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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 2021

FINANCIAL HIGHLIGHTS

1. Revenue increased by approximately 42.7% to approximately RMB1,625.8 million
2. Gross profit increased by approximately 13.7% to approximately RMB296.6 million
3. Gross profit margin decreased by approximately 4.7 percentage points to approximately 18.2%
4. Net profit attributable to equity shareholders of the Company increased by approximately 16.3% to approximately RMB71.3 million
5. Basic earnings per share was RMB0.184
6. No final dividend has been recommended by the Company for the financial year ended 31 December 2021

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 2021 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December

	Notes	2021 RMB'000	2020 RMB'000
Revenue	4	1,625,775	1,139,341
Cost of sales		<u>(1,329,217)</u>	<u>(878,579)</u>
Gross profit		296,558	260,762
Other operating income	5	37,927	58,186
Selling and distribution expenses		(103,736)	(93,405)
Administrative expenses		(46,829)	(39,215)
Impairment loss on trade receivables		(3,370)	–
Other operating expenses	6	<u>(99,751)</u>	<u>(100,760)</u>
Profit from operations		80,799	85,568
Interest expense	7	<u>(7,142)</u>	<u>(12,964)</u>
Profit before taxation	8	73,657	72,604
Income tax	9	<u>(10,733)</u>	<u>(12,177)</u>
Profit for the year		62,924	60,427
Attributable to:			
Equity shareholders of the Company		71,303	61,299
Non-controlling interest		<u>(8,379)</u>	<u>(872)</u>
Profit for the year		62,924	60,427
Earnings per share attributable to equity shareholders of the Company (RMB)	12		
Basic and diluted		<u>0.184</u>	<u>0.158</u>
Dividends per share (RMB)	10	<u>–</u>	<u>0.0158</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit for the year	62,924	60,427
Other comprehensive income for the year (after tax and reclassification adjustments)		
<i>Items that will not be reclassified to profit or loss:</i>		
Equity investments at fair value through other comprehensive income – net movement in fair value reserves (non-recycling)	(1,670)	(680)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of: – financial statements of entities with functional currencies other than RMB	(367)	(1,112)
Other comprehensive income for the year	(2,037)	(1,792)
Total comprehensive income for the year	60,887	58,635
Attributable to:		
Equity shareholders of the Company	69,266	59,507
Non-controlling interest	(8,379)	(872)
Total comprehensive income for the year	60,887	58,635

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

		31 December 2021 RMB'000	31 December 2020 RMB'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	13	168,189	167,495
Interest in an associate		–	–
Other investments		6,882	8,847
Deferred tax assets		11,123	10,146
		<u>186,194</u>	<u>186,488</u>
Current assets			
Inventories		254,145	106,742
Trade and other receivables	14	982,958	577,478
Time deposits with original maturity more than 3 months		506,000	470,000
Cash and cash equivalents		546,919	887,073
Derivative financial asset		1,238	–
		<u>2,291,260</u>	<u>2,041,293</u>
Current liabilities			
Trade and other payables	15	337,975	179,019
Short-term loans		330,293	278,371
Derivative financial liability		4,227	19,954
Lease liabilities		703	1,027
Income tax payable		4,330	2,611
		<u>677,528</u>	<u>480,982</u>
Net current assets		<u>1,613,732</u>	<u>1,560,311</u>
Total assets less current liabilities		<u>1,799,926</u>	<u>1,746,799</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 31 December*

		31 December	31 December
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
Non-current liabilities			
Deferred income		4,786	6,341
Lease liabilities		107	703
Deferred tax liabilities		7,862	7,341
		<u>12,755</u>	<u>14,385</u>
NET ASSETS		<u>1,787,171</u>	<u>1,732,414</u>
CAPITAL AND RESERVES			
Share capital	11	295,000	295,000
General reserves		278,893	262,923
Special reserve		(6,017)	(6,017)
Fair value reserve		(3,200)	(1,530)
Translation reserves		(3,020)	(2,653)
Accumulated profits		1,231,766	1,182,563
Total equity attributable to equity shareholders of the Company		1,793,422	1,730,286
Non-controlling interest		(6,251)	2,128
TOTAL EQUITY		<u>1,787,171</u>	<u>1,732,414</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

	2021 RMB'000	2020 RMB'000
Operating activities		
Profit before tax	73,657	72,604
Adjustments for:		
Impairment loss on trade receivables	3,370	–
Amortisation of deferred income	(1,189)	(1,989)
Depreciation of property, plant and equipment	19,825	28,267
Interest expense	7,142	12,964
Interest income	(13,571)	(21,245)
Net foreign exchange gain	(3,363)	(19,954)
Net loss on derivative financial instruments	2,126	19,954
Gain on disposal of property, plant and equipment	–	(107)
Write-off of property, plant and equipment	58	120
Provision of stock obsolescence	1,314	–
	<u>89,369</u>	<u>90,614</u>
Changes in working capital:		
Inventories	(148,714)	(12,931)
Trade and other receivables	(408,790)	305,924
Trade and other payables	162,466	(5,633)
	<u>(305,669)</u>	<u>377,974</u>
Cash (used in)/generated from operations	(305,669)	377,974
Interest received	2,011	11,060
Income taxes paid	(9,175)	(13,031)
	<u>(312,833)</u>	<u>376,003</u>
Net cash (used in)/generated from operating activities	(312,833)	376,003
Investing activities		
Acquisition of property, plant and equipment	(20,593)	(17,410)
Proceeds from disposal of property, plant and equipment	258	344
Payment for time deposits	(1,107,761)	(970,000)
Proceeds from time deposits	1,071,761	900,000
Interest received from time deposits	11,560	10,185
Changes in pledged bank deposits	(14,850)	13,621
	<u>(59,625)</u>	<u>(63,260)</u>
Net cash used in investing activities	(59,625)	(63,260)

