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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

1. Revenue increased by approximately 10.6% to approximately RMB2,255.9 million

2. Gross profit increased by approximately 15.8% to approximately RMB434.7 million

3. Gross profit margin increased by approximately 0.9 percentage point to approximately 19.3%

4. Net profit attributable to equity shareholders of the Company increased by approximately 9.6% to approximately RMB69.7 million

5. Basic earnings per share was RMB0.180

6. No final dividend has been recommended by the Company for the financial year ended 31 December 2023

* *For identification purposes only*

The board of directors (the "**Director(s)**") of Hengxin Technology Ltd. (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively hereinafter referred as the "**Group**") for the year ended 31 December 2023 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Revenue	*4*	**2,255,903**	2,039,583
Cost of sales		**(1,821,205)**	(1,664,058)
Gross profit		**434,698**	375,525
Other operating income	*5*	**54,117**	48,023
Selling and distribution expenses		**(107,756)**	(118,387)
Administrative expenses		**(72,458)**	(60,610)
Impairment loss on trade receivables		**(26,615)**	–
Other operating expenses	*6*	**(125,469)**	(155,717)
Profit from operations		**156,517**	88,834
Interest expense	*7*	**(30,993)**	(11,881)
Share of gain of an associate		**8**	–
Profit before taxation	*8*	**125,532**	76,953
Income tax	*9*	**(21,357)**	(8,871)
Profit for the year		**104,175**	68,082
Attributable to:			
Equity shareholders of the Company		**69,702**	63,602
Non-controlling interests		**34,473**	4,480
Profit for the year		**104,175**	68,082
Earnings per share *(RMB)*	*12*		
Basic		**0.180**	0.164
Diluted		**0.180**	0.164
Dividends per share *(RMB)*	*10*	**–**	–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	2023	2022
	RMB'000	*RMB'000*
Profit for the year	**104,175**	68,082
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income – net movement in fair value reserves (non-recycling)	**(1,411)**	(1,071)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of:		
– financial statements of entities with functional currencies other than RMB	**304**	1,161
Other comprehensive income for the year	**(1,107)**	90
Total comprehensive income for the year	**103,068**	68,172
Attributable to:		
Equity shareholders of the Company	**68,595**	63,692
Non-controlling interests	**34,473**	4,480
Total comprehensive income for the year	**103,068**	68,172

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment	*13*	**1,154,766**	212,359
Intangible assets	*14*	**241,470**	56,416
Goodwill	*15*	**201,589**	155,116
Interest in associates		**4,178**	–
Equity securities designated at fair value through other comprehensive income ("**FVOCI**")		**3,536**	5,622
Financial assets measured at fair value through profit or loss ("**FVPL**")		**24,768**	15,321
Time deposits		**45,000**	–
Pledged deposit		**35,000**	–
Deferred tax assets		**19,800**	20,244
		1,730,107	465,078
Current assets			
Inventories and other contract costs		**194,854**	151,587
Digital assets		**10,016**	–
Trade and other receivables	*16*	**926,982**	743,657
Time deposits		**264,125**	301,210
Cash		**944,863**	825,594
Pledged deposits		**91,833**	54,757
Financial asset measured at fair value through profit or loss ("**FVPL**")		**2,950**	–
Derivative financial assets		**82,041**	456
		2,517,664	2,077,261
Current liabilities			
Trade and other payables	*17*	**453,042**	387,960
Bank loans	*18*	**176,543**	228,634
Derivative financial liability		**2,654**	2,781
Lease liabilities		**6,137**	3,709
Income tax payable		**10,455**	9,414
		648,831	632,498
Net current assets		**1,868,833**	1,444,763
Total assets less current liabilities		**3,598,940**	1,909,841

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 31 December

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current liabilities			
Bank loans	*18*	**836,366**	–
Deferred income		**882**	2,460
Lease liabilities		**3,917**	2,906
Deferred tax liabilities		**19,202**	15,645
		860,367	21,011
NET ASSETS		**2,738,573**	1,888,830
CAPITAL AND RESERVES			
Share capital	*11*	**295,000**	295,000
General reserves		**315,149**	293,265
Special reserve		**(6,017)**	(6,017)
Fair value reserve		**(5,494)**	(4,271)
Translation reserves		**(1,555)**	(1,859)
Retained profits		**1,328,626**	1,280,996
Total equity attributable to equity shareholders of the Company		**1,925,709**	1,857,114
Non-controlling interests		**812,864**	31,716
TOTAL EQUITY		**2,738,573**	1,888,830

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

	2023 *RMB'000*	2022 *RMB'000*
Operating activities		
Profit before taxation	**125,532**	76,953
Adjustments for:		
Impairment loss on trade receivables	**26,615**	–
Amortisation of deferred income	**(1,578)**	(2,326)
Depreciation of property, plant and equipment	**54,566**	21,514
Amortisation of intangible assets	**32,091**	13,565
Interest expense	**30,993**	11,881
Interest income	**(22,510)**	(14,415)
Share of gain of an associate	**(8)**	–
Net foreign exchange gain	**–**	(5,491)
Net loss on derivative financial instruments	**6,674**	6,459
Net loss on financial assets measured at FVPL	**2,529**	32,357
Net loss on disposal of property, plant and equipment	**209**	801
Reversal of stock obsolescence	**(65)**	(786)
	255,048	140,512
Changes in working capital:		
(Increase)/decrease in inventories	**(43,262)**	104,504
Increase in digital assets	**(10,016)**	–
Decrease in trade and other receivables	**87,906**	265,331
Increase/(decrease) in trade and other payables	**44,726**	(31,957)
Cash generated from operations	**334,402**	478,390
Interest received	**8,050**	3,959
Income taxes paid	**(20,620)**	(18,172)
Withholding taxes paid	**(694)**	(3,018)
Net cash generated from operating activities	**321,138**	461,159

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the year ended 31 December

	2023	2022
	RMB'000	*RMB'000*
Investing activities		
Payment for acquisition of property, plant and equipment	**(23,782)**	(57,247)
Payment for acquisition of intangible assets	**(28,163)**	(4,964)
Payment for acquisition of financial assets measured at FVPL	**(12,000)**	(12,000)
Proceeds from disposal of property, plant and equipment	**934**	204
Proceeds from disposal of equity security designated as FVOCI	**459**	–
Payment of derivative financial instruments	**(174,532)**	–
Proceeds from derivative financial instruments	**86,146**	–
Payment for 2023 acquisition of subsidiaries	**(205,877)**	–
Payment for 2022 acquisition of subsidiaries	**(45,000)**	(152,124)
Payment for acquisition of a subsidiary which does not constitute business	**(5,850)**	–
Payment for liquidation of a subsidiary	**(695)**	–
Payment for time deposits	**(1,103,221)**	(691,800)
Proceeds from time deposits	**1,095,306**	897,800
Interest received from time deposits	**14,460**	11,221
Increase in pledged bank deposits	**(37,076)**	(29,154)
Net cash used in investing activities	**(438,891)**	(38,064)

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*
For the year ended 31 December

	2023	2022
	RMB'000	*RMB'000*
Financing activities		
Capital injection from NCI of a subsidiary	**90,000**	–
Capital element of lease rentals paid	**(4,678)**	(2,500)
Interest element of lease rentals paid	**(322)**	(147)
Other interest expense paid	**(30,671)**	(13,911)
Proceeds from bank loans	**737,060**	373,634
Repayment of bank loans	**(555,082)**	(475,293)
Net cash generated from/(used in) financing activities	**236,307**	(118,217)
Net increase in cash	**118,554**	304,878
Cash at the beginning of the financial year	**825,594**	520,105
Effect of foreign exchange rate changes	**715**	611
Cash at the end of the financial year	**944,863**	825,594

