HENGXIN TECHNOLOGY LTD.
亨鑫科技有限公司 *

(carrying on business in Hong Kong as HX Singapore Ltd.)
(incorporated in Republic of Singapore with limited liability)
(Stock Code: 1085)

INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

1. Revenue for the six months ended 30 June 2023 increased by approximately RMB51.1 million or 5.0% to approximately RMB1,068.6 million

2. Gross profit increased by approximately RMB37.4 million or 21.9% to approximately RMB207.8 million

3. Net profit attributable to equity shareholders of the Company increased by approximately RMB19.9 million or 65.9% to approximately RMB50.1 million

4. Basic earnings per share was approximately RMB0.129, representing an increase of approximately RMB0.051 or 65.4%

5. No payment of interim dividend for the six months ended 30 June 2023 has been recommended

* *For identification purposes only*

The board (the "**Board**") of directors (the "**Director(s)**") of Hengxin Technology Ltd. (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively hereinafter referred as the "**Group**") for the six months ended 30 June 2023 together with the comparative figures for the corresponding period in 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

*For the six months ended 30 June ("**1H**")*

	Notes	**1H2023** ***RMB'000*** **(unaudited)**	1H2022 *RMB'000* (unaudited)
Revenue	*3*	**1,068,591**	1,017,542
Cost of sales		**(860,759)**	(847,122)
Gross profit		**207,832**	170,420
Other operating income	*4*	**24,774**	14,599
Selling and distribution expenses		**(55,005)**	(59,559)
Administrative expenses		**(28,418)**	(26,723)
Other operating expenses		**(93,690)**	(62,744)
Profit from operations		**55,493**	35,993
Interest expense	*5*	**(5,718)**	(6,743)
Profit before taxation	*6*	**49,775**	29,250
Income tax	*7*	**(9,049)**	(5,422)
Profit for the period		**40,726**	23,828
Attributable to:			
Equity shareholders of the Company		**50,134**	30,214
Non-controlling interests		**(9,408)**	(6,386)
Profit for the period		**40,726**	23,828

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 June

	Notes	**1H2023 *RMB'000* (unaudited)**	1H2022 RMB'000 (unaudited)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of			
– financial statements of entities with functional currencies other than RMB		**891**	618
Total comprehensive income for the period		**41,617**	24,446
Attributable to:			
Equity shareholders of the Company		**51,025**	30,832
Non-controlling interests		**(9,408)**	(6,386)
Total comprehensive income for the period		**41,617**	24,446
Earnings per share attributable to equity shareholders of the Company	*10*		
Basic and diluted *(RMB)*		**0.129**	0.078
Dividends per share *(RMB)*	*8*	**–**	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*11*	**208,841**	212,359
Intangible assets		**49,294**	56,416
Goodwill		**155,116**	155,116
Interest in an associate		**–**	–
Other investments		**4,975**	5,622
Financial assets measured at fair value through profit or loss (FVTPL)		**24,000**	15,321
Deferred tax assets		**20,429**	20,244
		462,655	465,078
Current assets			
Inventories and other contract costs		**192,130**	151,587
Trade and other receivables	*12*	**911,097**	743,657
Time deposits with original maturity more than 3 months		**355,521**	300,000
Cash and cash equivalents		**823,485**	881,561
Derivative financial asset		**456**	456
		2,282,689	2,077,261
Current liabilities			
Trade and other payables	*13*	**568,613**	387,960
Short-term loans		**211,930**	228,634
Derivative financial liability		**4,085**	2,781
Lease liabilities		**4,476**	3,709
Income tax payable		**9,633**	9,414
		798,737	632,498
Net current assets		**1,483,952**	1,444,763
Total assets less current liabilities		**1,946,607**	1,909,841

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Note	**As at 30 June 2023 RMB'000 (unaudited)**	As at 31 December 2022 RMB'000 (audited)
Non-current liabilities			
Deferred income		**460**	2,460
Lease liabilities		**2,990**	2,906
Deferred tax liabilities		**12,710**	15,645
		16,160	21,011
NET ASSETS		**1,930,447**	1,888,830
CAPITAL AND RESERVES			
Share capital	*9*	**295,000**	295,000
General reserves		**293,265**	293,265
Special reserve		**(6,017)**	(6,017)
Fair value reserve		**(4,271)**	(4,271)
Translation reserves		**(968)**	(1,859)
Accumulated profits		**1,331,130**	1,280,996
Total equity attributable to equity shareholders of the Company		**1,908,139**	1,857,114
Non-controlling interests		**22,308**	31,716
TOTAL EQUITY		**1,930,447**	1,888,830

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023 (unaudited)

GROUP – *RMB'000*	Share capital	General reserves	Special reserve	Fair value reserve	Translation reserves	Accumulated profits	Total	Non-controlling interest	Total
Balance at 1 January 2023	**295,000**	**293,265**	**(6,017)**	**(4,271)**	**(1,859)**	**1,280,996**	**1,857,114**	**31,716**	**1,888,830**
Changes in equity for the period:									
Profit for the period	**–**	**–**	**–**	**–**	**–**	**50,134**	**50,134**	**(9,408)**	**40,726**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**891**	**–**	**891**	**–**	**891**
Total comprehensive income	**–**	**–**	**–**	**–**	**891**	**50,134**	**51,025**	**(9,408)**	**41,617**
Balance at 30 June 2023	**295,000**	**293,265**	**(6,017)**	**(4,271)**	**(968)**	**1,331,130**	**1,908,139**	**22,308**	**1,930,447**

For the six months ended 30 June 2022 (unaudited)

GROUP – *RMB'000*	Share capital	General reserves	Special reserve	Fair value reserve	Translation reserves	Accumulated profits	Total	Non-controlling interest	Total
Balance at 1 January 2022	295,000	278,893	(6,017)	(3,200)	(3,020)	1,231,766	1,793,422	(6,251)	1,787,171
Changes in equity for the period:									
Profit for the period	–	–	–	–	–	30,214	30,214	(6,386)	23,828
Other comprehensive income for the period	–	–	–	–	618	–	618	–	618
Total comprehensive income	–	–	–	–	618	30,214	30,832	(6,386)	24,446
Balance at 30 June 2022	295,000	278,893	(6,017)	(3,200)	(2,402)	1,261,980	1,824,254	(12,637)	1,811,617

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Singapore on 18 November 2004 under the Singapore Companies Act and its shares are listed on Main Board of The Stock Exchange of Hong Kong Limited. The address of the Company's principal place of business is 5 Tampines Central 1, #06-05 Tampines Plaza 2, Singapore 529541. The registered office of the Company is located at 138 Robinson Road, #26-03, Oxley Tower, Singapore 068906.

The Company is an investment holding company, and the principal activities of the subsidiaries are (i) research, design, development and manufacture of telecommunications and technological products, production of radio frequency coaxial cables for mobile communications and mobile communications systems exchange equipment; and (ii) chips research, design, sales and supply chain services, semiconductor intellectual property authorization business, and digital security products and services. The Group's operations are principally conducted in the People's Republic of China (the "**PRC**" or "**China**").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements for the six months ended 30 June 2023 (the "**Financial Statements**") have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("**IASB**") that are effective for annual reporting periods beginning on or after 1 January 2023.

	Effective for accounting periods beginning on or after
IFRS 17, Insurance contracts	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8, *Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IAS 1, *Non-current Liabilities with Covenants*	1 January 2024
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*	1 January 2024

The Group is in the process of making an assessment of what the impact of the above developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

The consolidated financial statements for the six months ended 30 June 2023 comprise the Group and the Group's interest in an associate.

The Financial Statements have been prepared on a historical cost basis except that certain assets which are stated at fair value. The consolidated financial statements are presented in Renminbi ("**RMB**"), being the functional currency of the Company and the presentation currency of the Group. All values are rounded to the nearest thousand except when otherwise indicated.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the manufacturing and sale of radio frequency coaxial cables, telecommunication equipment and accessories, antennas and others and provision of digital technology and digital security products and services.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Radio Frequency Coaxial Cables	**593,441**	484,119
Antennas	**206,633**	245,269
Telecommunication equipment and accessories	**138,391**	237,578
Digital Technology and Digital Security	**75,765**	–
Others	**54,361**	50,576
	1,068,591	1,017,542

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's senior management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Radio frequency coaxial cables ("**Radio Frequency Coaxial Cables**"): the transmission of high-frequency signals between antenna and base station equipment in outdoor base station wireless signal coverage system and indoor wireless signal coverage system in buildings.