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

	2021	2020
	RMB'000	RMB'000
Financing activities		
Proceeds from non-controlling shareholder's contributed capital	–	3,000
Dividends paid to shareholders of the Company	(6,130)	(11,330)
Capital element of lease rentals paid	(1,080)	(1,065)
Interest element of lease rentals paid	(55)	(70)
Other interest expense paid	(10,963)	(6,841)
Proceeds from short-term bank loans	486,510	298,325
Repayment of short-term bank loans	(450,316)	(310,000)
	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	17,966	(27,981)
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Net (decrease)/increase in cash and cash equivalents	(354,492)	284,762
Cash and cash equivalents at the beginning of the financial year	876,226	592,096
Effects of foreign exchange rate changes	(512)	(632)
	<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year	521,222	876,226
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

<i>RMB'000</i>	Attributable to equity shareholders of the Company						Total	Non- controlling interest	Total
	Share capital	General reserves	Special reserve	Fair value reserve	Translation reserves	Accumulated profits			
Balance at 1 January 2020	295,000	252,344	(6,017)	(850)	(1,541)	1,143,173	1,682,109	–	1,682,109
Changes in equity for 2020:									
Profit for the year	–	–	–	–	–	61,299	61,299	(872)	60,427
Other comprehensive income for the year	–	–	–	(680)	(1,112)	–	(1,792)	–	(1,792)
Total comprehensive income	–	–	–	(680)	(1,112)	61,299	59,507	(872)	58,635
Non-controlling shareholder's contributed capital	–	–	–	–	–	–	–	3,000	3,000
Dividends paid	–	–	–	–	–	(11,330)	(11,330)	–	(11,330)
Transfer to general reserves	–	10,579	–	–	–	(10,579)	–	–	–
Balance at 31 December 2020 and 1 January 2021	295,000	262,923	(6,017)	(1,530)	(2,653)	1,182,563	1,730,286	2,128	1,732,414
Changes in equity for 2021:									
Profit for the year	–	–	–	–	–	71,303	71,303	(8,379)	62,924
Other comprehensive income for the year	–	–	–	(1,670)	(367)	–	(2,037)	–	(2,037)
Total comprehensive income	–	–	–	(1,670)	(367)	71,303	69,266	(8,379)	60,887
Dividends paid	–	–	–	–	–	(6,130)	(6,130)	–	(6,130)
Transfer to general reserves	–	15,970	–	–	–	(15,970)	–	–	–
Balance at 31 December 2021	295,000	278,893	(6,017)	(3,200)	(3,020)	1,231,766	1,793,422	(6,251)	1,787,171

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 principal place of business of the Group is located at No. 138 Taodu Road, Dingshu Town, Yixing City, Jiangsu Province, the People’s Republic of China (the “**PRC**”).

The Company is an investment holding company, and the principal activities of the subsidiaries are research, design, development and manufacture of telecommunications and technological products, production of radio frequency coaxial cables for mobile communications and mobile communications systems exchange equipment. The Group’s operations are principally conducted in the 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 2021 and 2020 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 2021 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 IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform – phase 2*
- Amendments to IFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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 most senior management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Radio frequency coaxial cables (“**Radio Frequency Coaxial Cables**”): the transmission of high-frequency signals between antenna and base station equipment in outdoor base station wireless signal coverage system and indoor wireless signal coverage system in buildings.
- Telecommunication equipment and accessories (“**Telecommunication Equipment and Accessories**”): the transmission of signals within microwave communications systems, radio broadcast wireless systems and air/sea radar systems, the accessories are such as connectors and jumper cables used for wireless signal coverage systems equipment within base stations.
- Antennas (“**Antennas**”): Antennas adopted by telecom operators for use in signal transmission for wireless communications.

Information about reportable segments

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

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

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

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below:

