Company Limited), shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 317) and Shanghai Stock Exchange (stock code: 600685), Zijin Mining Group Company Limited, shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 2899) and Shanghai Stock Exchange (stock code: 601899), Yankuang Energy Group Company Limited (formerly known as Yanzhou Coal Mining Company Limited), shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 1171), Shanghai Stock Exchange (stock code: 600188) and New York Stock Exchange (stock code: YZC), and Livzon Pharmaceutical Group Co., Ltd., shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 1513) and Shenzhen Stock Exchange (stock code: 000513), and Wealthking Investments Limited (formerly known as OP Financial Limited), shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 1140). He currently serves as an independent non-executive director of Poly Property Services Co., Ltd., shares of which are listed on The Stock Exchange of Hong Kong Limited (stock code: 6049). Mr Wang Xiaojun is familiar with corporate listing, merger and acquisition and restructuring, direct investment and so on and possesses many years of relevant experience. Mr Wang was appointed as an Independent Non-Executive Director of the Company from March 2013 to March 2024.

DIRECTORS' REPORT

The Directors present this annual report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries, associates and joint ventures are set out in notes 41, 17 and 18 to the consolidated financial statements, respectively.

BUSINESS REVIEW

The business review of the Company and its subsidiaries is set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis", "Corporate Governance Report" and "Environmental, Social and Governance Report" respectively of this Annual Report. Description of the risks and uncertainties facing the Company can be found throughout this Annual Report.

RESULTS AND APPROPRIATION

The results of the Company and its subsidiaries for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss on page 71.

Taking into account the company's development needs and capital situation, the board of directors decided not to recommend the payment of a final dividend for the year ended 31 December 2023 (2022 final dividend: HK2 cents per share).

PROPERTY, PLANT AND EQUIPMENT

During the year, the Company and its subsidiaries acquired plant and equipment, motor vehicles, furniture and other equipment of HK$76,142,000, HK$505,000 and HK$48,597,000 respectively and project in progress of HK$287,563,000 to cope with the expansion of the Company and its subsidiaries. Details of movements in property, plant and equipment are set out in note 14 to the consolidated financial statements.

INVESTMENT PROPERTIES

Details of the movements in investment properties during the year are set out in note 16 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 December 2023 comprised the retained profits of approximately HK$900,987,000 (2022: HK$901,146,000).

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the aggregate turnover attributable to the Company and its subsidiaries' largest customer and five largest customers were 8% and 23% of the Company and its subsidiaries' consolidated turnover, respectively. The aggregate purchases attributable to the Company and its subsidiaries' five largest suppliers were less than 28% of the Company and its subsidiaries' total purchases.

DIRECTORS

The Directors during 2023 and up to the date of this Report were:

Executive

Zhou Limin *(Chairman)*
Song Shuqing *(President) (appointed on 10 February 2023)*
Jin Xuesheng *(President) (resigned on 10 February 2023)*

Non-Executive

Luo Zhenbang *(Independent)*
Chen Jingru *(Independent)*
Xue Lan *(Independent) (appointed on 26 March 2024)*
Hua Chongzhi
Teng Fangqian *(appointed on 2 March 2023)*
Peng Jianguo *(appointed on 2 March 2023)*
Liu Xudong *(resigned on 2 March 2023)*
Mao Yijin *(resigned on 2 March 2023)*
Wang Xiaojun (*Independent) (resigned on 26 March 2024)*

Non-Executive Directors are appointed for a period of 2 years and shall retire by rotation, being eligible, offer themselves for re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

On 26 March 2024, Ms Xue Lan was appointed as an Independent Non-Executive Director of the Company. Ms Xue has received a total of 3.5 hours of director's training from the Company's Hong Kong legal adviser on 25 March 2024. Ms Xue has confirmed that she understands the requirements under the Listing Rules that are applicable to her as a director of a listed company and the possible consequences of making a false declaration or giving false information to The Stock Exchange of Hong Kong Limited. Ms Xue has also confirmed her independence pursuant to the Listing Rules 3.13 and further confirms that there are no other factors that may affect her independence as an independent non-executive director of the Company.

During 2023 and up to the date of this Report, the directors of subsidiary undertakings of the Company in alphabetical order were Messrs. Chen Yongjie, Cheng Zhanheng, Chu Kam Ching, Gao Fazhi*, Gao Yuda, Gong Benning, Guo Xiaokui, Deng Bin*, Han Jinguang#, He Xiangqing*, Hu Min, Li Bo, Li Gang, Li Guangneng, Li Wenjie#, Lin Jianming, Lin Zhijian, Liu Xin#, Ng Kam Tat#, Qiu Jihua, Shao Haijun*, Shum King Mo#, Song Dasheng, Song Shuqing*, Sun Jingguo, Tao Zhiwei*, Wang Hai#, Wang Libo, Wang Muchun#, Wong Siu Fong Jenny, Yang Honghui, Yin Guang#, Yu Kehu, Zhou Limin* and Zhou Weibin.

\# Resigned during 2023 or the period up to the date of this Report.

* Appointed during 2023 or the period up to the date of this Report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

The Company had adopted the *Model Code for Securities Transactions by Directors of Listed Issuers* as set out in Appendix 10 of the Listing Rules and *The Code and Enforcement Details for Securities Transactions by Directors* as the required standard for the Directors of the Company to trade the securities of the Company. Having made specific enquiry to all the Directors of the Company and in accordance with information provided, all the Directors have complied with the provisions under the Model Code in 2023.

Up to the date of this Report, save for Mr Peng Jianguo, a Director of the Company, is a senior officer of a subsidiary of the major shareholder of the Company, China Aerospace Science & Technology Corporation, none of the directors, chief executives or their associates have any beneficial or non-beneficial interests or short positions in the share capital, warrants and options of the Company or its subsidiaries or any of its associated corporations which is required to be recorded in the Register of Directors' Interests pursuant to Part XV of the Securities & Futures Ordinance or as otherwise notified to the Company and the *Model Code for Securities Transactions by Directors of Listed Issuers* of The Stock Exchange of Hong Kong Limited and *The Code and Enforcement Details for Securities Transactions by Directors*.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has any service contract with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company or any of its subsidiaries 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor the Chief Executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2023, the register of substantial shareholders maintained by the Company pursuant to Part XV of the Securities & Futures Ordinance discloses the following companies as having 5% or more of the issued capital of the Company:

Name of shareholder	Capacity	Direct Interest (Y/N)	Number of shares held (Long Position)	Percentage of issued share capital of the Company
China Aerospace Science & Technology Corporation	Interested in controlled corporation	N	1,183,598,636	38.37%
Burhill Company Limited	Beneficial owner	Y	1,183,598,636	38.37%

Note: Burhill Company Limited is a wholly-owned subsidiary of China Aerospace Science & Technology Corporation, the shares held by it form the total number of shares in which China Aerospace Science & Technology Corporation was deemed interested.

Save as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital or underlying shares of the Company as at 31 December 2023.

LITIGATION

As at the date of this Report, except for the litigation claims as disclosed in the Company's announcements dated 14 June 2022, 5 July 2022, 30 September 2022, 7 November 2022, 14 February 2023, 24 March 2023, 11 July 2023, 14 July 2023, 25 August 2023, 14 September 2023 and 18 March 2024 about Aerospace Technology (formerly known as "Shenzhen Aerospace"), a 60% indirect owned subsidiary of the Company claimed against Hangke Houhai and Huabaorun respectively, as well as Aerospace Technology's wholly owned subsidiary Aerospace Property Management's (formerly known as "Shenzhen Property Management") claims against Hangke Houhai and Huabaorun respectively, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and, so far as the Directors were aware of, no litigation or arbitration or claim of material importance was pending or threatened by or against any member of the Company and the subsidiaries.

EMOLUMENT POLICY

The remuneration policy of the Company and the subsidiaries is based on the employee's qualifications, experience and performance, with reference to the current market situation. The Company and the subsidiaries will continue to strengthen the human resources management and strictly implement the performance-based appraisal system, in order to motivate employees to make continuous improvement in their individual performance and contributions to the Company.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every director shall be indemnified out of funds of the Company against all liabilities incurred by them to the extent permitted by the Hong Kong Companies Ordinance. In addition, the Company has bought and maintained a director and officer liability insurance for the benefit of directors and officers of the Company and its subsidiaries against liability which may lawfully be insured by the Company.

CONTINUING CONNECTED TRANSACTIONS

The below continuing connected transactions entered into by the Company and its subsidiaries, as confirmed by Independent Non-Executive Directors of the Company, were entered into:

1. in the ordinary course of business of the Company;

2. on normal commercial terms or on terms not less favourable to the terms offered by independent third parties and

3. in accordance with the terms of the relevant agreements or contracts, respectively, which were fair and reasonable and in the interest of the Company and its shareholders as a whole.

The Company's auditor was engaged to report on the Company and its subsidiaries' continuing connected transactions in accordance with *Hong Kong Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to *Practice Note 740, Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Company and its subsidiaries in pages 63–64 of this Annual Report in accordance with Main Board Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

Details on related party transactions for the year ended 31 December 2023 are set out in note 38 to the consolidated financial statements. There was no connected transaction nor continuing connected transaction for the Company which has to be disclosed in accordance with the Chapter 14A of the Listing Rules during the reporting period.

List of Continuing Connected Transactions for the year ended 31 December 2023

The Company and/or its subsidiary(ies) involved	Connected person(s)	Continuing connected transactions	Annual cap	Amount outstanding as of 31 December 2023
Shenzhen Aerospace Technology Investment Management Limited* (深圳市航天高科投資管理有限公司) ("Aerospace Technology")	Aerospace Science & Technology Finance Company Limited* (航天科技財務有限責任公司) ("Aerospace Finance")	The provision of security by Aerospace Technology to Aerospace Finance for a loan in the amount of RMB1,300,000,000	N/A	RMB1,055,100,000 or equivalent to HK$1,159,451,000

DIVIDEND POLICY

The dividend policy reflects the Board's current view on the financial and cash flow positions of the Company and its subsidiaries. The Board will review the dividend policy from time to time, but the Company does not guarantee any payment of dividends in any specific amount at any designated period.

Pursuant to the Company's dividend policy, profit is shared with shareholders in the form of dividend or other forms. Dividend payout ratio for each year is determined based on the then profit attributable to shareholders for the year (after deducting non-cash flow items such as the increase in fair value of investment properties, minority interests and depreciation), and is subject to the following conditions:

1. Dividend distribution by the Company is subject to the laws of Hong Kong and relevant provisions of the articles of association of the Company;

2. Dividend distribution by the Company depends on, among others, the prevailing and future operation, liquidity position and capital requirements of the Company and its subsidiaries;

3. The form, frequency, timing and amount of dividend distribution depend on the operation and profit, capital requirements and surplus, financial position and contractual constraints of the Company and its subsidiaries, as well as other factors affecting the Company and its subsidiaries, including the appropriation of dividend tax payment by subsidiaries and foreign exchange conditions, if applicable;

4. Other factors deemed fit by the Board; and

5. Dividend distribution by the Company is subject to the approval by shareholders at the general meeting.

POST PERIOD EVENTS

On 23 January 2024, Nanton Hong Yuen, an indirectly wholly-owned subsidiary of the Company, entered into Factory Fitting-out Work Contract with EDRI, pursuant to which, EDRI will provide certain secondary mechanical and electrical engineering and factory fitting-out work services to Nantong Hong Yuen at a consideration of RMB83,984,000.05 (equivalent to approximately HK$92,344,000). Details of which please refer to the announcement of the Company dated 23 January 2024.

On 15 March 2024, the court issued a first instance judgment in relation to the First Haubaorun Litigation and the Second Haubaorun Litigation. Haubaorun was ordered to pay to Aerospace Technology the rent, rent for the rent-free period, liquidated damages for the late payment of rent, the rent after termination of contract which had been paid by the sub-tenants, and the legal expenses etc., in the total amount of approximately RMB44,500,000, and that Aerospace Technology confiscated the performance security deposit of RMB8,000,000 paid by Huabaorun etc. For details, please refer to the announcement of the Company dated 18 March 2024.

AUDITOR

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2023 have been audited by Deloitte Touche Tohmatsu, certified public accountants and registered public interest entity auditor. There has been no change in auditors of the Company in the preceding three years.

By order of the Board,

Song Shuqing
Executive Director & President
Hong Kong, 26 March 2024

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED
中國航天國際控股有限公司
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of China Aerospace International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 71 to 159, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter

Valuation of investment properties — retail and office premises in the People's Republic of China other than Hong Kong (the "Mainland China")

The Group's investment properties portfolio comprises industrial premises, office premises, retail and office premises, and carparks in the Mainland China and Hong Kong. As disclosed in notes 4 and 16 to the consolidated financial statements, as at 31 December 2023, the fair value of investment properties is HK$8,536,258,000, with a fair value loss recorded in the consolidated statement of profit or loss of HK$123,085,000.

All the Group's investment properties are stated at fair value based on valuations performed by independent qualified professional valuers (the "Valuers"). Details of the valuation techniques and key inputs used in the valuations are disclosed in note 16 to the consolidated financial statements.

We identified the valuation of investment properties — retail and office premises in the Mainland China as disclosed in note 16, with the fair value of HK$8,224,796,000 as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole combined with the significant judgements and estimates required in determining the fair value.

The valuations are dependent on certain key inputs that require significant management judgements and estimates, which involves certain estimates of market conditions and assumptions made on the investment properties including comparable market transactions with adjustments to reflect different age, locations or other individual factors, and comparable market rents and capitalisation rate.

Our procedures in relation to the valuation of investment properties — retail and office premises in the Mainland China included:

- Obtaining the valuation report and evaluating the management's process in respect of reviewing the valuation performed by the Valuers.
- Evaluating the competence, capabilities and objectivity of the Valuers.
- Evaluating the valuation techniques and assessing the reasonableness of the key inputs used in the valuations based on available market data.
- Assessing the integrity of information provided by the management to the Valuers by comparing the details of rentals on a sample basis to the respective underlying existing lease agreements.
- Checking, on a sample basis, the market transactions and market rents/capitalisation rate of similar properties and locations, and assessing the appropriateness of specific assumptions made on adjustments of the properties by reference to age, location and other individual factors which affect the valuation of properties.

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 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 HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, 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.

