Worldwide Communication

2021

ANNUAL REPORT

HENGXIN TECHNOLOGY LTD

(Stock Code: 1085)

CONTENTS

Corporate Profile

Hengxin Technology Ltd. ("**Hengxin Technology**" or the "**Company**" and together with its subsidiaries, the "**Group**") is one of the leading manufacturers of integrated antennas and feeder cables for mobile communications in the People's Republic of China (the "**PRC**").

Based in Yixing city in Jiangsu Province in the PRC, the Company now have an aggregate annual production capacity of approximately 168,000 kilometres for RF coaxial cables for mobile communications, 7,860,000 pieces for accessories and 120,000 pieces for antennas.

The Group adopts a strategic regional sales system in the PRC and serve a blue-chip and established customer base comprising major telecommunications operators such as China Unicom, China Mobile, and China Telecom, as well as major telecommunications equipment manufacturers in the PRC. Outside the PRC, our products are exported to major markets in Europe and Asia. We continue to establish our foothold in the local Indian telecommunication operators through our wholly-owned subsidiary in India since 2010.

Based on the sales volume of RF coaxial cables for the mobile communications sector, we have been one of the leading market players in the PRC in this market segment.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**SEHK**").

PRODUCT PORTFOLIO

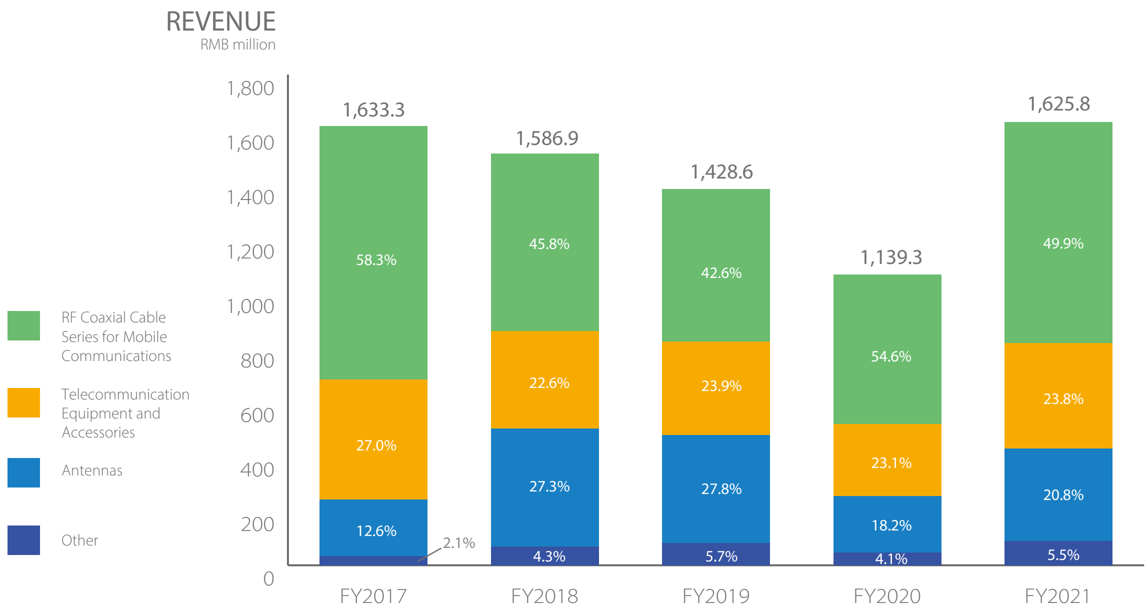
RF coaxial cable series for mobile communications ("**RF Coaxial Cables**")	Telecommunications equipment and accessories ("**Accessories**")	Antennas ("**Antennas**")	Others
– Transmission of high-frequency signals between antenna and base station equipment in outdoor base station wireless signal coverage system and indoor wireless signal coverage system in buildings – The leaky cables products can be used in radiating high frequency signals to surrounding environment through continuous small antenna elements along the cable in railways, highways, tunnels, underground car parks, elevators and high rise buildings	– Transmission of signals within microwave communications systems, radio broadcast wireless systems and air/sea radar systems – Accessories such as connectors and jumper cables for wireless signal coverage systems equipment within base stations	– Antennas adopted by telecom operators for use in signal transmission for wireless communications	– High temperature resistant cables ("**HTRC**") which are used as part of the raw material components for antennas – Antenna testing services

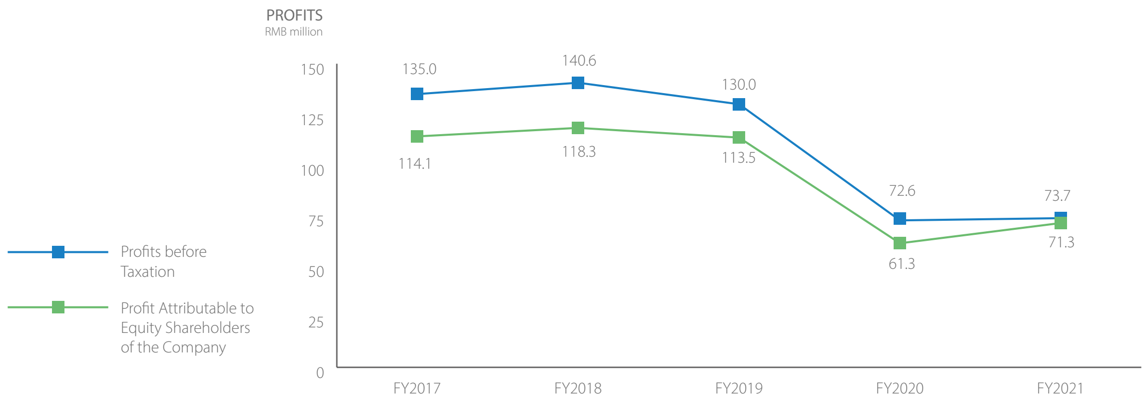
Five-year Financial Summary

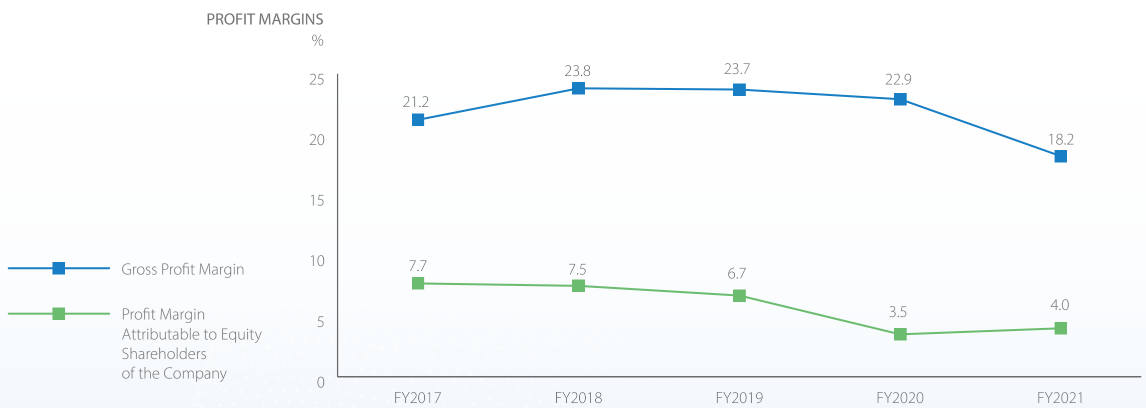
A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

	Year ended 31 December				
	2017	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
REVENUE	1,633,327	1,586,950	1,428,564	1,139,341	1,625,775
Cost of sales	(1,286,701)	(1,210,021)	(1,090,208)	(878,579)	(1,329,217)
Gross profit	346,626	376,929	338,356	260,762	296,558
Other operating income	22,552	30,048	35,476	58,186	37,927
Selling and distribution expenses	(101,228)	(102,429)	(114,708)	(93,405)	(103,736)
Administrative expenses	(59,057)	(56,883)	(45,389)	(39,215)	(46,829)
Reversal/(Recognised) of impairment loss on trade and other receivables	1,045	(19,183)	(641)	–	(3,370)
Other operating expenses	(66,698)	(74,407)	(68,041)	(100,760)	(99,751)
Interest expense	(62)	(1,042)	(15,024)	(12,964)	(7,142)
Share of loss of an associate, net of tax	(8,152)	(12,440)	–	–	–
Profit before taxation	135,026	140,593	130,029	72,604	73,657
Income tax	(20,969)	(22,317)	(16,558)	(12,177)	(10,733)
Profit for the year	114,057	118,276	113,471	60,427	62,924
Non-controlling interest	–	–	–	(872)	(8,379)
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	114,057	118,276	113,471	61,299	71,303
ASSETS AND LIABILITIES					
TOTAL ASSETS	1,731,356	2,136,080	2,192,853	2,227,781	2,477,454
TOTAL LIABILITIES	(250,411)	(548,572)	(510,744)	(495,367)	(690,283)
	1,480,945	1,587,508	1,682,109	1,732,414	1,787,171
NON-CONTROLLING INTEREST	–	–	–	2,128	(6,251)
NET ASSETS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	1,480,945	1,587,508	1,682,109	1,730,286	1,793,422

Financial Highlights







Financial Ratios and Performance

FINANCIAL PERFORMANCE	UNIT	FY2017	FY2018	FY2019	FY2020	FY2021
Revenue	RMB'000	1,633,327	1,586,950	1,428,564	1,139,341	1,625,775
Including: Revenue from regions outside of PRC	*RMB'000*	*233,871*	*325,132*	*199,853*	*205,650*	*194,082*
Proportion of revenue from other regions to total revenue	*%*	*14.3*	*20.5*	*14.0*	*18.0*	*11.9*
Gross margin	%	21.2	23.8	23.7	22.9	18.2
Profit before taxation	RMB'000	135,026	140,593	130,029	72,604	73,657
Non-controlling interest	–	–	–	–	(872)	(8,379)
Profit attributable to equity shareholders of the Company	RMB'000	114,057	118,276	113,471	61,299	71,303

FINANCIAL POSITION	UNIT	FY2017	FY2018	FY2019	FY2020	FY2021
Net assets attributable to equity shareholders of the Company	RMB'000	1,480,945	1,587,508	1,682,109	1,730,286	1,793,422

FINANCIAL RATIOS	NOTE	UNIT	FY2017	FY2018	FY2019	FY2020	FY2021
Earnings per share		RMB	0.294	0.305	0.292	0.158	0.184
Net asset per share attributable to equity shareholders of the Company		RMB	3.82	4.09	4.34	4.46	4.62
Return on total equity		%	7.7	7.5	6.7	3.5	3.5
Debt-to-assets ratio	a	%	14	26	23	22	28
Interest cover ratio	b	times	2,178.8	135.9	9.7	6.6	11.3
Current ratio	c	times	6.2	3.6	4.0	4.2	3.4
Trade receivables turnover		days	139	169	202	216	161
Inventory turnover		days	54	57	44	42	50

a Debt-to-assets ratio = Total liabilities/total assets
b Interest cover ratio = EBIT/Interest expense
c Current ratio = Current assets/Current liabilities

Chairman's Message

I. 2021 REVIEW

The global economy continued to struggle in 2021 against a backdrop of the economic stimulus policies implemented by various countries and the rampant spread of COVID-19 pandemic. On the one hand, the global economy has experienced a V-shaped rebound following the second half of 2020 due to the almost simultaneous adoption of stimulus policies by major developed and emerging market countries. On the other hand, the continuous spread of COVID-19 pandemic in the globe had a severe impact on supply chains, which, combined with the quantitative easing in financial market, led to a marked rise in global inflation, laying a significant risk for economic development in 2022.

In China, the government has launched a series of short-term counter-cyclical policies, including the "Six Guarantees and Six Stabilities (六保六穩)", and the overall economy has achieved good results, led by strong export growth and a recovery in consumption, especially in the areas of new energy vehicles and green energy, which have seen strong growth. However, it is also important to note that the negative factors, including the quarter-on-quarter decline in GDP growth, higher raw materials prices, appreciation of the RMB exchange rate, challenging environment prevailed for the real estate sector, serious setback faced by the education and training industry and the policy pressure on large internet companies, still exist in 2022.

"Adhere to business transformation and speed up products mix adjustment to enhance market competitiveness"

Chairman's Message

In the telecommunications business, fixed asset investments by major telecommunications operators, which constitute an important backdrop to the Group's external environment, declined by 0.3% in 2021 as compared to the previous year. This decline is in stark contrast with the 4.7% growth in 2019 and 11% growth in 2020, alongside significant delays in the timing of acquisitions by major operators. The competition was further intensified in the feeder cable industry, resulting in a drop in pricing. Furthermore, the Group's major raw material copper saw significant price fluctuations in 2021 in the midst of the appreciating exchange rate of RMB. These factors increased considerable difficulties and pressure to the Group's operations.

Faced with the mounting pressure, all the colleagues of the Group forged ahead and sailed against the wind. By taking advantage of our good reputation in the industry and years of proven track records, in combination with a number of targeted and effective measures, the Group continued to achieve remarkable results. Our annual revenue for the year ended 31 December 2021 reported approximately RMB1,625.8 million, representing an increase of approximately 42.7% as compared to the previous year. Although the gross profit margin dropped to 18.3% due to market environmental factors, the net profit attributable to the equity shareholders of the Company still reached approximately RMB68.5 million, representing an increase of approximately 11.7% as compared to the previous year.

1. For production management

During 2021, our management strategy focused on "cost control, timely delivery, and quality improvement". From the production management within the workshop to the overall operation of the Company, we continued to adjust and improve our own management strategy based on changing market conditions. To further deepen and strengthen our lean management, we created a total of 40 lean management projects throughout the year, 38 of which were completed and saved manufacturing costs by approximately RMB11,305,000. Our extensive micro-innovation campaign also motivated all employees to take the initiative to engage in innovation activities, and secured a total of 6,481 micro-innovation projects with accumulated tangible gains amounting to approximately RMB8,351,300. The number of completed costs improvement projects amounted to 37 throughout the year, producing accumulated revenue of approximately RMB14,710,000.

In terms of product structure, the output of RF Coaxial Cables in 2021 increased by 28.5% as compared with the same period in 2020. The output of Telecommunication Equipment and Accessories products in 2021 grew by 40.0% as compared with the same period in 2020. In 2021, 4G Antennas increased by 65.4% year-on-year, while 5G Antennas dropped temporarily due to market reasons.