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

	Attributable to equity shareholders of the Company								
RMB'000	**Share capital**	**General reserves**	**Special reserve**	**Fair value reserve**	**Translation reserves**	**Retained profits**	**Total**	**Non-controlling interests**	**Total**
Balance at 1 January 2022	295,000	278,893	(6,017)	(3,200)	(3,020)	1,231,766	1,793,423	(6,251)	1,787,171
Changes in equity for 2022:									
Profit for the year	–	–	–	–	–	63,602	63,602	4,480	68,082
Other comprehensive income for the year	–	–	–	(1,071)	1,161	–	90	–	90
Total comprehensive income	–	–	–	(1,071)	1,161	63,602	63,692	4,480	68,172
Transfer to general reserves	–	14,372	–	–	–	(14,372)	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	33,487	33,487
Balance at 31 December 2022 and 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 2023:									
Profit for the year	**–**	**–**	**–**	**–**	**–**	**69,702**	**69,702**	**34,373**	**104,175**
Other comprehensive income for the year	**–**	**–**	**–**	**(1,411)**	**304**	**–**	**(1,107)**	**–**	**(1,107)**
Total comprehensive income	**–**	**–**	**–**	**(1,411)**	**304**	**69,702**	**68,595**	**34,373**	**103,068**
Transfer to general reserves	**–**	**21,884**	**–**	**–**	**–**	**(21,884)**	**–**	**–**	**–**
Capital contribution received from NCI of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**90,000**	**90,000**
Liquidation of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(695)**	**(695)**
Transfer of fair value reserve upon the disposal of equity securities designated at FVOCI	**–**	**–**	**–**	**188**	**–**	**(188)**	**–**	**–**	**–**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**657,370**	**657,370**
Balance at 31 December 2023	**295,000**	**315,149**	**(6,017)**	**(5,494)**	**(1,555)**	**1,328,626**	**1,925,709**	**812,864**	**2,738,573**

NOTES:

1. STATEMENT OF COMPLIANCE

Hengxin Technology Ltd. (the "**Company**") is a limited liability company incorporated in Singapore on 18 November 2004 under the Singapore Companies Act and currently its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**SEHK**"). The registered office of the Company is located at 5 Tampines Central 1, #06-05 Tampines Plaza 2, Singapore 529541.

The Company is an investment holding company, and the principal activities of the subsidiaries are (i) digital technology and digital security: chips research, design, sales and supply chain services, semiconductor intellectual property authorization business, and digital security products and services; (ii) new energy and services: the supply of electricity with a focus on the production and sales of solar power as well as the provision of development consultation and technical services of the solar thermal power generation technology; and (iii) telecommunications: the provision of high-quality and reliable signal transmission products and services for global mobile communication operators, equipment vendors and rail transit builders, mainly covering RF coaxial cables, leakage coaxial cables, antennas, active transmission equipment, and related accessory products, as well as overall solution services for wireless communication. The Group's operations are principally conducted in the People's Republic of China ("**PRC**").

The Group's consolidated 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 ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on SEHK (the "**Listing Rules**").

The financial information relating to the years ended 31 December 2022 and 2023 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND CHANGES IN ACCOUNTING POLICIES

The consolidated financial statements for the year ended 31 December 2023 comprise the Group's subsidiaries and the Group's interest in an associate.

These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated. RMB is also the functional currency of the Company and the presentation currency of the Group.

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements* and IFRS Practice Statement 2*, Making materiality judgements: Disclosure of accounting policies*

- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended IFRSs are discussed below:

IFRS 17, *Insurance contracts*

IFRS 17, which replaces IFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of IFRS 17.

Amendments to *IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to IAS 1, *Presentation of financial statements* and IFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognized the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in Note 31(b), but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

3. SEGMENT INFORMATION

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 chief operating decision maker ("**CODM**") 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.

– 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.

– New energy and services ("**New Energy and Services**"): The supply of electricity with a focus on the production and sales of solar power as well as the provision of development consultation and technical services of the solar thermal power generation technology.

– Telecommunications ("**Telecommunications**"): The provision of high-quality and reliable signal transmission products and services for global mobile communication operators, equipment vendors and rail transit builders, mainly covering RF coaxial cables, leakage coaxial cables, antennas, active transmission equipment, and related accessory products, as well as overall solution services for wireless communication.

The Group completed a business acquisition of Zhejiang Zhongguang New Energy Technology Co., Ltd. ("**Zhejiang Zhongguang**") during the year ended 31 December 2023. CODM has revised the reportable segments and the Group's internal reporting according to the nature of business operations at each operating segment as shown above. The previous operating and reportable segment of "Radio frequency coaxial cables", "Telecommunication equipment and accessories", "Antennas" and "Others" segments have been assigned to the segments of "Telecommunications". As a result of the changes to reportable segments and segment presentation, the segment revenue and results and other segment information for the year ended 31 December 2022 has been represented to conform to the revised presentation.

Information about reportable segments

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM 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 CODM 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 CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2023 and 2022 is set out below:

	Reportable segments			
	Digital Technology and Digital Security *RMB'000*	**New Energy and Services** *RMB'000*	**Telecommunications** *RMB'000*	**Total reportable segments** *RMB'000*
2023				
Disaggregated by timing of revenue recognition				
Point in time	**167,185**	**77,064**	**1,975,695**	**2,219,944**
Over time	**35,486**	**–**	**473**	**35,959**
Revenue from external customers	**202,671**	**77,064**	**1,976,168**	**2,255,903**
Segment profit before taxation	**55,364**	**12,291**	**69,546**	**137,201**
Interest income	**131**	**3,824**	**18,524**	**22,479**
Finance cost	**(183)**	**(20,759)**	**(10,022)**	**(30,964)**
Depreciation and amortisation expense	**(37,588)**	**(21,310)**	**(27,430)**	**(86,328)**
Share of gain of an associate	**–**	**8**	**–**	**8**
Provision of impairment loss on trade receivables	**–**	**–**	**(26,615)**	**(26,615)**
Reversal of provision of stock obsolescence	**–**	**–**	**65**	**65**

	Reportable segments						
		Telecommunications					
	Digital Technology and Digital Security *RMB'000*	Radio Frequency Coaxial Cables *RMB'000*	Telecommunication Equipment and Accessories *RMB'000*	Antennas *RMB'000*	All other segments *RMB'000*	Subtotal *RMB'000*	Total reportable segments *RMB'000*
2022 (restated)							
Disaggregated by timing of revenue recognition							
Point in time	80,796	984,846	427,949	450,982	81,007	1,944,784	2,025,580
Over time	13,422	–	–	–	581	581	14,003
Revenue from external customers	94,218	984,846	427,949	450,982	81,588	1,945,365	2,039,583
Segment profit/(loss) before taxation	(686)	28,976	31,919	10,383	16,266	87,544	86,858
Interest income	91	7,250	3,150	3,320	601	14,321	14,412
Finance cost	(125)	(5,946)	(2,584)	(2,723)	(493)	(11,746)	(11,871)
Depreciation and amortisation expense	(14,869)	(10,073)	(4,377)	(4,613)	(834)	(19,897)	(34,766)
Reversal of provision of stock obsolescence	–	–	–	786		786	786

Reconciliation of information on reportable segments

	Group For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Profit before taxation		
Total profit before tax for reportable segments	**137,201**	86,858
Unallocated amounts:		
– Other income	**4,468**	2,804
– Other expenses	**–**	(15)
– Other unallocated amounts	**(16,137)**	(12,694)
Consolidated profit before taxation	**125,532**	76,953

Other material items

	Reportable and all other segment totals	**Unallocated amounts**	**Consolidated totals**
	RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2023			
Depreciation and amortisation expenses	**(86,328)**	**(329)**	**(86,657)**
For the year ended 31 December 2022			
Depreciation and amortisation expenses	(34,766)	(313)	(35,079)

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.

The following table sets out the geographic information analyses of (i) the Group's revenue and (ii) the Group's Property, plant and equipment, goodwill, intangible assets and interest in associates ("**specified non-current assets**"). 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		**Specified non-current assets As at**	
			31 December	31 December
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**2,140,809**	1,871,728	**1,601,249**	421,221
Others	**115,094**	167,855	**754**	426
Total	**2,255,903**	2,039,583	**1,602,003**	421,647

4. REVENUE

The principal activities of the Group are the provision of telecommunications products and services, provision of digital technology and digital security products and services and the provision of new energy and services.