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Lin Sze Wai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
Revenue	5	**3,450,954**	4,501,532
Cost of sales		**(2,750,237)**	(3,512,426)
Gross profit		**700,717**	989,106
Other income	7(a)	**77,881**	82,446
Other gains and losses	7(b)	**31,094**	(27,311)
Net loss on lease terminations	7(c)	**—**	(570,813)
Impairment loss under expected credit loss ("ECL") model, net of reversal		**(4,931)**	(174,921)
Selling and distribution expenses		**(84,274)**	(69,826)
Administrative expenses		**(394,991)**	(451,894)
Research and development expenses		**(162,388)**	(155,523)
Fair value changes of investment properties	16	**(123,085)**	139,571
Finance costs	9	**(60,818)**	(76,243)
Share of results of associates		**(3,573)**	(10,147)
Share of results of joint ventures		**(2,191)**	(168)
Loss before taxation	10	**(26,559)**	(325,723)
Taxation	11	**24,794**	73,001
Loss for the year		**(1,765)**	(252,722)
Profit (loss) for the year attributable to:			
Owners of the Company		**4,047**	(119,918)
Non-controlling interests		**(5,812)**	(132,804)
		(1,765)	(252,722)
Earnings (loss) per share	12		
Basic and diluted		**HK0.13 cents**	(HK3.89 cents)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
Loss for the year	**(1,765)**	(252,722)
Other comprehensive expense includes:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translating foreign operations		
— subsidiaries	**(240,855)**	(682,298)
— associates	**(7,223)**	(20,245)
— joint ventures	**(2,160)**	(6,844)
	(250,238)	(709,387)
Total comprehensive expense for the year	**(252,003)**	(962,109)
Total comprehensive expense for the year attributable to:		
Owners of the Company	**(185,517)**	(652,295)
Non-controlling interests	**(66,486)**	(309,814)
	(252,003)	(962,109)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	14	**1,994,602**	1,855,965
Right-of-use assets	15	**231,608**	279,281
Investment properties	16	**8,536,258**	8,895,276
Interests in associates	17	**240,426**	254,481
Interests in joint ventures	18	**137,413**	141,764
Financial assets at fair value through profit or loss ("FVTPL")	22	**125,915**	130,585
Deposit paid for property, plant and equipment		**20,872**	32,753
Pledged bank deposits	23	**10,000**	11,425
Long term assets	19	**22,775**	920
		11,319,869	11,602,450
Current assets			
Inventories	20	**455,543**	513,484
Trade and other receivables	19	**1,042,629**	1,049,900
Amount due from a related party	21	**207**	11,950
Financial assets at FVTPL	22	**2,226**	6,232
Pledged bank deposits	23	**19,546**	30,240
Restricted bank deposits	23	**30,112**	30,245
Short-term bank deposits	23	**204,008**	372,340
Cash and cash equivalents	23	**1,509,144**	1,648,987
		3,263,415	3,663,378
Current liabilities			
Trade and other payables	24	**1,204,944**	1,374,178
Contract liabilities	25	**50,258**	49,510
Lease liabilities	26	**34,075**	37,811
Bank borrowings	27	**5,531**	—
Amount due to a joint venture	18	**59,087**	37,375
Loan from a major shareholder	28	**—**	565,611
Loan from a related party	29	**12,074**	8,523
Taxation payable		**61,679**	86,839
		1,427,648	2,159,847
Net current assets		**1,835,767**	1,503,531
Total assets less current liabilities		**13,155,636**	13,105,981

Consolidated Statement of Financial Position (continued)

At 31 December 2023

	NOTES	**2023** **HK$'000**	2022 HK$'000
Non-current liabilities			
Lease liabilities	26	**90,627**	118,386
Bank borrowings	27	**101,612**	—
Loan from a major shareholder	28	**109,890**	—
Loan from a related party	29	**1,159,451**	870,023
Deferred taxation	30	**2,223,096**	2,332,909
		3,684,676	3,321,318
		9,470,960	9,784,663
Capital and reserves			
Share capital	31	**1,154,511**	1,154,511
Reserves		**6,256,966**	6,504,183
Equity attributable to owners of the Company		**7,411,477**	7,658,694
Non-controlling interests		**2,059,483**	2,125,969
		9,470,960	9,784,663

The consolidated financial statements on pages 71 to 159 were approved and authorised for issue by the Board of Directors on 26 March 2024 and are signed on its behalf by:

Zhou Limin
Director

Song Shuqing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company									
	Share capital HK$'000	Special capital reserve HK$'000	General reserve HK$'000 *(Note a)*	Translation reserve HK$'000	Property revaluation reserve HK$'000	Other reserves HK$'000 *(Note b)*	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2022	1,154,511	14,044	109,916	323,341	30,523	44,926	6,710,853	8,388,114	2,454,652	10,842,766
Loss for the year	–	–	–	–	–	–	(119,918)	(119,918)	(132,804)	(252,722)
Exchange differences arising on translating foreign operations										
– subsidiaries	–	–	–	(505,288)	–	–	–	(505,288)	(177,010)	(682,298)
– associates	–	–	–	(20,245)	–	–	–	(20,245)	–	(20,245)
– joint ventures	–	–	–	(6,844)	–	–	–	(6,844)	–	(6,844)
Total comprehensive expense for the year	–	–	–	(532,377)	–	–	(119,918)	(652,295)	(309,814)	(962,109)
Dividend recognised as distribution *(note 13)*	–	–	–	–	–	–	(77,125)	(77,125)	–	(77,125)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	(18,869)	(18,869)
Transfer to general reserve	–	–	2,735	–	–	–	(2,735)	–	–	–
	–	–	2,735	–	–	–	(79,860)	(77,125)	(18,869)	(95,994)
At 31 December 2022	1,154,511	14,044	112,651	(209,036)	30,523	44,926	6,511,075	7,658,694	2,125,969	9,784,663

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2023

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital HK$'000	Special capital reserve HK$'000	General reserve HK$'000 *(Note a)*	Translation reserve HK$'000	Property revaluation reserve HK$'000	Other reserves HK$'000 *(Note b)*	Retained profits HK$'000	Sub-total HK$'000	HK$'000	HK$'000
At 1 January 2023	1,154,511	14,044	112,651	(209,036)	30,523	44,926	6,511,075	7,658,694	2,125,969	9,784,663
Profit (loss) for the year	–	–	–	–	–	–	4,047	4,047	(5,812)	(1,765)
Exchange differences arising on translating foreign operations										
— subsidiaries	–	–	–	(180,181)	–	–	–	(180,181)	(60,674)	(240,855)
— associates	–	–	–	(7,223)	–	–	–	(7,223)	–	(7,223)
— joint ventures	–	–	–	(2,160)	–	–	–	(2,160)	–	(2,160)
Total comprehensive (expense) income for the year	–	–	–	(189,564)	–	–	4,047	(185,517)	(66,486)	(252,003)
Dividend recognised as distribution *(note 13)*	–	–	–	–	–	–	(61,700)	(61,700)	–	(61,700)
Transfer to general reserve	–	–	32,154	–	–	–	(32,154)	–	–	–
	–	–	32,154	–	–	–	(93,854)	(61,700)	–	(61,700)
At 31 December 2023	1,154,511	14,044	144,805	(398,600)	30,523	44,926	6,421,268	7,411,477	2,059,483	9,470,960

Notes:

(a) The general reserve represents statutory surplus reserve that are non-distributable and the transfer to these reserves is determined by the board of directors of subsidiaries established in the Mainland China in accordance with the Articles of Association of the subsidiaries. Appropriations to such reserves are made out of net profit after taxation of the statutory financial statements of the Mainland China subsidiaries of the Company and the allocation basis are decided by their board of directors annually.

(b) The other reserves represent (i) capital contribution from a major shareholder of the Company arising from acquisition of subsidiaries, (ii) the difference between the amount of non-controlling interests and fair value of consideration paid upon acquisition of additional interests in subsidiaries, and (iii) amount arising from deemed disposal of partial interest in a subsidiary without a loss of control.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
OPERATING ACTIVITIES		
Loss before taxation	(26,559)	(325,723)
Adjustments for:		
Interest income	(37,418)	(37,186)
Interest expense	60,818	76,243
Depreciation of property, plant and equipment	222,908	245,374
Depreciation of right-of-use assets	42,941	41,647
Impairment loss under ECL model, net of reversal	4,931	174,921
Fair value changes of investment properties	123,085	(139,571)
Net loss (gain) from change in fair value of financial assets at FVTPL	4,952	(18,290)
Allowance for obsolete inventories	15,171	16,152
Share of results of associates	3,573	10,147
Share of results of joint ventures	2,191	168
Net loss on lease terminations	—	570,813
Loss on disposal/written off of property, plant and equipment	401	1,076
Operating cash flows before movements in working capital	416,994	615,771
Decrease in inventories	29,958	156,033
(Increase) decrease in trade and other receivables	(51,393)	150,648
Decrease in trade and other payables	(111,170)	(64,306)
Increase (decrease) in contract liabilities	2,177	(19,538)
Cash generated from operations	286,566	838,608
Hong Kong Profits Tax paid	(11,874)	(9,075)
Mainland China Enterprise Income Tax paid	(30,486)	(76,866)
NET CASH FROM OPERATING ACTIVITIES	244,206	752,667

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(411,961)	(301,443)
Payment for development costs incurred in respect of investment properties	(20,683)	(6,630)
Deposit paid for property, plant and equipment	(19,746)	(24,535)
Placement of short-term bank deposits	(205,362)	(388,147)
Withdrawal of short-term bank deposits	364,102	445,936
Placement of pledged bank deposits	(84,167)	(36,120)
Withdrawal of pledged bank deposits	95,168	53,940
Placement of restricted bank deposits	(1,480)	—
Withdrawal of restricted bank deposits	1,106	488
Advance to amount due from a related party	(206)	(12,428)
Repayment from amount due from a related party	33,398	172
Interest received	37,418	37,186
Dividend received from an associate	3,259	3,474
Proceeds from disposal of property, plant and equipment	1,798	2,347
Payment for subscription of financial asset at FVTPL	—	(118,507)
Payments for right-of-use assets	—	(51,975)
Withdrawal of long-term bank deposits	—	155,660
NET CASH USED IN INVESTING ACTIVITIES	(207,356)	(240,582)
FINANCING ACTIVITIES		
Repayment of loan from a major shareholder	(553,097)	—
Loan from a major shareholder	110,619	—
Dividend paid	(61,674)	(77,052)
Interest paid	(54,146)	(70,947)
Interest paid on lease liabilities	(6,493)	(5,311)
Repayments of lease liabilities	(38,362)	(34,555)
Repayment of loan from a related party	(15,487)	(11,792)
Loan from a related party	331,858	—
Repayment of bank borrowing	(2,765)	—
New bank loan raised	110,619	—
Proceeds from discounted bills with recourse	12,154	8,885
Dividend paid to non-controlling interests of a subsidiary	—	(18,869)
NET CASH USED IN FINANCING ACTIVITIES	(166,774)	(209,641)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(129,924)	302,444
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	1,648,987	1,395,138
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(9,919)	(48,595)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR REPRESENTING BANK BALANCES AND CASH	1,509,144	1,648,987

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1. GENERAL INFORMATION

China Aerospace International Holdings Limited (the "Company") is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information to the annual report. China Aerospace Science & Technology Corporation ("CASC") is the major shareholder with significant influence over the Company, established in the Mainland China.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

The principal activity of the Company is investment holding. The principal activities of its major subsidiaries, associates and joint ventures are set out in notes 41, 17 and 18, respectively.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND AGENDA DECISION OF THE IFRS INTERPRETATIONS COMMITTEE (THE "COMMITTEE")

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except of the amendments to HKFRSs mention below, the application of the new and amendments to HKFRSs 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") AND AGENDA DECISION OF THE IFRS INTERPRETATIONS COMMITTEE (THE "COMMITTEE") (continued)

New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

Impacts on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The Group has applied the amendments for the first time in the current year. The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 "Income Taxes" so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group disclose the related deferred tax assets and deferred tax liabilities of HK$21,913,000 on a gross basis in note 30 but it has no impact on the retained earnings at the earliest period presented.

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

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 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values of the end of each reporting period, as explained in the accounting policies set out below.

Material accounting policy information

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Material accounting policy information (continued)

Revenue from contracts with customers (continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of performance obligation

Output Method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 "Leases" or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Material accounting policy information (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications (continued)

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are amounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Lease termination

Lease termination is when a lessee or lessor decide to break the lease agreement before its expiration. The exercise of termination option which was included as part of the original lease agreement does not constitute a lease modification. Upon the lease termination of an operating lease through exercise of a termination option, the Group revises its calculation of the lease income to ensure the remaining lease payments (which include termination penalty, if any), are recognised on a straight-line basis over the remaining lease term. Accrued rental income, in excess of the remaining lease payments, if any, are reversed and derecognised on the effective date of lease termination. The difference between the compensation received from the land resumption and the carrying amount of the right-of-use assets is recognised in profit or loss as the gain on lease termination.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Material accounting policy information (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests in associates/joint ventures.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which cases, the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss. Settlements of monetary items which formed part of net investment in foreign operations without changes in the Group's ownership interests is not considered as partial disposals.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Material accounting policy information (continued)

Employee benefits

Retirement benefits costs

Payments to defined contribution retirement benefit schemes including Mandatory Provident Fund Scheme and state-managed retirement benefit scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Taxation

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of time transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Material accounting policy information (continued)

Taxation (continued)

For the purposes of measuring deferred taxes for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, which is always presumed to be recovered entirely through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are tangible assets that held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of HKAS 2 "Inventories". Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Material accounting policy information (continued)

Property, plant and equipment (continued)

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as "right-of-use assets" in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets other than properties under construction less their residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at the fair values, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

If a property becomes an owner-occupied property because its use has been changed as evidenced by commencement of owner-occupation, the fair value of the property at the date of change in use is considered as the deemed cost for subsequent accounting.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Material accounting policy information (continued)

Financial instruments

Financial assets

Impairment of financial assets and lease receivables subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under ECL on financial assets (including trade receivables, other receivables, amount due from a related party, pledged bank deposits, short-term bank deposits, restricted bank deposits and cash and cash equivalents) and other items (including lease receivables), which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-months ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables arising from contracts with customers.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and lease receivables subject to impairment assessment under HKFRS 9 (continued)

(i) Significant increase in credit risk (continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and lease receivables subject to impairment assessment under HKFRS 9 (continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings or when the management considers that the past due balances are not recoverable. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. Trade receivables with significant balances and credit-impaired are assessed individually. The Group has assessed the ECL on the remaining balances collectively taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Material accounting policy information (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and lease receivables subject to impairment assessment under HKFRS 9 (continued)

(v) Measurement and recognition of ECL (continued)

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- past-due status and historical credit loss experience;
- nature, size and industry of debtors; and
- internal credit ratings.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company 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 associated 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 ongoing 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 of the Company 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.

(a) Deferred taxation on investment properties

For the purposes of measuring deferred taxes arising from investment properties that are depreciable and measured using the fair value model, the management of the Group has reviewed the Group's investment properties portfolios and concluded that for certain portion of the Group's investment properties which is classified as retail and offices premises located in the Mainland China, are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation arising from these investment properties, the management determined that the presumption that these investment properties measured using the fair value model are recovered through sale is not rebutted. As a result, the Group has recognised deferred tax liabilities on changes in fair value of these investment properties taking into account the Land Appreciation Tax ("LAT") and Enterprise Income Tax ("EIT") payable upon sales of those investment properties.

For the Group's investment properties located in Hong Kong and certain investment properties in the Mainland China are being held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation arising from these investment properties located in these locations, the management of the Group determined that the presumption that investment properties measured using the fair value model are recovered through sale is rebutted.

The deferred tax impact of the Group is recognised at the end of the reporting period as shown in note 30.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgements in applying accounting policies (continued)

(b) Revenue recognition from sales of manufacturing products with no alternative use at a point in time

Revenue is recognised over time when the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Significant judgment is required in determining whether the terms of the Group's contracts with customers in relation to products with no alternative use create an enforceable right to payment for the Group. After considering the contract terms and the relevant local laws that apply to those relevant contracts, the terms of the relevant sales contracts do not create an enforceable right to payment for performance completed to date. Accordingly, the sales of manufacturing products with no alternative use is considered to be performance obligation satisfied at a point in time.

Key sources of estimation uncertainty

The following is the key sources of estimation uncertainty at the end of the reporting period, that has a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

(a) Fair value of investment properties

Investment properties are stated at fair value based on the valuations performed by independent professional valuers. The determination of the fair value involves certain assumptions of market conditions which are set out in note 16.

In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Changes to the method of valuation or assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

As at 31 December 2023, the carrying amount of the Group's investment properties is HK$8,536,258,000 (2022: HK$8,895,276,000).

(b) Provision of ECL for trade receivables from contracts with customers and leases receivables

Trade receivables and leases receivables for the two whole lease tenants with significant balances and/or credit-impaired, are assessed for ECL individually. In addition, the Group estimates ECL on the remaining balances collectively through groupings of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, industry, ageing, repayment histories and/or past due status of respective debtors and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The volatility in the financial markets and the increase in uncertainties in the Mainland China real estate sector, the Group has increased the expected loss rates in the current year as there is higher risk that the volatility in the financial markets could lead to increased credit default rates. The information about the ECL and the Group's trade receivables and lease receivables are disclosed in note 37.

5. REVENUE

(i) Disaggregation of revenue

	For the year ended 31 December 2023 Timing for revenue recognition		
	A point in time HK$'000	**Overtime HK$'000**	**Total HK$'000**
Manufacturing of goods *(Note)*	**3,224,995**	**—**	**3,224,995**
Property management fee	**—**	**41,767**	**41,767**
Others	**7,358**	**—**	**7,358**
Revenue from contracts with customer	**3,232,353**	**41,767**	**3,274,120**
Leases			**176,834**
Total revenue			**3,450,954**

	For the year ended 31 December 2022 Timing for revenue recognition		
	A point in time HK$'000	Overtime HK$'000	Total HK$'000
Manufacturing of goods *(Note)*	4,171,427	—	4,171,427
Property management fee	—	63,281	63,281
Others	7,941	—	7,941
Revenue from contracts with customer	4,179,368	63,281	4,242,649
Leases			258,883
Total revenue			4,501,532

Note: Manufacturing of goods represents external sales of plastics products, liquid crystal display, printed circuit boards, intelligent chargers and intelligent power modules under Hi-Tech Manufacturing Business, as detailed in segment information.

5. REVENUE (continued)

(ii) Performance obligations for contracts with customers

a) Manufacturing of goods (revenue recognised at a point in time)

The Group sells plastic products, liquid crystal display, printed circuit boards, intelligent chargers and intelligent power modules to customers.