- Telecommunication equipment and accessories ("**Telecommunication Equipment and Accessories**"): the transmission of signals within microwave communications systems, radio broadcast wireless systems and air/sea radar systems, the accessories are such as connectors and jumper cables used for wireless signal coverage systems equipment within base stations.

- Antennas ("**Antennas**"): are adopted by telecom operators for use in signal transmission for wireless communications.

- Digital technology and digital security ("**Digital Technology and Digital Security**"): Chips research, design, sales and supply chain services, semiconductor intellectual property authorization business, and digital security products and services.

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitor the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is profit or loss before tax, adjusted for items not specifically attributed to individual segments, such as other income, central interest expense, central administration costs, independent directors' fees at corporate level and foreign exchange gains or losses. Segment profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

In addition to receiving segment information concerning segment results, management is provided with segment information concerning interest income, interest expense, depreciation and amortisation, asset impairment losses and related reversals.

Segment assets and liabilities are not regularly reported to the Group's executive directors and therefore information of reportable segment assets and liabilities are not presented in the consolidated financial statements.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2023 and 2022 is set out below.

Group Six months ended 30 June 2023 (unaudited)	Reportable segments Radio Frequency Coaxial Cables *RMB'000*	Telecommunication Equipment and Accessories *RMB'000*	Antennas *RMB'000*	Digital Technology and Digital Security *RMB'000*	Total Reportable Segments *RMB'000*	All Other Segments *RMB'000*	Total *RMB'000*
Disaggregated by timing of revenue recognition							
Point in time	**593,441**	**138,391**	**206,633**	**65,718**	**1,004,183**	**54,057**	**1,058,240**
Over time	**-**	**-**	**-**	**10,047**	**10,047**	**304**	**10,351**
Revenue from external customers	**593,441**	**138,391**	**206,633**	**75,765**	**1,014,230**	**54,361**	**1,068,591**
Segment profit/(loss) before tax	**22,288**	**18,221**	**(4,062)**	**11,004**	**47,451**	**1,848**	**49,299**
Interest income	**4,200**	**979**	**1,462**	**-**	**6,641**	**385**	**7,026**
Interest expense	**(3,100)**	**(723)**	**(1,079)**	**(533)**	**(5,435)**	**(283)**	**(5,718)**
Depreciation and amortisation expenses	**(7,377)**	**(1,720)**	**(2,569)**	**(90)**	**(11,756)**	**(676)**	**(12,432)**

	Reportable segments					
Group Six months ended 30 June 2022 (unaudited)	Radio Frequency Coaxial Cables *RMB'000*	Telecommunication Equipment and Accessories *RMB'000*	Antennas *RMB'000*	Total Reportable Segments *RMB'000*	All Other Segments *RMB'000*	Total *RMB'000*
Disaggregated by timing of revenue recognition						
Point in time	484,119	237,578	245,269	966,966	50,131	1,017,097
Over time	–	–	–	–	445	445
Revenue from external customers	484,119	237,578	245,269	966,966	50,576	1,017,542
Segment profit/(loss) before tax	11,233	24,130	59	35,422	(405)	35,017
Interest income	1,968	966	997	3,931	205	4,136
Interest expense	(3,205)	(1,573)	(1,624)	3,931	(341)	(6,743)
Depreciation and amortisation expenses	(4,752)	(2,332)	(2,407)	(9,491)	(496)	(9,987)

Reconciliation of reportable segment profit

	Group For the six months ended 30 June	
	2023 ***RMB'000*** **(unaudited)**	2022 *RMB'000* (unaudited)
Profit before tax		
Total profit before tax for reportable segments	**47,451**	35,422
Profit/(loss) before tax for other segments	**1,848**	(405)
Unallocated amounts:		
– Other operating income	**17,748**	10,463
– Other operating expenses	**(9,040)**	(9,079)
– Other unallocated amounts	**(8,232)**	(7,151)
Consolidated profit before tax	**49,775**	29,250

Other material items

	Reportable and all other segment totals *RMB'000*	Unallocated amounts *RMB'000*	Consolidated totals *RMB'000*
For the six months ended 30 June 2023 (unaudited)			
Depreciation and amortisation expenses	**(12,432)**	**(161)**	**(12,593)**
For the six months ended 30 June 2022 (unaudited)			
Depreciation and amortisation expenses	(9,987)	(157)	(10,144)

Geographical segment

The Company is an investment holding company and the Group's major operational subsidiaries are domiciled in the PRC. The geographical regions of the customers of the Group are principally located in the PRC and India.

The following table sets out the geographic information analyses the Group's revenue and specified non-current assets including property, plant and equipment. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets have been based on the geographic location of the assets.

	Revenue from external customer For the six months ended 30 June		Specified non-current assets* As at	
	2023 *RMB'000* **(unaudited)**	2022 *RMB'000* (unaudited)	**30 June 2023** *RMB'000* **(unaudited)**	31 December 2022 *RMB'000* (audited)
PRC	**1,010,263**	931,948	**405,961**	421,221
Other countries	**58,328**	85,594	**290**	426
Total	**1,068,591**	1,017,542	**413,251**	421,647

* *excludes other investments and deferred tax assets*

4. OTHER OPERATING INCOME

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Government grants	**4,521**	3,690
Interest income	**7,026**	4,136
Net gain on derivative financial liability	**–**	4,227
Compensation claims received	**214**	807
Service fee income	**1,551**	1,377
Net gain on commodity future contracts	**2,597**	53
Net foreign exchange gains	**8,123**	–
Others	**742**	362
Total	**24,774**	14,599

5. INTEREST EXPENSE

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expense on short term bank loans	**5,708**	6,735
Interest on lease liabilities	**10**	8
	5,718	6,743

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting) the following items during the period:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of inventories recognised as expense	**860,759**	847,122
Depreciation of property, plant and equipment	**12,593**	10,144
Salaries and bonus	**82,233**	72,419
Contributions to defined contribution plans	**4,509**	3,049
Executive directors' remuneration	**469**	1,409
Non-executive directors' fees	**899**	778
Total staff costs	**88,110**	77,655
Research and development expenses (included in other operating expenses)	**54,455**	53,665
Impairment losses on trade and other receivable	**30,195**	4,200
Net foreign exchange losses (included in other operating expenses)	**–**	2,465
Net foreign exchange gains (included in other operating income)	**(8,123)**	–
Provision for stock obsolescence	**5,970**	–
Net losses on write-off of property, plant and equipment	**95**	–

7. INCOME TAX

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax expense		
Current year	**17,848**	10,199
Over provision in prior years	**(5,755)**	(3,958)
	12,093	6,241
Deferred tax expense		
Origination and reversal of temporary differences	**(3,044)**	(819)
	9,049	5,422

(i) Singapore, PRC and India income tax liabilities are calculated at the applicable rates in accordance with the relevant tax laws and regulation in respective countries.

(ii) The provision for PRC Income Tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

The statutory corporate income tax rate of the Group's operating subsidiaries in the PRC is 25% (2022: 25%).

Jiangsu Hengxin Technology Co., Ltd ("**Jiangsu Hengxin**") and Jiangsu Hengxin Wireless Technology Co., Ltd., are subject to a preferential income tax rate of 15% in 2022 available to enterprises which qualify as a High and New Technology Enterprise (2022: 15%).

(iii) Hong Kong Profits Tax has been provided for Hengxin Technology International Co., Ltd. and Hengxin Metaverse Limited at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong for the year ending 31 December 2023.

8. DIVIDENDS

The Company did not recommend or declare any interim dividend for the six months ended 30 June 2023 and 30 June 2022.

9. SHARE CAPITAL

Details of the changes in the Company's share capital are as follows:

Share capital – Ordinary Shares	**No. of shares**		
	'000	*RMB'000*	*S$'000*
Balance as at 31 December 2022 and 30 June 2023	388,000	295,000	58,342

In accordance with the Constitution of the Company, treasury shares are not allowed in the Company.

10. EARNINGS PER SHARE

Earnings per share is calculated by dividing the Group's net profit attributable to equity shareholders of the Company for the period by the weighted average number of ordinary shares outstanding during the period.

	Group For the six months ended	
	30 June 2023 (unaudited)	30 June 2022 (unaudited)
Earnings per share *(RMB)*		
– Basic	**0.129**	0.078
– Diluted	**0.129**	0.078
Weighted average no. of shares applicable to basic EPS *('000)*	**388,000**	388,000

There were no potential dilutive ordinary shares in existence during the six months ended 30 June 2023 and 2022.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group's capital expenditure was approximately RMB6.6 million (six months ended 30 June 2022: approximately RMB4.9 million).