Disaggregation of revenue

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

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Digital Technology and Digital Security	**202,671**	94,218
New Energy and Services	**77,064**	–
Telecommunications	**1,976,168**	1,945,365
Total	**2,255,903**	2,039,583

5. OTHER OPERATING INCOME

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Interest income	**22,510**	14,415
Government grants	**13,587**	10,383
Net foreign exchange gain	**10,676**	16,999
Net gain on commodity future contracts	**3,534**	2,172
Compensation claims received	**1,272**	1,947
Others	**2,538**	2,107
Total	**54,117**	48,023

6. OTHER OPERATING EXPENSES

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Research and development expenses	**114,650**	114,592
Net loss on derivative financial instruments other than commodity future contracts	**6,674**	6,459
Net loss on financial assets measured at FVPL	**2,529**	32,357
Donations	**816**	700
Penalty expenses charged by customers	**591**	808
Net loss on write-off of property, plant and equipment	**209**	801
Total	**125,469**	155,717

These research and development expenses were not capitalised as the Group cannot demonstrate that an intangible asset exists that will generate probable future economic benefits.

Penalty expenses charged by customers mainly represents compensation to customer relating to product quality issue.

7. INTEREST EXPENSE

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Interest expense on bank loans	**23,005**	10,739
Interest on lease liabilities	**322**	147
Other interest expense	**7,666**	995
Total	**30,993**	11,881

8. PROFIT BEFORE TAXATION

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

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cost of inventories recognised as expense#	**1,821,205**	1,664,058
Depreciation of owned property, plant and equipment	**46,854**	17,842
Depreciation of right-of-use assets	**7,712**	3,672
Amortisation of intangible assets	**32,091**	13,565
Impairment loss/(reversal) recognised of:		
– trade receivables	**26,615**	–
– inventory	**(65)**	(786)
Audit and related services fees paid to:		
– member firms of KPMG International	**3,652**	3,150
– other auditors	**376**	321
Salaries and bonus	**164,955**	132,623
Contributions to defined contribution plans	**10,261**	7,411
Executive directors' remuneration	**1,332**	2,512
Non-executive directors' fees	**1,901**	1,603
Total staff costs	**178,449**	144,149
Research and development expenses (included in other operating expenses)	**114,650**	114,592
Net foreign exchange gain	**(10,676)**	(16,999)
Net loss on derivative financial instruments	**6,674**	6,459
Net loss on financial assets measured at FVPL	**2,529**	32,357
Net gain on commodity future contracts	**(3,534)**	(2,172)

Cost of inventories includes RMB135,066,000 (2022: RMB73,795,000) relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately in the financial statement for each of these types of expenses.

9. INCOME TAX

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current tax expense		
Current year	**21,842**	20,166
Under provision in prior years	**513**	440
	22,355	20,606
Deferred tax expense		
Origination of temporary differences	**(998)**	(11,735)
Income tax expense	**21,357**	8,871

(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 Wireless Technology Co., Ltd., Nanjing Zhangyu Information Technology Co., Ltd. ("**Nanjing Zhangyu**"), Shanghai Zhangyu Information Technology Co., Ltd. ("**Shanghai Zhangyu**") and Qinghai Zhongkong Solar Power Co., Ltd. ("**Qinghai Zhongkong**") are subject to a preferential income tax rate of 15% in 2023 available to enterprises which qualify as a High and New Technology Enterprise (2022: 15%).

Qinghai Zhongkong is also entitled to preferential tax treatments including three years exemption followed by three years of a 50% tax reduction.

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

No provision for Hong Kong Profits Tax was made for Hengxin Metaverse Co., Ltd. as it does not have assessable profits subject to Hong Kong Profits Tax for the year ended 31 December 2023.

10. DIVIDENDS

No final dividend has been proposed for the financial year ended 31 December 2023 (Year ended 31 December 2022: Nil).

11. 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 2023 and 2022	388,000	295,000	58,342

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

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share at 31 December 2023 was based on the profit attributable to equity shareholders of the Company amounting to approximately RMB69,702,000 (2022: RMB63,602,000), and the weighted average number of ordinary shares outstanding of 388,000,000 (2022: 388,000,000 shares), calculated as follows:

Weighted average number of ordinary shares:

	2023	2022
Issued ordinary shares and weighted average number of ordinary shares at 1 January and 31 December	**388,000,000**	388,000,000

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in existence for the years ended 31 December 2023 and 2022. The calculated diluted earnings per share equals the basic earnings per share at 31 December 2023 and 2022.

13. PROPERTY, PLANT AND EQUIPMENT

During the financial year ended 31 December 2023, the Group's additions of property, plant and equipment during the year was approximately RMB30.3 million (2022: RMB60.0 million).

14. INTANGIBLE ASSETS

	Customer relationship *RMB'000*	Patents *RMB'000*	IP resources *RMB'000*	License *(Note)* *RMB'000*	Total *RMB'000*
Cost:					
At 1 January 2022	–	–	–	–	–
Addition	–	–	4,964	–	4,964
Acquisition of subsidiaries	50,864	14,153	–	–	65,017
At 31 December 2022	50,864	14,153	4,964	–	69,981
Addition	–	–	28,163	–	28,163
Acquisition of subsidiaries	–	15,616	–	173,366	188,982
At 31 December 2023	**50,864**	**29,769**	**33,127**	**173,366**	**287,126**
Accumulated amortisation:					
At 1 January 2022	–	–	–	–	–
Charge for the year	(11,868)	(1,490)	(207)	–	(13,565)
At 31 December 2022	(11,868)	(1,490)	(207)	–	(13,565)
Charge for the year	(23,735)	(3,604)	(1,910)	(2,842)	(32,091)
At 31 December 2023	**(35,603)**	**(5,094)**	**(2,117)**	**(2,842)**	**(45,656)**
Net book value:					
At 31 December 2023	**15,261**	**24,675**	**31,010**	**170,524**	**241,470**
At 31 December 2022	38,996	12,663	4,757	–	56,416

Note: The license represents electric power business license granted to Qinghai Zhongkong by National Development and Reform Commission for the solar thermal project.

The amortisation charge for the year is included in "cost of sales" and "other operating expense" in the consolidated statement of profit or loss. No impairment loss was recognised during the year (2022: Nil).

15. GOODWILL

	RMB'000
Cost:	
At 1 January 2022	–
Acquisition of subsidiaries	155,116
At 31 December 2022	155,116
Acquisition of subsidiaries	46,473
At 31 December 2023	**201,589**
Accumulated impairment losses:	
At 1 January 2022, 31 December 2022 and 31 December 2023	–
Carrying amount:	
At 31 December 2023	**201,589**
At 31 December 2022	155,116

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("**CGU**"s) identified according to country of operation and operating segment as follows;

	2023	2022
	RMB'000	*RMB'000*
Digital technology and digital security business	**155,116**	155,116
New energy and services business	**46,473**	–
	201,589	155,116

The recoverable amount of the CGU is determined based on value-in-use calculations. The Group engaged an independent professional valuer to assist with the calculation. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

16. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**803,463**	597,910
Bills receivables	**66,573**	81,232
Less: Loss allowance	**(39,690)**	(13,075)
Net trade and bills receivables	**830,346**	666,067
Loans to the associate	**21,191**	21,191
Non-trade amount due from the associate	**1,680**	1,680
Less: Loss allowance	**(22,871)**	(22,871)
	–	–
Advances to staff	**939**	1,454
Refundable deposits	**19,461**	8,558
Tax recoverable	**10,630**	21,511
Prepayments		
– third parties	**65,606**	45,867
– affiliated corporation*	**–**	200
Net prepayments and non-trade receivables	**96,636**	77,590
	926,982	743,657

* An affiliated corporation is defined as one:

(a) in which a director of the Company has substantial financial interests or who is in a position to exercise significant influence; and/or

(b) which directly or indirectly, through one or more intermediaries, are under the control of a common shareholder.

All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 6 months	**588,210**	489,206
7 to 12 months	**86,321**	114,902
1 to 2 years	**95,508**	49,156
Over 2 years	**60,307**	12,803
	830,346	666,067

Among the trade and other receivables balance, the trade receivables amounting to RMB249,294,000, which includes solar energy electricity sales receivables amounting to RMB3,455,000 and tariff premium receivables amounting to RMB245,839,000, respectively, from provincial grid companies. Generally, the receivables are due within 30 days to 60 days from the date of billing, except for the tariff premium. The collection of such tariff premium is subject to the allocation of funds by relevant government authorities to local grid companies, which therefore takes a relatively long time for settlement.