For sales of plastic products, liquid crystal display, printed circuit boards, intelligent chargers and intelligent power modules (including those manufacturing products with no alternative use but the Group has no enforceable right to payable for performance completed to date), revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customers. The contracts with customers are with fixed consideration and the duration is within one year. As permitted under HKFRS 15 “Revenue from Contracts with Customers”, the transaction price allocated to these unsatisfied contracts is not disclosed.

Advance payments may be received based on terms of sales contract and any transactions price received by the Group is recognised as a contract liability until the goods have been delivered to the customers. The average normal credit term is 30 to 105 days upon delivery.

Sales-related warranties associated with sales of goods cannot be purchased separately and they serve as an assurance that the products sold comply with agreed-upon specifications. Accordingly, the Group accounts for warranties in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”.

b) Property management fee (revenue recognised over time)

The Group invests in properties in Shenzhen Aerospace Science & Technology Plaza (the “S&T Plaza”) and other properties including industrial and office premises in Hong Kong and the Mainland China. Property management fee income is recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs. The Group applied the practical expedient in HKFRS 15 by recognising revenue in the amount to which the Group has right to invoice, since the Group is entitled to bill the value of the Group’s performance completed to date according to the terms of the relevant agreements. As permitted under HKFRS 15, the aggregate amount of the transaction price allocated to the unsatisfied contracts is not disclosed.

6. SEGMENT INFORMATION

The Group determines its operating segments based on the internal reports reviewed by the President, the chief operating decision maker (“CODM”) of the Group, that are used to make strategic decisions. There are 7 reportable segments (2022: 6 reportable segments), namely Hi-Tech Manufacturing Business (including plastic products, liquid crystal display, printed circuit boards, intelligent chargers, intelligent power modules (new in 2023) and industrial property investment) and Aerospace Service (including property investment in the S&T Plaza) which represent the major industries in which the Group is engaged.

6. SEGMENT INFORMATION (continued)

In addition to the above reportable segments, other operating segments include property investments and management in properties other than those included in the above reportable segments and provision for other services. None of these segments met the quantitative thresholds for the reportable segment in both current and prior year. Accordingly, these were grouped in "Other Business".

(a) An analysis of the Group's revenue and results by reportable segments is as follows:

For the year ended 31 December 2023

	Revenue			
	External sales HK$'000	Inter-segment sales HK$'000	Total HK$'000	Segment results HK$'000
Hi-Tech Manufacturing Business				
Plastic products	1,412,413	22,708	1,435,121	37,196
Liquid crystal display	716,845	—	716,845	63,498
Printed circuit boards	872,700	—	872,700	22,438
Intelligent chargers	216,605	5,972	222,577	(17,876)
Intelligent power modules	6,432	—	6,432	(39,690)
Industrial property investment	9,658	24,373	34,031	(7,793)
	3,234,653	53,053	3,287,706	57,773
Aerospace Service				
Property investment in S&T Plaza	206,745	69	206,814	(5,304)
Reportable segments total	3,441,398	53,122	3,494,520	52,469
Elimination	—	(53,122)	(53,122)	—
Other Business	9,556	—	9,556	4,580
	3,450,954	—	3,450,954	57,049
Unallocated corporate income				37,695
Unallocated corporate expenses				(73,411)
Unallocated gains and losses				11,649
Reversal of impairment loss under ECL model, net — other receivable				7,041
Share of results of associates				(3,573)
Share of results of joint ventures				(2,191)
Finance costs				(60,818)
Loss before taxation				(26,559)

6. SEGMENT INFORMATION (continued)

(a) An analysis of the Group's revenue and results by reportable segments is as follows: (continued)

For the year ended 31 December 2022

	Revenue			
	External sales HK$'000	Inter-segment sales HK$'000	Total HK$'000	Segment results HK$'000
Hi-Tech Manufacturing Business				
Plastic products	1,430,081	48,080	1,478,161	16,422
Liquid crystal display	1,104,540	—	1,104,540	51,265
Printed circuit boards	1,258,426	—	1,258,426	135,543
Intelligent chargers	378,380	6,367	384,747	10,372
Industrial property investment	9,485	25,670	35,155	(1,114)
	4,180,912	80,117	4,261,029	212,488
Aerospace Service				
Property investment in S&T Plaza	310,268	2,866	313,134	389,340
Reportable segments total	4,491,180	82,983	4,574,163	601,828
Elimination	—	(82,983)	(82,983)	—
Other Business	10,352	—	10,352	650
	4,501,532	—	4,501,532	602,478
Unallocated corporate income				37,600
Unallocated corporate expenses				(85,696)
Unallocated gains and losses				(17,508)
Net loss on lease terminations				(570,813)
Impairment loss under ECL model, net of reversal				(174,921)
Provision for litigation				(30,305)
Share of results of associates				(10,147)
Share of results of joint ventures				(168)
Finance costs				(76,243)
Loss before taxation				(325,723)

6. SEGMENT INFORMATION (continued)

(a) An analysis of the Group's revenue and results by reportable segments is as follows: (continued)

For the year ended 31 December 2022 (continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment results represent the profit earned by/loss from each segment without allocation of share of results of associates, share of results of joint ventures, finance costs, net loss on lease terminations, certain (reversal of) impairment loss under ECL model (net), unallocated gains and losses (including unallocated exchange gains (losses) and change in fair value of financial assets at FVTPL), unallocated corporate income (including interest income and other unallocated income) and unallocated corporate expenses. Since the management of the Group considered that the loss on lease termination with the two whole lease tenants as detailed in note 7(c) and the impairment loss under ECL model recognised during the year ended 31 December 2022 as detailed in note 19 regarding the Aerospace Services are one-off event, the amounts were excluded from the segment result for the year ended 31 December 2022. This was the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Inter-segment sales are charged at cost-plus basis.

6. SEGMENT INFORMATION (continued)

(b) The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

	2023 HK$'000	2022 HK$'000
Segment assets		
Hi-Tech Manufacturing Business		
Plastic products	1,301,069	1,255,596
Liquid crystal display	541,298	685,946
Printed circuit boards	1,194,989	1,077,136
Intelligent chargers	210,297	225,132
Intelligent power modules	68,104	—
Industrial property investment	220,474	269,341
	3,536,231	3,513,151
Aerospace Service		
Property investment in S&T Plaza	8,593,131	8,934,794
Total assets for reportable segments	12,129,362	12,447,945
Other Business	101,035	109,183
Interests in associates	240,426	254,481
Interests in joint ventures	137,413	141,764
Unallocated assets	1,975,048	2,312,455
Consolidated assets	14,583,284	15,265,828
Segment liabilities		
Hi-Tech Manufacturing Business		
Plastic products	512,908	498,660
Liquid crystal display	130,378	202,284
Printed circuit boards	301,508	369,262
Intelligent chargers	67,993	75,761
Intelligent power modules	7,742	—
Industrial property investment	7,970	7,152
	1,028,499	1,153,119
Aerospace Service		
Property investment in S&T Plaza	4,191	12,448
Total liabilities for reportable segments	1,032,690	1,165,567
Unallocated liabilities	4,079,634	4,315,598
Consolidated liabilities	5,112,324	5,481,165

6. SEGMENT INFORMATION (continued)

(b) The following is an analysis of the Group's assets and liabilities by operating and reportable segments: (continued)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating and reportable segments other than cash and cash equivalents, short-term bank deposits, restricted bank deposits, pledged bank deposits, long-term bank deposits, amount due from a related party, financial assets at FVTPL, interests in joint ventures, interests in associates, and the other unallocated assets; and

- all liabilities are allocated to operating and reportable segments other than taxation payable, deferred taxation, loan from a major shareholder, loan from a related party, bank borrowings, amount due to a joint venture and the other unallocated liabilities.

(c) Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

2023

	Capital additions HK$'000	Depreciation and amortisation HK$'000	Fair value loss on investment properties HK$'000	(Gain) loss on disposal/ written off of property, plant and equipment HK$'000	Impairment loss (reversal of impairment) under ECL model, net HK$'000	(Reversal of) allowance for obsolete inventories HK$'000
Hi-Tech Manufacturing Business						
Plastic products	44,934	80,194	1,580	(235)	–	(68)
Liquid crystal display	12,988	39,793	–	370	–	–
Printed circuit boards	221,125	98,124	–	(99)	114	12,930
Intelligent chargers	6,103	6,553	–	111	34	2,309
Intelligent power modules	42,553	3,125	–	–	–	–
Industrial property investment	67,096	21,193	2,186	249	–	–
	394,799	248,982	3,766	396	148	15,171
Aerospace Service						
Property investment in S&T Plaza	13,315	10,213	115,336	5	11,824	–
Reportable segments total	408,114	259,195	119,102	401	11,972	15,171
Other Business	–	–	3,983	–	(7,041)	–
Unallocated	22,088	6,654	–	–	–	–
Total	430,202	265,849	123,085	401	4,931	15,171

6. SEGMENT INFORMATION (continued)

(c) Other segment information (continued)

2022

	Capital additions HK$'000	Depreciation and amortisation HK$'000	Fair value loss (gain) on investment properties HK$'000	(Gain) loss on disposal/ written off of property, plant and equipment HK$'000	Loss on lease terminations HK$'000	Impairment loss under ECL model, net of reversal HK$'000	Allowance for obsolete inventories HK$'000
Hi-Tech Manufacturing Business							
Plastic products	148,623	86,348	560	(53)	–	–	68
Liquid crystal display	44,261	43,887	–	942	–	–	–
Printed circuit boards	207,191	110,346	–	(358)	–	–	12,157
Intelligent chargers	13,204	7,569	–	340	–	–	3,927
Industrial property investment	54,470	26,914	223	205	–	–	–
	467,749	275,064	783	1,076	–	–	16,152
Aerospace Service							
Property investment in S&T Plaza	7,089	6,367	(144,246)	–	–	–	–
Reportable segments total	474,838	281,431	(143,463)	1,076	–	–	16,152
Other Business	540	5,590	3,892	–	–	–	–
Unallocated	–	–	–	–	570,813	174,921	–
Total	475,378	287,021	(139,571)	1,076	570,813	174,921	16,152

6. SEGMENT INFORMATION (continued)

(d) Geographical information

The Group operates in two principal geographical areas — Hong Kong and the Mainland China.

The Group's revenue from external customers based on the location of operation and information about its non-current assets, excluded those relating to financial instruments, by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong, China	**1,701,277**	2,600,137	**250,897**	433,673
Mainland China	**1,636,450**	1,866,343	**10,858,337**	10,963,177
Overseas	**113,227**	35,052	**210,635**	205,600
	3,450,954	4,501,532	**11,319,869**	11,602,450

Information about major customers

No individual customer of the Group has contributed over 10% of the revenue of the Group for both reporting periods.

7. OTHER INCOME, AND OTHER GAINS AND LOSSES, NET LOSS ON LEASE TERMINATIONS

(a) Other income

	2023	2022
	HK$'000	HK$'000
The Group's other income mainly comprises:		
Interest income	**37,418**	37,186
Sales of scrap materials	**23,408**	23,570
Government subsidies *(Note (i))*	**5,578**	11,651
Government grants in respect of Covid-19-related subsidies *(Note (ii))*	**—**	2,272

Notes:

(i) The government subsidies mainly represent the incentive provided by the Mainland China local authorities to the Group for encouragement of business development. There were no specific conditions attached to the grants and the Group recognised the grants upon receipts.

(ii) During the year ended 31 December 2022, the Group recognised government grants in respect of Covid-19-related subsidies, including subsidies from the Employment Support Schedule provided by the Hong Kong Government of HK$2,272,000 (2023: Nil).

7. OTHER INCOME, AND OTHER GAINS AND LOSSES, NET LOSS ON LEASE TERMINATIONS (continued)

(b) Other gains and losses

	2023 HK$'000	2022 HK$'000
The Group's other gains and losses mainly comprise:		
Net exchange loss	(200)	(8,712)
Net (loss) gain from change in fair value of financial assets at FVTPL	(4,952)	18,290
Net loss on disposal/written off of property, plant and equipment	(401)	(1,076)
Reversal of (provision) for litigation *(Note)*	22,962	(30,305)

Note: During the year ended 31 December 2023, the legal disputes with a third party in relation to the minority interest of subsidiaries were settled and the provision made in prior years is reversed upon settlement. (2022: A subsidiary of the Group was involved in a litigation with a third party in relation to the contract dispute and the court ruled in favor of the third party during the year ended 31 December 2022, a provision was recorded.)

(c) Net loss on lease terminations

	2023 HK$'000	2022 HK$'000
Net loss on lease terminations	–	(570,813)

S&T Plaza is one of the Group's key investment properties in Nanshan District, Shenzhen, the Mainland China, which generates a stable source of income for the Group. The S&T Plaza is held by a non-wholly owned subsidiary of the Group, Shenzhen Aerospace Technology Investment Company Limited ("Aerospace Technology"). The S&T Plaza was leased to two whole lease tenants namely Shenzhen Hangke Houhai Investment Development Company Limited ("Hangke Houhai") and Shenzhen Huabaorun Management Limited ("Huabaorun"), and the Group's rental income is accrued and recognised on an effective rental basis after taking into account the rent-free period and progressive rentals which are recorded as unbilled lease receivables in the consolidated financial statements of the Group. During the Covid-19 pandemic, the rental and price of properties in Nanshan District decreased in general and the Group also encountered issues in collecting rent and building management fees as a result of the uncertainty in the economy in 2021. The Group recognised impairment losses under the ECL model on the lease receivables arising from the S&T Plaza, including both billed and unbilled portions in 2021.

7. OTHER INCOME, AND OTHER GAINS AND LOSSES, NET LOSS ON LEASE TERMINATIONS (continued)

(c) Net loss on lease terminations (continued)

Hangke Houhai instances

During the year ended 31 December 2022, the Group announced that despite the fact that various approaches adopted to recover the rental arrears from Hangke Houhai, who entered into a 10-year office whole-lease agreement with the Group in 2016, the rental arrears issues remain unresolved as Hangke Houhai encountered difficulties in cash flows owing to the unsatisfactory subletting rate after the withdrawal of the lease from the major tenants.

Aerospace Technology filed civil complaints with Shenzhen City Nanshan District People's Court, Guangdong Province (the "Court") in 2022 and the Court officially accepted the filing of the complaint against Hangke Houhai as the defendant, to claim for the outstanding amount of the billed lease receivables and penalty for breach of the whole-lease contract ("First Hangke Houhai Litigation") amounted to RMB197 millions. During the year ended 31 December 2023, the Court ruled in favor of the Group for the First Hangke Houhai Litigation and Hangke Houhai was ordered to repay RMB109 millions to the Group. However, both the management of the Group and Hangke Houhai disagreed the verdict and applied for the appeal.

Meanwhile, during the year ended 31 December 2022, Aerospace Technology received a civil complaint (the "Hangke Houhai Complaint") served by the Court in relation to a claim filed by Hangke Houhai against Aerospace Technology. Pursuant to the Hangke Houhai Complaint, Hangke Houhai requested the Court to order Aerospace Technology to pay Hangke Houhai the sum of approximately RMB119 millions (the "Second Hangke Houhai Litigation"), being (i) the operating loss incurred due to the delay in delivery of property and provision of realty title certificate to Hangke Houhai; (ii) the damages for late payment to be calculated according to the double of the Mainland China's loan prime rate, from the date when the loss report was made (i.e. 8 November 2018) until the date of actual payment; and (iii) the litigation expenses associated with the claim. During the year ended 31 December 2023, the Court ruled in favor of Hangke Houhai for the Second Hangke Houhai Litigation and the Group was ordered to repay RMB119 millions to Hangke Houhai. However, the management of the Group disagreed the verdict and applied for the appeal.

In addition, Hangke Houhai filed additional claim for a refund from Aerospace Technology for overpaid rent since Covid-19 pandemic in 2022 and 2023 respectively, in aggregate, of approximately RMB149 millions and consequential interest loss (the "Third Hangke Houhai Litigation") and the Group submitted a counter-claim during the trial proceedings for the payment of rent and penalty for breach of contract of approximately RMB74 million. During the year ended 31 December 2023, the Court ruled down the Third Hangke Houhai Litigation and dismissed the claims from both parties. However, the management of the Group disagreed the verdict and applied for the appeal.

7. OTHER INCOME, AND OTHER GAINS AND LOSSES, NET LOSS ON LEASE TERMINATIONS (continued)

(c) Net loss on lease terminations (continued)

Hangke Houhai instances (continued)

The Group sought opinion from another legal advisor and filed the appeal during the year ended 31 December 2023 to all the court's judgment on the First, Second and Third Hangke Houhai Litigations. As at the date of this report, the abovesaid litigations with Hangke Houhai have been heard by the Court and are pending judgment of the second instance. After considering the advice from the legal advisor of Aerospace Technology, the directors of the Company believed that the appeal could be highly probably to succeed, and the claims under the First and Second Hangke Houhai Litigations could be settled at a net basis and therefore, it is not probable that an outflow of resources embodying economic benefits will be required to settle the claims. Therefore, the litigations are disclosed as contingent liabilities in note 42 and no provision is made.