2. ***For research and development***

The Company recognizes that research and development represents the lifeline of a business, which is also the foundation to brace market competition and achieve an invincible position. Therefore, faced with a sluggish market, the Company continued with its research and development, the investments of which amounted to a total of approximately RMB89.9 million throughout the year.

In terms of radio frequency products, a total of 11 authorized inventions were secured throughout the year, representing an increase of 83% over the previous year. The development of proprietary nucleating agents was completed with small batch production. The product quality in general matched those available for purchase in the market, which is an exploratory tryout in the research and development of core materials. The increased foaming degree of large-scale cables improved the transmission rate and attenuation indicators of leaky cables as a whole, leading a significant increase in the material utilization rate.

In terms of wireless products, a total of 14 invention patents were filed and 36 new products were developed throughout the year. As a result, sales of new products amounted to approximately RMB318,680,000. The last two figures outperformed our annual plan.

3. ***Marketing***

In the China domestic market, except that connector products did not differ significantly from the same period last year, the shipments of other conventional products increased significantly as compared to the same period last year, of which the feeder cables products remained the biggest revenue contributor. In the second quarter of 2021, the Group's successful bid for China Mobile's 700M project led to a significant impact on the sales of Antennas and high-temperature resistant cables, providing a strong guarantee for the performance growth in the second half of the year and the first half of 2022. At present, the contract value of major domestic projects to be executed exceeds RMB1,300 million.

Chairman's Message

In 2021, the overseas marketing team of the Group overcame the obstacles brought by the COVID-19 pandemic by maintaining active online communications with customers to ensure the stability of the export market. Overseas sales other than India amounted to approximately RMB188.5 million, of which traditional feeder cables and component products remained stable, while the Antennas and leaky cable products increased significantly year-on-year. As for our customers, equipment manufacturers and operators fluctuated greatly, while the demand for agents remained relatively stable.

In the fourth quarter of 2021, the Group actively participated in the bidding for centralized procurement of telecommunications projects around the world, among which the project value of orders awarded in the Russian market over the next three years was approximately US$37 million, further emphasizing the important position of Russia among the Group's strategic markets.

Due to the combined impacts of the slow construction of 5G base stations and the postponement of centralized procurement by operators, no revenue has been generated from the Group's new small cell base project.

II. OUTLOOK FOR 2022

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

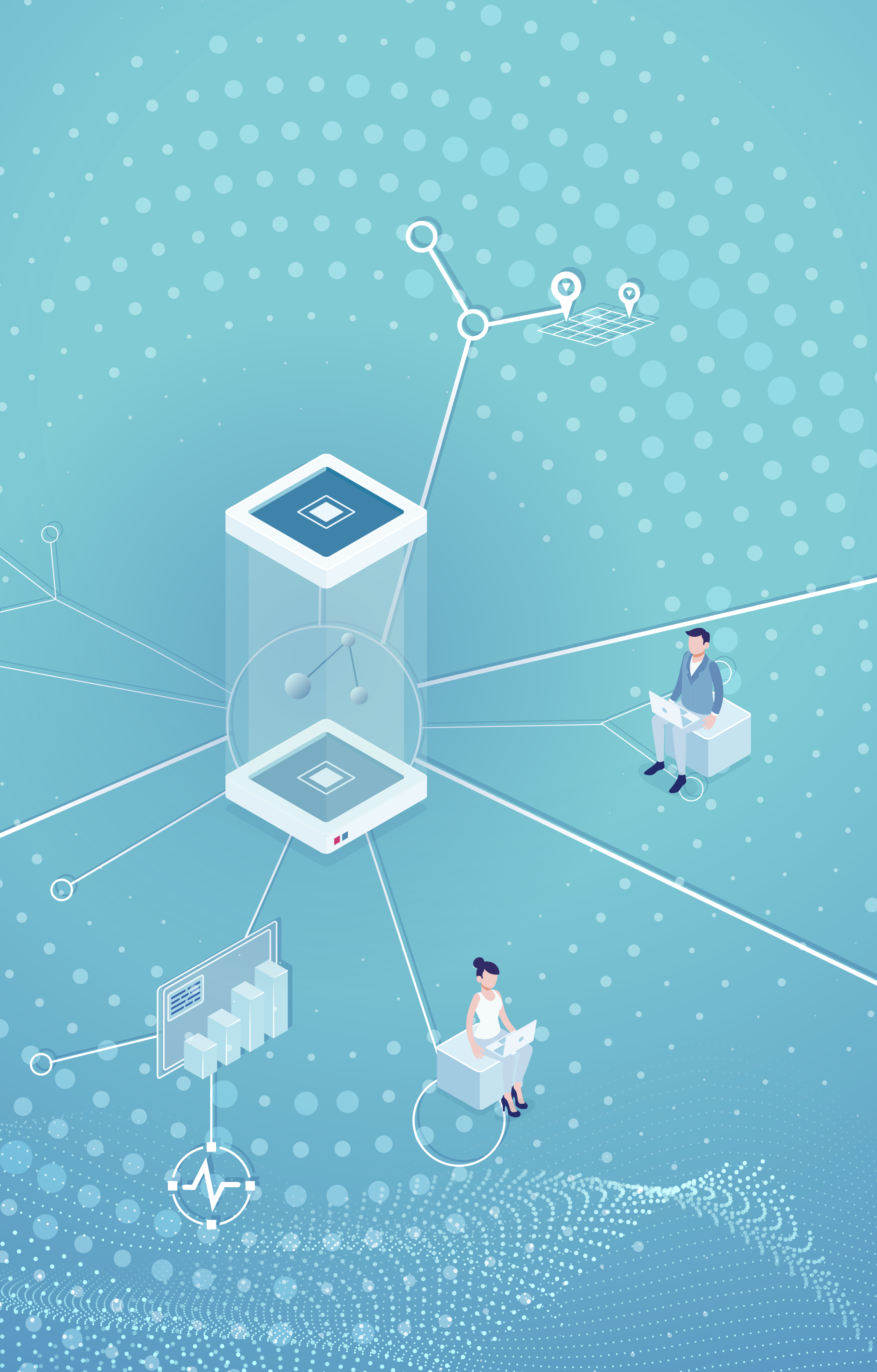
Besides further strengthening our 5G on-site management practice, we will follow through the just-in-time and Six Sigma methods, while utilizing the IIoT and 5G technologies to improve the level of digitalization and intelligence, quality and efficiency, and customer satisfaction, as well as to reduce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

Research and Development



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.

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).

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.

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).

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.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group's total assets were approximately RMB2,477,454,000 (2020: approximately 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.

Management Discussion and Analysis

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 RMB'000	2020 RMB'000
Total liabilities	690,283	495,367
Total assets	2,477,454	2,227,781
Debt-to-assets ratio	28%	22%

As at 31 December 2021, the gearing ratio of the Group, which was calculated by dividing the total liabilities by the total equity, was approximately 39% (2020: approximately 29%).

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 RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
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	108	–	827	810
At 31 December 2021	659,887	108	–	659,995	658,150

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

	Contractual cash flows				
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
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	448,498	661	84	449,243	446,103

	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
2020				
Derivatives settled gross:				
Forward foreign exchange contracts				
– outflow	(228,371)	–	–	(228,371)
– inflow	248,325	–	–	248,325

Exclude contract liabilities, advanced receipt, value added tax and other taxes payable.

CONTINGENT LIABILITIES

There were no material contingent liabilities as at 31 December 2021.

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.

MATERIAL LITIGATION AND ARBITRATION

As at 31 December 2021, the Group was not involved in any material litigation or arbitration.

DISCLOSEABLE TRANSACTIONS DURING THE REPORTING PERIOD

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

The following table sets out the principal risks which the Group faces, and the mitigating actions being done by the Group to manage and/or reduce such risks during FY2021:

No.	RISK	DESCRIPTION	MITIGATING ACTIONS/MEASURES
1	Business and industry risk	(a) The overall economic development and the scale of network construction by telecom operators have a significant impact on the Group's operations. The construction scale and investment progress of telecom operators determine the strength and speed of their equipment procurement, which is the most significant business and industry risk to the Group's operations.	(i) Continue to build on the Group's momentum in overseas expansion; (ii) Increase marketing presence in more geographic markets; (iii) Continue to build relationships with local and overseas partners in tendering for projects; (iv) Focus on product quality checks to ensure no defective products are sent to customers to maintain the Group's reputation; (v) Build and extend close relationships with large customers to understand their purchasing trends; (vi) The Group has also strengthened the development with enterprise level customers. (vii) Introduce new product offerings to reduce reliance on a few product models; and (viii) Actively seek appropriate acquisition targets to form positive synergies or to complement the Group's growth.
		(b) The internal competition in the telecommunications sector is fierce, especially the price competition.	(i) To strengthen the effort on research and development and market exploration for high profit margin products like 5G antennas, leaky cables and accessories and by securing more approvals as a qualified supplier for the Group's major customers and entering into new geographic markets; and (ii) Continue to improve production and logistical efficiencies with continuous internal micro-innovation and gradually achieve the replacement of self-produced raw materials for outsourcing to lower costs and to stay competitive.

No.	RISK	DESCRIPTION	MITIGATING ACTIONS/MEASURES
2	Technology risk	In the development of 5G technology, the leaders and technology route for investment and construction are different from before. In the process of commercialization of 5G technology, product forms and 5G application models are constantly being explored, and there are many uncertainties, which may increase the risk of research and development and large-scale production.	(i) In order to maintain the leading position and market share of our Group, we develop new technologies and products independently through our R&D team and, on the other hand, staying close to our customers (mainly telecom operators and equipment manufacturers) to understand the changing trends and their needs, so as to enhance the direction of our R&D; (ii) We also actively introduce our 4G smart antennas and other ancillary accessories to overseas customers as there is still demand for 4G technology in overseas markets; and (iii) Actively research and develop new products such as 5G micro base station.
3	Credit risk	Credit risk is the risk arising from the possibility of an obligor's inability to perform its contractual obligations. Credit risk may stem from both on-balance and off-balance sheet transactions. The potential risk associated with the non-performance of the contractual obligations by the borrower or transaction counter-party will increase the credit risk.	Adopt the policy of only dealing with credit worthy counterparties and where appropriate, obtain sufficient collateral as a means of mitigating the risk of financial loss from defaults. Regularly review the publicly available financial information of the Group's largest customers, who are mainly telecom operators and major equipment manufacturers, which are basically large-scale domestic and overseas listed companies with sound reputation. Set credit limits for all other customers and regularly evaluate the credit limits on the basis of publicly available financial and non-financial information of them, and for existing customers, also their sales orders and repayment records. Regularly monitor the Group's exposure and the credit ratings to prevent excessive credit exposure to a single customer.

No.	RISK	DESCRIPTION	MITIGATING ACTIONS/MEASURES
4	Foreign currency risk	The drastic changes in China's foreign trade environment have caused significant fluctuations in the RMB exchange rate, which poses significant exchange risks for the Group's expanding overseas business.	(i) Denominate the Group's sales in RMB, except in currency controlled countries such as India, so as to maximise the advantage brought by the internationalisation of RMB; and (ii) Monitor the foreign currency exposure and continue implementing the policy in using foreign exchange forward contracts ("**Forex Forwards**") to strike a balance between the uncertainty and the risk of opportunity loss in light of the growing significance of the Group's exposure to fluctuations in foreign currency. As Forex Forwards also have risks, the Group will only consider hedging the foreign currency risk using Forex Forwards should the need arise.
5	Commodity price risk	As the main raw material of RF Coaxial Cables, copper accounts for a higher proportion of the costs of production, and its price is high and fluctuating. In addition, the price fluctuations of petrochemical raw materials have a significant impact on costs of production due to their high usage. The price of non-ferrous and petrochemical raw materials increased significantly in 2021, making it more difficult to control costs of production. The framework agreements entered into with the Group's major customers allow for a linkage mechanism between the selling price of RF Coaxial Cables and the price of copper, whereby the selling prices shall be adjusted should copper price movement exceed a certain adjustment level. If copper price increases for a protracted duration but does not reach the adjustment level, the selling price will not be able to trigger the linkage mechanism, resulting in an increase in costs of production and thus lowering the Group's gross profit margin. There is no such linkage mechanism for the Group's other products that require copper as raw material.	(i) Procure appropriate measures to control copper prices based on existing orders and market conditions; and (ii) Continue to explore reduction of costs of materials and manufacturing. We have successfully researched and developed some of our own raw materials to replace purchased products.

No.	RISK	DESCRIPTION	MITIGATING ACTIONS/MEASURES
6	Interest rate risk	The major interest rate risk that the Group is exposed to includes the Group's short-term debt obligations which may be subject to variable interest rates.	The Group's debt obligation arising from bank borrowings bears fixed interest rate. No variable rate debt obligations were held by the Group at the end of FY2021.

Continuing Connected Transactions

The significant related party transactions set out in Note 32(b) to the financial statements constitute continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on SEHK (the "**Listing Rules**").

During FY2021, the Group had the following continuing connected transactions, details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

RAW MATERIALS PURCHASE MASTER AGREEMENT

On 10 October 2019, Jiangsu Hengxin Technology Co., Ltd. ("**Jiangsu Hengxin**") entered into a raw materials purchase master agreement (the "**2020 Purchase Agreement**") with Suzhou Hengli Telecommunications Materials Co., Ltd. ("**Suzhou Hengli**") in relation to the purchase of raw materials for a term up commencing from 1 January 2020 to 31 December 2022, pursuant to which Suzhou Hengli will supply metal plastic tape, aluminium plastic tape and other raw materials for the production of radio frequency coaxial cables on terms no less favourable than those offered by independent third parties.

The annual cap in respect of the transactions for each of the years ended 31 December 2020, 2021 and 2022 are RMB50,000,000. During the year ended 31 December 2021, the aggregate net amount paid by the Group for the purchase of the raw materials under the 2020 Purchase Agreement amounted to approximately RMB22,493,942 (excluding VAT payable to the State Administration of Taxation of the PRC).