Pursuant to CaiJian [2012] No.102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加補助資金管理暫行辦法) jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration in March 2012, a set of standardised procedures for the settlement of the tariff premium has come into force since 2012 and approvals on a project by project basis are required before the allocation of funds to local grid companies. As at 31 December 2023, all of the Group's operating projects have been approved for the tariff premium.

As at 31 December 2023, the trade receivables and bill receivables from provincial grid companies amounting to RMB249,294,000 and RMB7,396,000, respectively, were pledged as securities for the Group's bank loans.

Trade receivables from provincial grid companies that were neither past due nor impaired mainly represented the electricity sales receivable from local grid companies for whom there was no recent history of default. Other trade and bills receivables are due within 90-270 days from the date of billing.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2023	2022
	RMB'000	*RMB'000*
Balance at 1 January	**(13,075)**	(13,075)
Impairment loss recognised during the year	**(26,615)**	–
	(39,690)	(13,075)

17. TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade payables due to:		
– third parties	**263,602**	72,172
– affiliated corporation	**21,281**	–
Bills payable	**–**	145,000
Trade and bills payables	**284,883**	217,172
Accrued operating expenses	**75,755**	68,816
Contract liabilities	**62,219**	40,431
Contingent consideration payables	**–**	45,000
Tender deposits	**19,715**	10,823
Value added tax, business tax and other taxes payable	**7,669**	3,709
Other payables		
– third parties	**2,001**	2,009
– affiliated corporation*	**800**	–
Other payables	**168,159**	170,788
	453,042	387,960

All of the trade and other payables (including amounts due to related parties), are expected to be settled or recognised as income within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade payable and bills payable (which are included in trade and other payables), based on the invoice date, is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
0 to 90 days	**239,543**	196,207
91 to 180 days	**18,769**	12,394
181 to 360 days	**5,013**	5,104
Over 360 days	**21,558**	3,467
	284,883	217,172

18. BANK LOANS

		As at 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Current			
Secured bank loans	*(i)*	**125,803**	–
Unsecured bank loans	*(ii)*	**50,740**	228,634
		176,543	228,634
Non-current			
Secured bank loans	*(i)*	**482,413**	–
Unsecured bank loans	*(ii)*	**406,756**	–
Less: Unsecured bank loans – current		**(50,740)**	–
Secured bank loans – current		**(2,063)**	–
		836,366	–
		1,012,909	228,634

Notes:

(i) The secured bank loans were secured by the income receipts right in relation to the sales of electricity and property, plant and equipment of the Group at an interest rate of 4.35 – 4.90% per annum. The secured bank loans are subject to the fulfilment of covenants related to certain financial ratios of the Group, as are commonly found in lending arrangements with financial institutions. The Group regularly monitors its compliance with the covenants. None of the covenants related to drawn down facilities were breached or no covenants are required. An analysis of the carrying value of these assets is as follows:

	2023	2022
	RMB'000	*RMB'000*
Electric generating facilities	**824,517**	–
Trade and bills receivables	**256,940**	–
Pledged deposit	**35,000**	–
	1,116,457	–

(ii) The unsecured bank loans carried interest at annual rates within 1.26 – 4.00% (2022: 1.18 – 3.50%) per annum, and were all repayable within one year.

At 31 December 2023, the Group had RMB3,251,000,000 (2022: RMB2,454,000,000) of unutilised bank borrowing facilities.

19. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Sale of finished goods to:		
Guangde Hengtong Precision Copper Co., Ltd.	**31,925**	–
Jiangsu Hengtong Precision Metal Material Co., Ltd.	**11,796**	–
Suzhou Hengli Telecommunications Materials Co., Ltd.	**817**	9,116
Hengtong Optic-electric Co.,Ltd.	**19**	–
	44,557	9,116
Purchase of goods and service from:		
Jiangsu Hengtong Precision Copper Co., Ltd.	**180,279**	–
Suzhou Hengli Telecommunications Materials Co., Ltd.	**17,079**	37,377
Beijing Hengtong Intelligent Technology Co., Ltd.	**5,954**	–
Jiangsu Hengtong Cable Technology Co., Ltd.	**1,035**	–
Jiangsu Hengtong Digital Intelligent Technology Co., Ltd.	**167**	–
Jiangsu Hengtong International Logistics Co., Ltd.	**3**	–
	204,517	37,377
Payment of deposit to:		
Jiangsu Hengtong International Logistics Co., Ltd.	**800**	–

(b) Significant related party balances

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade payable and other payable due to:		
Jiangsu Hengtong Precision Copper Co., Ltd.	**18,467**	–
Beijing Hengtong Intelligent Technology Co., Ltd.	**1,314**	–
Suzhou Hengli Telecommunications Materials Co., Ltd.	**981**	–
Jiangsu Hengtong International Logistics Co., Ltd.	**800**	–
Jiangsu Hengtong Cable Technology Co., Ltd.	**519**	–
	22,081	–

(c) Compensation of key management personnel

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Short term benefits	**8,382**	8,056
Retirement benefits scheme contributions	**723**	539
Total	**9,105**	8,595
Key management personnel compensation comprised amounts paid to:		
– directors of the Company	**3,232**	4,115
– other key management personnel	**5,873**	4,480
	9,105	8,595

Total remuneration is included in "staff costs" of Note 8 above.

20. DONATIONS AND CAPITAL COMMITMENTS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Contracted for but not provided for property, plant and equipment	**10,577**	189
Donation commitment	**1,500**	2,000
	12,077	2,189

The Group's PRC subsidiary has signed an intention letter 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 financial year ended 31 December 2023 ("**FY2023**" or the "**Reporting Period**") increased by approximately RMB216.3 million, or approximately 10.6% from approximately RMB2,039.6 million in the previous financial year ended 31 December 2022 ("**FY2022**") to approximately RMB2,255.9 million in FY2023.

Part of the increase in revenue for FY2023 comparing FY2022 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 revenue of Zhangyu Companies formed the Digital Technology and Digital Security business segment of the Group. The Zhangyu Companies have contributed approximately RMB94.2 million in revenue in the second half of FY2022. During the full year of FY2023, the Zhangyu Companies contributed approximately RMB202.7 million of revenue, representing an increase of approximately RMB108.5 million or 115.1% from revenue during the previous year.

The other reason contributing to the increase in revenue for FY2023 comparing FY2022 is due to the completion of the acquisition of Zhejiang Zhongguang New Energy Co., Ltd. and its subsidiaries ("**Zhongguang New Energy**") in August 2023. The revenue of Zhongguang New Energy formed the New Energy and Services business segment of the Group. Zhongguang New Energy have contributed approximately RMB77.1 million in revenue in the second half of FY2023.

By separating the revenue contribution by the Zhangyu Companies in the full year of FY2023 and Zhongguang New Energy in the second half of FY2023, the Telecommunications business segment recorded a small increase in revenue of approximately RMB30.8 million or 1.6% from FY2022's approximately RMB1,945.4 million to FY2023's approximately RMB1,976.2 million. Below is an analysis of revenue according to the categories of business segments.

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 the full year of FY2023, Zhangyu Companies have recorded revenue of approximately RMB202.7 million (representing an increase of approximately RMB108.5 million or 115.1% from approximately RMB94.2 million for the second half of FY2022), of which revenue from (i) design services was approximately RMB44.4 million; (ii) tape-out service was approximately RMB63.9 million; and (iii) digital technology, cloud computing and services were approximately RMB94.4 million.

New Energy and Services

With the completion of the acquisition of the Zhongguang New Energy in July 2023, a new business segment of New Energy and Services was formed with a focus on the supply of electricity through the production and sales of solar power as well as the provision of development consultation and technical services of the solar thermal power generation technology. Since the completion of the acquisition in July 2023, Zhongguang New Energy have recorded revenue of approximately RMB77.1 million from the sales of solar power from the business segment's 50MW and 10MW power generating facilities. The New Energy and Services business segment will provide the Group with stable and consistent income stream and marked the Group's successful leap into a new business diversification arena.