Huabaorun instances

In addition, during the year ended 31 December 2022, the Group further announced that Huabaorun, who entered into a 15-year commercial properties whole-lease agreement with the Group in 2016, continuously failed to pay the rental, and despite various approaches adopted by Aerospace Technology to recover the arrears and numerous discussions with Huabaorun, the rental arrears issue remains unresolved. Aerospace Technology filed a civil complaint with the Court and in 2023, the Court officially accepted the filing of the complaint against Huabaorun as the defendant, to claim for the outstanding amount of the billed lease receivables and the penalty for breach of the whole-lease contract. Subsequently to the year ended 31 December 2023, the Court ruled in favor of the Group for the litigation. The Group will reverse the ECL made in prior year only when the amounts are subsequently received.

Further details of the abovesaid lease terminations and litigations, and additional claims against Hangke Houhai and Huabaorun were set out in the Company's announcements published on the website of the Stock Exchange.

As Hangke Houhai and Huabaorun failed to fulfill its obligation under the original lease agreement, the Group terminated the lease agreement and accounted for the lease termination in accordance with HKFRS 16 in 2022. On the effective date of the abovesaid leases termination in 2022, the gross carrying amount of unbilled lease receivables which represented accrued rental income recognised on effective rental basis was derecognised and resulting in a loss on lease termination amounting to HK$570,813,000.

8. DIRECTORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS

(a) Directors' emoluments

The emoluments paid or payable to each of the 11 (2022: 9) directors are as follows:

	Executive directors			Non-executive directors					Independent non-executive directors			
	Zhou Limin HK$'000	Song Shuqing^^ HK$'000	Jin Xuesheng* HK$'000	Hua Chongzhi HK$'000	Teng Fangqian** HK$'000	Peng Jianguo** HK$'000	Liu Xudong## HK$'000	Mao Yijin## HK$'000	Luo Zhenbang HK$'000	Chen Jingru# HK$'000	Wang Xiaojun HK$'000	2023 Total HK$'000
Directors' fees												
Executives	–	–	–	–	–	–	–	–	–	–	–	–
Non-executives (excluding independent non-executives)	–	–	–	88	74	–	103	33	–	–	–	298
Independent non-executives	–	–	–	–	–	–	–	–	190	190	190	570
	–	–	–	88	74	–	103	33	190	190	190	868
Other emolument												
Salaries and other benefits	1,436	1,313	–	19	12	–	20	7	118	138	58	3,121
Bonuses	428	–	400	–	–	–	–	–	–	–	–	828
Contributions to retirement benefits scheme	207	241	–	–	–	–	–	–	–	–	–	448
	2,071	1,554	400	19	12	–	20	7	118	138	58	4,397
Total emoluments	2,071	1,554	400	107	86	–	123	40	308	328	248	5,265

8. DIRECTORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

	Executive directors		Non-executive directors			Independent non-executive directors				
	Zhou Limin HK$'000	Jin Xuesheng* HK$'000	Hua Chongzhi HK$'000	Liu Xudong## HK$'000	Mao Yijin## HK$'000	Luo Zhenbang HK$'000	Chen Jingru# HK$'000	Leung Sau Fan, Sylvia^ HK$'000	Wang Xiaojun HK$'000	2022 Total HK$'000
Directors' fees										
Executives	–	–	–	–	–	–	–	–	–	–
Non-executives (excluding independent non-executives)	–	–	94	95	19	–	–	–	–	208
Independent non-executives	–	–	–	–	–	190	65	91	190	536
	–	–	94	95	19	190	65	91	190	744
Other emoluments										
Salaries and other benefits	1,602	1,602	14	14	2	118	44	67	58	3,521
Bonuses	1,028	1,028	–	–	–	–	–	–	–	2,056
Contributions to retirement benefits scheme	179	304	–	–	–	–	–	–	–	483
	2,809	2,934	14	14	2	118	44	67	58	6,060
Total emoluments	2,809	2,934	108	109	21	308	109	158	248	6,804

Note: The bonuses are determined with reference to the operating results, individual performance and comparable market statistics for the year.

Mr Song Shuqing is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group while the non-executive and independent non-executive directors' emoluments shown above are for their services as directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

- # Appointed on 30 August 2022
- ^ Retired on 24 June 2022
- * Resigned on 10 February 2023
- ## Resigned on 2 March 2023
- ^^ Appointed on 10 February 2023
- ** Appointed on 2 March 2023

8. DIRECTORS' AND HIGHEST PAID INDIVIDUALS' EMOLUMENTS (continued)

(b) Highest paid individuals' emoluments

During the year, the five highest paid individuals included one director (2022: two directors), details of whose emoluments are set out above. The emoluments of the remaining four (2022: three) highest paid individuals are as follows:

	2023 HK$'000	2022 HK$'000
Salaries and other benefits	2,298	1,899
Bonuses *(Note)*	10,404	12,568
Contributions to retirement benefits scheme	80	80
	12,782	14,547

Note: The bonuses are determined with reference to the operating results, individual performance and comparable market statistics for the year.

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

Emoluments band	Number of individuals 2023	2022
HK$6,000,001 to HK$6,500,000	–	1
HK$5,500,001 to HK$6,000,000	–	1
HK$5,000,001 to HK$5,500,000	–	–
HK$4,500,001 to HK$5,000,000	–	–
HK$4,000,001 to HK$4,500,000	–	–
HK$3,500,001 to HK$4,000,000	2	–
HK$3,000,001 to HK$3,500,000	–	–
HK$2,500,001 to HK$3,000,000	1	1
HK$2,000,001 to HK$2,500,000	1	–

During the year, no emoluments were paid by the Group to the directors and five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no director waived any emoluments during the year.

9. FINANCE COSTS

	2023 HK$'000	2022 HK$'000
Interest expenses on		
— bank loan	**2,972**	—
— loan from a major shareholder	**9,910**	29,891
— loan from a related party	**41,443**	41,041
— lease liabilities	**6,493**	5,311
	60,818	76,243

10. LOSS BEFORE TAXATION

	2023 HK$'000	2022 HK$'000
Loss before taxation has been arrived at after crediting:		
Auditors' remuneration	**3,926**	4,403
Cost of inventories charged to profit or loss including allowance for obsolete inventories of HK$15,171,000 (2022: HK$16,152,000)	**2,706,783**	3,462,625
Depreciation of property, plant and equipment *(Note)*	**222,908**	245,374
Depreciation of right-of-use assets *(Note)*	**42,941**	41,647
Staff costs, including directors' remuneration *(Note)*	**818,854**	944,229
Gross rental income from investment properties	**(176,834)**	(258,883)
Less: Direct operating expenses for investment properties that generated rental income during the year	**8,171**	11,451
	(168,663)	(247,432)

Note: Staff costs, and depreciation of property, plant and equipment and right-of-use assets disclosed above included amounts capitalised in inventories.

11. TAXATION

The tax charge (credit) for the year comprises:

	2023 HK$'000	2022 HK$'000
Current tax:		
Hong Kong Profits Tax	2,488	9,309
Mainland China EIT	16,893	52,677
	19,381	61,986
Overprovision in prior years:		
Hong Kong Profits Tax	(24)	(2,765)
Mainland China EIT	–	(1,012)
	(24)	(3,777)
Deferred tax credit *(note 30)*	(44,151)	(131,210)
	(24,794)	(73,001)

11. TAXATION (continued)

The income tax expense for the year can be reconciled to the loss before taxation per consolidated statement of profit or loss as follows:

	2023 HK$'000	2022 HK$'000
Loss before taxation	(26,559)	(325,723)
Tax at applicable income tax*	(6,640)	(81,431)
Tax effect of share of results of associates	893	2,536
Tax effect of share of results of joint ventures	548	42
Tax effect of expenses not deductible for tax purpose	7,431	14,458
Tax effect of income not taxable for tax purpose	(21,057)	(10,602)
Tax effect of deductible temporary difference not recognised	3,366	3,905
Land appreciation tax	(24,548)	31,964
Tax effect of land appreciation tax deductible for Mainland China EIT	6,137	(7,991)
Super deduction for research and development expenses	(35,262)	(28,343)
Tax effect of tax losses not recognised	56,517	15,421
Utilisation of tax losses previously not recognised	(9,975)	(3,604)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(464)	(3,883)
Effect of income tax on concessionary rates for certain subsidiaries	(1,529)	(1,377)
Overprovision in prior years	(24)	(3,777)
Others	(187)	(319)
Income tax expenses for the year	(24,794)	(73,001)

* The tax rate of 25% represents the domestic tax rate (which is Mainland China EIT) in the jurisdiction where the major current tax is charged.

Hong Kong Profits Tax for both years is calculated at 16.5% of the estimated assessable profits for the years, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Mainland China subsidiaries is 25%. Three subsidiaries (2022: three subsidiaries) of the Company operating in the Mainland China are eligible as High and New Technology Enterprise and the income tax rate of these subsidiaries is 15%.

11. TAXATION (continued)

According to the requirements of the Provisional Regulations of the People's Republic of China on LAT effective from 1 January 1994 and amended on 8 January 2011, and the Implementation Rules on the Provisional Regulations of the People's Republic of China on LAT effective from 27 January 1995, all gains arising from the sale or transfer of real estate in the Mainland China with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditures including payments made for acquisition of land use rights, costs and expenses for the development of the land or for construction of new buildings and supporting facilities, or the assessed value for old buildings and structures, tax payable relating to transfer of the real estate and other deductible items prescribed by the Ministry of Finance.

According to relevant laws and regulations promulgated by the State Tax Bureau of the People's Republic of China (the "PRC") that was effective from 2008 onwards, enterprise engaging in research and development activities are entitled to claim 200% (2022: 200%) of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction").

Details of deferred taxation are set out in note 30.

12. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share attributable to the owners of the Company is based on the following data:

	2023 HK$'000	2022 HK$'000
Earnings (loss)		
Profit (loss) for the year attributable to owners of the Company for the purpose of basic and diluted earnings (loss) per share	4,047	(119,918)

	2023 Number of shares	2022 Number of shares
Number of shares		
Number of ordinary shares for the purpose of basic and diluted earnings (loss) per share	3,085,022,000	3,085,022,000

The computation of diluted earnings per share does not assume the conversion of convertible loan notes because the exercise price of the convertible loan notes was higher than the average market price for share for 2023. (2022: The computation of diluted loss per share for the year ended 31 December 2022 assume the conversion of convertible loan notes issued by its associate but had no impact on the overall diluted loss per share).

13. DIVIDENDS

	2023 HK$'000	2022 HK$'000
Dividends recognised as distribution during the year:		
2022 interim dividend of HK0.5 cents per ordinary share	–	15,425
2022 final dividend of HK2 cents (2022: 2021 final dividend of HK2 cents) per ordinary share	61,700	61,700
	61,700	77,125

The board of the Company does not recommend paying of a final dividend in respect of the year ended 31 December 2023 (2022: 2022 final dividend of HK2 cents per ordinary share).

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings in Hong Kong	Leasehold land and buildings outside Hong Kong	Plant and equipment	Motor vehicles	Furniture and office equipment	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST							
At 1 January 2022	76,875	773,233	1,559,277	32,291	459,162	32,361	2,933,199
Exchange realignment	—	(64,865)	(114,440)	(1,508)	(23,550)	(2,072)	(206,435)
Additions	—	21	187,205	1,739	45,371	83,300	317,636
Disposals/written off	—	(7,078)	(42,603)	(1,214)	(24,193)	—	(75,088)
Transfer from investment properties	—	329,825	—	—	—	—	329,825
Transfer	—	22,535	16,142	—	12,760	(51,437)	—
At 31 December 2022	**76,875**	**1,053,671**	**1,605,581**	**31,308**	**469,550**	**62,152**	**3,299,137**
Exchange realignment	**—**	**(28,710)**	**(43,998)**	**(417)**	**(13,693)**	**(3,477)**	**(90,295)**
Additions	**—**	**—**	**76,142**	**505**	**48,597**	**287,563**	**412,807**
Disposals/written off	**—**	**(7,689)**	**(42,309)**	**(2,497)**	**(36,717)**	**—**	**(89,212)**
Transfer	**—**	**5,285**	**35,144**	**—**	**9,277**	**(49,706)**	**—**
At 31 December 2023	**76,875**	**1,022,557**	**1,630,560**	**28,899**	**477,014**	**296,532**	**3,532,437**
DEPRECIATION AND IMPAIRMENT							
At 1 January 2022	50,745	236,357	790,119	26,112	268,114	—	1,371,447
Exchange realignment	—	(37,928)	(53,756)	(1,201)	(9,099)	—	(101,984)
Provided for the year	1,985	29,856	151,399	1,573	60,561	—	245,374
Eliminated on disposals/written off	—	(3,990)	(42,413)	(1,069)	(24,193)	—	(71,665)
At 31 December 2022	**52,730**	**224,295**	**845,349**	**25,415**	**295,383**	**—**	**1,443,172**
Exchange realignment	**—**	**(8,643)**	**(24,556)**	**(380)**	**(7,653)**	**—**	**(41,232)**
Provided for the year	**1,986**	**35,667**	**126,343**	**918**	**57,994**	**—**	**222,908**
Eliminated on disposals/written off	**—**	**(7,645)**	**(40,287)**	**(2,398)**	**(36,683)**	**—**	**(87,013)**
At 31 December 2023	**54,716**	**243,674**	**906,849**	**23,555**	**309,041**	**—**	**1,537,835**
CARRYING VALUES							
At 31 December 2023	**22,159**	**778,883**	**723,711**	**5,344**	**167,973**	**296,532**	**1,994,602**
At 31 December 2022	24,145	829,376	760,232	5,893	174,167	62,152	1,855,965

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account their estimated residual values, using the straight line method, at the following rates per annum:

Leasehold land and buildings	Over the shorter of the terms of lease, or 50 years
Plant and equipment	5%–20%
Motor vehicles	10%–25%
Furniture and office equipment	5%–20%

15. RIGHT-OF-USE ASSETS

	Leasehold land HK$'000	**Leased properties** HK$'000	**Total** HK$'000
As at 31 December 2023 Carrying amount	**117,438**	**114,170**	**231,608**
As at 31 December 2022 Carrying amount	130,965	148,316	279,281
For the year ended 31 December 2023 Depreciation charge	**8,181**	**34,760**	**42,941**
For the year ended 31 December 2022 Depreciation charge	6,499	35,148	41,647

	2023 **HK$'000**	2022 HK$'000
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**52**	28
Expense relating to short-term leases	**1,756**	1,426
Total cash outflow for leases	**46,663**	93,295
Additions to right-of-use assets	**4,517**	154,910

For both years, the Group leases various offices and warehouses for its operations in the Mainland China and Vietnam. Other than short-term leases, lease contracts are entered into for fixed term of 14 months to 30 years (2022: 15 months to 30 years). In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

15. RIGHT-OF-USE ASSETS (continued)

In addition, the Group owns several industrial buildings where its manufacturing facilities are primarily located and office buildings. The Group is the registered owner of these property interests, including the underlying leasehold land. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

During the year, the Group entered into new lease agreements for the use of leased properties of 14 months (2022: 12 months to 25 months). On the lease commencement, the Group recognised additions to right-of-use assets and lease liabilities of HK$149,000 (2022: right-of-use assets and lease liabilities of HK$2,262,000). In addition, lease terms of certain leases were extended through modification from 24 months to 5 years (2022: 12 months extended to 5 years) and the Group recognised additions to right-of-use assets and lease liabilities of HK$4,368,000 (2022: right-of-use assets and lease liabilities of HK$100,673,000). Both of these transactions constitute non-cash transactions.

During the year ended 31 December 2022, the Group made an upfront payment of HK$51,975,000 for leasehold land in the Mainland China for 50 years (2023: Nil).

The Group regularly entered into short-term leases for staff quarters and machineries. As at 31 December 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses. During the year ended 31 December 2023, there is no lease terminated.