	Reportable segments					
	Radio Frequency Coaxial Cables <i>RMB'000</i>	Telecom- munication Equipment and Accessories <i>RMB'000</i>	Antennas <i>RMB'000</i>	Total reportable segments <i>RMB'000</i>	All other segments <i>RMB'000</i>	Total <i>RMB'000</i>
2021						
Disaggregated by timing of revenue recognition						
Point in time	810,815	387,518	337,910	1,536,243	87,911	1,624,154
Over time	–	–	–	–	1,621	1,621
Revenue from external customers	810,815	387,518	337,910	1,536,243	89,532	1,625,775
Segment profit before tax	15,299	49,490	4,981	69,770	2,209	71,979
Interest income	6,768	3,235	2,821	12,824	747	13,571
Interest expense	(3,551)	(1,697)	(1,480)	(6,728)	(392)	(7,120)
Depreciation and amortisation expense	(9,718)	(4,645)	(4,050)	(18,413)	(1,073)	(19,486)
Provision of impairment loss on trade receivables	(1,681)	(803)	(700)	(3,184)	(186)	(3,370)
Provision of stock obsolescence	–	–	(1,314)	(1,314)	–	(1,314)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Reportable segments					
	Radio Frequency Coaxial Cables <i>RMB'000</i>	Telecom- munication Equipment and Accessories <i>RMB'000</i>	Antennas <i>RMB'000</i>	Total reportable segments <i>RMB'000</i>	All other segments <i>RMB'000</i>	Total <i>RMB'000</i>
2020						
Disaggregated by timing of revenue recognition						
Point in time	622,459	262,872	207,139	1,092,470	44,936	1,137,406
Over time	–	–	–	–	1,935	1,935
Revenue from external customers	622,459	262,872	207,139	1,092,470	46,871	1,139,341
Segment profit before tax	28,985	39,421	2,922	71,328	2,494	73,822
Interest income	11,607	4,902	3,862	20,371	874	21,245
Interest expense	(7,063)	(2,983)	(2,350)	(12,396)	(532)	(12,928)
Depreciation and amortisation expense	(15,214)	(6,425)	(5,063)	(26,702)	(1,146)	(27,848)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Reconciliation of information on reportable segments

	Group	
	For the year ended 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before taxation		
Total profit before tax for reportable segments	69,770	71,328
Profit before tax for other segments	2,209	2,494
Unallocated amounts:		
– Other income	21,520	32,821
– Other expenses	(9,842)	(22,016)
– Other unallocated amounts	(10,000)	(12,023)
	<u>73,657</u>	<u>72,604</u>
Consolidated profit before taxation	<u>73,657</u>	<u>72,604</u>

Other material items

	Reportable and all other segment totals	Adjustments	Consolidated totals
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the year ended 31 December 2021			
Depreciation and amortisation expense	<u>(19,486)</u>	<u>(339)</u>	<u>(19,825)</u>
For the year ended 31 December 2020			
Depreciation and amortisation expense	<u>(27,848)</u>	<u>(419)</u>	<u>(28,267)</u>

Geographical segment

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

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

	Revenue from		Specified non-current assets	
	external customer		As at	
	2021	2020	31 December	31 December
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PRC	1,431,693	933,691	167,095	165,856
India	5,606	28,873	704	910
Others	188,476	176,777	390	729
	<u>1,625,775</u>	<u>1,139,341</u>	<u>168,189</u>	<u>167,495</u>
Total	<u>1,625,775</u>	<u>1,139,341</u>	<u>168,189</u>	<u>167,495</u>

4. REVENUE

The principal activities of the Group are the manufacturing and sale of radio frequency coaxial cables, telecommunication equipment and accessories, antennas and others.

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	
	2021	2020
	RMB'000	RMB'000
Radio Frequency Coaxial Cables	810,815	622,459
Telecommunication Equipment and Accessories	387,518	262,872
Antennas	337,910	207,139
Others	89,532	46,871
	<u>1,625,775</u>	<u>1,139,341</u>
Total	<u>1,625,775</u>	<u>1,139,341</u>

5. OTHER OPERATING INCOME

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Compensation claims received	886	339
Government grants	17,053	18,037
Interest income	13,571	21,245
Service fee income	–	1,377
Net gain on commodity future contracts	4,724	–
Net gain on disposal of property, plant and equipment	–	107
Net foreign exchange gain	–	14,503
Others	1,693	2,578
	<u>37,927</u>	<u>58,186</u>
Total	<u>37,927</u>	<u>58,186</u>

6. OTHER OPERATING EXPENSES

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Donations	600	950
Research and development expenses	89,909	71,419
Net loss on write-off of property, plant and equipment	58	120
Net foreign exchange losses	5,708	–
Penalty expenses from customers	1,350	1,102
Net loss on commodity future contracts	–	7,215
Net loss on derivative financial instruments	2,126	19,954
	<u>99,751</u>	<u>100,760</u>
Total	<u>99,751</u>	<u>100,760</u>

7. INTEREST EXPENSE

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Interest expense on short-term bank loans	6,550	11,599
Interest on lease liabilities	55	70
Other interest expense	537	1,295
	<hr/>	<hr/>
Total	7,142	12,964
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8. PROFIT BEFORE TAXATION