Telecommunications

Due to continuous fierce market competition during FY2023, Telecommunications business segment only recorded a slight increase in revenue of RMB30.8 million or 1.6% from the previous year despite the Group's increased effort on market exploration with more competitive pricing strategy and broadening its products mix width in order to maintain its market position and securing orders from major telecommunication operators in the PRC.

Gross profit margin

The Group achieved an overall gross profit margin of approximately 19.3% for FY2023 compared to approximately 18.4% for FY2022, representing an increase of approximately 0.9 percentage point year-on-year. By separating the Digital Technology and Digital Security business segment and New Energy and Service business segment, the rest of the Telecommunications business segment achieved a combined gross profit margin of approximately 15.3%, representing a decrease of approximately 1.8 percentage points from the previous year's 17.1%. The Digital Technology and Digital Security business segment has achieved a gross profit margin of 41.7% during the year of FY2023 (gross profit margin of 45.7% during the second half of FY2022), representing a decrease of 4.0 percentage points year-on-year. The New Energy and Service business segment has achieved a gross profit margin of 61.8% after the completion of the acquisition in July 2023.

As mentioned before, the Telecommunications business segment has faced strong market competition, in order to maintain its market share, more competitive pricing strategy was applied in order to secure more orders, therefore gross profits recorded a decrease year-on-year. Gross profit contribution for the Telecommunications business segment in FY2023 has recorded a year-on-year decrease of RMB29.1 million or 8.8% from FY2022's RMB331.6 million to FY2023's RMB302.5 million.

For the Digital Technology and Digital Security business segment, overall gross profit margin for the full year of FY2023 was approximately 41.7% (gross profit margin of approximately 45.7% during the second half of FY2022), representing a decrease of approximately 4.0 percentage points year-on-year. Due to the nature of digital technology, cloud computing and services businesses, gross profit margins are generally higher than the Telecommunications business segment. Because of the change in products mix in FY2023 comparing FY2022, the Digital Technology and Digital Security business segment has recorded a slight decrease in gross profit margin and gross profit contribution in FY2023 was RMB84.5 million, representing an increase of RMB41.4 million or 96.1% from FY2022's RMB43.1 million.

For the New Energy and Services business segment, overall gross profit margin for the second half of FY2023 was approximately 61.8% and gross profit contribution to the Group was RMB47.6 million since the completion of the acquisition in July 2023.

As the Digital Technology and Digital Security and New Energy and Services business segments have higher gross profit margin than the Telecommunications business segment, the Group recorded an increase in the combined gross profit margin year-on-year.

On the one hand, the Group will 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. In addition to micro-innovation and micro operating activities, the Group will also continue to 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. As the New Energy and Services business segment further develops and contributes to the Group on a full year basis after FY2023, the Group will be able to achieve higher overall gross profit margin and gross profit contribution.

Other operating income

Other operating income increased by approximately RMB6.1 million or approximately 12.7% from approximately RMB48.0 million in FY2022 to approximately RMB54.1 million in FY2023. The increase is primarily due to:

(i) an increase in interest income by approximately RMB8.1 million;

(ii) an increase in government grants and subsidies of approximately RMB3.2 million;

(iii) a decrease in net foreign gain of RMB6.3 million; and

(iv) a net increase in other items of approximately RMB1.1 million.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RMB10.6 million or approximately 9.0% from approximately RMB118.4 million in FY2022 to approximately RMB107.8 million in FY2023. This was due to a combination of various factors including the decrease in salary expenses under selling and distribution expenses, the decrease in transportation costs, and the decrease in marketing expenses due to the stringent policy to control the costs of the Group during FY2023.

Administrative expenses

Administrative expenses increased by approximately RMB11.9 million or approximately 19.6% from approximately RMB60.6 million in FY2022 to approximately RMB72.5 million in FY2023. The increase was mainly due to the full year consolidation of the Zhangyu Companies and the administrative expenses from Zhongguang New Energy after the completion of the acquisition in July 2023 and the legal and profession fees related to the acquisition of Zhongguang New Energy during FY2023.

Impairment loss on trade receivables

Additional impairment loss on trade receivables amounting to approximately RMB26.6 million was provided in FY2023 (2022: Nil).

Other operating expenses

Other operating expenses decreased by approximately RMB30.2 million or approximately 19.4% from approximately RMB155.7 million in FY2022 to approximately RMB125.5 million in FY2023. Such change is mainly due to:

(i) a slight increase in research and development ("**R&D**") expenses by approximately RMB0.1 million year-on-year from FY2022's approximately RMB114.6 million to approximately RMB114.7 million in FY2023. During FY2023, approximately RMB96.3 million (representing a decrease of approximately RMB8.0 million or 7.7% year-on-year) of R&D is attributable to the continuing R&D activities undertaken for the modifications and improvements to the Group's telecommunications products during FY2023; approximately RMB13.6 million is due to the R&D undertaken by the Zhangyu Companies during the full year FY2023; and approximately RMB4.8 million is due to the R&D undertaken by Zhongguang New Energy during the second half of FY2023; and

(ii) a decrease in the net loss on financial assets measured at FVPL of approximately RMB29.8 million in FY2023.

Interest expense

Interest expense increased by approximately RMB19.1 million or approximately 160.5% from approximately RMB11.9 million in FY2022 to approximately RMB31.0 million in FY2023, mainly because of the interest expenses amounting to approximately RMB20.8 million relating to the bank borrowings for the acquisition of Zhongguang New Energy during FY2023 and the interest expenses relating to Zhongguang New Energy's bank loans.

Profit before taxation

Profit before taxation increased by approximately RMB48.5 million or approximately 63.0% from approximately RMB77.0 million in FY2022 to approximately RMB125.5 million in FY2023. During the second half of FY2023, Zhongguang New Energy have made positive profit contribution to the Group, forming a new driver for the Group's growth in addition to the Digital Technology and Digital Security business segment formed in FY2022. Therefore, profit before taxation increased due to the new profit centers from Zhangyu Companies and Zhongguang New Energy.

Income tax

The Group's main subsidiaries, Jiangsu Hengxin Technology Co., Ltd. ("**Jiangsu Hengxin**"), Zhangyu Companies and the subsidiary of Zhongguang New energy, Qinghai Zhongkong Solar Power Co., Ltd., have been subject to an incentive tax rate of 15% in FY2023 as they qualify as a high-tech enterprise in the PRC. Income tax expense increased by approximately RMB12.5 million or approximately 140.4% from approximately RMB8.9 million in FY2022 to approximately RMB21.4 million in FY2023. The increase is mainly due to (i) the increase in profit from operations during FY2023 due to the new profit centers after the acquisition of the Zhangyu Companies in the second half of FY2022; (ii) the increase in profit from operations and the new profit center after the acquisition of Zhongguang New Energy in the second half of FY2023; and (iii) decrease in the deferred tax expense reversal arising from the origination of temporary difference mainly from contingent consideration and put option and intangible assets identified in business combination in FY2022.

Profit Attributable to Equity Shareholders of the Company

In view of the above, after taking into account of the effect of non-controlling interests, profit attributable to equity shareholders of the Company increased by approximately RMB6.1 million or approximately 9.6% from approximately RMB63.6 million in FY2022 to approximately RMB69.7 million in FY2023.

Consolidated Statement of Financial Position

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

Property, plant and equipment

As at 31 December 2023, property, plant and equipment amounted to approximately RMB1,154.8 million, representing an increase of approximately RMB942.4 million or approximately 443.7% from approximately RMB212.4 million as at 31 December 2022. The increase is mainly due to the first time consolidation of Zhongguang New Energy as at 31 December 2023 and the increase mainly include RMB953.5 million of electric generating facilities, rights-of-use assets, land use rights and others.

Intangible assets

Intangible assets amounted to approximately RMB241.5 million as at 31 December 2023 (as at 31 December 2022: RMB56.4 million), representing an increase of approximately RMB185.1 million or approximately 30.5% and mainly represent customer relationship, patents, intellectual property resources and license. The increase is mainly due to the business combination of the value for the patents and license relating to the solar power generation of Zhongguang New Energy on the completion of the acquisition of in July 2023. The Group has engaged an external valuation firm to perform fair value assessments on these intangible assets of customer relationship, patents and license in accordance with IAS 38 Intangible Assets and IFRS 3 Business Combination.