16. INVESTMENT PROPERTIES

The Group leases out various industrial and offices premises, and retail shops under operating leases with rentals payable monthly. Rental deposits ranging from one to three months are received upon the inception of the lease. The leases typically run for an initial period of 1 to 10 years and rent-free periods has been granted to certain tenants. None of the leases included variable lease payment.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	2023	2022
	HK$'000	HK$'000
FAIR VALUE		
At 1 January	**8,895,276**	9,796,960
Exchange realignment	**(248,811)**	(714,262)
Addition	**12,878**	2,832
Net change in fair value recognised in profit or loss	**(123,085)**	139,571
Transfer to property, plant and equipment	**—**	(329,825)
At 31 December	**8,536,258**	8,895,276
Unrealised (loss) gain on property revaluation included in profit or loss of current year		
— Investment properties	**(123,085)**	136,376
— Property, plant and equipment, transferred from investment properties during the year	**—**	3,195

The fair values of the Group's investment properties at 31 December 2023 has been arrived at on the basis of valuations carried out on that date by Vigers Appraisal and Consulting Limited ("Vigers") for properties situated in Hong Kong (2022: Jones Lang LaSalle Limited ("Jones Lang")) and Knight Frank Petty Limited ("Knight Frank") for properties situated in the Mainland China.

Jones Lang, Vigers and Knight Frank are independent qualified professional valuers not connected with the Group.

Fair value measurements and valuation processes

In estimating the fair value of the Group's investment properties, the Group uses market observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation of the Group's investment properties. At the end of each reporting period, the management of the Group works closely with the qualified external valuers to establish and determine the appropriate valuation techniques and inputs to the model. The management reports the findings to the board of directors of the Company every half-year to explain the cause of fluctuation in fair value of property.

The Group will first consider and adopt Level 2 inputs where inputs can be derived from observable quoted prices in the active market. When Level 2 inputs are not available, the Group will adopt valuation techniques that include Level 3 inputs. There has been no change from the valuation technique used in the prior year.

16. INVESTMENT PROPERTIES (continued)

Fair value measurements and valuation processes (continued)

In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair value of certain investment properties have been adjusted to exclude prepaid or accrued operating lease income to avoid double count.

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

	Fair value as at 31.12.2023 HK$'000	Fair value as at 31.12.2022 HK$'000	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
The Mainland China						
Industrial premises	**68,577**	69,910	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; (2) Monthly market rent	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 7.5% per annum (2022: 7.5% per annum).	The higher the capitalisation rate, the lower the fair value.
					Monthly rent, using direct market comparable and taking into account of age, location and individual factors such as size of property, of RMB10.7/ sq.m. (2022: RMB10.5/ sq.m.) on average for the base level.	The higher the monthly market rent, the higher the fair value.
Office premises	**84,835**	91,403	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; (2) Monthly market rent	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4.0% – 5.25% per annum (2022: 4.0% – 5.25% per annum).	The higher the capitalisation rate, the lower the fair value.
					Monthly rent, using direct market comparable and taking into account of age, location and individual factors such as size of property and layout/ design, of RMB91–177/ sq.m. (2022: RMB92–190/ sq.m.) on average.	The higher the monthly market rent, the higher the fair value.

16. INVESTMENT PROPERTIES (continued)

Fair value measurements and valuation processes (continued)

	Fair value as at 31.12.2023 HK$'000	Fair value as at 31.12.2022 HK$'000	**Fair value hierarchy**	**Valuation technique(s) and key input(s)**	**Significant unobservable input(s)**	**Relationship of unobservable inputs to fair value**
The Mainland China (continued)						
Retail and office premises*	**8,224,796**	8,571,483	Level 3	Income Capitalisation Approach The key inputs are: (1) Capitalisation rate; (2) Monthly market rent	Capitalisation rate, taking into account of the capitalisation of rental income potential, nature of the property, prevailing market condition, of 6.5% per annum (2022: 6.5% per annum) (retail) and 4.0% per annum (2022: 4.0% per annum) (office).	The higher the capitalisation rate, the lower the fair value.
					Monthly market rent, using direct market comparable and taking into account of age, location and individual factors such as size of property, of RMB98–141/sq.m. (2022: RMB101–155/sq.m.) for retail and 187/sq.m. (2022: RMB189/sq.m.) for office.	The higher the monthly market rent, the higher the fair value.
Hong Kong						
Industrial premises	**158,050**	162,480	Level 3	Direct comparison method based on market observable transactions of similar properties adjusted timing of reference transactions and property-specific adjustments including nature, location and condition of the property	Adjusted market unit rate, mainly taking into account the conditions and location, between the comparables, at HK$4,300 — HK$7,200 per square feet for industrial premises (2022: HK$5,000 — HK$7,900)	The higher the adjusted market unit rate, the higher the fair value.

* The fair value of these investment properties have been adjusted to exclude prepaid or accrued operating lease income to avoid double count.

16. INVESTMENT PROPERTIES (continued)

Fair value measurements and valuation processes (continued)

The valuations are dependent on certain key inputs that require significant management judgements and estimates, which involves certain estimates of market conditions and assumptions made on the investment properties including comparable market transactions with adjustments to reflect different age, locations or conditions and information about the valuation techniques and inputs used in determining the fair value of the Group's investment properties, including comparable market transactions with adjustments to reflect different locations or conditions, and comparable market rents and capitalisation rate, are disclosed above.

There were no transfers into or out of level 3 during both years.

17. INTERESTS IN ASSOCIATES

	2023 HK$'000	2022 HK$'000
Cost of investments in associates	217,487	217,487
Share of post-acquisition profits, net of dividends received	42,199	49,031
Exchange realignment	(19,260)	(12,037)
Share of net assets	240,426	254,481

Details of the Group's associates at 31 December 2023 and 2022 are as follows:

Name of associates	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group % 2023	2022	Principal activities
Registered and operating in the Mainland China:				
航天新商務信息科技有限公司*	RMB132,000,000	15.15	15.15	Provision of information service
航天數聯信息技術(深圳)有限公司	HK$128,460,000	32.13	32.13	Development and sale of software and related products, and warehouse and logistic services
深圳瑞華泰薄膜科技股份有限公司 ("Shenzhen Rayitek") and its subsidiary	RMB135,000,000	23.38	23.38	Manufacturing and distribution of polyimide films and related composite materials

* The Group has the ability to exercise significant influence over this associate because it has the power to appoint one representative in the board of that company. Accordingly, it is regarded as an associate of the Group.

17. INTERESTS IN ASSOCIATES (continued)

Summarised financial information of material associates

Summarised financial information in respect of the Group's material associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

This associate is accounted for using the equity method in these consolidated financial statements.

Shenzhen Rayitek

	2023 HK$'000	2022 HK$'000
Current assets	359,721	546,300
Non-current assets	2,329,696	2,074,296
Current liabilities	(899,096)	(804,291)
Non-current liabilities	(899,927)	(867,439)
Revenue	305,230	341,303
Loss and total comprehensive expenses for the year	(17,639)	(47,374)
Dividend received	3,259	3,474

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shenzhen Rayitek recognised in the consolidated financial statements:

	2023 HK$'000	2022 HK$'000
Net assets of Shenzhen Rayitek	890,394	948,866
Proportion of the Group's ownership interest in Shenzhen Rayitek	23.38%	23.38%
Carrying amount of the Group's interest in Shenzhen Rayitek*	208,174	221,845

* The market value of the Group interest in Shenzhen Rayitek is determined based on the quoted market bid price multiplied by the quantity of shares held by the Group, amounting to HK$992,883,000 (2022: HK$1,132,053,000).

17. INTERESTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material

	2023 HK$'000	2022 HK$'000
The Group's share of profit and total comprehensive income for the year	551	929
Aggregate carrying amount of the Group's interests in these associates	32,252	32,636

18. INTERESTS IN JOINT VENTURES AND AMOUNT DUE TO A JOINT VENTURE

Interests in joint ventures

	2023 HK$'000	2022 HK$'000
Cost of unlisted investments in joint ventures	253,877	253,877
Share of post-acquisition losses	(90,075)	(87,884)
Exchange realignment	(26,389)	(24,229)
	137,413	141,764

Amount due to a joint venture

	2023 HK$'000	2022 HK$'000
Amount due to a joint venture	59,087	37,375

The amount due to a joint venture is non-trade in nature, unsecured, interest free and repayable on demand.

18. INTERESTS IN JOINT VENTURES AND AMOUNT DUE TO A JOINT VENTURE (continued)

Amount due to a joint venture (continued)

Details of the Group's joint ventures at 31 December 2023 and 2022 are as follows:

Name of joint ventures	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Group %	Principal activities
Incorporated and operating in Hong Kong:			
China Aerospace New World Technology Limited ("Aerospace New World")	HK$30,000,000	50	Investment holding
Registered and operating in the Mainland China:			
Hainan Aerospace Investment Management Company Limited 海南航天投資管理有限公司 ("Hainan Aerospace")	RMB200,000,000	50	Land development

According to the legal form and the contractual arrangements, each of the joint ventures in the joint ventures, under the joint control arrangement, has rights to the net assets of the entities, hence it is regarded as joint venture.

18. INTERESTS IN JOINT VENTURES AND AMOUNT DUE TO A JOINT VENTURE (continued)

Summarised financial information of material joint ventures

Summarised financial information in respect of the Group's material joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Hainan Aerospace

	2023 HK$'000	2022 HK$'000
Current assets	128,069	137,820
Non-current assets	14,498	15,569
Current liabilities	(39)	(893)

The above amounts of assets include the following:

	2023 HK$'000	2022 HK$'000
Cash and cash equivalents	128,033	137,524

	2023 HK$'000	2022 HK$'000
Other income	2,429	6,812
(Loss) profit and total comprehensive (expense) income for the year	(4,318)	265

The above (loss) profit for the year include the following:

	2023 HK$'000	2022 HK$'000
Depreciation and amortisation	(408)	(434)
Interest income	1,383	4,585

18. INTERESTS IN JOINT VENTURES AND AMOUNT DUE TO A JOINT VENTURE (continued)

Summarised financial information of material joint ventures (continued)

Hainan Aerospace (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Hainan Aerospace recognised in the consolidated financial statements:

	2023 HK$'000	2022 HK$'000
Net assets of Hainan Aerospace	142,528	152,496
Proportion of the Group's ownership interest in Hainan Aerospace	50%	50%
Carrying amount of the Group's interest in Hainan Aerospace	71,264	76,248

Aerospace New World

	2023 HK$'000	2022 HK$'000
Current assets	133,019	117,377
Non-current assets	–	16,287
Current liabilities	(722)	(1,746)
Non-current liabilities	–	(886)

The above amounts of assets include the following:

	2023 HK$'000	2022 HK$'000
Cash and cash equivalents	14,946	42,383

	2023 HK$'000	2022 HK$'000
Other income	735	658
Profit (loss) and total comprehensive income (expense) for the year	1,262	(601)

18. INTERESTS IN JOINT VENTURES AND AMOUNT DUE TO A JOINT VENTURE (continued)

Summarised financial information of material joint ventures (continued)

Aerospace New World (continued)

The above profit (loss) for the year include the following:

	2023 HK$'000	2022 HK$'000
Interest income	689	478
Income tax (credit) expenses	(816)	633

Reconciliation of the above summarised financial information to the carrying amount of the interest in Aerospace New World recognised in the consolidated financial statements:

	2023 HK$'000	2022 HK$'000
Net assets of Aerospace New World	132,297	131,032
Proportion of the Group's ownership interest	50%	50%
Carrying amount of the Group's interest	66,149	65,516

19. TRADE AND OTHER RECEIVABLES AND LONG-TERM ASSETS

	2023 HK$'000	2022 HK$'000
Trade receivables from contracts with customers		
— Hi-Tech Manufacturing Business	902,842	942,376
— Aerospace Service	54,359	58,940
	957,201	1,001,316
Less: Allowance for credit losses	(57,374)	(54,684)
	899,827	946,632
Lease receivables		
— billed	260,345	281,784
— unbilled	22,775	920
	283,120	282,704
Less: Allowance for credit losses	(279,845)	(279,284)
	3,275	3,420
Total trade receivable for contracts with customers and leases receivables	903,102	950,052
Other receivables, deposits and prepayment	210,892	158,720
Less: Allowance for credit losses	(48,590)	(57,952)
	162,302	100,768
Total trade and other receivables	1,065,404	1,050,820
Current	1,042,629	1,049,900
Non-current as long term assets	22,775	920
	1,065,404	1,050,820

The Group allows an average credit period of 30 to 120 days to its trade customers. No credit period was granted to tenants of rental of premises. Receivables are unsecured and interest-free.

As at 1 January 2022, trade receivables arising from contracts with customers amounted to HK$1,246,235,000.

19. TRADE AND OTHER RECEIVABLES AND LONG-TERM ASSETS (continued)

The following is an aged analysis of trade receivables arising from contracts with customers, net of allowance for credit losses, presented based on invoice date at the end of the reporting period:

	2023 HK$'000	2022 HK$'000
Within 90 days	777,853	819,865
Between 91–180 days	105,778	115,987
Between 181–365 days	16,196	10,780
	899,827	946,632

As at 31 December 2023, included in the Group's trade receivables arising from contracts with customer is bills received amounting to HK$107,213,000 (2022: HK$107,430,000) which are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$104,605,000 (2022: HK$119,205,000) which are past due as at the reporting date. Out of the past due balances, HK$23,696,000 (2022: HK$22,918,000) has been past due 90 days or more and is not considered as in default. The Group considers the information developed internally or obtained from external sources and considered that the debtor is likely to pay its creditors, including the Group, and the past due balances are therefore, not considered as in default.

The Group's rental income is accrued and recognised on an effective rental basis after taking into account of rent free period and progressive rentals which are recorded as unbilled lease receivables which are accrued rental income that are expected to be realised when the rental payment over the effective rental. Lease receivables are invoiced to tenants on a monthly basis after the rent free period and are due for settlement upon the issuance of invoices.

As disclosed in note 7(c), upon the early termination of lease agreements with Hangke Houhai and Huabaorun in 2022, the gross carrying amount of unbilled lease receivables which represented accrued rental income recognised on effective rental basis amounting to HK$570,813,000 was derecognised during the year ended 31 December 2022.

19. TRADE AND OTHER RECEIVABLES AND LONG-TERM ASSETS (continued)

The following are the aged analysis of billed lease receivables, net of allowance for credit losses, presented based on invoice date which are also past due balances at the end of the reporting period:

	2023 HK$'000	2022 HK$'000
Within 90 days	3,275	3,420

The Group's internal credit risks assessments on Hangke Houhai and Huabaorun changed from doubtful to loss during the year ended 31 December 2022, and recognised additional impairment under ECL model on billed lease receivables of HK$237,906,000, as detailed in note 37. In addition, upon the termination of the lease agreement with Hangke Houhai and Huabaorun as detailed in note 7(c), an impairment loss under ECL model previously recognised on unbilled lease receivables of HK$90,572,000 was reversed in 2022 and included in impairment loss under ECL model line item, as the unbilled lease receivables were derecognised upon the early termination of the lease agreement and no longer assessed under ECL model.

Included in the Group's other receivables, deposits and prepayments at 31 December 2023 is value-added tax recoverable of HK$56,059,000 (2022: HK$26,617,000).

Details of impairment assessment of trade and other receivables are set out in note 37.

20. INVENTORIES

	2023 HK$'000	2022 HK$'000
Raw materials	152,472	216,779
Work-in-progress	98,794	101,939
Finished goods	204,277	194,766
	455,543	513,484

21. AMOUNT DUE FROM A RELATED PARTY

The amount due from a related party represented the deposits placed with Aerospace Science & Technology Finance Company Limited (航天科技財務有限責任公司) ("Aerospace Finance"), a subsidiary of CASC. The amount was non-trade related, unsecured, receivable on demand and carried interests at prevailing market rate (note (38)(a)(i)).

Details of impairment assessment of amount due from a related party are set out in note 37.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 HK$'000	2022 HK$'000
Financial assets mandatorily measured at FVTPL:		
Convertible bonds	**125,915**	130,585
Equity securities		
— listed in Hong Kong	**2,226**	6,232
	128,141	136,817
Analysed as:		
Current assets	**2,226**	6,232
Non-current assets	**125,915**	130,585
	128,141	136,817

On 18 August 2022, the Group subscribed for the convertible bonds issued by Shenzhen Rayitek (the "RYT CB"), with a principal amount of RMB100,494,000 (equivalent to HK$118,507,000) at a consideration of RMB100,494,000 (equivalent to HK$118,507,000), which carries interest rate ranged from 0.2% in the first year to 2% in the sixth year. The Group may convert the RYT CB since the first trading day (i.e. 24 February 2023) immediately following the expiry of the six-month period after the end of the issue date of the RYT CB (i.e. 24 August 2022) and until the maturity date (i.e. 17 August 2028) with the conversion price of RMB30.98.