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 ***RMB'000*** **(unaudited)**	As at 31 December 2022 *RMB'000* (audited)
Trade receivables	**746,165**	597,910
Bills receivables	**41,332**	81,232
Less: Loss allowance	**(43,271)**	(13,075)
Net trade and bills receivables	**744,226**	666,067
Loans to the associate	**21,191**	21,191
Non-trade amount due from the associate	**1,680**	1,680
Less: Loss allowance	**(22,875)**	(22,871)
	744,222	666,067
Other receivables	**166,875**	77,590
	911,097	743,657

Trade and bills receivables are due within 90-270 days from the date of billing. The aging of trade and bills receivables based on the invoice date, net of allowance for impairment in respect of trade receivables at the end of the reporting period, is as follows:

	As at 30 June 2023	As at 31 December 2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 6 months	**656,721**	489,206
7 to 12 months	**61,740**	114,902
1 to 2 years	**25,765**	49,156
Over 2 years	**–**	12,803
	744,226	666,067

13. TRADE AND OTHER PAYABLES

	As at 30 June 2023	As at 31 December 2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**439,679**	72,172
Bills payable	**–**	145,000
	439,679	217,172
Other payables	**128,934**	170,788
	568,613	387,960

As at the end of the reporting period, the aging profile of trade and bills payables of the Group, based on invoice date, is as follows:

	As at 30 June 2023	As at 31 December 2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
0 to 90 days	**430,226**	196,207
91 to 180 days	**1,596**	12,394
181 to 360 days	**5,351**	5,104
Over 360 days	**2,506**	3,467
	439,679	217,172

14. CONNECTED TRANSACTIONS

(a) During the six months ended 30 June 2023 (the "**Reporting Period**"), the Group had the following continuing connected transactions with Hengtong Group Co., Ltd. and Hengtong Optic-Electric Co., Ltd.:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sale of finished goods	**20,749**	–
Purchase of raw materials	**20,779**	9,166

Jiangsu Hengxin has been selling the Group's products to and purchasing materials from Suzhou Hengli Telecommunications Materials Co., Ltd. ("**Suzhou Hengli**") since December 2008 under relevant sales master agreements or purchases master agreements. The term of the sales master agreement and the purchases master agreement entered into between Jiangsu Hengxin and Suzhou Hengli on 10 October 2019 has expired on 31 December 2022.

On 3 January 2023, Jiangsu Hengxin, Hengtong Group Co., Ltd. (亨通集團有限公司) ("**Hengtong Group**") and Hengtong Optic-Electric Co., Ltd. (江蘇亨通光電股份有限公司) ("**Hengtong Optic-Electric**") (the holding company of Suzhou Hengli) (together and collectively with their respective associates, the "**Connected Parties**") entered into (i) the new sales master agreement ("**New Sales Master Agreement**") to govern the terms of the sales of products by Jiangsu Hengxin to the Connected Parties; and (ii) the new purchases master agreement ("**New Purchases Master Agreement**") to govern the terms of the purchases of materials by Jiangsu Hengxin from the Connected Parties, for the periods up to 31 December 2025.

On 31 May 2023, Jiangsu Hengxin, Hengtong Group and Hengtong Optic-Electric entered into a supplemental agreement to the New Purchases Master Agreement to amend the entity of the purchaser from Jiangsu Hengxin to Jiangsu Hengxin and its subsidiaries. Other terms of the New Purchases Master Agreement remain unchanged.

Suzhou Hengli is wholly-owned by Hengtong Optic-Electric. Hengtong Optic-Electric is held as to approximately 24.05% by Hengtong Group, which is beneficially owned by Mr. Cui Genliang and Mr. Cui Wei as to 58.7% and 41.3% respectively. Mr. Cui Genliang is the father of Mr. Cui Wei (the chairman of the Board, a non-executive Director and a substantial shareholder of the Company via his wholly-owned entity, Kingever Enterprises Limited). Separately, Mr. Cui Genliang directly owns approximately 4.03% of the share capital of Hengtong Optic-Electric and can control the composition of a majority of the board of directors of Hengtong Optic-Electric. In this regard, each of Mr. Cui Wei, Mr. Cui Genliang, Hengtong Group, Hengtong Optic-Electric and Suzhou Hengli is considered as a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the transactions contemplated under the New Sales Master Agreement and New Purchases Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

As the highest applicable percentage ratio in respect of the highest proposed annual sales caps is higher than 0.1% but less than 5%, the New Sales Master Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The annual sales cap for the year ending 31 December 2023 is RMB46.0 million.

As the highest applicable percentage ratio in respect of the highest proposed annual purchases caps is higher than 5%, the New Purchases Master Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review, circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. At the extraordinary general meeting of the Company held on 27 February 2023 (the "**2023 February EGM**"), the ordinary resolution for approving and confirming the New Purchases Master Agreement has been duly approved by the independent shareholders of the Company. The annual purchases cap for the year ending 31 December 2023 is RMB253.0 million.

For details of the New Sales Master Agreement and the New Purchases Master Agreement, please refer to the announcement of the Company dated 3 January 2023, the circular of the Company dated 3 February 2023 and the poll results announcement of the Company for the 2023 February EGM dated 27 February 2023.

(b) During the Reporting Period, the Group had the following continuing connected transaction with Shanghai Zhangyu Information Technology Co., Ltd.:

	For the six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Gross income from leasing of servers	**4,200**	N/A

On 1 January 2023, Hengxin Metaverse Limited ("**Hengxin Metaverse**"), a wholly-owned subsidiary of the Company, as lessor entered into the server leasing agreement ("**Server Leasing Agreement**") with Shanghai Zhangyu Information Technology Co., Ltd. ("**Shanghai Zhangyu**") (上海掌御信息科技有限公司) as lessee in relation to the leasing of 90 high performance servers ("**Servers**") for a term of three years commencing from 1 January 2023 to 31 December 2025.

Shanghai Zhangyu is held as to 51% indirectly by the Company, approximately 39% indirectly by Mr. Peng Yinan, an executive Director, and approximately 10% by an independent third party. As Mr. Peng Yinan indirectly holds more than 30% interest in Shanghai Zhangyu, it is an associate of Mr. Peng Yinan and a connected person of the Company. Therefore, the transaction contemplated under the Server Leasing Agreement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The terms of the Server Leasing Agreement is three years commencing from 1 January 2023 to 31 December 2025 with a monthly rent of HK$700,000, subject to an annual adjustment of not more than 5%. The annual cap for the leasing of Servers for the year ending 31 December 2023 is HK$ 8.4 million.

As the highest annual rent for leasing the Servers to Shanghai Zhangyu is less than HK$10,000,000, and each of the applicable percentage ratios calculated in accordance with Chapter 14A of the Listing Rules was less than 25%, the transactions contemplated under the Server Leasing Agreement were subject to the reporting and announcement requirements but were exempt from the circular, independent financial advice and shareholders' approval requirements.

One of the principal business of Shanghai Zhangyu is the provision of information security service, which includes provision of cloud computing and cloud storage services. It has established clientele since its establishment. By entering into the Server Leasing Agreement, it is expected that Hengxin Metaverse, together with the Company, can secure a fixed income stream from leasing the Servers to Shanghai Zhangyu, which will ultimately sub-lease the cyberspace in the Servers to its clients. At the same time, it is beneficial for Shanghai Zhangyu to directly provide services to its customers by using its proprietary cloud storage and cloud computing technology, with the aim to expand its scope of business and broaden its income stream. The Board considers that this could be a win-win situation for Hengxin Metaverse, Shanghai Zhangyu, and the Group.

For details of the Server Leasing Agreement, please refer to the announcements of the Company dated 1 January 2023 and 4 January 2023.

(c) During the Reporting Period, the Group had the following connected transaction with Jiangsu Hengtong Energy Storage Technology Company Limited and Beijing Hengtong Intelligent Technology Company Limited:

On 30 March 2023, Jiangsu Hengxin Wireless Technology Co., Ltd. ("**Hengxin Wireless**") (江蘇亨鑫無線技術有限公司), an indirect wholly-owned subsidiary of the Company, entered into (i) the photovoltaic power station engineering procurement and construction (EPC) agreement ("**EPC Agreement**") with Jiangsu Hengtong Energy Storage Technology Company Limited ("**Hengtong Energy Storage**") and Beijing Hengtong Intelligent Technology Company Limited ("**Hengtong Intelligent Technology**") (collectively, the "**Photovoltaic Connected Parties**"); and (ii) the Hengxin photovoltaic project service agreement ("**Service Agreement**") with Hengtong Intelligent Technology, in respect of the construction project of the photovoltaic power station of Hengxin Wireless (the "**Project**") for an aggregate contract sum of not more than RMB7.5 million.