Goodwill

As at 31 December 2023, goodwill amounted to approximately RMB201.6 million (as at 31 December 2022: RMB155.1 million), of which RMB155.1 million was due to the acquisition of the Zhangyu Companies during FY2022 and RMB46.5 million was due to the acquisition of Zhongguang New Energy during FY2023. Based on the independent valuation performed by an external valuation firm engaged by the Group, no impairment on goodwill was required for FY2023.

Inventories and other contract costs

Inventories and other contract costs (comprising raw materials, work-in-progress, finished goods and other contract costs) increased by approximately RMB43.3 million or approximately 28.6% from approximately RMB151.6 million as at 31 December 2022 to approximately RMB194.9 million as at 31 December 2023. The increase was mainly due to the increase in raw materials and finished goods due to the anticipation of the increase in raw materials costs to stock up raw materials and goods in transit as at the year end of FY2023.

Trade and other receivables

(i) Net trade and bills receivables increased by approximately RMB164.2 million or approximately 24.7% from approximately RMB666.1 million as at 31 December 2022 to approximately RMB830.3 million as at 31 December 2023. The increase in trade and bills receivables is mainly due to the first time consolidation of the trade receivables relating to Zhongguang New Energy as at 31 December 2023.

If the gross trade receivables and bills receivables relating to Zhongguang New Energy were taken out from the 31 December 2023 balance, the adjusted gross trade receivables and bills receivables relating to Telecommunications and Digital Technology and Digital Security business segments have recorded a decrease of approximately RMB66.0 million or approximately 9.7% from the FY2022's year end balance of approximately RMB679.1 million to the adjusted 31 December 2023 year end balance of approximately RMB613.1 million. Such decrease in gross trade and bills receivables during FY2023 was because customers have speeded up their settlement arrangement as the Group has imposed stricter credit control and collection policy on outstanding trade and bills receivables.

As at 31 December 2023, based on the invoice date and net of allowance for impairment, approximately 70.8% of the 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 net trade and bills receivables, as at 31 December 2023, approximately 7.3% were over two years (as compared with 1.9% as at 31 December 2022). The long aged net trade and bills receivables were mostly relating to non-operator customers of the Telecommunications business segment. The Group does not foresee any significant difficulty in the collection of these receivables. The Group will continue to endeavour in its collection efforts on the outstanding balances.

(ii) Net prepayments and non-trade receivables increased by approximately RMB19.0 million or approximately 24.5% from approximately RMB77.6 million as at 31 December 2022 to approximately RMB99.6 million as at 31 December 2023. The increase was mainly due to the (i) increase in prepayments by approximately RMB19.7 million; (ii) increase in refundable deposits by approximately RMB10.9 million; and (iii) decrease in tax recoverable of approximately RMB10.9 million.

Trade and other payables

(i) Trade and bills payables increased by approximately RMB67.7 million or approximately 31.2% from approximately RMB217.2 million as at 31 December 2022 to approximately RMB284.9 million as at 31 December 2023. The increase is mainly due to the first time consolidation of the trade and bills payable of Zhongguang New Energy as at 31 December 2023 amounting to RMB49.7 million. If the trade and bills payable of Zhongguang New Energy were taken out, the adjusted trade and bills payable of the Telecommunications and Digital Technology and Digital Security business segments have recorded an increase of RMB18.0 million or 8.3% from RMB217.2 million as at 31 December 2022 to the adjusted balance of RMB235.2 million as at 31 December 2023. Such increase is in line with the increase in inventories of raw materials in response to the Group's purchases in anticipation of increase in raw materials costs.

(ii) Other payables recorded a slight decrease of approximately RMB2.6 million or approximately 1.5% from approximately RMB170.8 million as at 31 December 2022 to approximately RMB168.2 million as at 31 December 2023. The decrease is mainly due to (i) the increase in contract liabilities by approximately RMB21.8 million; (ii) the increase in tender deposits of approximately RMB8.9 million; (iii) the increase in accrued operating expenses by approximately RMB6.9 million; and (iv) as at 31 December 2023, there was no contingent consideration payables relating to the second (last) payment for the acquisition of the Zhangyu Companies in FY2022 of approximately RMB45.0 million.

Current bank loans and non-current bank loans

The current and non-current bank loans as at 31 December 2023 amounted to approximately RMB1,012.9 million. Of which approximately RMB496.9 million was related to the bank loans of Qinghai Zhongkong Solar Power Co., Ltd. having maturity dates from 2025 to 2034 and carry fixed interest rates from 3.5% to 4.7% per annum. The rest of the current and non-current bank loans amounted to approximately RMB516.0 million, the loans were mainly used to enhance the working capital position of the Group and finance the acquisition of Zhongguang New Energy and carry fixed interest rates. The current bank loans as at 31 December 2022 amounting to approximately RMB228.6 million were all related to short term bank loans for general working capital use with fixed interest rates.

(II) SUBSIDIARIES

The major subsidiaries of the Company are Jiangsu Hengxin, Jiangsu Hengxin Wireless Technology Co., Ltd, Hengxin Technology (India) Pvt Ltd, Hengxin Technology International Co., Limited, HODL PCC Limited, Jiangsu Hengxin Zhonglian Communications Technology Co., Ltd., Hengxin Metaverse Limited, Yixing Tianyue Enterprise Management Consulting Partnership (Limited Partnership), Nanjing Zhangyu Information Technology Co., Ltd., Shanghai Zhangyu Information Technology Co., Ltd., Wuxi Sihai Technology Co., Ltd., Shanghai Zhangyu Semi-conductor Co., Ltd., Hangzhou Longkong Zhongguang Enterprise Holding Enterprise Partnership (Limited Partnership), Zhejiang Zhongguang New Energy Technology Co., Ltd., Gansu Yumen Zhongkong Solar Energy Generation Co., Ltd. and Qinghai Zhongkong Solar Energy Generation Co., Ltd.

(III) FOREIGN CURRENCY EXPOSURE

Renminbi ("**RMB**") is the functional currency of the Group. Currencies other than RMB expose the Group to foreign currency risk. The Group has foreign currency sales and its revenue and costs are denominated in RMB, India Rupees ("**INR**") and United States dollars ("**USD**"). Some of the Group's bank balances are denominated in USD, Singapore dollars ("**SGD**"), Hong Kong dollars ("**HKD**") and INR, whilst some costs may be denominated in HKD, SGD and INR. The Group has implemented a hedging policy to strike a balance between the uncertainty and the risk of opportunity loss in light of the growing significance of its exposure to the fluctuations in foreign currency, under which policy foreign exchange forward contracts may be used to eliminate the currency exposure. The Group has entered into certain forward contracts as at the end of the Reporting Period on hedging the expected fluctuations of the exchange rate of USD and will continue to monitor foreign exchange exposure and consider hedging other significant foreign currency exposure should the need arise.

(IV) DONATION AND CAPITAL COMMITMENTS

As at 31 December 2023, the capital commitments of the Group in respect of the purchase of property, plant and equipment were approximately RMB10,577,000 (31 December 2022: approximately RMB189,000).

The Group's PRC subsidiary has signed an intention letter 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. As at 31 December 2023, the donation commitment was approximately RMB1,500,000 (31 December 2022: approximately RMB2,000,000).

(V) CHARGE OR PLEDGE OF ASSETS

As at 31 December 2023, deposits amounting to approximately RMB30,164,000 (2022: RMB39,671,000) were pledged to banks as guarantees for bidding of customer contracts and issuing letter of guarantee. Pledged bank deposits bear interest at an average effective interest rates at 1.3933% (2022: 1.0878%) per annum and for a tenure of approximately 4 to 60 months (2022: 4 to 60 months). Remaining pledged deposits is pertaining to the security deposit for the commodity future contracts entered to hedge the purchase of raw materials during the year.