The investments in listed convertible bonds are held for long-term strategic purpose and are therefore classified as non-current assets.

23. CASH AND CASH EQUIVALENTS, PLEDGED BANK DEPOSITS, SHORT-TERM BANK DEPOSITS, RESTRICTED BANK DEPOSITS

Cash and cash equivalents include short term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 2.36% to 5.40% (2022: 1.83% to 4.75%).

The Group's bank deposits amounting to HK$29,546,000 (2022: HK$41,665,000) have been pledged to secure general banking facilities of the Group and except for the amount of HK$10,000,000 (2022: HK$11,425,000) are classified as non-current assets as the period pledged is longer than one year, the remaining balances are classified as current assets.

During the year ended 31 December 2022, the Group's bank deposits amounting to HK$30,245,000 was restricted due to the involvement in a litigation regarding the contract dispute and the court ruled in favor of the third party in November 2022 and a provision of HK$30,245,000 was made based on the court order. The Group filed the appeal in November 2022 and the litigation is still in progress, the related bank deposits restricted in 2022 of HK$28,643,000 remains restricted as at 31 December 2023 due to this litigation.

At 31 December 2023, short-term bank deposits with maturity more than three months but less than one year carry fixed interest rates which range from 2.36% to 5.40% (2022: 1.83% to 4.75%) per annum.

At 31 December 2023, bank balances and pledged bank deposits carry interest at prevailing market rates which range from 0.001% to 2.6% (2022: 0.001% to 2.1%) per annum.

The Group performed impairment assessment on bank balances and concluded that the probability of defaults of the counterparty banks are insignificant and accordingly, no allowance for credit losses is provided.

Details of impairment assessment of pledged bank deposits, short-term bank deposits, restricted bank deposits and bank balances are set out in note 37.

24. TRADE AND OTHER PAYABLES

	2023 HK$'000	2022 HK$'000
Trade payables	**507,243**	519,564
Accrued charges and provisions	**116,402**	116,287
Accrued salaries and wages and others	**147,488**	201,130
Refundable deposits received	**47,576**	48,870
Other payables	**386,235**	488,327
	1,204,944	1,374,178

Other payables included an amount of HK$54,000,000 (2022: HK$54,000,000) received on behalf of CASC, payables with respect to development costs for investment properties of HK$5,861,000 (2022: HK$14,015,000) and payables for acquisition of property, plant and equipment of HK$45,869,000 (2022: HK$77,819,000).

The following is an aged analysis of trade payables based on invoice date at the end of the reporting period:

	2023 HK$'000	2022 HK$'000
Within 90 days	**484,558**	505,251
Between 91–180 days	**22,685**	14,313
	507,243	519,564

25. CONTRACT LIABILITIES

The amounts represent advances from customers in relation to their purchase orders of goods placed with the Group in which the Group does not expect to refund any of the advance payments.

Contract liabilities, that are expected to be settled within the Group's normal operating cycle, are classified as current based on the Group's earliest obligation to transfer goods or services to the customers.

As at 1 January 2022, contract liabilities amounted to HK$73,759,000.

During the year ended 31 December 2023, revenue recognised in current year of HK$49,510,000 (2022: HK$73,759,000) was included in the contract liability balance at the beginning of the year.

26. LEASE LIABILITIES

	2023 HK$'000	2022 HK$'000
Lease liabilities payable:		
Within one year	**34,075**	37,811
Within a period of more than one year but not more than two years	**31,468**	32,111
Within a period of more than two years but not more than five years	**51,770**	74,905
Within a period of more than five years	**7,389**	11,370
	124,702	156,197
Less: Amount due for settlement within 12 months shown under current liabilities	**(34,075)**	(37,811)
Amount due for settlement after 12 months shown under non-current liabilities	**90,627**	118,386

The incremental borrowing rates applied to lease liabilities range from 2.91% to 5.8% (2022: from 2.91% to 5.8%).

27. BANK BORROWINGS

	2023 HK$'000	2022 HK$'000
Secured bank borrowings	**107,143**	—
Less: Amount due within one year included in current liabilities	**(5,531)**	—
Amount due after one year	**101,612**	—
The carrying amounts of the above bank loans are repayable*:		
Within one year	**5,531**	—
Within a period of more than one year but not exceeding two years	**5,531**	—
Within a period of more than two years but not exceeding five years	**16,593**	—
More than five years	**79,488**	—
	107,143	—

* The amounts are based on scheduled repayment dates set out in the loan agreements.

27. BANK BORROWINGS (continued)

The loan is secured and carries interest at 1-year loan prime rate published by the National Interbank Funding Center plus a margin per annum and the effective interest rate is 3.4%. The property ownership certificates of a portion of S&T Plaza with a valuation of approximately RMB171,000,000 has been mortgaged in favor of the bank by Aerospace Technology.

28. LOAN FROM A MAJOR SHAREHOLDER

As at 31 December 2023, the loan is unsecured, repayable in 2026, and bears a fixed interest rate at 5% per annum (note 38(a)(ii)).

As at 31 December 2022, the loan was unsecured, repayable in 2023, and borne a fixed interest rate at 5% per annum.

29. LOAN FROM A RELATED PARTY

The amount represents loan from Aerospace Finance. The amount is secured, bears a variable interest rate at 3.84% (2022: 4.41%) per annum, which is determined by the People's Bank of China Benchmark Rate, and is repayable in 2028 and 2033 (note 38(a)(iii)) and are classified as non-current liabilities.

During the year ended 31 December 2023, the Group discounted bills with recourse in aggregate of HK$12,154,000 (2022: HK$8,885,000) to Aerospace Finance for short-term financing. In addition, during the year end 31 December 2023, the discounted bills with recourse of HK$11,992,000 (2022: HK$13,030,000) have been settled through the account of loan from a related party as the amounts are received by Aerospace Finance directly upon the maturity of those bills from the financial institutions who issued the bills, which constitute non-cash transactions. As at 31 December 2023, the associated borrowings amounted to HK$12,074,000 (2022: HK$8,523,000) and are classified as current liabilities.

30. DEFERRED TAXATION

The followings are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK$'000	Revaluation of investment properties HK$'000	Accrued rent HK$'000 *(Note 1)*	Right-of-use assets HK$'000	Lease liabilities HK$'000	Others HK$'000 *(Note 2)*	Total HK$'000
At 1 January 2022 (audited)	5,878	2,513,661	142,790	—	—	(37,249)	2,625,080
Adjustments *(note 2)*	—	—	—	(21,913)	21,913	—	—
At 1 January 2022 (restated)	5,878	2,513,661	142,790	(21,913)	21,913	(37,249)	2,625,080
Exchange realignment	90	(160,661)	(5,051)	2,371	(2,371)	4,661	(160,961)
(Credit) charge to profit or loss for the year *(note 11)*	(5,120)	58,935	(137,739)	(18,062)	18,062	(47,286)	(131,210)
At 31 December 2022 (restated)	**848**	**2,411,935**	**—**	**(37,604)**	**37,604**	**(79,874)**	**2,332,909**
Exchange realignment	**115**	**(68,032)**	**(34)**	**1,035**	**(1,035)**	**2,289**	**(65,662)**
(Credit) charge to profit or loss for the year *(note 11)*	**(1,074)**	**(44,249)**	**5,303**	**6,013**	**(6,013)**	**(4,131)**	**(44,151)**
At 31 December 2023	**(111)**	**2,299,654**	**5,269**	**(30,556)**	**30,556**	**(81,716)**	**2,223,096**

Notes:

(1) The amount represents the temporary differences arising from accrued rent and the amount as at 1 January 2022 was reversed during the year ended 31 December 2022 due to the lease termination with the two major tenants as detailed in note 7(c).

(2) The amount mainly represents temporary differences arising from allowances for credit losses.

For the purpose of presentation in the consolidated statement of financial position, the above deferred tax assets and liabilities have been offset.

As at 31 December 2023, the Group has unused tax losses of HK$1,074 million (2022: HK$1,025 million) available to offset against future profits. No deferred tax asset has been recognised in respect of the tax losses of approximately HK$1,074 million (2022: HK$1,025 million) due to the unpredictability of future profit streams. Included in the unrecognised tax losses, HK$839 million (2022: HK$877 million) may be carried forward indefinitely and the remaining balance will expire at various dates up to the end of 2033 (2022: expire at various dates up to the end of 2032).

30. DEFERRED TAXATION (continued)

At the end of the reporting period, the Group has the deductible temporary difference of HK$61,318,000 (2022: HK$57,952,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred taxation has not been recognised in respect of the temporary differences attributable to the undistributed retained profits earned by the subsidiaries in the Mainland China amounting to approximately HK$4,523 million (2022: HK$4,554 million) starting from 1 January 2008 under the EIT Law of the Mainland China that requires withholding tax upon the distribution of such profits to the non-Mainland China shareholders as the directors are of the opinion that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

31. SHARE CAPITAL

	HK$'000
Issued and fully paid:	
At 1 January 2022, 31 December 2022 and 31 December 2023	
— 3,085,022,000 ordinary shares with no par value	1,154,511

32. PLEDGE OF OR RESTRICTION ON ASSETS

Pledged of assets

At 31 December 2023, bank deposits of HK$29,546,000 (2022: HK$41,665,000), bills held for future settlement of trade receivables of HK$54,994,000 (2022: HK$83,449,000) and investment properties of approximately HK$2,278,353,000 (2022: HK$2,152,154,000) were pledged to banks and Aerospace Finance to secure general banking facilities granted to the Group.

As at 31 December 2023, the Group issued financial guarantees to a bank in respect of banking facilities granted to a subsidiary. The aggregate amounts that could be required to be paid is RMB65,000,000 (equivalent to approximately HK$71,429,000) if the guarantees were called upon in entirety, of which full amount of the relevant banking facilities has been utilised by its subsidiary. The Group considers the fair value of the contract is nil at initial recognition and the loss allowance as at 31 December 2023 are insignificant.

Restriction on assets

In addition, lease liabilities of HK$124,702,000 (2022: HK$156,197,000) are recognised with related right-of-use assets of HK$114,170,000 (2022: HK$148,316,000) as at 31 December 2023. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

Furthermore, restricted bank deposits for settlement of a provision under litigation is disclosed in note 23.

33. CAPITAL COMMITMENTS

	2023 HK$'000	2022 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of: — acquisition of property, plant and equipment	**535,289**	150,274

34. OPERATING LEASES ARRANGEMENTS

The Group as lessor

The properties held by the Group for rental purposes have committed lessees for the next one to ten years (2022: one to ten years) and rent-free periods has been granted to certain tenants with accrued lease receivables disclosed in note 19.

At 31 December 2023, minimum lease payment receivables are as follows:

	2023 HK$'000	2022 HK$'000
Within one year	**163,532**	123,296
In the second year	**117,756**	117,556
In the third year	**70,907**	71,455
In the fourth year	**68,589**	28,041
In the fifth year	**54,490**	28,250
Over five years	**179,667**	47,785
	654,941	416,383

35. RETIREMENT BENEFIT SCHEMES

Defined contribution plans

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group in funds under the control of trustee. The Group basically contributes 5% of relevant payroll costs to the scheme, limited to HK$18,000 per annum per staff.

The employees in the Company's Mainland China subsidiaries are members of the state-managed pension scheme operated by the Mainland China government. The Company's Mainland China subsidiaries are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme.

The total cost charged to the consolidated statement of profit or loss of HK$30,508,000 (2022: HK$30,145,000) represents contribution to the schemes by the Group at the rates specified in the rules of the schemes.

35. RETIREMENT BENEFIT SCHEMES (continued)

Defined benefit plan

Pursuant to the Hong Kong Employment Ordinance, Chapter 57, the Group has the obligation to pay Long Service Payment ("LSP") to qualifying employees in Hong Kong upon retirement, subject to a minimum of 5 years employment period, based on the following formula: Last monthly wages (before termination of employment) × 2/3 × Years of service. Last monthly wages are capped at HK$22,500 while the amount of long service payment shall not exceed HK$390,000. This obligation is accounted for as a post-employment defined benefit plan.

Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof (collectively, the "Eligible Offset Amount"), for the purpose of offsetting LSP payable to an employee (the "Offsetting Arrangement').

The Employment & Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 was gazetted on 17 June 2022, which will eventually abolish the Offsetting Arrangement. The Amendment will come into effect prospectively from a date to be determined by the Hong Kong SAR Government, which is expected to be in 2025 (the "Transition Date"). Under the amended Ordinance, the Eligible Offset Amount after the Transition Date can only be applied to offset the pre-Transition Date LSP obligation but no longer eligible to offset the post-Transition Date LSP obligation. Furthermore, the LSP obligations before the Transition Date will be grandfathered and calculated based on the Last monthly wages immediately preceding the Transition Date.

The Group's LSP obligation, taking into consideration the Offsetting Arrangement, is considered to be insignificant as at 31 December 2023 and 31 December 2022.

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which mainly includes the borrowings disclosed in notes 27, 28 and 29, and lease liabilities disclosed in note 26, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves including retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on the recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023	2022
	HK$'000	HK$'000
Financial assets		
Financial assets at FVTPL	**128,141**	136,817
Financial assets at amortised cost	**2,681,479**	3,043,129
Financial liabilities		
Financial liabilities at amortised cost	**2,213,545**	2,252,219

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from a related party, pledged bank deposits, long-term bank deposits, short-term bank deposits, restricted bank deposits, cash and cash equivalents, financial assets at FVTPL, trade and other payables, amount due to a joint venture, loan from a major shareholder, loan from a related party, bank borrowings, financial guarantees contracts and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposits, bank borrowings, loan from a major shareholder (see notes 23, 27 and 28 for details of these deposits and borrowings) and lease liabilities (see note 26). The Group currently does not have a policy on hedging of interest rate risks. However, the management monitors interest rate exposures and will consider hedging significant interest rate risk should the need arise.

The Group is also exposed to cash flow interest rate risk in relation to loan from a related party (see note 29 for details). In addition, the Group is exposed to cash flow interest rate risk in relation to the fluctuation of the prevailing market interest rate on bank balances. However, the management considers the Group's exposure of the bank balances is not significant as interest bearing bank balances are within short maturity period and thus it is not included in sensitivity analysis.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk for loan from a related party. The analysis is prepared assuming the stipulated changes taking place at the beginning of the financial year and held constant throughout the reporting period. A 50-basis-point (2022: 50-basis-point) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's loss after taxation for the year ended 31 December 2023 would have increased/decreased by HK$4,750,000 (2022: loss after taxation for the year would have increased/decreased by HK$3,263,000).

Price risk

The Group is exposed to price risk through its investments in listed equity securities and listed convertible bonds. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's price risk is mainly on equity instruments operating in aerospace and energy sector quoted in the Stock Exchange. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to price risks at the end of the reporting period.

If the prices of the financial assets at fair value through profit or loss had been 10% (2022: 10%) higher/lower, the Group's loss after taxation for the year ended 31 December 2023 would have decreased/increased by HK$12,814,000 (2022: loss after taxation for the year would have decreased/increased by HK$13,682,000) as a result of the changes in fair value of the financial assets at fair value through profit or loss.

Foreign currency risk

The Group is not exposed to significant foreign currency risk as majority of its transactions are denominated in HK$ (or US$, in which HK$ is pegged to US$) and Renminbi ("RMB") (the functional currencies of the Group's major subsidiaries) except for the foreign currency risk on certain inter-company balances that form part of net investments of the relevant foreign operations in which the exchange differences are recognised in other comprehensive income. In the management opinion, the Group's foreign currency risk exposure is insignificant and hence, no sensitivity analysis is prepared at the end of the reporting period.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group.

The Group's credit risk exposures are primarily attributable to the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets except that the credit risks associated with settlements of certain trade receivables are settled by bills issued by reputable financial institutions.

The Group performed impairment assessment for financial assets and leases receivables under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below.