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

	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Cost of inventories recognised as expense [#]	1,329,217	878,579
Depreciation of owned property, plant and equipment	17,405	25,847
Depreciation of right-of-use assets	2,420	2,420
Impairment loss recognised of:		
– trade receivables	3,370	–
– inventory	1,314	–
Audit and related services fees paid to:		
– member firms of KPMG International	1,680	1,685
– other auditors	176	124
Salaries and bonus	116,950	108,810
Contributions to defined contribution plans	4,266	1,005
Executive directors' remuneration	3,435	2,408
Non-executive directors' fees	1,542	1,653
	<hr/>	<hr/>
Total staff costs	126,193	113,876
	<hr/>	<hr/>
Research and development expenses (included in other operating expenses)	89,909	71,149
Net loss on derivative financial instruments	2,126	19,954
Net foreign exchange loss/(gain)	5,708	(14,503)
Net gain on disposal of property, plant and equipment	–	(107)
Net (gain)/loss on commodity future contracts	(4,724)	7,215
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[#] Cost of inventories includes RMB43,805,000 (2020: RMB41,100,000) 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	
	2021	2020
	RMB'000	RMB'000
Current tax expense		
Current year	12,134	11,089
(Over)/under provision in prior years	(1,240)	2,060
	<u>10,894</u>	<u>13,149</u>
Deferred tax expense		
Origination of temporary differences	(161)	(972)
	<u>(161)</u>	<u>(972)</u>
Income tax expense	<u>10,733</u>	<u>12,177</u>

- (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% (2020: 25%).

Jiangsu Hengxin Technology Co., Ltd and Jiangsu Hengxin Wireless Technology Co., Ltd., are subject to a preferential income tax rate of 15% in 2021 available to enterprises which qualify as a High and New Technology Enterprise (2020: 15%).

- (iii) Hong Kong Profits Tax has been provided for Hengxin Technology International Co., Ltd. at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2021.

No provision for Hong Kong Profits Tax was made for Hengxin Metaverse Limited as it does not have assessable profits subject to Hong Kong Profits Tax for the year ended 31 December 2021.

10. DIVIDENDS

For the financial year ended 31 December 2020, a final dividend of RMB0.0158 per ordinary share amounting to approximately RMB6,130,000 was declared and paid during the financial year ended 31 December 2021.

No final dividend has been proposed for the financial year ended 31 December 2021.

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 2021 and 2020	<u>388,000</u>	<u>295,000</u>	<u>58,342</u>

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 2021 was based on the profit attributable to equity shareholders of the Company amounting to approximately RMB71,303,000 (2020: RMB61,299,000), and the weighted average number of ordinary shares outstanding of 388,000,000 (2020: 388,000,000 shares), calculated as follows:

Weighted average number of ordinary shares:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Issued ordinary shares and weighted average number of ordinary shares at 1 January and 31 December	<u>388,000</u>	<u>388,000</u>

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in existence for the years ended 31 December 2021 and 2020. The calculated diluted earnings per share equals the basic earnings per share at 31 December 2021 and 2020.

13. PROPERTY, PLANT AND EQUIPMENT

During the financial year ended 31 December 2021, the Group's additions of property, plant and equipment during the year was approximately RMB20.8 million (2020: RMB18.4 million).

14. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables from:		
– third parties	825,427	460,750
– affiliated corporation*	–	7,954
Bills receivables	90,460	48,258
Less: Loss allowance	<u>(13,075)</u>	<u>(9,705)</u>
Net trade and bills receivables	<u>902,812</u>	<u>507,257</u>
Loans to the associate	21,191	21,191
Non-trade amount due from the associate	1,680	1,680
Less: Loss allowance	<u>(22,871)</u>	<u>(22,871)</u>
	–	–
Advances to suppliers	13,706	10,586
Advances to staff	2,495	4,697
Refundable deposits	10,227	10,813
Tax recoverables	52,664	42,271
Prepayments	<u>1,054</u>	<u>1,854</u>
Net prepayments and non-trade receivables	<u>80,146</u>	<u>70,221</u>
	<u>982,958</u>	<u>577,478</u>

* 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.

Trade and bills receivables are due within 90–270 days from the date of billing. 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	
	2021	2020
	RMB'000	RMB'000
Within 6 months	766,889	348,378
7 to 12 months	69,966	88,268
1 to 2 years	42,598	66,794
Over 2 years	23,359	3,817
	<u>902,812</u>	<u>507,257</u>

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

	2021	2020
	RMB'000	RMB'000
Balance at 1 January	(9,705)	(9,705)
Impairment loss recognised during the year	(3,370)	–
	<u>(13,075)</u>	<u>(9,705)</u>

15. TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade payables due to:		
– third parties	232,678	103,512
– affiliated corporation	124	–
Bills payable	27,000	–
	<u>259,802</u>	<u>103,512</u>
Trade and bills payables	259,802	103,512
Accrued operating expenses	53,290	47,790
Interest payable	2,177	6,053
Contract liabilities	6,164	9,687
Advanced receipt	–	366
Tender deposits	9,050	5,397
Value added tax, business tax and other taxes payable	4,764	2,964
Other payables	2,728	3,250
	<u>78,173</u>	<u>75,507</u>
Other payables	78,173	75,507
	<u>337,975</u>	<u>179,019</u>

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	
	2021	2020
	RMB'000	RMB'000
0 to 90 days	232,885	94,660
91 to 180 days	17,243	3,373
181 to 360 days	6,333	3,356
Over 360 days	3,341	2,123
	<u>259,802</u>	<u>103,512</u>

16. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

Transactions with Suzhou Hengli Telecommunications Materials Co., Ltd (Note)

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Sale of finished goods	7,116	7,746
Purchase of raw materials	22,494	21,970
	<u>29,610</u>	<u>29,716</u>

Note: During the financial year, the Group entered into the above significant transactions with Suzhou Hengli Telecommunications Materials Co., Ltd. (sale of finished goods and purchase of raw materials). Suzhou Hengli Telecommunication Materials Co., Ltd. is a subsidiary of Hengtong Group Co., Ltd., a company which the father of Cui Wei, the non-executive chairman of the Company, is its substantial shareholder. Cui Wei is a substantial shareholder with shareholding of 28.06% of the total issued shares in the Company and has significant influence over the Company.