PRODUCT SALES MASTER AGREEMENT

On 10 October 2019, Jiangsu Hengxin entered into a products sales master agreement (the "**2020 Sales Agreement**") with Suzhou Hengli pursuant to which the Group will provide its products, such as radio frequency coaxial cable series for mobile communications, telecommunications equipment and accessories, high temperature resistant cables and antennas, to Suzhou Hengli on terms no less favourable than those offered by independent third parties.

The annual caps in respect of the transactions under the 2020 Sales Agreement for each of the years ended 31 December 2020, 2021 and 2022 are RMB10,000,000. During the year ended 31 December 2021, the aggregate net amount received by the Group for the sales of its products under the 2020 Sales Agreement amounted to approximately RMB7,116,245 (excluding VAT payable to the State Administration of Taxation of the PRC).

LISTING RULES' IMPLICATIONS

In compliance with Chapter 14A of the Listing Rules, the respective annual caps under the 2020 Purchase Agreement and the 2020 Sales Agreement (collectively, the "**2020 CCT Agreements**") are aggregated for the purpose of calculating the percentage ratios. As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the aggregate annual caps for the 2020 CCT Agreements exceeds 5%, the 2020 CCT Agreements are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company obtained approval from the independent shareholders for the 2020 CCT Agreements at the Company's extraordinary general meeting held on 17 December 2019 respectively.

The price and the terms of the 2020 CCT Agreements have been determined in accordance with the pricing policies and guideline set out in the circular of the Company dated 22 November 2019.

BACKGROUND OF HENGTONG GROUP, SUZHOU HENGLI AND HENGTONG

Suzhou Hengli is a company incorporated in the PRC with limited liability and wholly-owned by Hengtong Optic-Electric Co., Ltd. (江蘇亨通光電股份有限公司) ("**Hengtong Optic Electric**"). Hengtong Optic-Electric is held as to approximately 4.03% by Hengtong Group Co., Ltd. (亨通集團有限公司) ("**Hengtong Group**"), which is beneficially owned by Mr. Cui Genliang and Mr. Cui Wei as to 58.7% and 41.3% respectively. Mr. Cui Genliang is the father of Mr. Cui Wei (the Chairman, 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 24.05% 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.

The Independent Non-Executive Directors have reviewed the above continuing connected transactions and confirmed that such continuing connected transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or better; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor, KPMG, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board has received a letter from the auditors which has confirmed the matters required under Rule 14A.56 of the Listing Rules.

Board of Directors

CUI WEI

Chairman and Non-Executive Director

Mr. Cui Wei (崔巍), born in 1986, is chairman of the Board (the "**Chairman**") of the Company and chairman of Jiangsu Hengxin. He was appointed as a Non-Executive Director on 14 October 2014, and was appointed as the Chairman of the Company on 31 December 2015.

Mr. Cui holds a bachelor's degree in Mechanical Engineering from Saint Louis University and a master degree in Engineering Management from University of Southern California. Mr. Cui has extensive experience in direct investment, management of equity interests and debentures.

DU XIPING

Executive Director

Mr. Du Xiping (杜西平), born in 1962, is our executive Director and was appointed on 31 December 2015. Mr. Du holds a Bachelor of Science from the Department of Astronomy in Nanjing University and a master's Degree in Economics from the Graduate School of Chinese Academy of Social Science. Mr. Du possesses a wide range of experience over the years covering economics research, trade, finance and investment.

Mr. Du was the general manager of Shenzhen Dong Fang Hongda Investment Co., Ltd. (深圳市東方泓達投資有限公司), Shenzhen Shuangxin Investment Co., Ltd. (深圳市雙信投資有限公司) and the trust department of New Industrial Investment Co., Ltd. (新產業投資股份有限公司), all of which are principally engaged in the business of trust and asset management, and during the tenure, Mr. Du had been appointed as the fund manager for the Hope Project.

As the very first batch of securities practitioners after China's reform and opening up, Mr. Du was the general manager of the securities department of Industrial and Commercial Bank of China's United Financial Corporation Securities Unit Trust, Pearl River Delta Region (工商銀行珠江三角洲金融信託聯合總公司), mainly focusing on the securities and trust business.

SONG HAIYAN

Executive Director

Dr. Song Haiyan (宋海燕博士), born in 1968, was appointed as the Executive Director of the Company on 19 November 2021 and the general manager and director of Jiangsu Hengxin on 9 November 2021. Dr. Song graduated from the Department of Telecommunications Engineering of Beijing University of Posts and Telecommunications in 1991 with a bachelor's degree in engineering (specializing in communication engineering). He subsequently obtained a doctorate degree in engineering (majoring in electromagnetic field and microwave technology with a research focus on high-speed optical communication systems) from the same university in 1996.

From August 1997 to December 2009, Dr. Song was employed by Alcatel China Co., Ltd. (now known as "Alcatel-Lucent Shanghai Bell") and successively held positions in the channel development department and the optical fiber and cable department. Dr. Song served as an executive director of the Company from January 2010 to December 2011. Dr. Song later served as the general manager of Furukawa Electric Xi'an Optical Communication Co., Ltd. from December 2011 to July 2016. Thereafter, from August 2016 to September 2021, Dr. Song served as the chief executive officer and executive director of Aberdare Cables, a company incorporated in South Africa.

ZHANG ZHONG

Non-Executive Director

Ms. Zhang Zhong (張鍾), born in 1954, is our Non-Executive Director and was appointed on 23 June 2005. Ms. Zhang was one of the founders and directors of Jiangsu Hengxin Technology Co., Ltd. since its establishment in June 2003.

Prior to that, between 1982 and 1988, she was the manager of the metals branch at Sichuan Agricultural Machinery Supply and Sales Co. Ltd (四川省農機供銷總公司) and was responsible for the market development and sales in the company. Between 1972 and 1982, she worked at Sichuan Chain Factory (四川省鏈條廠). From 1988 to 2004, she was the manager of the metals branch at Sichuan Science and Industrial Trade Agricultural Machinery Co. Ltd (四川省科工貿農機公司金屬材料分公司) and was responsible for the sales and marketing in the company.

TAM CHI KWAN MICHAEL

Independent Non-Executive Director

Mr. Tam Chi Kwan Michael (譚志昆), born in 1964, is our Independent Non-Executive Director and was appointed on 10 December 2010. Mr. Tam is currently the managing director of TLC CPA Limited, a firm of certified public accountants in Hong Kong and has more than 30 years of experience in tax consulting and auditing. He holds an Honours Diploma in Accountancy from Lingnan University (formerly known as Lingnan College) in Hong Kong and a Bachelor of Laws (Hons) degree from the University of Wolverhampton in the United Kingdom.

Mr. Tam is a Certified Public Accountant (practising) and a Chartered Tax Advisor in Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Accountants (England and Wales) and the Taxation Institute of Hong Kong.

DR. LI JUN

Independent Non-Executive Director

Dr. Li Jun (李珺博士), born in 1961, is our Independent Non-Executive Director and was appointed on 6 March 2015. Dr. Li obtained his doctorate degree of philosophy in Political Economy from Oxford University in the United Kingdom in 1994. He was a senior manager and director of a number of securities and investment companies in Hong Kong and had an extensive experience in international financial market. Dr. Li was appointed as an independent non-executive director of Suncity Group Holdings Limited (Stock Code: 1383, a company listed on the main board of SEHK) until 1 June 2012. He is currently an independent non-executive director of CMMB Vision Holdings Limited (Stock Code: 0471, a company listed on the main board of SEHK).

Board of Directors

PU HONG

Independent Non-Executive Director

Mr. Pu Hong (浦洪), born in 1964, is our Independent Non-Executive Director and was appointed on 6 March 2015. Mr. Pu holds a master degree in Accounting and Finance obtained from Anhui Finance and Economics College, a master degree of Finance obtained from Cass Business School of City University London, and an On-The-Job Doctorate from China University of Politics and Law. Mr. Pu is currently a senior partner and company securities lawyer with Deheng Law Offices (Shenzhen). His main areas of practice encompass a wide range of corporate advisory work such as mergers and acquisitions, corporate restructuring and initial public offerings.

Key Management

LAU FAI LAWRENCE

Financial Controller

Mr. Lau Fai Lawrence (劉斐), born in 1971, joined our Group in June 2017. He is the Financial Controller and is responsible for the finance, legal, tax, compliance and reporting functions of the Group. Mr. Lau is a member of the Hong Kong Institute of Certified Public Accountants, a practising certified public accountant in Hong Kong and a fellow member of the Association of Chartered Certified Accountants in the United Kingdom.

Mr. Lau holds a bachelor degree in business administration from The University of Hong Kong and a master degree in corporate finance from The Hong Kong Polytechnic University. Mr. Lau is the company secretary of BBMG Corporation, a company listed on the main board of SEHK. Before joining BBMG Corporation, Mr. Lau has served as the group financial controller and qualified accountant of Founder Holdings Limited and Peking University Resources (Holdings) Company Limited, both companies are listed on the main board of SEHK. From 1994 to 1998, Mr. Lau worked for Price Waterhouse as a senior accountant. Mr. Lau is currently an executive director of Future World Holdings Limited (Stock Code: 572), an independent non-executive director of Artini Holdings Limited (Stock Code: 789), Titan Petrochemicals Group Limited (Stock Code: 1192) and Renco Holdings Group Limited (Stock Code: 2323), all the above companies are listed on the main board of SEHK. Mr. Lau is also the independent non-executive director of Sinopharm Tech Holdings Limited (Stock Code: 8156, a company listed on the GEM of SEHK). From February 2017 to December 2018, Mr. Lau was the non-executive director of Alltronics Holdings Limited (Stock Code: 833, a company listed on the main board of SEHK) and the independent non-executive director of Winto Group (Holdings) Limited (Stock Code: 8238, a company listed on the GEM of SEHK) from April 2019 to November 2019.

JIN HUIYI

Deputy General Manager – Overseas Marketing

Ms. Jin Huiyi (金惠義), born in 1976, joined our Group in November 2005. She is the Deputy General Manager of Jiangsu Hengxin Technology Co. Ltd., and is responsible for overseas marketing. Since 2005, Ms. Jin had been the vice president of overseas marketing of the Group. From 2001 to 2005, Ms. Jin worked as an assistant to general manager of Yixing Chenyang Ceramics Co., Ltd. Ms. Jin obtained an associate degree in Computer Application and Maintenance from Yancheng Institute of Technology in 1998 and a title of Senior Economist in 2012.

HUA YANPING

Executive Vice President and CTO

Mr. Hua Yanping (華彥平), born in 1968, joined our Group in August 2014. He is the executive vice president and CTO of Jiangsu Hengxin Wireless Technology Co., Ltd. ("**Jiangsu Wireless**"), responsible for the technology and product development of Jiangsu Wireless. From 2003 to 2014, Mr. Hua served as senior engineer, principle engineer and product line manager of Andrew Telecommunication Equipment (China) Co., Ltd. From 1997 to 2003, Mr. Hua was the R&D manager of Yaxin Electronic Technology Co., Ltd. Mr. Hua obtained a Ph.D. in Digital Signal Processing of Power Engineering at Southeast University in 2005.

Corporate Information

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Jiangsu Province, The PRC

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#06-05 Tampines Plaza 2
Singapore 529541

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
6th Floor
The Chinese Club Building
21–22 Connaught Road Central
Hong Kong

BOARD OF DIRECTORS
Executive directors
Mr. Du Xiping
Dr. Song Haiyan
(appointed on 19 November 2021)
Mr. Xu Guoqiang
(resigned on 19 November 2021)

Non-executive directors
Mr. Cui Wei (Chairman)
Ms. Zhang Zhong

Independent non-executive directors
Mr. Tam Chi Kwan Michael
Dr. Li Jun
Mr. Pu Hong

AUDIT COMMITTEE
Mr. Tam Chi Kwan Michael (Chairman)
Mr. Cui Wei
Ms. Zhang Zhong
Dr. Li Jun
Mr. Pu Hong

REMUNERATION COMMITTEE
Dr. Li Jun (Chairman)
Mr. Cui Wei
Dr. Song Haiyan
(appointed on 19 November 2021)
Mr. Tam Chi Kwan Michael
Mr. Pu Hong
Mr. Xu Guoqiang
(resigned on 19 November 2021)

NOMINATING COMMITTEE
Mr. Cui Wei (Chairman)
Mr. Du Xiping
Mr. Tam Chi Kwan Michael
Dr. Li Jun
Mr. Pu Hong

AUTHORISED REPRESENTATIVES
Mr. Du Xiping
Mr. Chan Ting

JOINT COMPANY SECRETARIES
Mr. Chua Kern (Singapore)
(appointed on 22 October 2021)
Mr. Chan Ting (Hong Kong)
(appointed on 10 November 2021)
Ms. Wong Jing Ting, Renee
(Singapore)
(resigned on 22 October 2021)
Mr. Lai Yang Chau, Eugene
(Hong Kong)
(passed away during FY2021)

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Partner-in-charge: Teo Han Jo
(Appointed since 6 December 2016)

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(Appointed since 17 December 2019)

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Agricultural Bank of China,
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Jiangsu Province, The PRC

SEHK STOCK CODE
1085

WEBSITE OF THE COMPANY
www.hengxin.com.sg

Corporate Governance Report

The Company is committed to setting in place corporate governance practices to provide the structure through which the objectives of protection of shareholders' interests and enhancement of long term shareholder value are met.

The Company was listed on the Main Board of the SEHK. Throughout FY2021, the Company had adopted, for corporate governance purposes, the code provisions as set out in the Corporate Governance Code in Appendix 14 of the Listing Rules (the "**Hong Kong Code**"), and has complied with the code provisions as set out in the Hong Kong Code.

(A) BOARD MATTERS

The Board's Conduct of Affairs

As at 31 December 2021, the Board comprises of two Executive Directors, two Non-Executive Directors, and three Independent Non-Executive Directors. During FY2021, all the Executive Directors, Non-Executive Directors and Independent Non-Executive Directors displayed diversity and competency in their skill sets, knowledge, experience and perspectives which enabled them to contribute effectively to the Company.

The Board's primary role is to safeguard shareholders' interests and enhance long-term shareholders' value. It sets the overall strategy for the Group and supervises the performance of the executive management of the Company (the "**Management**"). To fulfil this role, the Board is responsible for implementing effective internal controls and for the overall corporate governance of the Group, including setting its strategic direction, establishing goals for the Management and monitoring the Management's performance towards achieving these goals.