The Group's internal credit risk grading assessment comprises the following categories:

		Trade receivables and billed leases receivables	**Other financial assets/other items**
"Strong":	The counterparty has low probability of default.	Lifetime ECL — not credit-impaired	12m ECL
"Satisfactory":	The counterparty has moderate default risk.	Lifetime ECL — not credit-impaired	12m ECL
"Doubtful":	There is evidence indicating that significant increase in credit risk since initial recognition through information developed internally.	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
"Loss":	There is evidence indicating the asset is credit-impaired.	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
"Write-off":	There is evidence indicating that the debtors is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off	Amount is written off

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets and lease receivables, which are subject to ECL assessment:

	External credit rating	Internal credit rating	12m or lifetime ECL	2023 Gross carrying amount		2022 Gross carrying amount	
				HK$'000	HK$'000	HK$'000	HK$'000
Financial assets at amortised cost							
Pledged bank deposits	BB+ to BBB–	N/A	12m ECL		29,546		41,665
Restricted bank deposits	BBB–	N/A	12m ECL		30,112		30,245
Short-term bank deposits	BBB– to BBB	N/A	12m ECL		204,008		372,340
Bank balances	BBB– to A+	N/A	12m ECL		1,508,973		1,648,566
Other receivables	N/A	Satisfactory	12m ECL	5,738		261	
		Loss *(Note 1)*	Lifetime ECL (credit-impaired)	48,590	54,328	57,952	58,213
Trade receivables							
— Contract with customers *(Note 2)*							
Individual assessment							
(i) Trade receivables backed by bills	BB+ to A+ *(Note 3)*	Strong	Lifetime ECL (not credit-impaired)		107,213		107,430
(ii) Trade receivables — Hi-Tech Manufacturing	N/A	Strong	Lifetime ECL (not credit-impaired)	377,811		384,402	
(iii) Trade receivables — Aerospace Service		Satisfactory	Lifetime ECL (not credit-impaired)	2,606		9,634	
		Loss	Lifetime ECL (credit-impaired)	51,753	432,170	49,306	443,342
Collective assessment							
(i) Trade receivables — Hi-Tech Manufacturing	N/A	Strong	Lifetime ECL (not credit-impaired)	388,885		380,309	
		Satisfactory	Lifetime ECL (not credit-impaired)	58,933	447,818	70,235	450,544
Other item							
Lease receivables	N/A	Loss	Lifetime ECL (credit-impaired)	279,845		279,284	
	N/A	Satisfactory	Lifetime ECL (not credit-impaired)	3,275	283,120	3,420	282,704

Notes:

(1) For the purposes of internal credit risk management, the Group use historical repayment information to assess whether credit risk has increased significantly since initial recognition.

(2) For the trade receivables arising from contracts with customers, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. For trade receivables from Hi-Tech Manufacturing Business, except for debtors with significant outstanding balances, balances backed by bills issued by reputable banks, or credit-impaired that are assessed for impairment individually, the remaining balances are assessed collectively through grouping of various debtors that have similar loss patterns, after considering internal credit ratings of trade debtors, industry ageing, repayment histories and/or past due status of respective debtors.

(3) These represent credit rating grades of the related banks.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables arising from contracts with customers

Before accepting any new customer, the Group will internally assess the credit quality of the potential customer and defines appropriate credit limits. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The Group only accepts bills issued by reputable Mainland China banks if trade receivables are settled by bills and therefore the management of the Group considers the credit risk arising from the relevant debtors is insignificant.

Except for certain large customers, the remaining trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. The Group has no significant concentration of credit risk in trade receivables, with exposure spread over a number of counterparties and customers.

In order to minimise the credit risk, the management of the Group has delegated a team, at the respective reportable segment, responsible for determination of credit limits and credit approvals.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure the details of relevant assessment is updated. Due to greater financial uncertainty triggered by the volatility in the financial market, the Group has increased the expected loss rates in the current year as there is higher risk that the volatility in the financial market could lead to increased credit default rates.

Details of the quantitative disclosures are set out below in this note.

As part of the Group's credit risk assessment, the Group assessed credit risk of its customers with significant balance, which may be backed by bills, by reference to external credit rating and internal information, and to assess the credit risk for those credit-impaired debtor individually. The following table provides information about the exposure to credit risk for trade receivables not backed by bank bills which are assessed individually as at 31 December 2023 and 2022 within lifetime ECL.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables arising from contracts with customers (continued)

Gross carrying amount

Individual assessment

Credit rating	Hi-Tech Manufacturing Trade receivables (not credit-impaired)			
	2023		2022	
	Range of loss rate	HK$'000	Range of loss rate	HK$'000
Strong	0.05%–0.18%	377,811	0.08%–0.23%	384,402

Credit rating	Aerospace Service Trade receivables			
	2023		2022	
	Loss rate	HK$'000	Loss rate	HK$'000
Satisfactory	N/A	2,606	N/A	9,634
Loss	100%	51,753	100%	49,306
		54,359		58,940

Collective assessment

Credit rating	Hi-Tech Manufacturing Trade receivables (not credit-impaired)			
	2023		2022	
	Average loss rate	HK$'000	Average loss rate	HK$'000
Strong	0.79%	388,885	0.65%	380,309
Satisfactory	3.35%	58,933	3.03%	70,235
		447,818		450,544

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables arising from contracts with customers (continued)

Gross carrying amount (continued)

Collective assessment (continued)

During the year ended 31 December 2023, the Group provided allowances for credit losses of HK$207,000 (2022: net reversal of allowances for credit losses of HK$81,000) for non-credit-impaired trade receivables based on collective assessment and net reversal of allowances for credit losses of HK$178,000 (2022: HK$125,000) for non-credit-impaired trade receivables based on individual assessment. Net allowance for credit losses of HK$4,475,000 (2022: HK$27,793,000) were made on credit-impaired debtors.

In determining the ECL for trade receivables backed by bill, the management of the Group considers the probability of default is negligible on the basis of banks issuing the bills, and accordingly, no loss allowance for credit losses is made in the consolidated financial statement.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2022	5,812	24,222	30,034
Impairment losses recognised	5,606	27,793	33,399
Impairment losses reversed	(5,812)	—	(5,812)
Exchange realignment	(228)	(2,709)	(2,937)
At 31 December 2022	**5,378**	**49,306**	**54,684**
Impairment losses recognised	**5,407**	**4,475**	**9,882**
Impairment losses reversed	**(5,378)**	**—**	**(5,378)**
Exchange realignment	**119**	**(1,933)**	**(1,814)**
At 31 December 2023	**5,526**	**51,848**	**57,374**

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Lease receivables from the two major tenants, namely Hangke Houhai and Huabaorun as detailed in note 7(c), and leases receivables from the new tenants

The Group had concentration of credit risk as the lease receivables were due from the two tenants of the Group. For lease receivables, the Group makes periodic individual assessment on the recoverability based on the historical credit loss experience and forward-looking information. During the year ended 31 December 2022, due to the fact as detailed in note 7(c), the Group's internal credit risk assessment on the two major tenants changed from doubtful to loss and the balances are assessed under life-time ECL — credit-impaired. In addition, upon the early termination of the lease agreements, the impairment loss under ECL model previously recognised on unbilled lease receivables of HK$90,572,000 was reversed during the year ended 31 December 2022 and included in impairment loss under ECL model line item, as the unbilled leases receivables are derecognised upon the early termination of the lease agreements and no longer assessed under ECL model.

For the year ended 31 December 2022, allowance for credit losses of HK$237,906,000 was made on leases receivables from Hangke Houhai and Huabaorun based on loss rate of 100%, net of the reversal of allowance of HK$90,572,000 (2023: Nil). As at 31 December 2023, the accumulated allowance for credit losses is HK$272,426,000 (2022: HK$279,284,000).

As at 31 December 2023, the lease receivables from the other tenants is amounting to HK$10,743,000 (2022: HK$3,420,000) and impairment allowance of HK$7,468,000 (2022: Nil) is made on the leases receivables from the new tenants as the directors of the Company, after considering the deposits received as security, consider the allowance for credit losses is insignificant.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

***Credit risk and impairment assessment** (continued)*

Lease receivables from the two major tenants, namely Hangke Houhai and Huabaorun as detailed in note 7(c), and leases receivables from the new tenants (continued)

The following table shows the movement in lifetime ECL that has been recognised for lease receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2022	114,070	—	114,070
Transfer to credit-impaired	(19,462)	19,462	—
Impairment losses recognised	—	237,906	237,906
Impairment losses reversed	(90,572)	—	(90,572)
Exchange realignment	(4,036)	21,916	17,880
At 31 December 2022	—	279,284	279,284
Impairment losses recognised	7,468	—	7,468
Exchange realignment	(49)	(6,858)	(6,907)
At 31 December 2023	7,419	272,426	279,845

Other receivables

In determining the ECL for other receivables, the management of the Group has taken into account the historical default experience and forward-looking information, as appropriate. As at 31 December 2023, the accumulated allowance for credit losses is HK$48,590,000 (2022: HK$57,952,000) for the amounts due from a particular counterparty which had financial difficulties in prior year and full allowance is provided for that balances. During the year ended 31 December 2023, the Group has recovered HK$7,041,000 from that counterparty and the allowance is reversed (2022: Nil). The management of the Group has considered the consistently low historical default rate in connection with the remaining other receivables, and concluded that credit risk inherent in the Group's remaining balance of other receivables is insignificant.

Amount due from a related party

For amount due from a related party, the balance is assessed individually and the management of the Group consider the loss allowance is insignificant.

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Pledged bank deposits, restricted bank deposits, short-term bank deposits, long-term bank deposits and bank balances

The management of the Group considers the pledged bank deposits, restricted bank deposits, short-term bank deposits, long-term bank deposits and bank balances that are deposited with the financial institutions with good credit rating to be low credit risk financial assets. The management of the Group considers the bank balances are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers, and accordingly, loss allowance is considered as insignificant.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. When the amount payable is not fixed, the amount disclosed has been determined by reference to the interest rates at year end. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity tables

	Weighted average interest rate %	On demand and less than 1 month HK$'000	1 month to 1 year HK$'000	1–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2023							
Financial liabilities							
Trade and other payable	–	484,558	340,429	–	–	824,987	824,987
Loan from a major shareholder	5.00 p.a.	–	–	128,441	–	128,441	109,890
Loan from a related party	1.33–3.84 p.a.	–	12,074	–	1,443,693	1,455,767	1,171,525
Bank borrowings	3.40 p.a.	–	5,724	25,138	93,833	124,695	107,143
		484,558	358,227	153,579	1,537,526	2,533,890	2,213,545
Lease liabilities	4.68 p.a.	3,063	31,733	92,407	11,521	138,724	124,702

37. FINANCIAL INSTRUMENTS (continued)

(b) Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Liquidity tables (continued)

	Weighted average interest rate %	On demand and less than 1 month HK$'000	1 month to 1 year HK$'000	1–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2022							
Financial liabilities							
Trade and other payable	–	505,251	302,811	–	–	808,062	808,062
Loan from a major shareholder	5.00 p.a.	–	600,506	–	–	600,506	565,611
Loan from a related party	1.46–4.41 p.a.	–	8,523	–	1,164,178	1,172,701	878,546
		505,251	911,840	–	1,164,178	2,581,269	2,252,219
Lease liabilities	4.68 p.a.	3,278	35,340	120,981	17,198	176,797	156,197

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

The fair value of financial assets with standard terms and conditions and traded in active markets is determined with reference to quoted market bid prices.

The classification of the Group's financial assets at 31 December 2023 and 2022 using the fair value hierarchy is Level 1 (see note 22) as the fair value of those financial assets are determined based on the quoted bid prices in an active market. The directors of the Company consider that the fair values of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximates their carrying amounts.

38. RELATED PARTY TRANSACTIONS

Balances of related parties of the Group have been disclosed in respective notes. In addition to the transactions and balances disclosed elsewhere in the consolidated financial statements, the Group entered into the following related party transactions:

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled or significantly influenced by the PRC government (hereinafter collectively referred to as "government-related entities"). The Company's major shareholder that with significant influence over the Company, CASC, is a state-owned enterprise under the direct supervision of the State Council of the PRC. During the year, except as disclosed below, the Group did not have any individually significant transactions with other government-related entities in its ordinary and usual course of business.

(a) Transactions with the CASC and its subsidiaries

(i) As at 31 December 2023, deposits placed with Aerospace Finance by the Group amounted to RMB188,000 (equivalent to approximately HK$207,000) and were included in amount due from a related party (2022: HK$11,950,000).

(ii) During the year ended 31 December 2013, the Group entered into a long-term loan agreement with CASC for an amount of RMB500,000,000 for a period of five years from the first drawdown date. The loan had been renewed for another five years during the year ended 31 December 2018 and was unsecured, bearing a fixed interest rate of 5% per annum. During the year ended 31 December 2023, the Group has fully repaid the loan of RMB500,000,000 (equivalent to approximately HK$565,611,000). In addition, during the year ended 31 December 2023, the Group entered into a new long-term loan agreement with CASC for an amount of RMB100,000,000 (equivalent to approximately HK$109,890,000) for a period of three years and is unsecured, bears a fixed interest rate at 5% per annum and is repayable in May 2026.

(iii) During the year ended 31 December 2016, the Group entered into a facility with Aerospace Finance, for advances up to RMB1,300,000,000 for a period of 12 years from the first drawdown date. The property ownership certificates of a portion of the S&T Plaza with a valuation amount of approximately RMB1,902,504,000 has been mortgaged in favour of Aerospace Finance by Aerospace Technology. On 8 August 2023, Aerospace Technology and Aerospace Finance entered into an amendment agreement to amend the facilities agreement. Pursuant to the amendment agreement, Aerospace Finance replaced the interest rate of a variable interest rate of 4.41% per annum to 3.40% per annum. Other than the foregoing, all other major terms and conditions of the facilities agreement remained in effect and unchanged. During the year ended 31 December 2023, the Group has drawn down the loan of RMB300,000,000 (equivalent to approximately HK$331,858,000) (2022: Nil). During the year ended 31 December 2023, the interest paid to loans drawn from the facility amounted to RMB37,464,000 (equivalent to approximately HK$41,443,000) (2022: RMB34,802,000 (equivalent to approximately HK$41,041,000)). As at 31 December 2023, the aggregate amount of loan drawn from the facility amounted to RMB1,055,100,000 (equivalent to approximately HK$1,159,451,000) (2022: RMB769,100,000 (equivalent to approximately HK$870,023,000)).

38. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with other government-related entities

Apart from the transactions with CASC Group which have been disclosed above, the Group also conducts business with other government-related entities.

The Group has deposits placements, borrowings and other general banking facilities, with certain banks which are government-related entities in its ordinary course of business. Other than the substantial amount of bank balances, the facility with these banks and sales transactions, remaining transactions with other government-related entities are individually insignificant.

(c) Compensation of key management personnel

The key management personnel are the directors of the Company. The details of the remuneration paid to them are set out in note 8.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Loan from a major shareholder HK$'000 *(Note 28)*	Loan from a related party HK$'000 *(Note 29)*	Bank borrowings HK$'000	Interest payable HK$'000	Dividend payable HK$'000	Dividend payable to non-controlling interests of a subsidiary HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2022	611,247	965,953	–	1,283	373	–	97,302	1,676,158
Financing cash flows	–	(2,907)	–	(70,947)	(77,052)	(18,869)	(39,866)	(209,641)
New leases entered	–	–	–	–	–	–	102,935	102,935
Interest expenses	–	–	–	70,932	–	–	5,311	76,243
Dividend declared	–	–	–	–	77,125	–	–	77,125
Dividend declared to non-controlling interests of a subsidiary	–	–	–	–	–	18,869	–	18,869
Non-cash settlement	–	(13,030)	–	–	–	–	–	(13,030)
Exchange realignment	(45,636)	(71,470)	–	(96)	–	–	(9,485)	(126,687)
At 31 December 2022	**565,611**	**878,546**	**–**	**1,172**	**446**	**–**	**156,197**	**1,601,972**
Financing cash flows	**(442,478)**	**328,525**	**107,854**	**(54,146)**	**(61,674)**	**–**	**(44,855)**	**(166,774)**
New leases entered	**–**	**–**	**–**	**–**	**–**	**–**	**4,517**	**4,517**
Interest expenses	**–**	**–**	**–**	**54,325**	**–**	**–**	**6,493**	**60,818**
Dividend declared	**–**	**–**	**–**	**–**	**61,700**	**–**	**–**	**61,700**
Non-cash settlement	**–**	**(11,992)**	**–**	**–**	**–**	**–**	**–**	**(11,992)**
Exchange realignment	**(13,243)**	**(23,554)**	**(711)**	**(36)**	**–**	**–**	**2,350**	**(35,194)**
At 31 December 2023	**109,890**	**1,171,525**	**107,143**	**1,315**	**472**	**–**	**124,702**	**1,515,047**

40. FINANCIAL INFORMATION OF THE COMPANY

(a) Statement of financial position of the Company is set out below:

	2023 HK$'000	2022 HK$'000
Non-current assets		
Property, plant and equipment	**346**	484
Right-of-use assets	**1,797**	5,392
Interests in subsidiaries	**2,589,922**	2,356,704
Amounts due from subsidiaries	**862,952**	1,088,066
Interests in joint ventures	**15,000**	15,000
	3,470,017	3,465,646
Current assets		
Other receivables	**2,947**	2,751
Amounts due from subsidiaries	**74,319**	113,822
Short-term bank deposits	**15,000**	—
Cash and cash equivalents	**13,003**	1,891
	105,269	118,464
Current liabilities		
Other payables	**133,816**	107,235
Lease liabilities	**1,863**	3,700
Amounts due to subsidiaries	**753,052**	784,651
Taxation payable	**80**	80
	888,811	895,666
Net current liabilities	**(783,542)**	(777,202)
Non-current liabilities		
Lease liabilities	**—**	1,810
Net assets	**2,686,475**	2,686,634
Capital and reserves		
Share capital	**1,154,511**	1,154,511
Reserves *(Note 40(b))*	**1,531,964**	1,532,123
	2,686,475	2,686,634

The Company's statements of financial position are approved and authorised for issue by the Board of Directors on 26 March 2024 and are signed on its behalf by:

Zhou Limin
Director

Song Shuqing
Director

40. FINANCIAL INFORMATION OF THE COMPANY (continued)

(b) Reserves

	Share premium HK$'000 *(note a)*	Special capital reserve HK$'000 *(note a)*	Capital redemption reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2022	–	630,977	–	996,614	1,627,591
Loss and total comprehensive expense for the year	–	–	–	(18,343)	(18,343)
Dividend recognised as distribution	–	–	–	(77,125)	(77,125)
At 31 December 2022	**–**	**630,977**	**–**	**901,146**	**1,532,123**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**61,541**	**61,541**
Dividend recognised as distribution	**–**	**–**	**–**	**(61,700)**	**(61,700)**
At 31 December 2023	**–**	**630,977**	**–**	**900,987**	**1,531,964**

Notes:

(a) Under the terms of the court order in the reduction of the share premium on 11 July 1994 and 1 November 2005 (the "effective date"), the Company had given an undertaking to the court that a sum equal to the amount of the distributable profits of the Company as at 11 July 1994 and 1 November 2005 and any write back of the total provisions which have been made against at the effective date the investments will be transferred to a special capital reserve account until the amount of paid up capital, share premium and the special capital reserve exceeds the overall aggregate limit thereof after any reduction of such overall aggregate limit pursuant to provisions stated in (3) and or (4) below of this note. The Company is unable to distribute the special capital reserve until the actual and contingent liabilities outstanding at the effective date are paid off.