Each of Hengtong Energy Storage (an indirect wholly-owned subsidiary of Hengtong Group) and Hengtong Intelligent Technology (wholly-owned by Hengtong Optic-Electric) is considered as a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the transactions contemplated under the EPC Agreement and Service Agreement (collectively, the "**Agreements**") constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Since the transactions contemplated under the Agreements were entered into with the same party or parties who are connected with one another on the same day and for the Project, the transactions contemplated thereunder are required to be aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio in respect of the aggregate contract sum under the Agreements is higher than 0.1% but less than 5%, the Agreements and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In the summers of the past few years, Hengxin Wireless was subject to a quite number of temporary suspensions of electricity supply, which interrupted its production plans and caused serious wastage of its manpower. Also, summer is the peak season for Hengxin Wireless's business, suspensions of electricity supply substantially increase the risk of delay in production to meet the demand of its customers.

It is thus necessary for Hengxin Wireless to have the photovoltaic power station to commence operation as soon as possible and in any event before the summer this year so that it can mitigate the risk of suspension of electricity supply and can catch the best season in the year for photovoltaic electricity generation. The photovoltaic power station will enable Hengxin Wireless to lower its production cost and improve its electricity supply structure. The use of solar energy for Hengxin Wireless's production will also be beneficial to the Group in meeting carbon footprint targets and attracting green investment.

Hengtong Intelligent Technology has good reputation in the photovoltaic industry, with the strong technical and project management support from Hengtong Optic-Electric and has proven track record in similar photovoltaic power station projects. Hengtong Energy Storage has expertise for providing green, clean and recyclable energy and energy storage services and has obtained relevant qualifications on electricity project construction and a number of industry awards relating to integrated solar storage-charging solution (光儲充一體化解決方案), EPC projects and intelligent recyclable photovoltaic enterprise (可再生能源優秀光伏智慧運維企業). Therefore, it is considered fair and reasonable to enter into the EPC Agreement with the Connected Parties and the Service Agreement with Hengtong Intelligent Technology.

The Directors (including the independent non-executive Directors) consider that the Agreements have been entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms and conditions therein are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

For details of the Agreements, please refer to the announcements of the Company dated 30 March 2023 and 3 April 2023.

(d) During the Reporting Period, the Group had the following connected transaction with Nanjing Zhangyu Information Technology Co., Ltd.:

On 28 April 2023, Xin Ke Xin (Suzhou) Technology Co., Ltd. ("**Xin Ke Xin**") (鑫科芯(蘇州)科技有限公司), an indirect wholly-owned subsidiary the Company (as lender), entered into a loan agreement (the "**First Loan Agreement**") with Nanjing Zhangyu Information Technology Co., Ltd. ("**Nanjing Zhangyu**") (南京掌御信息科技有限公司) (as borrower), pursuant to which Xin Ke Xin agreed to provide the first loan to Nanjing Zhangyu in the principal amount of RMB40,000,000 for a term of one year with an annual interest rate of 4.9% (the "**First Loan**") commencing from the date of the First Loan Agreement.

On 31 May 2023, Xin Ke Xin (as lender) entered into another loan agreement (the "**Second Loan Agreement**") with Nanjing Zhangyu (as borrower), pursuant to which Xin Ke Xin will provide a second loan to Nanjing Zhangyu in the principal amount of RMB210.0 million for a term of one year with an annual interest rate of 4.9% (the "**Second Loan**") commencing from the date of drawdown of the Second Loan for the purpose of settling the consideration under the possible acquisitions of the equity interest of Zhejiang Zhongguang New Energy Technology Co., Ltd. (浙江中光新能源科技有限公司), subject to certain conditions precedent.

Mr. Peng Yinan is an executive Director and a connected person of the Company at the issuer level under the Listing Rules. As Nanjing Zhangyu is held as to 51% indirectly by the Company and 49% indirectly by Mr. Peng Yinan, Nanjing Zhangyu is a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules. Furthermore, as the Second Loan Agreement, subject to the conditions precedent set out therein, and the First Loan Agreement were a series of transactions entered into with the same party within a 12-month period, the Second Loan Agreement and the First Loan Agreement were aggregated as if they were one transaction pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) on an aggregate basis exceeds 5% and exceeds HK$10,000,000, the transactions contemplated under the Second Loan Agreement and the First Loan Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, annual review and the independent shareholders' approval requirements.

The terms of the First Loan Agreement and Second Loan Agreement (including the interest rate) were negotiated on an arm's length basis between Xin Ke Xin and Nanjing Zhangyu having taken into account the prevailing market interest rates and practices. The Group finances the First Loan and Second Loan from its internal resources.

The Second Loan Agreement was approved, confirmed and ratified at the extraordinary general meeting of the Company held on 19 July 2023 (the "**2023 July EGM**") by an ordinary resolution.

For details of the First Loan Agreement and the Second Loan Agreement, please refer to the announcements of the Company dated 28 April 2023 and 31 May 2023, the circular of the Company dated 29 June 2023 and the 2023 July EGM poll results announcement of the Company dated 19 July 2023.

(e) During the Reporting Period, the Group had the following connected transaction with Jiangsu Hengtong Venture Capital Co., Ltd.:

On 19 May 2023 (after trading hours), Jiangsu Hengxin, as a limited partner, entered into a partnership agreement ("**Suzhou Hengtong Partnership Agreement**") with Jiangsu Hengtong Venture Capital Co., Ltd. (江蘇亨通創業有限公司) ("**Hengtong VC**") (as a general partner) in relation to the formation of Suzhou Hengtong Yongshun Venture Capital Partnership Enterprise (Limited Partnership) (the "**Suzhou Hengtong Partnership**") (蘇州亨通永順創業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC.

According to the Suzhou Hengtong Partnership Agreement, the total capital contribution by all partners to the Suzhou Hengtong Partnership shall be RMB63,100,000 of which each of Jiangsu Hengxin and Hengtong VC shall make capital commitments of RMB39,000,000 and RMB24,100,000 respectively.

Hengtong VC is held as to 20% by Jiangsu Hengtong Investment Holding Co., Ltd. ("**Jiangsu Hengtong**") (江蘇亨通投資控股有限公司) and 80% by Hengtong Group. Jiangsu Hengtong is a wholly-owned subsidiary of Hengtong Group, which is beneficially owned by Mr. Cui Genliang and Mr. Cui Wei as to 58.7% and 41.3% respectively. Mr. Cui Genliang is the father of Mr. Cui Wei (the chairman of the Board, a non-executive Director and a substantial shareholder of the Company via his wholly-owned entity, Kingever Enterprises Limited). Therefore, Hengtong VC is considered as a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the transaction contemplated under the Suzhou Hengtong Partnership Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the capital contribution by Jiangsu Hengxin contemplated under the Suzhou Hengtong Partnership Agreement is higher than 0.1% but less than 5%, the Suzhou Hengtong Partnership Agreement and the transaction contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Directors believe that the formation of the Suzhou Hengtong Partnership brings good investment opportunities for the Group to invest in emerging industries and promote industry upgrade, and it is in line with PRC's national "dual carbon" targets as well as the development strategy of the Group. By entering into the Suzhou Hengtong Partnership, the Group can leverage on the resources to effectively explore opportunities in hydrogen energy, energy storage, intelligent manufacturing, new materials and other industrial sectors and expand the source channels for potential projects, as well as generate investment income for the Group.

The terms of the Suzhou Hengtong Partnership Agreement are negotiated on an arm's length basis between Jiangsu Hengxin and Hengtong VC having taken into account the capital needs of the Suzhou Hengtong Partnership. The capital contribution to be made by Jiangsu Hengxin will be funded by the Group's internal resources.

The Directors (including the independent non-executive Directors) consider that the terms of the Suzhou Hengtong Partnership Agreement and the transaction contemplated thereunder are made on normal commercial terms and in the ordinary and usual course of business of the Group, the terms and conditions therein are fair and reasonable and in the interests of the Company and the shareholders as a whole.

For details of the Suzhou Hengtong Partnership Agreement, please refer to the announcement of the Company dated 19 May 2023.