The Group has set in place an approval matrix which sets out the matters requiring the Board's approval and the extent of delegation assigned to the Management. In this manner, the Management can effectively carry out its business activities with a clear understanding of its operational limits.

Board Processes

To assist in the execution of its responsibilities, the Board has established a number of Board committees, including the Nominating Committee, the Remuneration Committee and the Audit Committee (the "**Board Committees**"). The effectiveness of each committee is constantly monitored. The Board has also established a framework for the Management to establish an internal control system and appropriate ethical standards.

Board meetings are conducted regularly on a quarterly basis, and ad-hoc meetings are convened whenever they are deemed necessary to address any specific issue of significance that may arise. Some important matters concerning the Group are also put to the Board for its decision by way of written resolutions. Board meetings may be conducted by way of tele-conference and video conference.

The meeting agenda for Board meetings are prepared in consultation with the Chairman-Agenda items include the management report, financial reports, strategic matters, corporate governance, business risk issues and compliance. Executives of the Group are regularly invited to attend Board meetings to provide updates on operational matters.

The Board conducts an annual review of its processes to ensure that it is able to carry out its functions in the most effective manner.

During FY2021, the number of general meetings, Board meetings and Board Committee meetings held, and the attendance by each member of the Board at these meetings are set out below:

Name of Director	Annual General Meeting		Board meetings		Audit Committee meetings		Remuneration Committee meetings		Nominating Committee meetings	
	No. of Meeting Held	No. of Meeting Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Cui Wei	1	1	4	4	4	4	2	2	2	2
Du Xiping	1	1	4	4	NA	NA	NA	NA	2	2
Dr. Song Haiyan (appointed on 19 November 2021)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Xu Guoqiang (resigned on 19 November 2021)	1	1	4	4	NA	NA	2	2	NA	NA
Zhang Zhong	1	1	4	4	4	4	NA	NA	NA	NA
Tam Chi Kwan Michael	1	1	4	4	4	4	2	2	2	2
Pu Hong	1	1	4	4	4	4	2	2	2	2
Dr. Li Jun	1	1	4	4	4	4	2	2	2	2

(NA: Not applicable)

Matters Reserved for Board Approval

Board approval is required for matters such as corporate restructuring, mergers and acquisitions, major investments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, release of the Group's half-yearly results, full-year results, interim report and annual report, preparation of the Environmental, Social and Governance report, review of the annual budget, connected transactions, declaration of interim dividends and proposal of final dividends.

All other matters are delegated to the committees whose actions are reported to, and monitored by, the Board.

Training of Directors

The Directors are responsible for their own training needs. Each newly appointed Director shall receive appropriate induction, training and coaching in order to develop individual skills as required for the discharge of their duties and responsibilities as Directors of the Company. During FY2021, the Directors have participated in continuous professional development to develop and refresh their knowledge and skills, including the training course provided by the legal advisors of the Company. Some of the Directors have also attended external trainings during FY2021 covering topics on Corporate Governance Code on risk management and internal controls under the Listing Rules, the Companies Ordinance of Hong Kong and new Hong Kong Financial Reporting Standards and legal framework update.

The individual training record of each Director received for FY2021 is summarized below:

Names of Directors	Attending or participating in seminars/training courses relevant to the business/directors' duties
Mr. Du Xiping	✔
Dr. Song Haiyan (appointed on 19 November 2021)	✔
Mr. Xu Guoqiang (resigned on 19 November 2021)	✔
Mr. Cui Wei	✔
Ms. Zhang Zhong	✔
Mr. Tam Chi Kwan Michael	✔
Dr. Li Jun	✔
Mr. Pu Hong	✔

Board Composition and Guidance

During FY2021, the Board comprised the following Directors:

Name of Director	Designation	Date of first appointment	Date of last re-election	Due for re-election at forthcoming annual general meeting ("AGM")
Cui Wei	Chairman and Non-Executive Director	14 October 2014	28 April 2020	NA
Du Xiping	Executive Director	31 December 2015	28 April 2020	Yes
Dr. Song Haiyan (appointed on 19 November 2021)	Executive Director	19 November 2021	NA	Yes
Xu Guoqiang (resigned on 19 November 2021)	Executive Director	20 December 2011	27 April 2021	NA
Zhang Zhong	Non-Executive Director	23 June 2005	28 April 2020	NA
Tam Chi Kwan Michael	Independent Non-Executive Director	10 December 2010	26 April 2019	Yes
Pu Hong	Independent Non-Executive Director	6 March 2015	27 April 2021	NA
Dr. Li Jun	Independent Non-Executive Director	6 March 2015	27 April 2021	NA

(NA: Not applicable)

The criteria for assessing independence of the Independent Non-Executive Directors are based on the guidelines set out in the Listing Rules. The Board considers an independent director is a director who has no relationship with the Company, its related companies, its shareholders who have 10% or more interest in the issued share capital of the Company or its officers that could interfere, or be reasonably perceived to be likely to interfere, with the exercise of the director's independent judgment in the conduct of the Group's affairs. The independence of the Company's Independent Non-Executive Directors meets the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules.

The composition of the Board is determined in accordance with the following principles:

- The Board should comprise a sufficient number of Directors to fulfil its responsibilities. This number of Directors may be increased when the Board considers that additional expertise is required in specific areas, or when an outstanding candidate has been identified;

- the Board should have sufficient number of Directors to serve on various committees of the Board without encumbering the Directors or making it difficult for them to fully discharge their responsibilities; and

- the Board should consider its diversity from various aspects including but not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All appointments to the Board will be based on merits, and candidates will be considered against certain objective criteria, having regard to the benefits of diversity on the Board.

The Nominating Committee conducts an annual review of the Independent Non-Executive Director's independence. Based on the guidelines of the Listing Rules for assessing independence, the Nominating Committee is of the view that the Independent Non-Executive Directors, during their respective terms of office with the Company, are deemed independent.

Through the Independent Non-Executive Directors, the Board is able to exercise independent judgment on corporate affairs and provide the Management with a diverse and objective perspective on various issues. Furthermore, the Board is able to interact and work with the Management through a robust exchange of ideas and views to help shape the Company's strategic direction.

The composition of the Board will be reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate size, diversity, skills, knowledge, experience and perspectives, and possesses the core competencies necessary for the effective functioning of the Board and making informed decisions. When a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new Director with particular expertise in specific areas, the Nominating Committee, in consultation with the Board, will determine the selection criteria and select candidates with the appropriate expertise and experience for the position. Pursuant to the constitution of the Company (the "**Constitution**"), any Director appointed by the Board to fill a casual vacancy shall hold office until the next AGM after his appointment and be subject to re-election at such meeting.

The Nominating Committee also reviews the number of years of service of each independent non-executive Directors so as to balance the benefits from the ability of that independent non-executive Director to stay independent and to bring fresh perspectives to the Board and the necessity of board refreshment and succession planning due to the issues arising from the presence of long-serving independent non-executive Directors.

As Mr. Tam Chi Kwan Michael has served as an independent non-executive director of the Company for more than nine years, the Company wishes to confirm that Mr. Tam Chi Kwan Michael has not engaged in any executive management of the Group during his whole term of service. Taking into consideration of his independent scope of work in the past years, the Directors consider Mr. Tam Chi Kwan Michael to be independent under the Listing Rules despite the fact that he has served the Company for more than nine years. Mr. Tam Chi Kwan Michael has confirmed that he will continue to devote sufficient time for the discharge of his functions and responsibilities as an independent non-executive Director. The Board also believes that Mr. Tam Chi Kwan Michael's continued tenure brings considerable stability to the Board and the Board has benefited greatly from the presence of Mr. Tam Chi Kwan Michael who has over time provided valuable independent view on matters relating to the internal control and risk management of the Group.

The duties and responsibilities of the Executive Directors are clearly set out in their service agreements, and the duties and responsibilities of the Non-Executive Directors are clearly set out in their letters of appointment.

The Non-Executive Directors and Independent Non-Executive Directors exercise no management functions in the Group. While all the Directors have equal responsibility for the performance of the Group, the respective roles of the Non-Executive Directors and Independent Non-Executive Directors are particularly important in ensuring that the strategies proposed by the Management are discussed fully and rigorously examined, taking into account the long-term interests of not only the shareholders, but also of the employees, customers, suppliers and the many communities in which the Group conducts business.

The Board considers its Non-Executive Directors and Independent Non-Executive Directors to be competent, sufficient in number and that their views hold equal weight such that no individual or groups of Directors can dominate the Board's decision-making processes. The Non-Executive Directors and Independent Non-Executive Directors have no financial or contractual interests in the Group other than their fees and shareholdings as set out in the Report of the Directors in this Annual Report.

The Board is of the view that its current composition is appropriate taking into account the scope and nature of the operations of the Company and the Group.

Other key information about the Directors is set out in pages 28 to 30 of this Annual Report. Their shareholdings in the Company are also disclosed in the Report of the Directors in this Annual Report. None of the Directors hold shares in any of the Company's subsidiaries.

Chairman and Chief Executive Officer

Code Provision A.2.1 of the Hong Kong Code stipulates that the roles of the Chairman and chief executive should be separate and should not be performed by the same individual. Mr. Cui Wei has been appointed as the Chairman of the Board since 31 December 2015. The Chairman shall focus on the overall corporate development and strategic direction of the Group and oversee the efficient functioning of the Board. The Chairman will ensure that all Directors are properly briefed on issues arising at Board meetings and will also ensure information flow between the Management and the Board.

The Executive Directors are responsible for the daily operations of the Company while the Non-Executive Directors and Independent Non-Executive Directors exercise no management functions in the Group. Such division of responsibilities helps to reinforce their independence and ensure a balance of power and authority. During FY2021, the Chairman had a meeting with the Non-Executive Directors, including the Independent Non-Executive Directors, without the presence of the other Executive Directors.

The Company did not appoint a chief executive officer in FY2021 and has no intention to appoint a chief executive officer in the near future.

Joint Company Secretaries

The Company's secretarial functions are outsourced to external services provider. Mr. Chua Kern ("**Mr. Chua**") (who was appointed on 22 October 2021 following the resignation of Ms. Wong Jing Ting, Renee) and Mr. Chan Ting ("**Mr. Chan**") (who was appointed on 10 November 2021 following the passing of Mr. Lai Yang Chau, Eugene in FY2021) are the joint company secretaries of the Company (the "**Joint Company Secretaries**"). Mr. Chua currently is a practicing solicitor in Singapore and a member of each of The Law Society of Singapore and Singapore Academy of Law. Mr. Chan is qualified to practise as solicitor in Hong Kong. Mr. Chua and Mr. Chan have complied with the requirement under Rule 3.29 of the Listing Rules during the year.

For details of the changes in joint company secretaries during FY2021, please refer to the announcements of the Company dated 22 October 2021, 26 October 2021 and 10 November 2021.

Their primary corporate contact person at the Company is Mr. Lau Fai Lawrence, the financial controller of the Company.

(B) NOMINATING COMMITTEE

Board Membership

The Company adopts a formal and transparent process of appointing new Directors to the Board and ensures that all Directors submit themselves for re-nomination and re-election at regular intervals, and the Nominating Committee oversees this aspect of corporate governance.

The Nominating Committee comprises the following members:

Cui Wei	Chairman, Non-Executive Director
Du Xiping	Member, Executive Director
Tam Chi Kwan Michael	Member, Independent Non-Executive Director
Dr. Li Jun	Member, Independent Non-Executive Director
Pu Hong	Member, Independent Non-Executive Director

The Nominating Committee holds at least one meeting each year. The Nominating Committee has convened two meetings during FY2021 to review the independence of the Independent Non-Executive Directors as well as the composition of the Board and review the proposed appointment of Dr. Song Haiyan as an Executive Director.

The key functions of the Nominating Committee under its Terms of Reference are, amongst others:

(a) to establish procedures for, and make recommendations to the Board on all appointments to the Board, including re-nominations, having regard to the Director's contribution and performance (e.g. attendance, preparedness, participation and candour);

(b) to determine annually whether or not an Independent Non-Executive Director is independent, bearing in mind the requirements set forth in the Listing Rules and any other relevant factors;

(c) in respect of a Director who holds multiple board representations on various companies, to decide whether or not such Director is able to, and has been adequately, carrying out his/her duties as Director, having regard to the competing time commitments that are faced by such Director when serving on multiple boards;

(d) to decide how the Board's performance may be evaluated and propose an objective performance criterion, as approved by the Board, that allows comparison with its industry peers, and address how the Board has enhanced long term shareholders' value; and

(e) to review the board succession plans for the Directors.

The Terms of Reference of the Nominating Committee are posted on the websites of the Company and the SEHK.

The Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three years. The Non-Executive Directors are appointed for a term of three years, subject to retirement by rotation at the AGM and may, if eligible, offer themselves for re-election.

Pursuant to the Constitution, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each AGM. Each Director shall abstain from voting on any resolutions in respect of his or her re-appointment as a Director.

Pursuant to Article 88 of the Constitution, Dr. Song Haiyan was appointed by the Directors on 19 November 2021 and shall hold office only until the next annual general meeting and shall then be eligible for re-election, but shall not be taken into account in determining the numbers of Directors who are to retire by rotation at such meeting. Therefore, Dr. Song Haiyan shall retire at the forthcoming AGM and, being eligible, will offer himself for re-election at the forthcoming AGM. The profile of Dr. Song Haiyan is shown on pages 28 to 29 of the Annual Report.

Pursuant to Article 89 of the Constitution, Mr. Du Xiping and Mr. Tam Chi Kwan Michael shall retire at the forthcoming AGM and, being eligible, will offer themselves for re-election at the forthcoming AGM. Their profiles are shown on pages 28 and 29 of the Annual Report.

The Nominating Committee has considered the level of commitment of each Director serving on multiple boards. For FY2021, the Board is satisfied that each Director has allocated sufficient time and resources to the affairs of the Company during their term of office with the Company.

Board Diversity

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance.

When determining the composition of the Board, the Company will consider Board diversity in terms of, among other things, gender, age, cultural, educational background, professional experience, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to gender, age, cultural, educational background, professional experience, skills and know-how.

The Nominating Committee will review its board diversity policy, as appropriate, to ensure the effectiveness of the policy. The Nominating Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

Board Performance

The Nominating Committee, when considering the re-appointment of a Director, will evaluate such Director's contribution and performance, such as his or her attendance at meetings of the Board and Board Committees, and, where applicable, his or her participation, candour and any special contributions.