(b) Significant related party balances

Balances with Suzhou Hengli Telecommunications Materials Co., Ltd.

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Trade receivables from	–	7,954
Prepayment to	–	2,234
Trade payables to	124	–
	<u>124</u>	<u>10,188</u>

(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	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Short term benefits	8,888	8,625
Retirement benefits scheme contributions	187	159
Total	<u>9,075</u>	<u>8,784</u>
Key management personnel compensation comprised amounts paid to:		
– directors of the Company	4,977	4,061
– other key management personnel	4,098	4,723
	<u>9,075</u>	<u>8,784</u>

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

17. DONATIONS AND CAPITAL COMMITMENTS

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted for but not provided for property, plant and equipment	24	285
Donation commitment	2,500	3,000
	<u>2,524</u>	<u>3,285</u>

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 2021 ("FY2021" or the "Reporting Period") increased by approximately RMB486.5 million, or approximately 42.7% from approximately RMB1,139.3 million in the previous financial year ended 31 December 2020 ("FY2020") to approximately RMB1,625.8 million in FY2021.

Radio Frequency Coaxial Cables

Revenue generated from the segment of Radio Frequency Coaxial Cables increased by approximately RMB188.3 million or approximately 30.2% from approximately RMB622.5 million in FY2020 to approximately RMB810.8 million in FY2021, of which the revenue from feeder cables increased by approximately RMB148.6 million or 32.1% from approximately RMB462.6 million in FY2020 to approximately RMB611.2 million in FY2021. The increase in the sales of feeder cables was driven by the general improvement in market demand and the Group's higher winning percentage of tender, as well as the increase in sales prices caused by higher costs. In particular, there was more demand for feeder cables than ever before in terms of product formats due to the investment in the China Mobile 700MHz Project.

Included in the segment revenue of Radio Frequency Coaxial Cables are the revenue from leaky cables of approximately RMB199.6 million for FY2021, representing an increase of approximately RMB39.7 million or 24.8% from approximately RMB159.9 million in FY2020. Leaky cables are special coaxial cables commonly used for the tunnels and underground mobile communication in mass transit railways and thus normally have higher gross profit margins than other Radio Frequency Coaxial Cables products.

Telecommunication Equipment and Accessories

Revenue generated from the segment of Telecommunication Equipment and Accessories increased by approximately RMB124.6 million or approximately 47.4% from approximately RMB262.9 million in FY2020 to approximately RMB387.5 million in FY2021. The significant increase in the revenue from Telecommunication Equipment and Accessories is in line with the general increase in the revenue of feeder cables.

Antennas

Revenue generated from the segment of Antennas during FY2021 was approximately RMB337.9 million, representing an increase of approximately RMB130.8 million or approximately 63.2% from approximately RMB207.1 million in FY2020. Such increase in the revenue from sales of Antennas was mainly attributable to the Group's successful tender for the China Mobile 700 MHz project.

Others (HTRC and antennas testing services)

Revenue generated from this segment increased by approximately RMB42.6 million or approximately 90.8% from approximately RMB46.9 million during FY2020 to approximately RMB89.5 million during FY2021, of which the significant increase was mostly attributable to the complementary nature for Antennas.

Gross profit margin

The Group achieved an overall gross profit margin of approximately 18.2% for FY2021 compared to approximately 22.9% for FY2020, representing a decrease of approximately 4.7 percentage points year-on-year. Although the Group has gained more market share during FY2021 and achieved a significant growth in revenue, there was still vigorous competition in the market due to the COVID-19 post pandemic effect and no increase in fixed asset investments by the PRC telecommunications operators. Combined with the significant increases in costs of raw materials, labour and transportation, the Group's various products have recorded lower gross profit margin in FY2021 as compared with FY2020.

Although there is a linkage mechanism between the sales price of feeder cables and the price of copper, the impact of the overall costs increase still existed and cannot be covered by such mechanism due to the nature of limitation of such mechanism. Moreover, overall gross profit margin of Radio Frequency Coaxial Cables has decreased by approximately 3.7 percentage points from approximately 20.6% in FY2020 to approximately 16.9% in FY2021 due to the lack of such linkage mechanism for the sales price of leaky cables. However, the gross profit contribution increased by approximately RMB9.2 million or 6.7% on a year-on-year basis driven by the revenue growth.

In addition, the gross profit margin of Telecommunication Equipment and Accessories has also decreased by approximately 3.7 percentage points from approximately 28.9% in FY2020 to approximately 25.2% in FY2021 because the products sold in FY2021 for this category of product segment generally have lower profitability than that sold in FY2020. Despite facing lower gross profit margin in FY2021, the higher revenue of FY2021 as compared with FY2020 has led to a higher gross profit contribution by approximately RMB21.7 million or 28.6% year-on-year.