(f) Compensation of key management personnel

The remuneration of directors and other members of key management during the period were as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Short term benefits	**3,491**	3,540
Retirement benefits scheme contribution	**342**	123
Total	**3,833**	3,663

15. DONATIONS & CAPITAL COMMITMENTS

	As at 30 June 2023	As at 31 December 2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Contracted but not provided for property, plant and equipment	**–**	189
Donation commitment	**1,500**	2,000
	1,500	2,189

The Group's PRC subsidiary has signed an intention letter and committed to donate RMB500,000 per annum from 2007 for a period of 20 years to a charitable organization in the PRC when making profit in the year.

(I) MANAGEMENT DISCUSSION AND ANALYSIS

Consolidated Statement of Profit or Loss

Material fluctuations of the consolidated statement of profit or loss items are explained below:

Revenue

The Group's revenue for the six months ended 30 June 2023 ("**1H2023**" or the "**Reporting Period**") increased by approximately RMB51.1 million, or approximately 5.0% from approximately RMB1,017.5 million during the six months ended 30 June 2022 ("**1H2022**") to approximately RMB1,068.6 million in 1H2023.

Part of the increase in revenue for 1H2023 comparing 1H2022 is due to the completion of the acquisition of Nanjing Zhangyu Information Technology Co., Ltd. ("**Nanjing Zhangyu**") and Shanghai Zhangyu Information Technology Co., Ltd. ("**Shanghai Zhangyu**") (collectively, the "**Zhangyu Companies**") in July 2022, the Zhangyu Companies have contributed approximately RMB75.8 million in revenue in 1H2023. The revenue of Zhangyu Companies formed the new business segment, Digital Technology and Digital Security, of the Group.

By separating the revenue contribution from the Zhangyu Companies in 1H2023, the telecommunications business segments recorded a decrease in revenue of approximately RMB24.7 million or 2.4% from 1H2022's approximately RMB1,017.5 million to 1H2023's approximately RMB992.8 million. Below is an analysis of revenue according to the categories of business segments.

Radio Frequency Coaxial Cables

Revenue generated from the segment of radio frequency coaxial cables ("**Radio Frequency Coaxial Cables**") increased by approximately RMB109.3 million or approximately 22.6% from approximately RMB484.1 million in 1H2022 to approximately RMB593.4 million in 1H2023, of which the revenue from feeder cables increased by approximately RMB93.1 million or 21.7% from approximately RMB428.2 million in 1H2022 to approximately RMB521.3 million in 1H2023. Similar to the previous year, the increase in the sales of feeder cables was driven by Group's higher effort on market exploration and resulted in the higher winning percentage of a number of tenders in the centralized procurement tender projects from major telecom operators in China.

Included in the segment revenue of Radio Frequency Coaxial Cables are the revenue from leaky cables of approximately RMB72.2 million for 1H2023, representing an increase of approximately RMB16.2 million or 28.9% from approximately RMB56.0 million in 1H2022. Leaky cables are special coaxial cables commonly used for the tunnels and underground mobile communication in mass transit railways. The increase in revenue year-on-year is mainly due to the Group's increased marketing effort to secure more orders from customers.

Telecommunication Equipment and Accessories

Revenue generated from the segment of telecommunication equipment and accessories ("**Telecommunication Equipment and Accessories**") decreased by approximately RMB99.2 million or approximately 41.8% from approximately RMB237.6 million in 1H2022 to approximately RMB138.4 million in 1H2023. The decrease in the revenue from Telecommunication Equipment and Accessories is mainly due to the weak demand in the China market as most of the China Mobile 700 MHz project has been completed in 2022, therefore the demand for accessories decreased accordingly. In addition, the overseas demand for accessories also decreased year-on-year because the demand for network accessories has peaked in 2022 as a result of the hardware investment requirements after the start of the COVID-19 pandemic. Therefore, the demand in 1H2023 was lower than that of 1H2022.

Antennas

Revenue generated from the segment of antennas ("**Antennas**") during 1H2023 was approximately RMB206.6 million, representing a decrease of approximately RMB38.7 million or approximately 15.8% from approximately RMB245.3 million in 1H2022. The decrease in the revenue from sales of Antennas was mainly because the Group has successful secured the tender for the China Mobile 700 MHz project during 1H2022 and the revenue for the project was substantially recognized in 2022.

Digital Technology and Digital Security

With the completion of the acquisition of the Zhangyu Companies in July 2022, a new business segment of Digital Technology and Digital Security comprising the Zhangyu Companies was formed. During 1H2023, Zhangyu Companies have recorded revenue of approximately RMB75.8 million, of which revenue from (i) design services was approximately RMB20.0 million; (ii) tape-out service was approximately RMB27.2 million; (iii) digital security was approximately RMB10.0 million; and (iv) revenue from IP authorization was approximately RMB18.6 million.

Others (High temperature resistant cables and antennas testing services)

Revenue generated from this segment increased by approximately RMB3.8 million or approximately 7.5% from approximately RMB50.6 million during 1H2022 to approximately RMB54.4 million during 1H2023.

Gross profit margin

The Group achieved an overall gross profit margin of approximately 19.4% for 1H2023 compared to approximately 16.7% for 1H2022, representing an increase of approximately 2.7 percentage points year-on-year.

By separating the Digital Technology and Digital Security segment, the rest of the telecommunications business segments achieved a combined gross profit margin of approximately 18.7%, representing an increase of approximately 2.0 percentage points. The Digital Technology and Digital Security segment has achieved a gross profit margin of 29.7%.

Due to the adjustment of China's prevention and control measures on the COVID-19 pandemic, the Group can secure sales orders from customers with a more reasonable margin. Also, during 1H2022, the stringent epidemic prevention and control measures had a considerable impact on normal production and supply chains, resulting in a significant increase in transportation costs and labor costs, hence, lower gross profit margin. With the gradual back to normal business environment, the Group's major telecommunications products have recorded a higher gross profit margin in 1H2023.

Overall gross profit margin of Radio Frequency Coaxial Cables has increased by approximately 1.5 percentage points from approximately 14.2% in 1H2022 to approximately 15.7% in 1H2023. The gross profit contribution for Radio Frequency Coaxial Cables increased by approximately RMB24.4 million or 35.4% on a year-on-year basis driven by the revenue growth and rise in gross profit margin. Although the gross profit margin of Telecommunication Equipment and Accessories has recorded an increase in gross profit margin from approximately 24.0% in 1H2022 to approximately 31.1% in 1H2023 representing an increase of approximately 7.1 percentage points, gross profit contribution has recorded a decrease of approximately RMB14.0 million or 24.6% as revenue has decreased by approximately 41.8% year-on-year.

As for Antennas, gross profit margin has increased by approximately 3.4 percentage points from approximately 15.5% in 1H2022 to approximately 18.9% in 1H2023. Such increase was mainly because (i) during 1H2022, costs of labour and raw materials were generally higher than that in 1H2023; and (ii) the general lower profitability for the Group's successful tender for the China Mobile 700MHz project has led to lower gross profit margin for Antennas in 1H2022 than 1H2023.

As a result of the combined effects of the above trends in gross profit margin for the various products of the Group, the overall gross profit margin of the Group during 1H2023 increased accordingly and combined gross profit from telecommunications business segments increased by approximately RMB14.9 million or approximately 8.7% year-on-year.

For the Digital Technology and Digital Security business segment, overall gross profit margin was approximately 29.7% for 1H2023 (gross profit margin was 45.7% during the second half of 2022). Due to the nature of digital security and IP authorization businesses, gross profit margins are generally higher than the other business segments of the Group. With the higher gross profit margin of the telecommunications business segments in 1H2023 year-on-year and the contribution from the Digital Technology and Digital Security business segment, the Group achieved an overall increase in gross profit margin of approximately 2.7 percentage points year-on-year and an increase in gross profit contribution of approximately RMB37.4 million or 21.9% year-on-year.

On the one hand, the Group will strive to enhance product profitability by increasing investment in new product research and development and the application of new technologies. On the other hand, the Group will continue to promote intelligent, information-based and lean development and improve output efficiency, reduce labor and materials consumption, control procurement costs and strengthen inventory management, thereby breaking through the bottleneck of costs improvement and maintaining an appropriate gross margin to cope with market competition pressure.