As at 31 December 2023, deposit amounting to approximately RMB35,000,000 (2022: Nil), electric generating facilities amounting to approximately RMB824,517,000 (2022: Nil) and trade and bills receivables amounting to approximately RMB256,940,000 (2022: Nil) were pledged to banks for secured bank loans and banking facilities at an interest rate of 4.35 - 4.90% per annum. Pledged bank deposits bear interest at an average effective interest rates at 2.9770% (2022: Nil) per annum and for 156 months. The pledged deposits will be released by the expiry of relevant banking facilities.

(VI) LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group's total assets were approximately RMB4,247,771,000 (2022: RMB2,542,339,000) (of which current assets were approximately RMB2,517,664,000 (2022: approximately RMB2,077,261,000) and non-current assets were approximately RMB1,730,107,000 (2022: approximately RMB465,078,000)), the total liabilities were approximately RMB1,509,198,000 (2022: approximately RMB653,509,000) (of which current liabilities were approximately RMB648,831,000 (2022: approximately RMB632,498,000) and non-current liabilities were approximately RMB860,367,000 (2022: approximately RMB21,011,000)), and shareholder's equity attributable to equity shareholders of the Company reached approximately RMB1,925,709,000 (2022: approximately RMB1,857,114,000). As at 31 December 2023, the Group's total cash, time deposits and pledged deposits were approximately RMB1,380,821,000 (31 December 2022: approximately RMB1,181,561,000). As at 31 December 2023, the Group has current bank loans due within one year of approximately RMB176,543,000 (2022: approximately RMB228,634,000) carrying fixed interest rates and non-current bank loans of approximately RMB836,366,000 carrying fixed interest rates. At 31 December 2023, the Group had approximately RMB3,251,000,000 (2022: approximately RMB2,454,000,000) of unutilised bank borrowing facilities.

The Group generally finances its operations from cash flows generated internally and short-term bank borrowings.

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

Management monitors capital based on the Group's debt-to-assets ratio. This ratio is calculated as total liabilities divided by total assets.

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

The debt-to-assets ratio (total liabilities divided by total assets) at the end of the Reporting Period is as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Total liabilities	**1,509,198**	653,509
Total assets	**4,247,771**	2,542,339
Debt-to-assets ratio	**36%**	26%

The following tables show the remaining contractual maturities at the end of the Reporting Period of the Group's non-derivative financial liabilities and derivative financial instruments, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the Reporting Period) and the earliest date the Group can be required to pay:

		Contractual cash flows					
		Within 1 year or on demand	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**	**Over 5 years**	**Total**	**Carrying amount at 31 December**
	Note	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
2023							
Non-derivative financial liabilities							
Bank loans	*28*	**215,645**	**78,942**	**358,114**	**579,448**	**1,232,149**	**1,012,909**
Trade and other payables #	*27*	**383,154**	**–**	**–**	**–**	**383,154**	**383,154**
Lease liabilities	*30*	**6,539**	**3,022**	**891**	**–**	**10,452**	**10,054**
At 31 December 2023		**605,338**	**81,964**	**359,005**	**579,448**	**1,625,755**	**1,406,117**

	Contractual undiscounted cash (outflow)/inflow			
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2023				
Derivatives settled gross:				
Forward foreign exchange contracts				
– outflow	**(67,293)**	**–**	**–**	**(67,293)**
– inflow	**64,639**	**–**	**–**	**64,639**

	Contractual cash flows				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2022					
Non-derivative financial liabilities					
Short-term loans	231,749	–	–	231,749	228,634
Trade and other payables[#]	343,820	–	–	343,820	343,820
Lease liabilities	3,775	2,912	–	6,687	6,615
At 31 December 2022	579,344	2,912	–	582,256	579,069

	Contractual undiscounted cash (outflow)/inflow			
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2022				
Derivatives settled gross:				
Forward foreign exchange contracts				
– outflow	(89,868)	–	–	(89,868)
– inflow	87,200	–	–	87,200

[#] Exclude contract liabilities, value added tax and other taxes payable.

(VII) PROSPECTS (A COMMENTARY AT THE DATE OF THIS ANNOUNCEMENT OF THE COMPETITIVE CONDITIONS OF THE INDUSTRY IN WHICH THE GROUP OPERATES AND ANY KNOWN FACTORS OR EVENTS THAT MAY AFFECT THE GROUP IN THE NEXT REPORTING PERIOD AND THE NEXT 12 MONTHS)

The Central Economic Work Conference pointed out the spirit of "persisting in stable yet progressive growth, promoting stability through progress, creating a new model before abandoning the old one, implementing more policies conducive to stabilizing expectations, growth and employment" and "focusing on supporting scientific and technological innovation" for 2024. As a result, it is expected that the Group's new digital technology and digital security and new energy and services business segments will be able to gain favorable development opportunities from the national policies.

Under the backdrop of global economic digitisation transformation, emerging digital services focusing on data centers, cloud computing, big data and the IoT, etc. are expected to maintain rapid development. The "Guideline on the Global Layout for Digital China Construction" (數字中國建設整體佈局規劃) issued by the Central Committee of the Communist Party of China and the State Council has made the work on the construction of Digital China as reference points in the assessment and evaluation of relevant Party and government leaders, which is the most substantial promotion of digital construction under the system with Chinese characteristics. The application of 5G in various industries will continue to move forward, along with increasing new demands arising from the integrated circuit industry and steady progress in domestic alternatives. The Ministry of Industry and Information Technology of the PRC has made it clear that it will fully promote the technological research and development of 6G. These favourable factors promote all business entities of the Group to ride on the momentum of industrial development.

In 2024, the Group will continue to improve the quality and efficiency of traditional products and consolidate its leading position in the industry under the guidance of "seizing market opportunities to strive for industry leadership, enhancing R&D and innovation to promote high-quality development". At the same time, the Group will further promote research and development changes, PLM implementation, and accelerate the introduction and promotion of new products as well as breakthrough in new technologies and new material applications, to stabilize the continuous growth of RF series products. The Group will focus on the research and development of key wireless products such as 5G antennas, special scenario application antennas, green antennas, and repeater stations, start the pre-study of millimeter wave phased array and satellite communications antenna project for technology reserve and market development of the next generation of mobile communication technology 5G-A and 6G; promote market diversification, strengthen the development of domestic operators' non-collection and non-communications operators market; strengthen the development of overseas markets, accelerate the improvement of overseas industrial layout and export product structure, build international brands, and boost overseas business development.

In terms of integrated circuit design and supply chain services, the Group will step up efforts to secure and develop new customers and strive to provide mass production services for some customers who have successfully completed the tape-out process, thereby achieving a significant increase in order amounts. By developing a generic software driver SDK for the complete adaptation of the PMSC 1.0 intelligent IoT identity authentication security chips and supporting upper-layer applications on encrypted chips, the Group anticipates completing the software and hardware docking with pilot customers so as to put into practical applications as early as possible. Meanwhile, it has developed a business system to provide support for the integrated circuit supply chain, which is currently under internal testing, with a view to opening up the service to external customers by the end of 2024.

In terms of cloud computing, the Group will make continuous efforts to develop customised software to meet the needs of typical industrial internet and IoT customers, including intelligent IoT data collection systems, remote operation, maintenance and management systems for intelligent IoT devices and industrial equipment, intelligent IoT data edge computing platforms, intelligent IoT data encryption and decryption communication systems, unified identification management systems for IoT devices, and security key management systems for IoT devices, etc. Efforts will also be made to complete the overall cloud computing service hosting for the IoT devices of pilot customers, which will provide backbone for the subsequent expansion into the cloud computing market. The Group is expected to become a new data infrastructure provider that integrates computing power, industry empowerment, self-operated products and data flow trading by continuously launching series of software and hardware solutions and product matrices.

In terms of digital technology security, the Group will endeavour to implement the Intelligent IoT Data Privacy Computing Project Plan and develop a recommendation system based on differential privacy. Through analyses on user data with privacy protection, the Group is committed to realising specific information recommendations and thereby achieving models for cooperation in the fields of electricity, energy, medical and industrial IoT.