The Nominating Committee is tasked with the assessment of the Board's performance and will adopt certain performance criteria taking into consideration quantitative and qualitative factors such as the success of the strategic and long-term objectives set by the Board.

The Nominating Committee has formulated a set of evaluation procedures and performance criteria for the assessment of the Board's performance as a whole. It had conducted an assessment of the performance of the Board for FY2021.

The Nominating Committee has established a set of procedures for assessing the effectiveness of the performance of the Board as a whole. Such performance criteria includes an evaluation of the Board's size, composition, access to information, accountability, processes and performance in relation to discharging its principal responsibilities in terms of the financial indicators. The factors taken into consideration for the re-nomination of the Directors for FY2021 are based on the Directors' attendance at meetings held during FY2021 and the contributions made by the Directors at the meetings.

The Board and the Nominating Committee will monitor to ensure that the Directors appointed to the Board possess the experience, knowledge and skills critical to the Group's business, so as to enable the Board to make sound and well-informed decisions.

Access to Information

The Directors receive regular updates of information from the Management about the Group so that they are well appraised to fully execute their role in Board meetings. Detailed Board papers are prepared for each meeting of the Board. The Board papers include sufficient information from the Management on financial, business and corporate issues to enable the Directors to be properly briefed on the issues to be considered in Board meetings. The information provided includes background or explanatory information relating to matters to be considered by the Board, copies of disclosure documents, budgets, forecasts and internal financial statements.

All Directors have unrestricted access to the Company's records and information, and received regular detailed financial and operational reports from the senior management during FY2021 to enable them to carry out their duties. The Board also liaises with the Management as required, and may consult with other employees and seek additional information on request.

All Directors have separate and independent access to the Joint Company Secretaries at all times. The Joint Company Secretaries (or their representatives) administer, attend and prepare minutes of Board meetings, and assist the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and the rules and regulations applicable to the Company, including requirements under the Companies Act (Chapter 50) of Singapore (the "**Companies Act**") and under the Listing Rules, are complied with.

The Board also has separate and independent access to the Management and the Joint Company Secretaries at all times.

Should the Directors, whether as a group or individually, need independent professional advice in furtherance of their duties, the costs of such professional advice will be borne by the Company.

Pursuant to the Constitution, the decision to appoint or to remove the Joint Company Secretaries can only be taken by the Board as a whole.

(C) REMUNERATION MATTERS

Remuneration Committee

Procedures for Developing Remuneration Policies

The Remuneration Committee comprises the following members:

Dr. Li Jun	Chairman, Independent Non-Executive Director
Cui Wei	Member, Non-Executive Director
Dr. Song Haiyan (appointed on 19 November 2021)	Member, Executive Director
Xu Guoqiang (resigned on 19 November 2021)	Member, Executive Director
Tam Chi Kwan, Michael	Member, Independent Non-Executive Director
Pu Hong	Member, Independent Non-Executive Director

The Remuneration Committee holds at least one meeting each year.

The key functions of the Remuneration Committee under its Terms of Reference are, amongst others:

- to recommend to the Board on the remuneration packages of the Executive Directors and senior management, to assess performance of the Executive Directors, and to determine specific remuneration packages for each Executive Director; such recommendations are to be submitted for endorsement by the Board and should cover all aspects of remuneration, including but not limited to the Director's fees, salaries, allowances, bonuses, options, and other benefits in kind;

- in the case of service contracts, to consider what compensation commitments, if any, would entail under the Directors' contracts of service in the event of early termination with a view to be fair and avoid the rewarding of poor performance; and

- in respect of any share option schemes, to consider whether the Directors should be eligible for any benefits under such incentive schemes.

The Terms of Reference of the Remuneration Committee are posted on the websites of the Company and the SEHK.

The members of the Remuneration Committee shall not participate in any decision concerning their own remuneration. No Director will be involved in determining his or her own remuneration. During FY2021, the Remuneration Committee has convened two meetings to review and recommend to the Board on the remuneration packages of the Executive Directors and senior management and the proposed remuneration of Dr. Song Haiyan upon his appointment as an Executive Director and has performed its functions in accordance with its Terms of Reference and the Hong Kong Code.

Level and Mix of Remuneration

In setting the remuneration packages, the Company will take into account the pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individual Directors.

All the Non-Executive Directors and Independent Non-Executive Directors receive directors' fees in accordance with their contributions, having taken into account factors such as effort and time spent and their responsibilities. The Directors' fees will be subject to approval at the forthcoming AGM.

The Executive Directors do not receive directors' fees. The remuneration for the Executive Directors and key senior management comprise a basic salary component and a variable annual bonus component which is based on the performance of the Group as a whole and their individual performance.

The annual review of the remuneration packages of the Directors and the senior management will be carried out by the Remuneration Committee to ensure that the remuneration of the Executive Directors and the senior management is commensurate with their performance, giving due regard to the financial, commercial and business needs of the Group. The performance of the Executive Directors (together with other senior management) will be reviewed periodically by the Remuneration Committee and the Board.

Please refer to the financial statements for further details on the remuneration disclosure.

(D) ACCOUNTABILITY AND AUDIT

Accountability

In presenting the annual financial statements and half-yearly announcements to the shareholders, it is the aim of the Board to provide the shareholders with a balanced, clear and comprehensive analysis, explanation and assessment of the Group's performance, financial position and prospects.

The Management provides the Board, on a monthly basis, the management accounts of the Group to enable the Board to undertake informed, balanced and understandable assessment of the Group's financial and other information, and also its performance, financial position and prospects from time to time.

Risk Management and Internal Control

The Board recognises that it is responsible for the evaluation and management of risk and setting the tone and direction for the Group in such a way that risks are managed in the Group's businesses. The Board has ultimate responsibility for approving the internal control process of the Group in a manner which addresses stakeholders' expectations and does not expose the Group to an unacceptable level of operational, financial and compliance risks. The Board approves the key management policies and ensures a sound risk management framework and internal control system. In addition to determining the approach to risk management, the Board sets and establishes an appropriate risk culture throughout the Group for effective risk management.

The Group has a risk management framework and internal control system in place to assist the Board, including but not limited to, the following aspects:

- assessment of the Group's overall risk tolerance and strategies;
- oversight of the Group's current risk exposures and future risk strategies; and
- review of the new businesses or corporate actions that the Group may undertake.

In terms of discharging the Board's duties, the Audit Committee assists the Board in its oversight of the risk management framework and internal control system. The Audit Committee in turn is assisted by the Management in the management of risks and execution of the internal controls.

The Board acknowledges that it is responsible for the Group's risk management framework and overall internal control system, but recognises that no risk management framework and internal control system will preclude all errors and irregularities because the system is designed to manage, rather than to eliminate, the risk of failure to achieve business objectives, and can therefore provide reasonable but not absolute assurance against material misstatement or loss. During FY2021, the Board has reviewed the effectiveness of the Group's internal control system and risk management framework and is satisfied with such system and framework and has adopted the recommendations suggested by its internal auditor for further improvements of the internal control system and risk management framework.

The Audit Committee has assisted the Board in conducting periodic reviews on the adequacy of the risk management framework and internal control system of the Group, which covers the areas of financial, operational and compliance risks.

In order to ensure that the Group's internal control system and risk management framework are managed adequately and effectively, during FY2021, the Audit Committee:

- reviewed the risks which the Group is exposed to, as well as the risk management framework and internal control system in place to mitigate such risks; and
- reviewed the results of various assurance activities performed such as internal audit and external audit performed during the year.

Based on the above, the Board is of the opinion that the Group's internal control system and risk management framework are effective and adequate to address the Group's operational, financial and compliance risks.

Audit Committee

The Audit Committee comprises the following members:

Tam Chi Kwan, Michael	Chairman, Independent Non-Executive Director
Cui Wei	Member, Non-Executive Director
Zhang Zhong	Member, Non-Executive Director
Dr. Li Jun	Member, Independent Non-Executive Director
Pu Hong	Member, Independent Non-Executive Director

The Board is of the view that the members of the Audit Committee are appropriately qualified as they have sufficient accounting or related financial management expertise and experience to discharge the Audit Committee's functions.

The Audit Committee will assist the Board in discharging its responsibility to safeguard the Company's assets, maintain adequate accounting records, and develop and maintain effective internal control system with an overall objective of ensuring that the Management has created and maintained an effective control environment within the Group, and that the Management demonstrates the necessary aspect of the Group's internal control structure among all parties.

The Audit Committee holds meetings at quarterly intervals each year. The Audit Committee has convened four meetings during FY2021 to discuss and review the following where applicable:

- to monitor the work conducted by KPMG and Messrs KPMG LLP as the external auditors of the Company, and in connection with the external audit of the financial statements of the Group for the year ended 31 December 2020, KPMG and Messrs KPMG LLP have not noted any material weaknesses in the Company's internal control system after reviewing aspects of the books and records and internal accounting controls of the Group;

- to recommend on the proposed appointment of KPMG as the auditor of the Company in Hong Kong for FY2021 and the proposed appointment of Messrs KPMG LLP as the auditor of the Company in Singapore for FY2021;

- to discuss with KPMG and Messrs KPMG LLP on the audit planning for FY2021;

- to review the quarterly, interim and annual financial statements, statement of financial position, statement of profit or loss and other comprehensive income before submitting to the Board for approval focusing, in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with the Listing Rules, the SEHK and other statutory/regulatory requirements;

- to review the clarity and completeness of disclosures in the financial statements, interim and annual reports, preliminary announcements and related formal statements and press releases;

- to implement and review the risk management framework and internal control system (including the establishment of internal audit function (the "**IA Function**")) and ensure co-ordination between the external auditors and the Management, to assess the independence of the IA Function by reviewing the effectiveness of the IA Function and continuously reviewing its reporting and remuneration arrangements, to review the assistance given by the Management to the auditors, and to discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss, and where necessary, in the absence of the Management;

- to review and discuss with the external auditors (or such other parties) any suspected fraud, irregularity or suspected infringement of any relevant laws, rules or regulations, which has, or is likely to have, a material impact on the Group's operating results or financial position, and the Management's response;

- to identify, develop and review the effectiveness of the Group's policies, practices and performance in respect of environmental, social and governance issues;

- to consider the selection, appointment, re-appointment, resignation or dismissal of the external auditors of the Company;

- to review notifiable transactions and/or connected transactions of the Company falling respectively within the scope of Chapters 14 and 14A of the Listing Rules (if any);

- to undertake such other reviews and projects as may be requested by the Board from time to time, and to report its findings to the Board on matters arising and requiring the attention of the Audit Committee; and

- to undertake such other functions and duties as may be required by the Listing Rules.

The Terms of Reference of the Audit Committee are posted on the websites of the Company and the SEHK.

The Audit Committee meets with the Group's external and internal auditors and the Management to review the accounting, auditing and financial reporting matters to ensure that an effective control environment is maintained within the Group.

The Audit Committee is primarily responsible for the selection, appointment and removal of the internal auditors. The internal auditors' primary line of reporting is to the Chairman of the Audit Committee.

Apart from the responsibilities set out above, the Audit Committee also reviews, implements and administers the Group's Fraud and Whistle-Blowing Policy which sets out the mechanism by which the employees of the Company and other persons may, in confidence, raise serious concerns and complaints about possible incorrect financial reporting and/or other matters that could have a large impact on the Company. The Audit Committee is authorised by the Company to do all such acts as are necessary to ensure, amongst others, that:

- independent investigations are carried out in an appropriate and timely manner;

- appropriate action is taken to correct any such weaknesses in the internal control system to prevent the recurrence of similar events in the future; and

- any administrative, disciplinary, civil or other actions initiated upon completion of the investigations are appropriately balanced and fair.

In addition, all future transactions with connected persons shall comply with the requirements of the Listing Rules. The Directors shall abstain from voting in any contract or arrangement, or proposed contract or arrangement in which he or she has a material interest.

The Audit Committee is authorised to investigate any matter within its Terms of Reference, and has full access to the Management and resources which are necessary to enable it to discharge its functions properly. It also has full discretion to invite any Executive Director or senior management to attend its meetings.

The Audit Committee also meets with the external auditors, without the presence of the Management, and reviews the adequacy of audit arrangement, with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the external auditors.

The external auditors provide regular updates and periodic briefings to the Audit Committee on changes or amendments to accounting standards to enable the members of the Audit Committee to keep abreast of such changes and their corresponding impact on the financial statements, if any.

The Company has appointed a suitable auditing firm to meet its audit obligations, having regard to the adequacy of the resources and experience of the auditing firm appointed and the audit engagement partner assigned to the audit.

The Audit Committee is satisfied with the independence and objectivity of KPMG and Messrs KPMG LLP as the external auditors of the Company during FY2021 and has recommended to the Board the re-appointment of KPMG and Messrs KPMG LLP. KPMG and Messrs KPMG LLP have been re-appointed as the external auditors of the Company for Hong Kong reporting and Singapore statutory reporting respectively at the AGM held on 27 April 2021.

Pursuant to section 20ZB of the Financial Reporting Council Ordinance (Cap 588) of Hong Kong (the "**FRCO**"), Messrs KPMG LLP is regarded as an overseas auditor and must first be recognized by the Financial Reporting Council in Hong Kong before Messrs KPMG LLP can undertake any audit engagement for the Company. In order to streamline the auditing arrangement of the Company and not to be bound by the requirements of the FRCO, the Board proposed that KPMG be re-appointed as the auditor of the Company to fulfil the requirements of the Listing Rules and the FRCO at the forthcoming AGM. As such, Messrs KPMG LLP will remain as the Company's registered auditor in Singapore and there is no change in Messrs KPMG LLP's current appointment.

The financial statements of the Company to be audited by Messrs KPMG LLP are prepared in accordance with the Singapore Financial Reporting Standards (International) issued by the Accounting Standards Council and International Financial Reporting Standards issued by the International Accounting Standards Board while the financial statements of the Company to be audited by KPMG are prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board. Such audit arrangement therefore fulfils the relevant requirements under the Singapore Companies Act, the Listing Rules and FRCO.

During FY2021, the Audit Committee has convened four meetings and has performed its functions in accordance with its Terms of Reference and the Hong Kong Code.