Other operating income

Other operating income increased by approximately RMB10.2 million or approximately 69.9% from approximately RMB14.6 million in 1H2022 to approximately RMB24.8 million in 1H2023. The increase is primarily due to:

(i) increase in government grants and subsidies of approximately RMB0.8 million;

(ii) increase in interest income of approximately RMB2.9 million due to the increase in average cash and cash equivalents and time deposits balances during 1H2023 as compared with 1H2022;

(iii) a realised net gain on commodity future contracts of approximately RMB2.6 million during 1H2023, whereas in 1H2022, the realised net gain on commodity future contracts was approximately RMB0.1 million, representing an increase of approximately RMB2.5 million;

(iv) a net foreign exchange gain of RMB8.1 million due to the appreciation of foreign currencies, as for 1H2022 a net foreign exchange loss of RMB2.5 million was included in other operating expenses; and

(v) during 1H2022, there was a net gain on derivative financial liability of approximately RMB4.2 million, while there was no such item for 1H2023.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RMB4.6 million or approximately 11.4% from approximately RMB59.6 million in 1H2022 to approximately RMB55.0 million in 1H2023 mainly due to the decrease in salary expenses as a result of the decrease in revenue for the telecommunications business segments.

Administrative expenses

Administrative expenses increased by approximately RMB1.7 million or approximately 6.4% from approximately RMB26.7 million in 1H2022 to approximately RMB28.4 million in 1H2023. The increase is mainly due to the inclusion of Zhangyu Companies in 1H2023 that accounted for approximately RMB3.7 million of administrative expenses.

Other operating expenses

Other operating expenses increased by approximately RMB31.0 million or approximately 49.4% from approximately RMB62.7 million in 1H2022 to approximately RMB93.7 million in 1H2023. The other operating expenses for 1H2022 mainly comprised of (i) the net foreign exchange losses of approximately RMB2.5 million; (ii) the impairment loss on other receivable of RMB4.2 million; (iii) the unrealised net loss on commodity future contracts of approximately RMB1.8 million; and (iv) research and development costs of approximately RMB53.7 million. The other operating expenses for 1H2023 mainly comprised of (i) the impairment loss on trade receivable of RMB30.2 million; (ii) the provision for stock obsolescence of approximately RMB6.0 million (iii) the unrealised net loss on commodity future contracts of approximately RMB0.3 million; and (iv) research and development costs of approximately RMB54.5 million.

Interest expense

Interest expense decreased by approximately RMB1.0 million or approximately 14.9% from approximately RMB6.7 million in 1H2022 to approximately RMB5.7 million in 1H2023, mainly because of the decrease in average interest rates and average outstanding balance of short-term loans during 1H2023 as compared with 1H2022.

Profit before taxation

Profit before taxation increased by approximately RMB20.5 million or approximately 70.0% from approximately RMB29.3 million in 1H2022 to approximately RMB49.8 million in 1H2023.

Income tax

The Group's main subsidiary, Jiangsu Hengxin Technology Co., Ltd. ("**Jiangsu Hengxin**"), has been subject to an incentive tax rate of 15% as it has been awarded as a high-tech enterprise in the PRC since 2008. It had been awarded the same status until December 2023.

Income tax expense increased by approximately RMB3.6 million or approximately 66.7% from approximately RMB5.4 million in 1H2022 to approximately RMB9.0 million in 1H2023. The increase is mainly due to the combined effects of the increase in operating profit in 1H2023 as compared with 1H2022 and the over-provision for income tax in prior years.

Profit attributable to equity shareholders of the Company

In view of the above, after taking into account of the contribution from non-controlling interests, profit attributable to equity shareholders of the Company increased by approximately RMB19.9 million or approximately 65.9% from approximately RMB30.2 million in 1H2022 compared to approximately RMB50.1 million in 1H2023.

Consolidated Statement of Financial Position

Material fluctuations of the consolidated statement of financial position items are explained below:

Trade and other receivables

(i) Net trade and bills receivables increased by approximately RMB78.1 million or approximately 11.7% from approximately RMB666.1 million as at 31 December 2022 to approximately RMB744.2 million as at 30 June 2023.

Average trade and bills receivables turnover days was approximately 125 days as at 30 June 2023 as compared to approximately 143 days as at 31 December 2022. The decrease in trade and bills receivables turnover days by approximately 18 days was mainly because after the loosening of the COVID-19 pandemic prevention and control measures during the first quarter of 2023, customers have speeded up their settlement arrangements during 1H2023. In addition, during 1H2023, the Group has applied stricter control and management on receivables in order to control the credit risk exposure. As a result, the Group has recorded an improvement in trade and bills receivables collection and most of the trade and bills receivables were recent sales which were within the average credit period given to the Group's customers. As at 30 June 2023, based on the invoice date and net of allowance for impairment, approximately 88.2% of the age of net trade and bills receivables are within 6 months as compared with that of approximately 73.4% as at 31 December 2022.

For long aged trade and bills receivables, as at 30 June 2023, based on the invoice date and net of allowance for impairment, approximately 3.5% were aged more than 1 year (as compared with 9.3% as at 31 December 2022). The trade and bills receivables that were aged over 1 year were mostly non-operator customers.

Considering the Group's longstanding relationship with its customers and the regular receipts of payments in the past, the Group does not foresee significant difficulties in the collection of its trade receivables. The Group endeavours to continue its collection efforts on the outstanding balances.

(ii) Other receivables comprising mainly net prepayments and non-trade receivables increased by approximately RMB89.3 million or approximately 115.1% from approximately RMB77.6 million as at 31 December 2022 to approximately RMB166.9 million as at 30 June 2023. The increase was mainly due to (i) the fund of RMB38.0 million advanced to Hangzhou Equity Exchange through Hangzhou Longkong Zhongguang Enterprise Holding Enterprise Partnership (Limited Partnership) (杭州龍控中光企業控股合夥企業(有限合夥)), for the proposed major transaction of the Group relating to the bid for the public tender for approximately 44.46% equity interest of Zhejiang Zhongguang New Energy Technology Co., Ltd. (浙江中光新能源科技有限公司); and (ii) the increase in advance payments during 1H2023 to suppliers on purchase of raw materials in anticipation of the rise in sales orders for the telecommunications business segments and the advance payments to suppliers for the tape-out business of the Digital Technology and Digital Security business segment according to the sales orders on hand.

Inventories and other contract costs

Inventories (comprising raw materials, work-in-progress and finished goods) and other contract costs increased by approximately RMB40.5 million or approximately 26.7% from approximately RMB151.6 million as at 31 December 2022 to approximately RMB192.1 million as at 30 June 2023. The increase was mainly due to the increase in goods in transit during the end of 1H2023.

Short-term loans

Short-term loans were raised with an aim to enhance the working capital position of the Group. Short-term loans as at 30 June 2023 with fixed interest rates will become due for repayment within one year.

Trade and other payables

(i) Trade and bills payables increased by approximately RMB222.5 million or approximately 102.4% from approximately RMB217.2 million as at 31 December 2022 to approximately RMB439.7 million as at 30 June 2023. The increase is mainly due to the purchases made during the second quarter of 2023 for fulfilling the sales orders from the second quarter of 2023 and on. Based on the aging profile of trade and bills payables and invoice date, approximately 97.9% are within three months (as at 31 December 2022: 90.3%).

(ii) Other payables decreased by approximately RMB41.9 million or approximately 24.5% from approximately RMB170.8 million as at 31 December 2022 to approximately RMB128.9 million as at 30 June 2023. The decrease is mainly due to settlement of the contingent consideration payables relating to the second (last) payment for the acquisition of the Zhangyu Companies of RMB45.0 million during 1H2023.

Cash and cash equivalents and time deposits

Cash and cash equivalents and time deposits decreased by approximately RMB2.6 million or approximately 0.2% from approximately RMB1,181.6 million as at 31 December 2022 to approximately RMB1,179.0 million as at 30 June 2023.

(II) LIQUIDITY, FINANCIAL RESOURCES

As at 30 June 2023, the Group's total assets were approximately RMB2,745,344,000 (31 December 2022: RMB2,542,339,000) (of which current assets were approximately RMB2,282,689,000 (31 December 2022: RMB2,077,261,000) and non-current assets were approximately RMB462,655,000 (31 December 2022: RMB465,078,000)), the total liabilities were approximately RMB814,897,000 (31 December 2022: RMB653,509,000), of which current liabilities were approximately RMB798,737,000 (31 December 2022: RMB632,498,000) and non-current liabilities were approximately RMB16,160,000 (31 December 2022: RMB21,011,000)), and total equity attributable to equity shareholders of the Company reached approximately RMB1,908,139,000 (31 December 2022: RMB1,857,114,000). As at 30 June 2023, the Group's cash and cash equivalents and time deposits were approximately RMB1,179,006,000 (31 December 2022: approximately RMB1,181,561,000). The Group's time deposits have original maturity of more than three months and will all mature within one year.

As at 30 June 2023, the Group has short-term bank borrowings due within one year of approximately RMB211,930,000 (31 December 2022: RMB228,634,000) carrying fixed interest rates.