In terms of the new energy and services business, Zhongguang New Energy will continue to ensure that the continuous and stable operation of the 50 MW solar thermal molten salt energy storage power plant project, and the 10 MW solar thermal molten salt energy storage power plant project reached production early after technical transformation. Meanwhile, the Company will expand its market influence by combining the industrial tourism experience project and carry out new technical reforms to increase new revenue sources, explore opportunities for project development of large energy bases in Qinghai and Gansu, and actively create opportunities for capital acquisition and cooperation for the first batch of solar thermal demonstration projects. The operation and maintenance service business and energy storage business will be steadily promoted. At the same time, the Company will try to improve customers' differentiated demand response capabilities by jointly developing single-tank molten salt related products, and explore new business revenue engines.

What matters is that the ice has been broken, the route opened and the toughest time for China's macro economy is over. Leveraging on the solid foundation laid out by the diligent works in the previous year and the improved macroeconomic and industry background, the Group is expected to make progress in 2024 with the efforts of all employees of the Group.

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

As at 31 December 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 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	15,894,525	4.10%
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 share capital 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 4.10% of the total issued share capital in the Company.

(IX) SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2023, in so far as is known to the Directors, 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: Mr. Cui Wei beneficially owns the entire issued share capital of Kingever, and Kingever in turn holds approximately 28.06% of the total issued share capital in the Company.

(X) 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 which enable the Directors of the Company to acquire benefits by means of 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. For details of the Incentive Scheme, please refer to the previous announcements of the Company dated 29 March 2019, 12 November 2019 and 28 February 2020 and the circular of the Company dated 29 March 2019.

(XI) CHANGE IN THE COMPOSITION OF THE BOARD

Mr. Tam Chi Kwan Michael ("**Mr. Tam**") has tendered his resignation as an independent non-executive Director, the chairman of the audit committee, a member of the remuneration committee and a member of the nominating committee of the Company with effect from 17 November 2023 as he wants to devote more time to pursue his other commitments. Following the resignation of Mr. Tam, Mr. Qian Ziyan ("**Mr. Qian**") has been appointed as an independent non-executive Director, the chairman of the audit committee, a member of the remuneration committee and a member of the nominating committee of the Company with effect from 17 November 2023. In accordance with Articles 88 of the Constitution of the Company, Mr. Qian shall hold office only until the next annual general meeting and shall then be eligible for re-election. Therefore, Mr. Qian shall retire at the forthcoming annual general meeting and shall offer himself for re-election.

(XII) SUPPLEMENTARY INFORMATION

1. Operational and Financial Risk Management

(i) Market risk

The major market risks that the Group is exposed to include business risks relating to the global state of economy, industry risks relating to certain policies and its product adoption approaches, technology risks relating to changes in technology and credit risks relating to the non-payment by the Group's customers.

(ii) Commodity price risk

The Group is also exposed to commodity price risk arising from fluctuations in costs of raw materials.

(iii) Interest rate risk

The major interest rate risk that the Group is exposed to includes the Group's short-term debt obligations, if any, which may be subject to variable interest rates.

(iv) Foreign currency risk

The Group's revenue and costs are denominated in Renminbi, Indian Rupees ("**INR**") and United States Dollars. Some costs may be denominated in Hong Kong Dollars, INR and Singapore Dollars.

2. Contingent liabilities

There were no material contingent liabilities as at 31 December 2023.

3. Employees and Remuneration Policies

As at 31 December 2023, there were 1,095 (31 December 2022: 936) employees in the Group. Staff remuneration packages are determined in consideration of the market conditions and the performance of the individual 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 to eligible staff based on their performance and contributions to the Group.

4. Material Litigation and Arbitration

As at 31 December 2023, the Group was not involved in any material litigation or arbitration.

5. Amendments to the Constitution 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 Constitution 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 Constitution in substitution for, and to the exclusion of, the Constitution at that time.

The Proposed Amendments was approved and adopted by 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 "**2022 AGM**"). The new Constitution came into effect on the conclusion of the 2022 AGM. For details of the new Constitution, please refer to the announcement of the Company dated 28 February 2023, the circular of the Company dated 27 March 2023 and the 2022 AGM poll results announcement of the Company dated 28 April 2023. The approved and adopted new Constitution (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).

6. Connected Transactions

(a) During the year ended 31 December 2023, the Group had the following continuing connected transactions with Hengtong Group Co., Ltd. and Hengtong Optic-Electric Co., Ltd.:

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sale of finished goods	**44,556**	9,116
Purchase of raw materials	**198,393**	37,377

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 23.77% by Hengtong Group, which is beneficially owned by Mr. Cui Genliang and Mr. Cui Wei as to 27% and 73% 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 3.86% 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 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 ended 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 passing 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 ended 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 year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Gross income from leasing of servers	**7,550**	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 ended 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. (江蘇亨通創業投資有限公司) ("**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 27% and 73% 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.

7. 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 Longkong 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.

8. Profit Guarantee Relating to the Acquisition of Zhangyu Companies

On 5 May 2022, the Company has, through its indirect wholly-owned subsidiary, Xin Ke Xin, as purchaser (the "**Purchaser**"), entered into an equity purchase agreement (the "**Equity Purchase Agreement**") with Xuzhou Jingkan Management Consulting Partnership (Limited Liability Partnership)* (徐州錦瞰管理諮詢合夥企業(有限合夥)) (the "**Vendor**") to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell the 51% equity interest in Nanjing Zhangyu and 51% equity interest in Shanghai Zhangyu (collectively, the "**Zhangyu Companies**"), at the consideration of RMB225 million in cash (the "**Consideration**"). The acquisition of 51% equity interest in Nanjing Zhangyu and 51% equity interest in Shanghai Zhangyu was completed on 19 July 2022.

According to the Equity Purchase Agreement, the Vendor has guaranteed to the Purchaser that the aggregate audited net profit after tax (excluding non-recurring income) of the Zhangyu Companies for the year ended 31 December 2022 would be no less than RMB40 million and the aggregate audited net profit after tax (excluding non-recurring income) of the Zhangyu Companies for the two years ended 31 December 2022 and 31 December 2023 shall be no less than RMB115 million (collectively referred to as the "**2022 and 2023 Profit Guarantee**")

Based on the audited financial statements of the Zhangyu Companies for the two years ended 31 December 2022 and 31 December 2023, the aggregate adjusted audited net profit after tax (excluding non-recurring income) of the Zhangyu Companies was not less than RMB115 million. Subject to the finalization of the audited financial statements of the Zhangyu Companies on or before the release of the annual report of the Company for the year ended 31 December 2023 on around 28 March 2024, it is expected that (i) no compensation will be required for the Vendor regarding the 2022 and 2023 Profit Guarantee as the requirement for the 2022 and 2023 Profit Guarantee is expected to be met; and (ii) both the Purchaser and the Vendor have confirmed the 2022 and 2023 Profit Guarantee has been achieved.

9. Audit Committee

The Company's audit committee members are Mr. Qian Ziyan, Mr. Cui Wei, Ms. Zhang Zhong, Dr. Li Jun and Mr. Pu Hong. The audit committee, which is chaired by Mr. Qian Ziyan, has reviewed the annual results of the Group for the year ended 31 December 2023.

10. Compliance with Corporate Governance Code

The Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2023.

11. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuer

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

12. Annual General Meeting

The 2023 annual general meeting of the Company will be held on 29 April 2024 (Monday) in Hong Kong. For further details of the annual general meeting, please refer to the notice of annual general meeting, which will be published and despatched by the Company in due course.

13. Scope of work of KPMG

The work in respect of this results announcement done by KPMG was limited to checking the accuracy of extraction of the financial information in this results announcement from the Group's consolidated financial statements and will be carried out in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" and with reference to Practice Note 730 (Revised) "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The procedures that KPMG performed in connection with this results announcement will not constitute an assurance engagement in accordance with assurance standards issued by the HKICPA and, consequently, no assurance will be expressed.

14. Dividends

(a) No final dividend has been recommended by the Company for FY2023.

(b) No final dividend has been recommended by the Company for FY2022.

15. Purchase, Sales or Redemption of the Company's Securities

For the year ended 31 December 2023, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the securities of the Company.

16. Disclosure on the Websites of the SEHK and the Company

This announcement shall be published on the website of the 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, 25 March 2024

As at the date of this announcement, 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. Qian Ziyan, Dr. Li Jun and Mr. Pu Hong.

* *For identification purposes only*