Directors' and Auditors' Responsibilities for Financial Statements

The Directors acknowledge that they are responsible for the preparation of the financial statements of the Company for each financial period which give a true and fair view of the financial position, financial performance, and state of affairs of the Group.

In preparing the financial statements for FY2021, the Directors have selected appropriate accounting policies and applied them consistently. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue its business as a going concern, and therefore the Directors have prepared the financial statements on a going concern basis.

The responsibilities of the external auditors are set out in the Independent Auditor's Report as set out in pages 61 to 66 of this Annual Report.

Auditors' Remuneration

KPMG and Messrs KPMG LLP, the external auditors of the Company for Hong Kong reporting and Singapore statutory reporting respectively, are responsible for providing services in connection with the audit of the financial statements of the Group for FY2021.

During FY2021, the total remuneration in respect of the review and audit services provided by KPMG and Messrs KPMG LLP for the Group amounted to approximately RMB1,680,000.

During FY2021, other than the provision of services in connection to the audit of the financial statements of the Group and the report on the Group's continuing connected transactions, KPMG and Messrs KPMG LLP were not involved in the provision of other non-audit services to the Group. The Audit Committee is satisfied that the independence of the external auditors was uphold.

Internal Audit

The Company has appointed Yang Lee & Associates as the internal auditors to carry out internal audit of the Company covering the review of key internal controls in selected areas based on key operational, financial and compliance risks as identified under the risk management framework and as advised by the Audit Committee and the Management. The internal auditors report directly and primarily to the Audit Committee and assist the Board in monitoring and managing the risks and internal controls of the Group.

The internal auditors will plan their internal audit schedules in consultation with, but independently of the Management. The internal auditors will submit their internal audit plan to the Audit Committee for approval prior to the commencement of the internal audit. The Audit Committee will review the activities of the internal auditors on a regular basis, including the overseeing and monitoring of the implementation of improvements on the weaknesses of the system of internal controls in the Company.

In accordance with their audit plan, the internal auditors have conducted an annual review of the effectiveness of the Company's system of internal controls. Weaknesses in internal controls and recommendations for areas of improvements (if any) have been reported to the Audit Committee. Following the receipt of such recommendations, the Company has fully implemented the recommendations to further strengthen the risk management framework and internal control system during FY2021.

The Audit Committee has also reviewed the effectiveness and adequacy of the IA Function and the Audit Committee is satisfied that the IA Function is adequately resourced and has appropriate standing within the Group.

(E) SHAREHOLDERS' RIGHTS AND RESPONSIBILITIES

Shareholders' Rights, Communication with Shareholders and Conduct of Shareholders' Meetings

In line with the Hong Kong Code, the following information would be communicated to the shareholders of the Company from time to time:

- any significant changes in the Constitution;
- details of shareholders by type and their aggregate shareholding;
- details of the last shareholders' meeting, including the time and venue, major items discussed and voting particulars;
- indication of important shareholders' dates such as record dates and book closure dates in the coming financial years; and
- public float capitalisation as at the end of the financial year.

In response to the relevant requirements of the Hong Kong Code, the Company has formulated a dividend policy. Accordingly, the Company will work towards maintaining a balance between meeting shareholders' expectations and prudent capital management in accordance with the dividend policy.

In line with continuous disclosure obligations of the Company, the Board's policy is that shareholders are informed of all major developments that impact the Group in compliance with the Companies Act and the Listing Rules. The Board will review the shareholders' communication policy from time to time as appropriate.

Information is disseminated to the shareholders of the Company on a timely basis. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable. Communication is made through:

- annual reports that are prepared and issued to all shareholders;
- half-yearly financial statements containing a summary of the financial information and affairs of the Group for the period;
- notices of and explanatory memoranda for AGMs and extraordinary general meetings;
- press and analyst briefings for the Group's interim and annual results as well as other briefings, as appropriate;
- press releases on major developments of the Group;
- corporate announcements published on the website of the SEHK;
- the Company's website at http://www.hengxin.com.sg at which shareholders can access information on the Group. The website provides, amongst others, annual reports, interim reports, corporate announcements, press releases, contact details and profiles of the Group;
- shareholders may refer to the Constitution in relation to their rights together with the detailed requirements and procedures for requesting the Board to convene an extraordinary general meeting or putting forward proposals at general meetings. The Constitution is posted on the websites of the Company and the SEHK. Pursuant to Section 177 of the Companies Act, two or more shareholders holding not less than 10% of the total number of issued shares of the Company (excluding treasury shares) or, if the Company has not a share capital, not less than 5% in number of the shareholders of the Company or such lesser number as is provided by the Constitution may call a general meeting. Section 177(4) of the Companies Act provides that, even if the Constitution does not have such provisions, notice of such meeting shall be served to members having a right to attend; and
- shareholders may also direct their questions to the Company by writing to the Senior General Executive of the Company at enquiry@hengxin.com (by email).

In addition, shareholders are encouraged to attend the AGMs and other general meetings to ensure that the Company is held to a high level of accountability, and to stay informed of the Group's strategy and goals. AGMs and extraordinary general meetings are the principal forum for dialogue with shareholders.

Notices of the AGMs and extraordinary general meetings are despatched to shareholders, together with explanatory notes or a circular on items of special business before the AGMs and extraordinary general meetings. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at any general meetings. The chairmen of the Audit Committee, Remuneration Committee, Nominating Committee and the external auditors of the Company will usually be available at general meetings of the Company to answer questions relating to the work of the Board Committees and the external auditors.

Each item of special business included in the notice of the meeting will be accompanied, where appropriate, by an explanation of the proposed resolution. Separate resolutions will be proposed for substantially separate issues at the meeting.

All resolutions in the AGM held during FY2021 have been decided on a poll demanded and the detailed results showing the number of votes cast for and against each resolution and the respective percentages have been communicated to the shareholders accordingly.

(F) DIVIDEND POLICY

The objective of the dividend policy of the Company is to reward its shareholders by sharing a portion of profits/earning, while also ensuring that enough funds are retained for the future growth and prospects of the Company.

The Company will distribute dividends subject to the distributable profits in the financial statements prepared in accordance with the Companies Act of Singapore, International Financial Reporting Standards and the provisions of the Company's Constitution, as well as all applicable laws.

The Board will take into account of the following factors when considering the payment of any dividends:

- financial results;
- shareholders' interests;
- general business conditions and strategies;
- capital requirements;
- contractual restrictions on the payment of dividends by the Company to its shareholders or by its subsidiaries to the Company;
- taxation consideration;
- possible effects on the Company's creditworthiness;
- statutory and regulatory restrictions; and
- any other factors the Board may deem relevant.

The Board may, from time to time, declare and pay to the shareholders such interim dividends as appear to the Board to be justified by the profits of the Company.

The Board may recommend final dividend to the shareholders for their approval in the general meeting of the Company and any final dividend recommended by the Board will be subject to the shareholders' approval, at the ensuing annual general meeting of the Company. The Board may additionally declare and pay special dividends in special circumstances including but not limited to one-off profits, non-recurring incomes and disposal of assets. Dividend may be paid in cash or in stock.

(G) DEALING IN SECURITIES

The Company has adopted its own code of best practices on securities transactions by the Company and its officers with respect to dealings in securities by the Directors and the senior management of the Group (the "**Best Practices Code**"). The Best Practices Code is no less exacting than the required standard in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules. Having made specific enquiries on all the Directors and the senior management of the Group, all Directors and the senior management of the Group have complied with the required standard set out in the Model Code and the Best Practices Code during FY2021.

Under the Best Practices Code, the Directors, the Management and other officers of the Group who are subject to the Best Practices Code or the Model Code are not permitted to deal in any of the Company's securities during the period set out below:

- commencing 30 days before the announcement of Company's half-yearly results, or if shorter, the period from the end of the relevant half-year period up to the announcement of the Company's half-yearly results; and

- commencing 60 days before the announcement of the Company's full year results, or if shorter, the period from the end of the relevant full year period up to the announcement of the Company's full year results.

The Directors and officers of the Group are also prohibited from dealing in the Company's securities when they are in possession of any unpublished price sensitive and/or inside information concerning the Group. The Directors and officers are also advised not to deal in the Company's securities for short term considerations and are expected at all times to observe all the applicable laws regarding insider-trading.

The Company issues regular internal memoranda to the Directors and officers of the Group to remind them of the prohibitions set out above.

(H) CONNECTED TRANSACTIONS

The Company has entered into continuing connected transactions during FY2021.

Details of the continuing connected transactions for FY2021 which fall under Chapter 14A of the Listing Rules are set out in the section headed "Continuing Connected Transactions" in this Annual Report.

(I) THE CONSTITUTION

There was no change in the Constitution of the Company during FY2021.

FINANCIAL CONTENTS

Directors' Report

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2021.

PRINCIPAL PLACE OF BUSINESS

Hengxin Technology Ltd. ("**the Company**") is a company incorporated and domiciled in the Republic of Singapore ("**Singapore**") and has its registered office and principal place of business at 5 Tampines Central 1, #06-05 Tampines Plaza 2, Singapore 529541.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Company and its subsidiaries ("the **Group**") are engaged in the 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. Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Message and Management Discussion and Analysis set out on pages 5 to 9 and pages 12 to 23 respectively of this Annual Report. This discussion forms part of this directors' report.

Major customers and suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	21%	
Five largest customers in aggregate	55%	
The largest supplier		12%
Five largest suppliers in aggregate		33%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the number of issued shares of the Company) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 67 and 68 of this Annual Report.

The financial position of the Group as at 31 December 2021 is set out in the consolidated statement of financial position of the Group on pages 69 to 70 of this Annual Report. The financial position of the Company as at 31 December 2021 is set out in Note 33 to the financial statement on page 143 of this Annual Report.

The cash flows of the Group for the year ended 31 December 2021 are set out in the consolidated statement of cash flows on pages 72 to 73 of this Annual Report.

RECOMMENDED DIVIDEND

A final dividend of RMB0.0158 per share in respect of the year ended 31 December 2020 was paid during the year ended 31 December 2021 (2020: RMB0.0292 per share). No final dividend has been recommended in respect of the year ended 31 December 2021 (2020: RMB0.0158 per share).

CHARITABLE DONATIONS

The Group had made donations amounting approximately RMB600,000 during the year (2020: approximately RMB950,000).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in Note 15 to the financial statements.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 29(c) to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABILITY OF RESERVES

At 31 December 2021, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB110,059,000 (2020: RMB129,285,000).

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Constitution or the laws of Singapore, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

DIRECTORS

The directors during the financial year were:

Non-executive directors

Cui Wei (Chairman)
Zhang Zhong

Executive directors

Du Xiping
Song Haiyan (appointed on 19 November 2021)
Xu Guoqiang (resigned on 19 November 2021)

Independent non-executive directors

Tam Chi Kwan Michael
Dr. Li Jun
Pu Hong

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and considers all the independent non-executive directors to be independent.

In accordance with article 89 of the Company's constitution, Mr. Du Xiping and Mr. Tam Chi Kwan Michael shall retire from the board by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

In accordance with Article 88 of the Constitution, as Dr. Song Haiyan was appointed by the Board as an addition to the existing Board on 19 November 2021, Dr. Song Haiyan shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election. Thus, Dr. Song Haiyan shall retire at the forthcoming Annual General Meeting and, being eligible will offer himself for re-election.

Directors and chief executives' interests in shares, 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, underlying shares or 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 The Stock Exchange of Hong Kong Limited ("**SEHK**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which 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**") 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
Cui Wei[(1)]	Deemed interest and interest in controlled corporation	108,868,662	28.06%
Zhang Zhong[(2)]	Deemed interest and interest in controlled corporation	16,082,525	4.14%
Du Xiping	Beneficial owner	11,468,000	2.96%

Notes:

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

(2) Ms. Zhang Zhong beneficially owns the entire issued share capital of Wellahead Holdings Limited ("**Wellahead**"), and Wellahead in turn holds approximately 4.14% of the total issued shares in the Company.

Save as disclosed above, as at 31 December 2021, none of the directors and chief executives of the Company nor their associates had or were deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which have been recorded in the register maintained by the Company pursuant to Section 352 of Part XV of the SFO or which have been notified to the Company and the SEHK pursuant to the Model Code.

Substantial shareholders' interests in shares and underlying shares and debentures

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 (note)	Beneficial owner	108,868,662	28.06%
Cui Wei (note)	Deemed interest and interest in controlled corporation	108,868,662	28.06%

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

Sufficiency of public float

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

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 year 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.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Details of the connected transactions and related party transactions are set out in the "Corporate Governance Report" and Note 32 to the financial statements.

Save as disclosed above, no transaction, arrangement or contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors, Mr. Du Xiping and Dr. Song Haiyan, entered into a service contract with the Company for an initial term of three years commencing on 31 December 2015 and 19 November 2021 respectively, renewable automatically for any successive terms upon the date of expiry of each three-year period, unless terminated in accordance with the provisions of the service contract by either contractual party giving to the other not less than three months' prior notice in writing at the end of the initial term or at any time thereafter. The service agreement for Mr. Du Xiping had been renewed automatically for a term of another three years commencing on 31 December 2021.

Save as disclosed above, none of the directors has or is proposed to have entered into any service contracts with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

No director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Directors' remuneration is subject to approval by the Remuneration Committee of the Company with reference to the directors' duties, responsibilities and performance and the results of the Group. Details of the directors' remuneration are set out in Note 11 of the financial statements.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors or their respective close associates has any competing interests which need to be disclosed pursuant to Rule 8.10 of the Listing Rules of SEHK.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into during the year or subsisted at the end of the year.

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2021 are set out in Note 25 to the financial statements.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 2 of the annual report.

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

The Group's sales are usually made through winning tender. For the Group's major customers such as the 3 telecom operators in the People's Republic of China ("**PRC**"), a centralised purchasing approach is adopted in which all purchases are tendered out by the central purchasing office annually or once every two years. Larger institutional customers such as telecom operators, equipment manufacturers and system integrators assess the Group regularly as to whether the Group fulfils their criteria to continue being included as their approved supplier. We have regular communications with our customers through which we can anticipate the development in the telecoms industry and coming tenders, and help us to keep abreast of our customers' product and demand trends, which enable the Group to continuously improve its product offerings.