In addition to its short-term interest-bearing facilities, the Group generally finances its operations from cash flows generated internally.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of debt and equity balance.

As at the end of the Reporting Period, the Group is in compliance with all capital requirements on its external borrowings.

The management of the Group monitors capital based on the Group's gearing ratio. The Group's debt-to-assets ratio is calculated as total liabilities divided by total assets.

	As at	
	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Total liabilities	**814,897**	653,509
Total assets	**2,745,344**	2,542,339
Debt-to-assets ratio (%)	**30%**	26%

The amount repayable for bank borrowings in one year or less, or on demand:

As at 30 June 2023		As at 31 December 2022	
Secured	**Unsecured**	Secured	Unsecured
RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
(unaudited)	**(unaudited)**	(audited)	(audited)
–	**211,930**	–	228,634

(III) REVIEW AND OUTLOOK

The Group's revenue for 1H2023 was approximately RMB1,068.6 million, representing an increase of approximately 5.0% over the same period in 2022; the net profit attributable to equity shareholders of the Company was approximately RMB50.1 million, representing an increase of approximately 65.9% over the same period in 2022.

In early 2023, with the adjustment of China's domestic policy on prevention and control of the COVID-19 epidemic and the end of the epidemic, all aspects of society and the economy have become normalized, and the market generally expected that China's economy will achieve a strong recovery in 2023. After the Chinese New Year, the market's general expectation of China's economic growth started to cool down, and after the release of the economic data for the first quarter of 2023, there were concerns about the trend of economic growth in the future. During the Reporting Period, the global economy was under greater downward pressure, with major developed economies continuing to raise interest rates, causing significant volatility in the international financial markets and a general slowdown in demand from China's external markets. China's GDP grew at a rate of 5.5% in 1H2023. On a quarterly basis, GDP grew by 4.5% year-on-year in the first quarter of 2023 and by 6.3% in the second quarter of 2023; for 1H2023, added value of industrial enterprises above the designated size (規模以上工業增加值) grew by 3.8% year-on-year, representing a slight increase over the year-on-year growth rate of 3.6% for the whole year of 2022. For 1H2023, fixed assets investment increased by 3.8% year-on-year, of which investment in the electronics and communications equipment manufacturing industry grew by 14.2%. As at the end of June 2023, a total of 2,937,000 5G base stations had been completed and commissioned, representing an increase of 27.0% over the 2,312,000 base stations as at the end of 2022. The continuation of the Russian-Ukrainian war and the austerity policies triggered by high inflation in developed countries have plunged the economies of various countries back into the doldrums.

Telecommunications Business

With the deepening construction of 5G in China and the comprehensive coverage of mobile communications wireless network driving network investment and construction, the Group currently has abundant orders on hand for Radio Frequency Coaxial Cables, Antennas, radio frequency connectivity and other products, all of which have achieved full production capacity, laying a solid foundation for the operation in the second half of 2023. Meanwhile, although the Company achieved certain overseas results in 1H2023, it still recorded a year-on-year decline of approximately 31.9%. As a result, the forecast for the second half of 2023 remains somewhat uncertain. This is mainly due to the impact of complex overseas policies and situations on a global scale, including trade frictions, geopolitical tensions and the epidemic. These uncertainties have led to fluctuations in market demand, sluggish transactions, and increased difficulty in exploring overseas markets. In the face of these challenges, the Company will continue its efforts to strengthen risk management and market forecasting, and to seek innovative solutions to ensure the steady growth of its business in a complex international environment.

The continuous growth in investment of the domestic electronics and telecommunications equipment manufacturing industry in China provided favorable external conditions for the sales of the Group's various products such as base station antennas, conventional feeder cables and jumper cable assemblies. The Group also won a number of centralized procurement tender projects of China Mobile and China Telecom with high ranking respectively during 1H2023, which laid a solid foundation for the business in 2023. During 1H2023, the Group won more than RMB1.2 billion in centralized procurement tender projects from major telecom operators in China, continuing to strengthen its market position.

Digital Technology and Digital Security Business

The Semiconductor Industry Association of the United States of America released the revenue data of global semiconductor industry for May 2023, indicating a decrease of 21.1% as compared with last year, but representing an increase of 1.7% as compared with the previous month. This marks the third consecutive month of slight growth, sparking optimistic expectations for a market rebound in the second half of 2023. From a regional perspective, although most areas experienced a negative year-on-year growth, there are clear signs of improvement in sequential performance. Specifically, China achieved a growth of 3.9%, Europe grew by 2.0%, Japan grew by 0.4%, and the Americas grew by 0.1%. Remarkably, Europe even achieved a year-on-year growth of 5.9%. Integrated Circuit (IC) design companies in the relevant regions have already noticed the trend of recovery. UMC (United Microelectronics Corporation), a major foundry service factory, forecasts that the capacity utilization rate for the 28nm process will rebound to over 90% in the coming months. Meanwhile, SMIC (Semiconductor Manufacturing International Corporation) reported that the capacity utilization rate for 28nm/40nm processes has already recovered to 100%.

In 2023, with the release of the "Overall Plan for the Construction of Digital China" (數字中國建設整體佈局規劃) by the Central Committee of the Communist Party of China and the State Council of the PRC, the Group has also accelerated the development of its digital business and launched emerging digital business services mainly in data centers and cloud computing, etc. In terms of data center applications, although the growth of traditional applications is sluggish, the demand for chips for AI is strong; especially the development of artificial intelligence generative content (AIGC) is in full swing, which has led to a significant growth in related processors, particularly GPUs. It is therefore expected that there will be continued strong demand for the Group's data center and cloud computing services in the future.

Overall, the electronic semiconductor industry faced a challenging business environment in 1H2023, and the difficulties are expected to persist in the second half of the year. However, there are already signs of recovery in the entire electronic semiconductor industry. Based on the interim results forecasts released by major A-share companies in China for 1H2023, after nearly a year of destocking, the industry has bottomed out and stabilized and achieved sequential growth in the second quarter of 2023.

The Group will seize the opportunity of market recovery by stabilizing existing customers, expanding and exploring new customers, and excelling in chips customization services to outperform the industry. Simultaneously, the Group will vigorously develop new businesses in IP licensing and digital security and create new growth opportunities. In 1H2023, the Group's Digital Technology and Digital Security business segment recorded revenue of approximately RMB75.8 million. In particular, chips customization services generated revenue of approximately RMB47.2 million, semiconductor IP licensing generated revenue of RMB18.6 million, and digital security contributed RMB10.0 million in revenue. Currently, the Digital Technology and Digital Security business segment has an order backlog of over RMB80.0 million, laying a solid foundation for the Group's operations in the second half of 2023.

Outlook

In the second half of 2023, the international environment is expected to remain complex, coupled with the triple pressures of domestic demand contraction, supply shocks, and anticipated weakening, which will continue to impact the economic recovery, falling short of expectations. However, with the implementation of comprehensive policies and the gradual waning of the epidemic's influence, the widespread application and steady development of digitalization, modern information technology, artificial intelligence, big data, and other technologies will eventually establish a solid foundation for the Group. With the completion of the acquisition of the equity interests in Zhejiang Zhongguang New Energy Technology Co., Ltd. (浙江中光新能源科技有限公司) in the second half of 2023, the Group will not only be able to diversify its business model and leverage on its digital security technology to collaborate in the development of operation and maintenance services for solar thermal projects, but also create a new and stable source of income.

It is expected that with the diversification of the Group's business and the synergies among the business segments, it will lay a good foundation for the stable and sustainable development of the Group and create greater value for our shareholders.

(IV) DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the interests and short positions of the Directors and chief executives of the Company in shares and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**SEHK**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which are required to be entered into, as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules were as follows:

Long positions in the Company:

Name of Directors	Capacity and nature of interests	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Mr. Cui Wei(1)	Deemed interest and interest in controlled corporation	108,868,662	28.06%
Ms. Zhang Zhong(2)	Deemed interest and interest in controlled corporation	15,944,525	4.11%
Mr. Du Xiping	Beneficial owner	11,468,000	2.96%

Notes:

(1) Mr. Cui Wei beneficially owns the entire issued share capital of Kingever Enterprises Limited ("**Kingever**"), and Kingever in turn holds approximately 28.06% of the total issued shares in the Company.

(2) Ms. Zhang Zhong beneficially owns the entire issued share capital of Wellahead Holdings Limited ("**Wellahead**"), and Wellahead in turn holds approximately 4.11% of the total issued shares in the Company.