As for Antennas, gross profit margin has decreased by approximately 8.4 percentage points from approximately 23.8% in FY2020 to approximately 15.4% in FY2021. Such decrease was mainly due to the significant increase in the costs of labour and raw materials in FY2021.

As a result of the combined effects of the above downward trends in gross profit margin for the various products of the Group, the overall gross profit margin of the Group during FY2021 decreased accordingly.

The Group will continue to monitor production efficiencies to ensure optimal raw materials and labour utilisation, stringent selection of suppliers in tender biddings to keep costs to a minimum, to explore its potential through continuous internal micro-innovation, and coupled with efficient use of various resources to keep up with price pressure resulting from keen competition. The Group will also review its products mix and business transformation process in order to strive for a further enhancement in product profitability.

Other operating income

Other operating income decreased by approximately RMB20.3 million or approximately 34.9% from approximately RMB58.2 million in FY2020 to approximately RMB37.9 million in FY2021. The decrease is primarily due to:

- (i) decrease in government grants and subsidies of approximately RMB1.0 million;
- (ii) decrease in interest income of approximately RMB7.6 million due to the decrease in average cash and cash equivalents and time deposits balances during FY2021 as compared with FY2020;
- (iii) a net gain on commodity future contracts of approximately RMB4.7 million during FY2021, whereas in FY2020, there was a net loss on commodity future contracts of approximately RMB7.2 million that was classified as other operating expenses; and
- (iv) during FY2021, there was a net foreign exchange loss of approximately RMB5.7 million which was classified as other operating expenses as compared with the net foreign exchange gain of approximately RMB14.5 million for FY2020 that was classified as other operating income.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB10.3 million or approximately 11.0% from approximately RMB93.4 million in FY2020 to approximately RMB103.7 million in FY2021 due to the increase in salary expenses under selling and distribution expenses and the increase in freight and transportation costs and marketing expenses as a result of the general rising costs during FY2021.

Administrative expenses

Administrative expenses increased by approximately RMB7.6 million or approximately 19.4% from approximately RMB39.2 million in FY2020 to approximately RMB46.8 million in FY2021. The increase is mainly due to the increase in staff related costs.

Impairment loss on trade receivables

Due to the increase in trade receivables comparing 31 December 2021 and 31 December 2020 and more trade receivables past due over 540 days from other customers (excluding state-owned enterprises) in FY2021 compared to FY2020, additional impairment loss on trade receivables of approximately RMB3.4 million was made in FY2021.

Other operating expenses

Other operating expenses decreased by approximately RMB1.0 million or approximately 1% from approximately RMB100.8 million in FY2020 to approximately RMB99.8 million in FY2021. Such change is mainly due to:

- (i) an increase in research and development (“**R&D**”) expenses incurred from continuing R&D activities undertaken for the modifications and improvements to the Group’s products of approximately RMB18.5 million;
- (ii) a net loss on commodity future contracts of approximately RMB7.2 million in FY2020, whereas a net gain on commodity future contracts of approximately RMB4.7 million was recorded in FY2021 and was classified as other operating income;
- (iii) a decrease in the net loss on derivative financial instruments of approximately RMB17.9 million in FY2021; and
- (iv) during FY2021, there was a net foreign exchange loss of approximately RMB5.7 million which was classified as other operating expenses as compared with the net foreign exchange gain of approximately RMB14.5 million for FY2020 that was classified as other operating income.

Interest expense

Interest expense decreased by approximately RMB5.9 million or approximately 45.4% from approximately RMB13.0 million in FY2020 to approximately RMB7.1 million in FY2021, mainly because of the decrease in average interest rates of short-term loans during FY2021.

Profit before taxation

Profit before taxation increased slightly by approximately RMB1.1 million or approximately 1.5% from approximately RMB72.6 million in FY2020 to approximately RMB73.7 million in FY2021.

Income tax

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

Income tax expense decreased by RMB1.5 million or 12.3% from approximately RMB12.2 million in FY2020 to approximately RMB10.7 million in FY2021. The decrease is mainly due to the over-provision in prior years.

Profit Attributable to Equity Shareholders of the Company

In view of the above, after taking into account of the contribution from non-controlling interest, profit attributable to equity shareholders of the Company increased by approximately RMB10.0 million or approximately 16.3% from approximately RMB61.3 million in FY2020 compared to approximately RMB71.3 million in FY2021.

Consolidated statement of financial position

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

Trade and other receivables

- (i) Net trade and bills receivables increased by approximately RMB395.5 million or approximately 78.0% from approximately RMB507.3 million as at 31 December 2020 to approximately RMB902.8 million as at 31 December 2021.

Average trade and bills receivables turnover days was approximately 161 days as at 31 December 2021 as compared to approximately 216 days as at 31 December 2020. The significant improvement in trade and bills receivables turnover days by approximately 55 days was mainly because COVID-19 pandemic has caused customers' settlement relatively slow during FY2020 and the Group has applied stricter control and management on receivables during FY2021. During FY2021 customers have speeded up their settlement arrangement. Thus, although the Group has recorded higher revenue during FY2021, turnover days for trade and bills receivables has recorded a big improvement and most of the trade and bills receivables were recent sales which were within the average credit period given to the Group's customers. As at 31 December 2021, approximately 87.6% of the trade receivables are within the credit period given as compared with that of approximately 72.1% as at 31 December 2020.