The Group also adopts tender process for selection of qualified suppliers for all its purchases. Admission as a qualified supplier can only be made when all relevant requirements, including but not limited to background, validity of its licences/permits, production capacity, equipment, product quality assessment, etc., have been met. We do not give preference to any particular supplier, nor do we place all our purchase orders with only one supplier. Tender documents are issued to qualified suppliers every year. Generally, if qualified suppliers obtain similar scores in an overall assessment, the supplier with the most favourable price gets the highest allocation of purchase quantity. The tendered quantity of purchase will be allocated in descending amount to subsequent ranking suppliers. Evaluation of suppliers is also carried out quarterly, half-yearly or annually with respect to different materials. These evaluation results will be taken into account for consideration for the next annual tender. For major suppliers, on-site visits will be conducted at the supplier's facilities with inspections and testing being made on the required raw materials. We believe that these measures can help the Group in sourcing quality raw materials at competitive prices on one hand and can avoid heavy reliance on one particular supplier on the other.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the directors of the Company is currently in force and was in force throughout this year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its directors and officers.

PURCHASE, SALES OR REDEMPTION OF SHARES

During the year ended 31 December 2021 neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

EMPLOYEES

As at 31 December 2021, we employed 848 (2020: 772) people on a full-time basis, among whom, 225 were in product research and development, 110 were in sales and marketing, 406 were in manufacturing and distribution, and 107 were in general and administration.

Hiring, growing and retaining talented, experienced and innovative individuals are vital to the Company's success.

Salaries of employees are maintained at a competitive level and are reviewed on a continuing basis with close reference to individual performance, working experience, qualification and the current relevant industry practices. We regularly invest in developing our people with ongoing training. Retention strategies are in place to minimise employee turnover including talent and performance management, competitive remuneration, recognition and reward programmes of high-performance employees. Human resource policies are also in place to support, attract, retain and grow talent, as well as to create a conducive work environment.

The Group has not experienced any material dispute with its employees or disruption to its operations due to employee dispute and has not experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel. The Group maintains a good relationship with its employees.

RETIREMENT SCHEMES

Details of retirement schemes of the Group during the year set out in Note 9(b) to the financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group strives to operate in compliance with applicable environmental laws as well as to protect the environment by minimising the negative impact of the Group's existing business activities on the environment and supporting natural and environmental protection schemes.

The Company obtained the certification of Occupational Health and Safety Assessment Series ("**OHSAS**") 18000 for assessment of environment system by effectively controlling the usage of water and electricity and raw materials, formulating assessment procedures on water and electricity consumption by equipment department and assessment system of utilization rate of raw materials by production department. Besides, the Group's key operating subsidiary, Jiangsu Hengxin Technology Co., Ltd., has obtained the ISO 14001:2004 certification for Environmental Management Systems since 2007, and has always been in compliance with the national environmental protection policies of PRC.

COMPLIANCE WITH LAWS AND REGULATIONS

Throughout the year, to the best knowledge, information and belief, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the Company.

AUDIT COMMITTEE

The Board has adopted the principles of corporate governance as described in the Code of Corporate Governance formulated by the SEHK with regards to the Audit Committee of the Company (the "**Audit Committee**").

The Audit Committee comprises the following members:

Tam Chi Kwan Michael	Chairman, Independent Non-executive Director
Cui Wei	Member, Non-executive Director
Zhang Zhong	Member, Non-executive Director
Dr. Li Jun	Member, Independent Non-executive Director
Pu Hong	Member, Independent Non-executive Director

During the financial year ended 31 December 2021, the Audit Committee has reviewed the following, where relevant, with the executive Directors and/or the external and internal auditors of the Company:

- the audit plans and results of the internal auditor's examination and evaluation of the Group's systems of internal accounting controls;
- the Group's financial and operating results and accounting policies;
- the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company before their submission to the Directors of the Company and the external auditors' report on those financial statements;
- the interim and annual announcements as well as the related press release on the results and financial position of the Company and the Group;
- the co-operation and assistance given by the management to the Group's external auditors;
- the appointment and re-appointment of the external auditors of the Company;
- interested person transactions;
- all non-audit services provided by the Group's external auditors; and
- the financial reporting system, risk management and internal control systems of the Company.

The Audit Committee has full access to and co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Directors the nomination of KPMG and Messrs KPMG LLP for the re-appointment as the external auditors of the Company for fulfilling the reporting and legal requirements of Hong Kong and Singapore respectively at the forthcoming annual general meeting of the Company.

AUDITORS

KPMG and Messrs KPMG LLP will retire and, being eligible, offer themselves for re-appointment. Separate resolutions for the re-appointment of KPMG and Messrs KPMG LLP as auditors of the Company are to be proposed at the forthcoming Annual General Meeting.

By order of the board

Du Xiping
Director

16 March 2022

Independent Auditors' Report

Independent auditor's report to the shareholders of Hengxin Technology Ltd.
(Incorporated in Republic of Singapore with limited liability)

OPINION

We have audited the consolidated financial statements of Hengxin Technology Ltd. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 67 to 144, which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Republic of Singapore ("**Singapore**"), and we have fulfilled our other ethical responsibilities in accordance in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Revenue recognition

Refer to Note 6 to the consolidated financial statements and the accounting policies on pages 93 to 97.

The Key Audit Matter	How the matter was addressed in our audit
The Group's revenue principally comprises income from sales of radio frequency coaxial cables, telecommunication equipment and accessories. Management evaluates the terms of individual contracts to determine the Group's performance obligations and appropriate timing of revenue recognition. Revenue from domestic and overseas sales is recognised at the point in time when the control of the goods is transferred to customers, which is generally when the goods are accepted by the customers for domestic sales, or when the goods are loaded on board of shipping vessels for overseas sales, respectively in accordance with the terms of the sales contracts. We identified recognition of revenue as a key audit matter because revenue is one of the key performance indicators of the Group and therefore there is an inherent risk of manipulating the timing of revenue recognition by management to meet specific targets or expectations.	Our audit procedures to assess the recognition of revenue included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls in relation to revenue recognition; • inspecting customer contracts, on a sample basis, to identify performance obligations and terms and conditions relating to transfer of control of the goods and assessing the Group's timing of revenue recognition with reference to the requirements of the prevailing accounting standards; • comparing revenue transactions recorded during the current year, on a sample basis, with invoices, sales contracts and goods delivery notes to assess whether the related revenue was recognised in accordance with the Group's revenue recognition accounting policies; • comparing, on a sample basis, specific revenue transactions recorded before and after the financial year end date with underlying documentation, which included goods delivery notes, goods acceptance notes, and customs declaration forms, to assess whether revenue had been recognised in accordance with the terms of the sales contracts and in the correct financial year; and • inspecting underlying documentation for manual journal entries relating to revenue which were recorded during the year which met specific risk-based criteria.

Expected credit loss allowance for trade receivables

Refer to Note 21 to the consolidated financial statements and the accounting policies on pages 113 to 114.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2021, the Group's gross trade receivables amounted to RMB825 million, against which an allowance of RMB13 million for expected credit losses (ECL) was recorded. Management measures the loss allowance at an amount equal to lifetime ECL of the trade receivables based on estimated loss rates for each category of trade receivables grouped according to the shared credit risk characteristics. The estimated loss rates take into account the ageing of trade receivable balances, the repayment history of the Group's customers, current market conditions, customer-specific conditions, and forward-looking information. Such assessment involves significant management judgement. We identified the expected credit loss allowance for trade receivables as a key audit matter because determining the level of the loss allowance requires the exercise of significant management judgement which is inherently subjective.	Our audit procedures to assess the expected credit loss allowance for trade receivables included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to credit control, segmentation of trade receivables, estimation of expected credit losses and recording of related allowances; • evaluating the Group's policy for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standard; and • obtaining an understanding of the key data and assumptions of the expected credit loss model adopted by management, including the basis of the segmentation of the trade receivables based on shared credit risk characteristics, the historical default data, and the assumptions involved in management's estimated loss rate; • assessing the appropriateness of management's estimates of loss allowance by examining the information used by management to derive such estimates, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current market conditions, customer-specific conditions and forward-looking information; • assessing, on a sample basis, whether items in the trade receivables ageing report were classified within the appropriate ageing category by comparing individual items with underlying sales invoices; and • re-performing the calculation of the loss allowance as at 31 December 2021 based on the Group's credit loss allowance policies.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent Auditors' Report (cont'd)

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

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

The engagement partner on the audit resulting in this independent auditor's report is Chan Ting Yuen.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

16 March 2022

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021 *(Expressed in Renminbi ("RMB"))*

	Notes	2021 RMB'000	2020 RMB'000
Revenue	6	1,625,775	1,139,341
Cost of sales		(1,329,217)	(878,579)
Gross profit		296,558	260,762
Other operating income	7	37,927	58,186
Selling and distribution expenses		(103,736)	(93,405)
Administrative expenses		(46,829)	(39,215)
Impairment loss on trade receivables	30(a)	(3,370)	–
Other operating expenses	8	(99,751)	(100,760)
Profit from operations		80,799	85,568
Interest expense	9(a)	(7,142)	(12,964)
Profit before taxation	9	73,657	72,604
Income tax	10	(10,733)	(12,177)
Profit for the year		62,924	60,427
Attributable to:			
Equity shareholders of the Company		71,303	61,299
Non-controlling interest		(8,379)	(872)
Profit for the year		62,924	60,427
Earnings per share (RMB)	14		
Basic		0.184	0.158
Diluted		0.184	0.158

The notes on pages 74 to 144 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021 *(Expressed in Renminbi ("RMB"))*

	Notes	2021 RMB'000	2020 RMB'000
Profit for the year		62,924	60,427
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)	13	(1,670)	(680)
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	13	(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

The notes on pages 74 to 144 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2021 *(Expressed in Renminbi ("RMB"))*

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
Non-current assets			
Property, plant and equipment	15	168,189	167,495
Interest in an associate	17	–	–
Other investments	18	6,882	8,847
Deferred tax assets	28(b)	11,123	10,146
		186,194	186,488
Current assets			
Inventories	20	254,145	106,742
Trade and other receivables	21	982,958	577,478
Time deposits with original maturity more than 3 months	22	506,000	470,000
Cash and cash equivalents	23	546,919	887,073
Derivative financial asset	19	1,238	–
		2,291,260	2,041,293
Current liabilities			
Trade and other payables	24	337,975	179,019
Short-term loans	25	330,293	278,371
Derivative financial liability	19	4,227	19,954
Lease liabilities	27	703	1,027
Income tax payable	28(a)	4,330	2,611
		677,528	480,982
Net current assets		1,613,732	1,560,311
Total assets less current liabilities		1,799,926	1,746,799

The notes on pages 74 to 144 form part of these financial statements.

Consolidated Statement of Financial Position (cont'd)

At 31 December 2021 *(Expressed in Renminbi ("RMB"))*

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
Non-current liabilities			
Deferred income	26	4,786	6,341
Lease liabilities	27	107	703
Deferred tax liabilities	28(b)	7,862	7,341
		12,755	14,385
NET ASSETS		1,787,171	1,732,414
CAPITAL AND RESERVES			
Share capital	29(c)	295,000	295,000
General reserves	29(d)	278,893	262,923
Special reserve	29(d)	(6,017)	(6,017)
Fair value reserve	29(d)	(3,200)	(1,530)
Translation reserves	29(d)	(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		1,787,171	1,732,414

Approved and authorised for issue by the board of directors on 16 March 2022.

Du Xiping
Director

Song Haiyan
Director

The notes on pages 74 to 144 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021 *(Expressed in Renminbi ("RMB"))*

		Attributable to equity shareholders of the Company							Non-controlling	
	Notes	Share capital RMB'000	General reserves RMB'000	Special reserve RMB'000	Fair value reserve RMB'000	Translation reserves RMB'000	Accumulated profits RMB'000	Total RMB'000	interest RMB'000	Total RMB'000
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	29(b)	–	–	–	–	–	(11,330)	(11,330)	–	(11,330)
Transfer to general reserves	29(d)	–	10,579	–	–	–	(10,579)	–	–	–
Balance at 31 December 2020		295,000	262,923	(6,017)	(1,530)	(2,653)	1,182,563	1,730,286	2,128	1,732,414

		Attributable to equity shareholders of the Company							Non-controlling	
	Notes	Share capital RMB'000	General reserves RMB'000	Special reserve RMB'000	Fair value reserve RMB'000	Translation reserves RMB'000	Accumulated profits RMB'000	Total RMB'000	interest RMB'000	Total RMB'000
Balance at 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	29(b)	–	–	–	–	–	(6,130)	(6,130)	–	(6,130)
Transfer to general reserves	29(d)	–	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

The notes on pages 74 to 144 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021 *(Expressed in Renminbi ("RMB"))*

	Notes	2021 RMB'000	2020 RMB'000
Operating activities			
Profit before taxation		73,657	72,604
Adjustments for:			
Impairment loss on trade receivables	9(c)	3,370	–
Amortisation of deferred income		(1,189)	(1,989)
Depreciation of property, plant and equipment	9(c)	19,825	28,267
Interest expense	9(a)	7,142	12,964
Interest income	7	(13,571)	(21,245)
Net foreign exchange gain		(3,363)	(19,954)
Net loss on derivative financial instruments	8	2,126	19,954
Gain on disposal of property, plant and equipment	7	–	(107)
Write-off of property, plant and equipment	8	58	120
Provision of stock obsolescence	9(c)	1,314	–
		89,369	90,614
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)
Cash (used in)/generated from operations		(305,669)	377,974
Interest received		2,011	11,060
Income taxes paid	28(a)	(9,175)	(13,031)
Net cash (used in)/generated from operating activities		(312,833)	376,003

The notes on pages 74 to 144 form part of these financial statements.