On 1 November 2005, an order of petition (the "Order") was granted by the High Court of Hong Kong Special Administrative Region (the "High Court"). Pursuant to the Order, the reduction of the share capital and the cancellation of the share premium account of the Company as resolved and effected by a special resolution passed at an extraordinary general meeting of the Company held on 25 August 2005, was confirmed.

The capital of the Company was by virtue of special resolutions of the Company with the sanction of the Order reduced from HK$10,000,000,000 divided into 10,000,000,000 ordinary shares of HK$1.00 each (of which 2,142,420,000 shares had been issued and were fully paid up or credited as fully paid) to HK$1,000,000,000 divided into 10,000,000,000 ordinary shares of HK$0.10 each. The Company further by ordinary resolution provided that forthwith upon such reduction of capital taking effect, the authorised share capital of the Company would be increased from HK$1,000,000,000 to HK$10,000,000,000 by creation of additional 90,000,000,000 share of HK$0.10 each. Accordingly, after the approval of the Order, the authorised share capital of the Company was HK$10,000,000,000 divided into 100,000,000,000 shares of HK$0.10 each, of which 2,142,420,000 shares had been issued and were fully paid up or credited as fully paid and the remaining shares are unissued. The sum of HK$939,048,000 standing to the credit of the share premium account of the Company was reduced and cancelled against the accumulated losses of the Company.

40. FINANCIAL INFORMATION OF THE COMPANY (continued)

(b) Reserves (continued)

Notes: (continued)

(a) (continued)

The Company provided an undertaking that in the event of the Company makes any future recoveries in respect of the assets, in respect of which provisions for impairment were made in the financial statements of the Company for the 7 years ended 31 December 2004 "Non-Permanent Loss Assets" beyond the written down value in the Company's audited financial statements as at 31 December 2004, all such recoveries beyond that written down value will be credited to a special capital reserve in the accounting records of the Company and that so long as there shall remain outstanding any debt of or claim against the Company which, if the date on which the proposed reduction of capital and cancellation of the share premium account becomes effective were the date of the commencement of the winding up of the Company would be admissible to proof in such winding up and the persons entitled to the benefit of such debts or claims shall not have agreed otherwise, such reserve shall not be treated as realised profits and shall, for so long as the Company shall remain a listed company, be treated as an un-distributable reserve of the Company for the purposes of Sections 290 and 298 of the Companies Ordinance or any statutory re-enactment or modification thereof provided that:

(1) the Company shall be at liberty to apply the said special capital reserve for the same purposes as a share premium account may be applied;

(2) the amount standing to the credit of the special capital reserve shall not exceed the lesser of (a) the amount of provision provided for in respect of the Non-Permanent Loss Assets for the 7 years ended 31 December 2004; or (b) the amount due to the creditors of the Company as at the date when the proposed reduction of capital and cancellation of share premium shall become effective;

(3) the said overall aggregate limit in respect of the special capital reserve may be reduced by the amount of any increase, after the effective date, in the paid up share capital or the amount standing to the credit of the share premium account of the Company as the result of the payment up of shares by the receipt of new consideration or the capitalisation of distributable profits;

(4) the said overall aggregate limit in respect of the special capital reserve may be reduced upon the realisation, after the date on which the proposed reduction of capital and cancellation of the share premium account becomes effective, of any of the Non-Permanent Loss Assets by the total provision made in relation to each such assets as at 31 December 2004 less such amount (if any) as is credited to the said special capital reserve as a result of such realisations; and

(5) in the event that the amount standing to the credit of the said special capital reserve exceeds the overall aggregate limit thereof after any reduction of such overall aggregate limit pursuant to provisos (3) and or (4) above, the Company shall be at liberty to transfer the amount of any such excess to the general reserve of the Company and the same shall become available for distribution.

The Company further undertook that for so long as the undertaking remains effective, to (1) cause or procure its statutory auditors to report by way of a note or otherwise a summary of the undertaking in its audited consolidated financial statements or in the management accounts of the Company published in any other form; and (2) publish or cause to be published in any prospectus issued by or on behalf of the Company a summary of the undertaking.

(b) The Company's reserves available for distribution to shareholders as at 31 December 2023 comprised the retained profits of HK$900,987,000 (2022: HK$901,146,000).

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2023 and 2022 are as follows:

Name of subsidiary	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity held by the Company %		Percentage of equity held by subsidiaries %		Percentage of equity attributable to the Company %		Principal activities
		2023	2022	2023	2022	2023	2022	
Incorporated and operating in Hong Kong:								
CASIL Clearing Limited	HK$10,000,000	100	100	–	–	100	100	Provision of treasury services
CASIL Electronic Products Limited	HK$15,000,000	100	100	–	–	100	100	Distribution of plastic and metal products and moulds
CASIL Semiconductor Limited	HK$15,000,000	100	100	–	–	100	100	Distribution of liquid crystal displays
China Aerospace Industrial Limited	HK$1,000,000	100	100	–	–	100	100	Property investment
Chee Yuen Industrial Company Limited	HK$20,000,000	100	100	–	–	100	100	Distribution of plastic and metal products and moulds
Digilink Systems Limited	HK$60,000,000	100	100	–	–	100	100	Investment holding
Hong Yuen Electronics Limited	HK$5,000,000	100	100	–	–	100	100	Investment holding
Hong Yuen Circuit Technology Company Limited	HK$10,000,000	–	–	100	100	100	100	Distribution of printed circuit boards
Jeckson Electric Company Limited	HK$5,000,000	100	100	–	–	100	100	Distribution of intelligent battery chargers and electronic components
Jeckson Electronics Company Limited	HK$10,000,000	100	100	–	–	100	100	Distribution of intelligent battery chargers and electronic components

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity held by the Company % 2023	held by the Company % 2022	held by subsidiaries % 2023	held by subsidiaries % 2022	attributable to the Company % 2023	attributable to the Company % 2022	Principal activities
Registered and operating in the Mainland China:								
Chee Yuen Plastic Products (Huizhou) Company Limited#	HK$72,000,000	–	–	100	100	100	100	Manufacturing of plastic and metal products and moulds
China Aerospace (Huizhou) Industrial Garden Limited##	US$12,000,000	90	90	–	–	90	90	Property investment
Conhui (Huizhou) Semiconductor Company Limited#	HK$90,400,000	–	–	100	100	100	100	Manufacturing and distribution of liquid crystal displays and LCD modules
東莞康源電子有限公司#	RMB700,000,000	–	–	100	100	100	100	Manufacturing and distribution of printed circuit boards
Huizhou Jeckson Electric Company Limited##	US$1,000,000	–	–	90	90	90	90	Manufacturing of intelligent battery chargers and electronic products
南通康源電路科技有限公司	RMB200,000,000	–	–	100	100	100	100	Manufacturing and distribution of printed circuit boards
志豪微電子(惠州)有限公司	RMB90,000,000	–	–	100	100*	100	100	Packaging of intelligent power modules
志源表面處理(惠州)有限公司#	RMB60,000,000	–	–	100	100	100	100	Electroplating of metals
志源電子科技(惠州)有限公司#	RMB10,500,000	–	–	100	100	100	100	Distribution of packing products
Shenzhen Chee Yuen Plastics Company Limited#	HK$25,000,000	–	–	100	100	100	100	Manufacturing and distribution of plastic products
航科新世紀科技發展(深圳)有限公司#	US$50,000,000	100	100	–	–	100	100	Investment holding
深圳市航天高科投資管理有限公司##	RMB700,000,000	–	–	60	60	60	60	Property investment
深圳市航天高科物業管理有限公司	RMB5,000,000	–	–	100	100	60	60	Property management

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name of subsidiary	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity held by the Company %		Percentage of equity held by subsidiaries %		Percentage of equity attributable to the Company %		Principal activities
		2023	2022	2023	2022	2023	2022	
Incorporated and operating in Vietnam:								
CONG TY TNHN CONG NGHE DIEN TU CHEE YUEN (VIETNAM)	US$14,000,000	–	–	100	100	100	100	Manufacturing of plastic products

\# Wholly foreign-owned enterprises registered in the Mainland China

\## Sino-foreign joint equity enterprises registered in the Mainland China

* The subsidiary was incorporated on 17 May 2022

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests 2023	2022	(Loss) profit for the year attributable to non-controlling interests 2023 HK$'000	2022 HK$'000	Accumulated non-controlling interests 2023 HK$'000	2022 HK$'000
Aerospace Technology and its subsidiary	Mainland China	40%	40%	(6,198)	(133,425)	2,031,666	2,097,763
Individually immaterial subsidiaries with non-controlling interests				386	621	27,817	28,206
				(5,812)	(132,804)	2,059,483	2,125,969

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

Summarised financial information in respect of Aerospace Technology and its subsidiary is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2023 HK$'000	2022 HK$'000
Current assets	**65,738**	83,228
Non-current assets	**8,614,909**	8,958,694
Current liabilities	**(74,339)**	(562,287)
Non-current liabilities	**(3,527,143)**	(3,235,227)
Equity attributable to owners of the Company	**3,047,499**	3,146,645
Non-controlling interests	**2,031,666**	2,097,763
Income	**216,048**	624,663
Expenses	**(231,543)**	(958,224)
Loss for the year	**(15,495)**	(333,561)
Loss attributable to owners of the Company	**(9,297)**	(200,136)
Loss attributable to the non-controlling interests	**(6,198)**	(133,425)
Loss for the year	**(15,495)**	(333,561)
Other comprehensive expenses attributable to owners of the Company	**(89,849)**	(256,618)
Other comprehensive expenses attributable to the non-controlling interests	**(59,899)**	(174,841)
Other comprehensive expenses for the year	**(149,748)**	(431,459)
Total comprehensive expenses attributable to the owners of the Company	**(99,146)**	(456,754)
Total comprehensive expenses attributable to the non-controlling interests	**(66,097)**	(308,266)
Total comprehensive expenses for the year	**(165,243)**	(765,020)

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Details of non-wholly owned subsidiaries that have material non-controlling interests (continued)

	2023 HK$'000	2022 HK$'000
Net cash inflow from operating activities	**53,814**	147,502
Net cash inflow (outflow) from investing activities	**14,483**	(26,169)
Net cash outflow from financing activities	**(73,235)**	(118,262)
Net cash (outflow) inflow	**(4,938)**	3,071
Effect of foreign exchange rate changes	**(141)**	(8,560)
Total dividends paid	**–**	47,170
Dividends paid to non-controlling interests of Aerospace Technology	**–**	18,869

42. CONTINGENT LIABILITIES

As detailed in note 7, Aerospace Technology was defendant in a claim of approximately RMB119,000,000, by its major tenant Hangke Houhai under Second Hangke Houhai Litigation, the Court ruled in favor of Hangke Houhai for the litigation and the Group was ordered to repay RMB119 millions to Hangke Houhai.

The Group has sought opinion from another legal advisor and filed the appeal during the year ended 31 December 2023 to all the court's judgment on the First, Second and Third Hangke Houhai Litigations. As at the date of this report, the abovesaid litigations with Hangke Houhai have been heard by the Court and are pending judgment of the second instance.

After considering the advice from the legal advisor of Aerospace Technology, the directors of the Company believe that the appeal can be highly probably to succeed, and it is not probable that an outflow of resources embodying economic benefits will be required to settle the claims. Therefore, the litigations are disclosed as contingent liabilities and no provision is made.

APPENDIX I FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**3,450,954**	4,501,532	4,745,367	3,580,121	3,450,824
(Loss) profit before taxation	**(26,559)**	(325,723)	486,102	442,845	547,064
Taxation	**24,794**	73,001	(82,888)	(64,280)	(109,206)
(Loss) profit for the year	**(1,765)**	(252,722)	403,214	378,565	437,858
Attributable to:					
Owners of the Company	**4,047**	(119,918)	345,764	296,681	338,350
Non-controlling interests	**(5,812)**	(132,804)	57,450	81,884	99,508
	(1,765)	(252,722)	403,214	378,565	437,858

ASSETS AND LIABILITIES

	At 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**11,319,869**	11,602,450	12,629,902	12,380,371	11,656,155
Current assets	**3,263,415**	3,663,378	4,239,260	3,736,393	3,049,116
Current liabilities	**(1,427,648)**	(2,159,847)	(1,771,821)	(1,622,356)	(1,369,666)
Non-current liabilities	**(3,684,676)**	(3,321,318)	(4,254,575)	(4,208,670)	(3,954,619)
Total equity	**9,470,960**	9,784,663	10,842,766	10,285,738	9,380,986
Attributable to:					
Owners of the Company	**7,411,477**	7,658,694	8,388,114	7,925,975	7,245,792
Non-controlling interests	**2,059,483**	2,125,969	2,454,652	2,359,763	2,135,194
	9,470,960	9,784,663	10,842,766	10,285,738	9,380,986

APPENDIX II INVESTMENT PROPERTIES

Location	Lot number	Existing use	Approximate gross floor area/ site area (sq. m)	Group's interest (%)
MEDIUM TERM LEASES IN HONG KONG				
Units 402, 405 to 407 on 4th Floor the whole of 17th Floor and Car Park Nos. P1, L3, LD1, LD2 and LD5 on Ground Floor, Car Park Nos. P17, P18 and P24 on 1st Floor and Car Park Nos. P34, P36 and P37 on 2nd Floor China Aerospace Centre 143 Hoi Bun Road Kwun Tong Kowloon	Kwun Tong Inland Lot. No. 528	Industrial	3,290	100
Unit A on 2nd Floor of Tsun Win Factory Building, No. 60 Tsun Yip Street, Kwun Tong Kowloon	Kwun Tong Inland Lot No. 10	Industrial	230	100

Location	Lot number	Existing use	Approximate gross floor area/ site area (sq. m)	Group's interest (%)
MEDIUM TERM LEASES IN THE PRC				
China Aerospace Industrial Estate Zhong Kai Development Zone Huizhou City Guangdong Province The PRC	—	Industrial	22,124	90
South of Bin Hai Avenue and the East of Hou Hai Bin Road Nanshan District Shenzhen Guangdong Province The PRC	—	Retail and office	157,825	60
LONG TERM LEASEHOLD IN THE PRC				
Level 8, Zhong Hai Building Zhong Hai Hua Ting North Zone No. 399 Fu Hua Road Futian District Shenzhen Guangdong Province The PRC	—	Office	1,043	100