For long overdue trade receivables, as at 31 December 2021, approximately 5.5% were overdue by more than six months (as compared with 12.8% as at 31 December 2020). The trade receivables that were overdue by more than six months were mostly non-operator customers. Considering the Group's long-standing dealings with these customers and the regular receipts of payments from these customers, the Group does not foresee any issue 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 RMB9.9 million or approximately 14.1% from approximately RMB70.2 million as at 31 December 2020 to approximately RMB80.1 million as at 31 December 2021. The increase was mainly due to the increase in prepayment on input value-added tax to be certified.

Inventories

Inventories (comprising raw materials, work-in-progress and finished goods) increased by approximately RMB147.4 million or approximately 138.1% from approximately RMB106.7 million as at 31 December 2020 to approximately RMB254.1 million as at 31 December 2021. The increase was mainly due to the need to build up the Group's inventories to meet the expected increase in demand for the products of the Group and the delay of goods delivery for certain export orders.

Short-term loans

Short-term loans were raised with an aim to enhance the working capital position of the Group. Short-term loans as at 31 December 2021 with fixed interest rates will become due for repayment during the second quarter of year 2022.

Trade and other payables

- (i) Trade and bills payables increased by approximately RMB156.3 million or approximately 151.0% from approximately RMB103.5 million as at 31 December 2020 to approximately RMB259.8 million as at 31 December 2021. The increase is mainly in line with the increase in inventories in response to the expected market demand of the Group's products in year 2022.
- (ii) Other payables increased slightly by approximately RMB2.7 million or approximately 3.6% from approximately RMB75.5 million as at 31 December 2020 to approximately RMB78.2 million as at 31 December 2021.

Cash and cash equivalents and time deposits

Cash and cash equivalents and time deposits decreased by approximately RMB304.2 million or approximately 22.4% from approximately RMB1,357.1 million as at 31 December 2020 to approximately RMB1,052.9 million as at 31 December 2021. The decrease is mainly due to the increase in inventories and trade and bills receivables comparing 31 December 2021 and 31 December 2020.

(II) SUBSIDIARIES

The subsidiaries of the Company are Jiangsu Hengxin, Jiangsu Hengxin Wireless Technology Co., Ltd, Hengxin Technology (India) Pvt Ltd, Hengxin Technology International Co., Limited, Jiangsu Hengxin Zhonglian Communications Technology Co., Ltd., Hengxin Metaverse Limited and Yixing Tianyue Enterprise Management Consulting Partnership (Limited Partnership).

(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 2021, the capital commitments of the Group in respect of the purchase of property, plant and equipment were approximately RMB24,000 (2020: approximately RMB285,000).

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 2021, the donation commitment was approximately RMB2,500,000 (2020: approximately RMB3,000,000).

(V) CHARGE OR PLEDGE OF ASSETS

As at 31 December 2021, deposits amounting to RMB9,842,000 (2020: RMB10,600,000) 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 1.317% (2020: 1.390%) per annum and for a tenure of approximately 4 to 60 months (2020: 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.

(VI) LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group's total assets were approximately RMB2,477,454,000 (2020: RMB2,227,781,000) (of which current assets were approximately RMB2,291,260,000 (2020: approximately RMB2,041,293,000) and non-current assets were approximately RMB186,194,000 (2020: approximately RMB186,488,000)), the total liabilities were approximately RMB690,283,000 (2020: approximately RMB495,367,000) (of which current liabilities were approximately RMB677,528,000 (2020: approximately RMB480,982,000) and non-current liabilities were approximately RMB12,755,000 (2020: approximately RMB14,385,000)), and shareholder's equity attributable to equity shareholders of the Company reached approximately RMB1,793,422,000 (2020: approximately RMB1,730,286,000). As at 31 December 2021, the Group's cash and cash equivalents and time deposits were approximately RMB1,052,919,000 (31 December 2020: approximately RMB1,357,073,000). The Group's time deposits were all due more than three months. As at 31 December 2021, the Group has short-term bank borrowings due within one year of approximately RMB330,293,000 (2020: approximately RMB278,371,000) carrying fixed interest rate. At 31 December 2021, the Group had approximately RMB1,625,700,000 (2020: approximately RMB1,616,036,000) 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	
	2021	2020
	RMB'000	RMB'000
Total liabilities	<u>690,283</u>	<u>495,367</u>
Total assets	<u>2,477,454</u>	<u>2,227,781</u>
Debt-to-assets ratio	<u>28%</u>	<u>22%</u>

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			Total	Carrying amount at 31 December
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2021					
Non-derivative financial liabilities					
Short-term loans	332,121	-	-	332,121	330,293
Trade and other payables [#]	327,047	-	-	327,047	327,047
Lease liabilities	719	107	-	826	810
At 31 December 2021	659,887	107	-	659,994	658,150

	Contractual undiscounted cash (outflow)/inflow			Total
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2021				
Derivatives settled gross:				
Forward foreign exchange contracts				
- outflow	(276,441)	-	-	(276,441)
- inflow	279,430	-	-	279,430