Saved as disclosed above, as at 30 June 2023, none of the Directors and chief executives of the Company nor their associates had or deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to Section 352 of Part XV of the SFO or which has been notified to the Company and the SEHK pursuant to the Model Code.

(V) SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2023, insofar as is known to the Directors and chief executives of the Company, the following shareholders having interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long positions in the Company:

Name of substantial shareholders	Capacity and nature of interests	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Kingever *(Note)*	Beneficial owner	108,868,662	28.06%
Mr. Cui Wei *(Note)*	Deemed interest and interest in controlled corporation	108,868,662	28.06%

Note: Kingever is a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Cui Wei.

Saved as disclosed above, as at 30 June 2023, no person, other than the Directors, whose interests are set out in the paragraph headed "Directors' and chief executives' interests and short positions in shares and underlying shares and debentures" above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

Arrangements to enable Directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the Reporting Period nor at any time during the Reporting Period did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the employee equity incentive scheme (the "**Incentive Scheme**") adopted by the Company at its extraordinary general meeting held on 26 April 2019. The Incentive Scheme is not subject to the regulation of the Listing Rules.

(VI) SUPPLEMENTAL INFORMATION

1. Audit Committee and its Terms of Reference

The Company's audit committee members are Mr. Tam Chi Kwan Michael, Mr. Cui Wei, Dr. Li Jun, Mr. Pu Hong and Ms. Zhang Zhong. The audit committee, which is chaired by Mr. Tam Chi Kwan Michael, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2023.

2. Compliance with Corporate Governance Code

The Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2023.

3. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

Having made specific enquiries with all the Directors, all the Directors have confirmed that they have complied with the required standards of the Model Code during the Reporting Period.

4. Dividends

No dividend has been recommended by the Company for the six months ended 30 June 2023.

5. Review of financial results

The consolidated interim results of the Group for the six months ended 30 June 2023 have not been audited or reviewed by the Company's auditors.

6. Purchase, sales or redemption of the Company's securities

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

7. Employees and remuneration practices

As at 30 June 2023, there were 915 (as at 31 December 2022: 936) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

The Company also adopted the Incentive Scheme at its extraordinary general meeting held on 26 April 2019 to implement the long-term incentive and binding mechanism of Jiangsu Hengxin and fully mobilize the proactiveness of core and key employees of Jiangsu Hengxin to ensure the sustainable and healthy development of the Company.

8. Major Transaction During The Reporting Period

On 31 May 2023, (i) the Board has resolved to seek approval from the shareholders of the Company a general mandate proposed to be granted in advance by the shareholders of the Company at the 2023 July EGM to the Directors ("**Proposed Mandate**") to enter into and complete the equity transfer agreement ("**Standard Agreement**") to be entered between Hangzhou Longkong Zhongguang Enterprise Holding Enterprise Partnership (Limited Partnership) (杭州龍控中光企業控股合夥企業(有限合夥)) ("**Longkong Partnership**") and Hangzhou Heda Financial Services Co., Ltd. (杭州和達金融服務有限公司), upon successful winning of the bid submitted by the Partnership at the public tender through Hangzhou Equity Exchange (the "**Bid**"), in relation to the transfer of approximately 44.46% equity interest of Zhejiang Zhongguang New Energy Technology Co., Ltd. (浙江中光新能源科技有限公司) (the "**Target Company**") and to issue the capital contribution notice by Nanjing Zhangyu and commit Nanjing Zhangyu's capital contribution related to formation of the Longkong Partnership under the partnership agreement and its supplemental agreement both dated 21 April 2023 ("**Partnership Agreement**") and entered into between Nanjing Zhangyu as the general partner and Cosin Solar Technology Co., Ltd. (浙江可勝技術股份有限公司), as the limited partner; (ii) Longkong Partnership and Gongqing City Shengmei Investment Management Enterprise Partnership (Limited Partnership) ("**Gongqing City**") (共青城盛美投資管理合夥企業(有限合夥)), entered into a conditional equity transfer agreement ("**Equity Transfer Agreement I**"), pursuant to which Longkong Partnership has conditionally agreed to acquire, and Gongqing City has conditionally agreed to sell approximately 4.45% equity interest of the Target Company at the consideration of approximately RMB63.6 million; and (iii) Longkong Partnership and Hangzhou Jingneng Huichu Enterprise Management Enterprise Partnership (Limited Partnership) ("**Hangzhou Jingneng**") (杭州淨能慧儲企業管理合夥企業(有限合夥)), entered into a conditional equity transfer agreement ("**Equity Transfer Agreement II**"), pursuant to which Longkong Partnership has conditionally agreed to acquire, and Hangzhou Jingneng has conditionally agreed to sell approximately 2.09% equity interest of the Target Company at the consideration of approximately RMB29.9 million. Both of the Equity Transfer Agreement I and Equity Transfer Agreement II are inter-conditional and subject to successful winning of the Bid. The possible acquisitions of the equity interest of the Target Company contemplated under the Standard Agreement, Equity Transfer Agreement I and Equity Transfer Agreement II is collectively referred to as the "**Possible Acquisitions**". The Group holds 51% of the Target Company upon completions of the Possible Acquisitions.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) on an aggregate basis exceeds 25% but is less than 100%, the Possible Acquisitions constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement, circular and Shareholders' approval requirements.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the possible capital contribution of RMB640.0 million by Nanjing Zhangyu under the Partnership Agreement exceeds 25% but is less than 100%, such possible capital contribution under the Partnership Agreement when committed by Nanjing Zhangyu related to formation of Longkong Partnership constitute a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements.

The Possible Acquisitions and the Proposed Mandate was approved, confirmed and ratified at the 2023 July EGM by an ordinary resolution. For the transaction details and reasons for and benefits of the Proposed Mandate and the Possible Acquisitions, please refer to the announcements of the Company dated 31 May 2023 and 2 July 2023, the circular of the Company dated 29 June 2023, the 2023 July EGM poll results announcement of the Company dated 19 July 2023 and the completion announcement dated 24 July 2023.

On 30 June 2023, Longkong Partnership received a notification letter from the Hangzhou Equity Exchange which informed Longkong Partnership that it had won the Bid. The Possible Acquisitions were completed on 21 July 2023.

9. Amendments to the Articles of Association During the Reporting Period

With effect from 1 January 2022, the Listing Rules were amended by, among others, adopting a uniform set of 14 core standards for shareholder protections for issuers regardless of their place of incorporation as set out in Appendix 3 to the Listing Rules.

As such, the Board has proposed to make certain amendments to the articles of association of the Company (the "**Articles of Association**") for the purposes of, among others, (i) conforming to the said core standards for shareholder protections; (ii) allowing general meetings of the Company to be held as an electronic meeting or a hybrid meeting; and (iii) incorporating certain housekeeping changes (collectively, the "**Proposed Amendments**"). The Board also proposed to adopt the new Articles of Association in substitution for, and to the exclusion of, the existing Articles of Association.

The Proposed Amendments was subject to the passing of a special resolution by the shareholders of the Company at the annual general meeting of the Company convened on 28 April 2023 (the "**AGM**"). The special resolution relating to the Proposed Amendments was duly passed at the AGM and the new Articles of Association came into effect on the conclusion of the AGM. For details of the new Articles of Association, please refer to the announcement of the Company dated 28 February 2023, the circular of the Company dated 27 March 2023 and the AGM poll results announcement of the Company dated 28 April 2023. The approved and adopted Articles of Association (in both English and Chinese) are available on both the website of SEHK (http://www.hkexnews.hk) and on the Company's website (http://www.hengxin.com.sg).

10. Appendix 16 to the Listing Rules

Save as disclosed in this report, information of the Company in relation to those matters set out in paragraph 32 of Appendix 16 to the Listing Rules has not changed materially from the information disclosed in the annual report of the Company for the year ended 31 December 2022.

11. Events after the Reporting Period

Save as disclosed in this report, no important events affecting the Group has occurred since the end of the six months ended 30 June 2023 and up to the date of this report.

12. Disclosure on the website of the SEHK and the Company

This report is published on the website of SEHK (http://www.hkexnews.hk) and on the Company's website (http://www.hengxin.com.sg).

By Order of the Board
Hengxin Technology Ltd.
Cui Wei
Chairman

Singapore, 22 August 2023

As at the date of this report, the executive Directors of the Company are Mr. Peng Yinan and Dr. Song Haiyan; the non-executive Directors of the Company are Mr. Cui Wei, Mr. Du Xiping and Ms. Zhang Zhong; and the independent non-executive Directors of the Company are Mr. Tam Chi Kwan Michael, Dr. Li Jun and Mr. Pu Hong.