	Contractual cash flows				Carrying amount at 31 December
	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	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2020					
Non-derivative financial liabilities					
Short-term loans	281,458	–	–	281,458	278,371
Trade and other payables [#]	166,002	–	–	166,002	166,002
Lease liabilities	1,038	661	84	1,783	1,730
At 31 December 2020	<u>448,498</u>	<u>661</u>	<u>84</u>	<u>449,243</u>	<u>446,103</u>

	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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2020				
Derivatives settled gross:				
Forward foreign exchange contracts				
– outflow	(228,371)	–	–	(228,371)
– inflow	<u>248,325</u>	<u>–</u>	<u>–</u>	<u>248,325</u>

[#] Exclude contract liabilities, advanced receipt, 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)

Extraordinary economic development is anticipated in 2022. From the international perspective, many believe that the pandemic will come to an end soon during the first half of the year and negative impacts on the economy will no longer extend despite the high number of COVID-19 cases. On the other hand, the rising inflation forces major developed nations to phase out their expansionary monetary policies and resort to the interest rate hike and austerity strategy, which, if ineffective, will lead to materially adverse impacts on the global economy. The impact of war and sanctions on the global economic and financial landscape is unpredictable. From the domestic perspective, amidst the noticeable downward pressure on the overall economy, the government is expected to adopt looser fiscal and monetary policies at the macro level, as well as counter-cyclical policies including infrastructure investments as economic momentum. Furthermore, it is also vital to implement industrial policies that encourage the revitalization of the manufacturing industry that pursues green and low-carbon development and safeguards the national economic security.

The Group believes there will lie ahead challenges and hopes in 2022. In terms of telecommunications business, the scale of fixed asset investments is still difficult to expand in the midst of increasingly fierce competition in the industry, with the continuing adverse effects brought by price fluctuations of raw materials and exchange rate appreciation. The Russia-Ukraine war has had a significant impact on the Group's exports to the region, thus dragging down the Group's entire export business. However, the telecommunications business as part of the infrastructure industry plays an increasingly important role in the 5G era, which not only serves as an important instrument bridging the gap between the metaverse, artificial intelligence and other emerging areas, but also continues to strengthen its penetration into the traditional manufacturing industry and various aspects of social life with increasingly enriched application scenarios in line with the continuing popularization of the Internet of Things. This opens up enormous potential for our business development in the future.

In light of the market conditions and our own position, we shall implement the following strategies in our pursuit of objectives in the new year:

I. Single champion as our target

By focusing on three markets, namely, the rail transportation and core equipment manufacturer market, operator market and overseas market, we will craft and implement our action plan in order to become the single champion.

By focusing on three product lines, namely, leaky cables, radio frequency coaxial cables and jumper elements, we will strive to become a single champion in these three product lines to rank first in the industry.

II. Pragmatism for lean production

Besides further strengthening our 5G on-site management practice, we will follow through the just-in-time and Six Sigma methods, while utilizing the IIoT and 5G technologies to improve the level of digitalization and intelligence, quality and efficiency, and customer satisfaction, as well as to reduce inventories.

III. Expansion for our small cell base station business

To achieve breakthroughs in our performance, we will proactively participate in normalized testing and centralized procurement organized by operators, while striving to develop private network (專網) fields and overseas markets.

IV. Actively look for targets for merger and acquisition in areas with long-term industry growth potential in the future, and strive to cultivate new profit growth points.

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

As at 31 December 2021, 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	16,082,525	4.14%
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 4.14% 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 2021, 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 (<i>Note</i>)	Beneficial owner	108,868,662	28.06%
Mr. Cui Wei (<i>Note</i>)	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. Xu Guoqiang tendered his resignation as an executive Director and a member of the remuneration committee of the Company with effect from 19 November 2021 due to job changes. On the same date, Mr. Song Haiyan was appointed as an executive Director and a member of the remuneration committee of the Company with effect from 19 November 2021.

(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 2021.

3. Employees and Remuneration Policies

As at 31 December 2021, there were 848 (31 December 2020: 772) 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 2021, the Group was not involved in any material litigation or arbitration.

5. Discloseable Transactions During the Reporting Period

During the year ended 31 December 2021, the Company has not carried out any discloseable transaction.

6. Audit Committee

The Company's audit committee members are Mr. Tam Chi Kwan Michael, Mr. Cui Wei, Ms. Zhang Zhong, Dr. Li Jun and Mr. Pu Hong. The audit committee, which is chaired by Mr. Tam Chi Kwan Michael, has reviewed the annual results of the Group for the year ended 31 December 2021.

7. 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 2021.

8. 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.

9. Annual General Meeting

The 2021 annual general meeting of the Company will be held on 27 April 2022 (Wednesday) 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.

10. Review of financial results

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.

11. Dividends

(a) No final dividend has been recommended by the Company for FY2021.

(b) Actual final dividend for FY2020

Name of Dividend:	Final
Dividend Type:	Cash
Dividend Rate:	RMB0.0158 per share
Number of shares:	388,000,000
Total amount:	RMB6,130,400

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

For the year ended 31 December 2021, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the securities of the Company.

13. 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, 16 March 2022

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

* *For identification purposes only*