Consolidated Statement of Cash Flows (cont'd)

For the year ended 31 December 2021 *(Expressed in Renminbi ("RMB"))*

	Notes	2021 RMB'000	2020 RMB'000
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
Net cash used in investing activities		(59,625)	(63,260)
Financing activities			
Proceeds from non-controlling shareholder's contributed capital		–	3,000
Dividends paid to shareholders of the Company	29(b)	(6,130)	(11,330)
Capital element of lease rentals paid	23(b)	(1,080)	(1,065)
Interest element of lease rentals paid	23(b)	(55)	(70)
Other interest expense paid	23(b)	(10,963)	(6,841)
Proceeds from short-term bank loans	23(b)	486,510	298,325
Repayment of short-term bank loans	23(b)	(450,316)	(310,000)
Net cash generated from/(used in) financing activities		17,966	(27,981)
Net (decrease)/increase in cash and cash equivalents		(354,492)	284,762
Cash and cash equivalents at 1 January		876,226	592,096
Effect of foreign exchange rate changes		(512)	(632)
Cash and cash equivalents at 31 December	23	521,222	876,226

The notes on pages 74 to 144 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Renminbi ("RMB") unless otherwise indicated)

1 REPORTING ENTITY

Hengxin Technology Ltd. ("the **Company**") was incorporated in Republic of Singapore. The address of the Company's registered office is 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 listed on the Main Board of the Stock Exchange of Hong Kong Limited ("**SEHK**").

The financial statements of the Group as at and for the year ended 31 December 2021 comprise the Company and its subsidiaries (together referred to as the "**Group**" and individually as "**Group entities**") and the Group's interest in equity-accounted investees.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 16 to the financial statements.

2 BASIS OF PREPARATION

(a) Statement of compliance

These 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 The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out in Note 3.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2021 comprise the Group and the Group's interest in an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as set out in the accounting policies hereunder.

2 BASIS OF PREPARATION (cont'd)

(b) Basis of preparation of the financial statements (cont'd)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 5.

(c) Functional and presentation currency

These financial statements are presented in Renminbi ("RMB"), which is the Company's functional currency. All financial information presented in RMB has been rounded to the nearest thousand, unless otherwise stated.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group entities, except as explained in Note 4, which addresses changes in accounting policies.

(a) Subsidiaries and non-controlling interest

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interest represents the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interest's proportionate share of the subsidiary's net identifiable assets.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Subsidiaries and non-controlling interest (cont'd)

Non-controlling interest is presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interest in the results of the Group is presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interest and the equity shareholders of the Company. Loans from holders of non-controlling interest and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 3(m) or (n) depending on the nature of the liability.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interest within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3(c)) or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 3(b)), or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 3(h)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 3(h)(ii)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Associates (cont'd)

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate, after applying the expected credit losses (ECLs) model to such other long-term interests where applicable (see Note 3(h)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 3(c)).

(c) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 30(f). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 3(r)(ii)).

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Other investments in debt and equity securities (cont'd)

(i) Investments other than equity investments (cont'd)

- fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

- fair value through profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to accumulated profits. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income.

(d) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

(e) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses (see Note 3(h)(ii)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see Note 3(t)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Property, plant and equipment (cont'd)

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Building and leasehold improvement	20 years
– Plant and machinery	10 years
– Office equipment	5 years
– Motor vehicles	5 years

Right-of-use assets is depreciated over the unexpired term of lease.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Construction in progress represents plant and buildings under construction and equipment pending installation, and is stated at cost less impairment losses (see Note 3(h)(ii)). Cost comprises direct costs of construction as well as interest charges during the year of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when the asset is substantially ready for its intended use, notwithstanding any delays in the issue of the relevant commissioning certificates by the relevant authorities in the PRC.

No depreciation is provided in respect of construction in progress until it is substantially complete and ready for its intended use.

(f) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. However, because of the nature of the Group's development activities, the criteria for the recognition of such costs as assets are generally not met, relevant development expenditure is recognised in profit or loss as incurred.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 3(h)(ii)).

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in debt securities carried at amortised cost (see Notes 3(c)(i), 3(r)(ii) and 3(h)(i)). Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Leased assets (cont'd)

As a lessee (cont'd)

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

(h) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, including loans to an associate, which are held for the collection of contractual cash flows which represent solely payments of principal and interest);

– contract assets as defined in IFRS 15 (see Note 3(j));

– debt securities measured at FVOCI (recycling).

Other financial assets measured at fair value, including equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Credit losses and impairment of assets (cont'd)

(i) Credit losses from financial instruments and contract assets (cont'd)

Measurement of ECLs (cont'd)

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 180 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- failure to make payments of principal or interest on their contractually due dates;

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

- an actual or expected significant deterioration in the operating results of the debtor; and

- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Credit losses and impairment of assets (cont'd)

(i) Credit losses from financial instruments and contract assets (cont'd)

Significant increases in credit risk (cont'd)

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income recognised in accordance with Note 3(r)(ii) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Credit losses and impairment of assets (cont'd)

(i) Credit losses from financial instruments and contract assets (cont'd)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– interest in an associate; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Credit losses and impairment of assets (cont'd)

(ii) Impairment of other non-current assets (cont'd)

– *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 3(h)(i) and 3(h)(ii)).

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 3(r)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 3(h)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 3(k)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 3(r)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 3(k)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 3(r)).

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 3(j)).

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 3(h)(i)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECLs) in accordance with the policy set out in Note 3(h)(i).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 3(t)).

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) Income tax (cont'd)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(r) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Sales of goods

The Group principally generates revenue from manufacturing radio frequency coaxial cables, telecommunication equipment and accessories. The contracts with its customers are received on ad hoc basis.

Goods may be sold separately or in bundled packages. For the bundled contracts, the Group accounts for individual goods separately if they are distinct i.e, if a good is separately identifiable from other items in the bundled package and if a customer can benefit from it.

The consideration for bundled sales is allocated to the separate goods based on their relative stand-alone selling prices. The stand-alone selling prices are determined based on individual prices that the Group would have charged if the services were contracted for separately.

Revenue is recognised at point in time when customer obtains control, based on the relative stand-alone selling prices of each of the goods.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Revenue and other income (cont'd)

(ii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 3(h)(i)).

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. A government grant related to an asset is recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset.

(iv) Service income

Service income is recognised when services are rendered to customers. Consulting service income is recognised progressively over time using the output method.

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are recognised in other comprehensive income.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi ("RMB") at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(v) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4 CHANGES IN ACCOUNTING POLICIES

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.

5 ACCOUNTING JUDGEMENT AND ESTIMATES

Sources of estimation uncertainty

Notes 19 and 30 contain information about the assumptions and their risk factors relating to financial instruments. Other significant sources of estimation uncertainty are as follows:

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the historical experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value. The Group reassesses these estimates annually.

(b) Impairment of trade and other receivables

The Group estimates the amount of loss allowance for ECLs on trade and other receivables that are measured at amortized cost based on the credit risk of the respective financial instruments. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

6 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the manufacturing and sale of radio frequency coaxial cables, telecommunication equipment and accessories, antennas and others. Further details regarding the Group's principal activities are disclosed in Note 6(b).

Disaggregation of revenue

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

	2021 RMB'000	2020 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
	1,625,775	1,139,341

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in Note 6(b)(iii).

Revenue from major customers which accounts for 10% or more of the Group's revenue are as follows:

	2021 RMB'000	2020 RMB'000
Customer A	198,372	228,921
Customer B	337,753	164,658

6 REVENUE AND SEGMENT REPORTING (cont'd)

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's 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: 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: 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: are adopted by telecom operators for use in signal transmission for wireless communications.

(i) 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.

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

6 REVENUE AND SEGMENT REPORTING (cont'd)

(b) Segment reporting (cont'd)

(i) Information about reportable segments (cont'd)

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	Telecom-munication equipment and accessories	Antennas	Total reportable segments	All other segments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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)

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

6 REVENUE AND SEGMENT REPORTING (cont'd)

(b) Segment reporting (cont'd)

(i) Information about reportable segments (cont'd)

	Reportable segments					
	Radio frequency coaxial cables	Telecom-munication equipment and accessories	Antennas	Total reportable segments	All other segments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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)

(ii) Reconciliations of reportable segment profit

	Group	
	For the year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Profit before taxation		
Total profit before taxation for reportable segments	69,770	71,328
Profit before taxation 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)
Consolidated profit before taxation	73,657	72,604

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

6 REVENUE AND SEGMENT REPORTING (cont'd)

(b) Segment reporting (cont'd)

(ii) Reconciliations of reportable segment profit (cont'd)

Other material items

	Reportable and all other segment totals RMB'000	Adjustments RMB'000	Consolidated totals RMB'000
2021			
Depreciation and amortisation expense	(19,486)	(339)	(19,825)
2020			
Depreciation and amortisation expense	(27,848)	(419)	(28,267)

(iii) Geographic information

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

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

	Revenue from external customers		Specified non-current assets	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
PRC	1,431,693	933,691	167,095	165,856
India	5,606	28,873	704	910
Other countries	188,476	176,777	390	729
	1,625,775	1,139,341	168,189	167,495

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

7 OTHER OPERATING INCOME

	2021 RMB'000	2020 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
	37,927	58,186

8 OTHER OPERATING EXPENSES

	Group	
	2021 RMB'000	2020 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
	99,751	100,760

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 from customers mainly represents compensation to customer relating to product quality issue.

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

9 PROFIT BEFORE TAXATION

(a) Interest expense

	2021 RMB'000	2020 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
	7,142	12,964

(b) Staff costs

	2021 RMB'000	2020 RMB'000
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
	126,193	113,876

Pursuant to the relevant regulations of the PRC government, the PRC subsidiaries have participated in central pension schemes ("**the Schemes**") operated by local municipal government whereby the subsidiaries are required to contribute 24% of the basic salaries of their employees to the Schemes to fund their retirement benefits. The local municipal government undertake to assume the retirement benefit obligations of all existing and future retired employees of the subsidiary. The only obligation of the subsidiaries with respect to the Scheme is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to profit or loss as incurred.

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

9 PROFIT BEFORE TAXATION (cont'd)

(c) Other items

	Notes	2021 RMB'000	2020 RMB'000
Depreciation charge	15		
– owned property, plant and equipment		17,405	25,847
– right-of-use assets		2,420	2,420
		19,825	28,267
Audit and related services fees paid to:			
– member firms of KPMG International		1,680	1,685
– other auditors		176	124
		1,856	1,809
Impairment loss recognised of:			
– trade receivables	30(a)	3,370	–
– inventory	20(b)	1,314	–
		4,684	–
Cost of inventories#	20(b)	1,329,217	878,579

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 above or in Note 9(b) for each of these types of expenses.

10 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	Note	2021 RMB'000	2020 RMB'000
Current tax expense			
Current year		12,134	11,089
(Over)/under provision in prior years		(1,240)	2,060
		10,894	13,149
Deferred tax expense			
Origination of temporary differences	28(b)	(161)	(972)
Income tax expense		10,733	12,177

Notes:

(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. ("**Jiangsu Hengxin**"), and Jiangsu Hengxin Wireless Technology Co., Ltd. ("**Hengxin Wireless**"), 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. ("**Hengxin International**") 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 Co., Ltd. as it does not have assessable profits subject to Hong Kong Profits Tax for the year ended 31 December 2021.

(b) Reconciliation between actual income tax expense and accounting profit at applicable tax rates

	2021 RMB'000	2020 RMB'000
Profit before taxation	73,657	72,604
Tax using the PRC statutory tax rate of 25% (2020: 25%)	18,414	18,151
Effect of concessionary tax rate	(8,727)	(7,823)
Effect of tax rates in other jurisdictions	303	203
Tax effect of non-deductible expenses	5,031	3,095
Tax effect of unused tax losses not recognised	9,202	3,596
Additional deduction for qualified research and development costs	(12,585)	(7,466)
(Over)/under provision in prior years	(1,240)	2,060
Effect of withholding tax on interest from PRC subsidiaries	335	361
Actual income tax expense	10,733	12,177

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

11 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
2021					
Executive directors					
Du Xiping	–	836	208	–	1,044
Xu Guoqiang (resigned on 19 November 2021)	–	710	676	34	1,420
Song Haiyan (appointed on 19 November 2021)	–	90	869	12	971
Non-executive directors					
Cui Wei	398	–	–	–	398
Zhang Zhong	314	–	–	–	314
Independent non-executive directors					
Tam Chi Kwan Michael	332	–	–	–	332
Dr. Li Jun	249	–	–	–	249
Pu Hong	249	–	–	–	249
	1,542	1,450	922	36	4,977

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
2020					
Executive directors					
Du Xiping	–	871	215	–	1,086
Xu Guoqiang	–	579	707	36	1,322
Non-executive directors					
Cui Wei	427	–	–	–	427
Zhang Zhong	336	–	–	–	336
Independent non-executive directors					
Tam Chi Kwan Michael	356	–	–	–	356
Dr. Li Jun	267	–	–	–	267
Pu Hong	267	–	–	–	267
	1,653	1,450	922	36	4,061

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

12 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2020: two) are directors whose emoluments are disclosed in Note 11. The aggregate of the emoluments in respect of the other three (2020: three) individuals are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	2,165	2,124
Performance related bonuses	526	879
Retirement scheme contributions	73	69
	2,764	3,072

The emoluments of the three (2020: three) individuals with the highest emoluments are within the following bands:

	2021	2020
HKDNil to HKD1,000,000	2	2
HKD1,000,001 to HKD1,500,000	1	1
	3	3

13 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	2021			2020		
	Before tax RMB'000	Tax expense RMB'000	Net of tax RMB'000	Before tax RMB'000	Tax expense RMB'000	Net of tax RMB'000
Equity investments at FVOCI – net change in fair value reserve (non-recycling)	(1,965)	295	(1,670)	(800)	120	(680)
Exchange differences on translation of financial statements of entities with functional currencies other than RMB	(367)	–	(367)	(1,112)	–	(1,112)
Other comprehensive income	(2,332)	295	(2,037)	(1,912)	120	(1,792)

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

14 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 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 RMB'000	2020 RMB'000
Issued ordinary shares and weighted average number of ordinary shares at 1 January and 31 December	388,000	388,000

(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.

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

15 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Right-of-use assets RMB'000	Building and leasehold improvement RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
Balance at 1 January 2020	52,009	91,626	193,539	50,624	4,445	2,546	394,789
Additions	1,009	–	3,055	11,475	1,193	1,687	18,419
Transfers from construction in process	–	–	–	812	389	(1,201)	–
Disposals	–	–	(255)	(51)	(2,519)	–	(2,825)
Exchange adjustments	–	–	(102)	(57)	–	–	(159)
Balance at 31 December 2020 and 1 January 2021	53,018	91,626	196,237	62,803	3,508	3,032	410,224
Additions	160	1,110	3,215	6,942	–	9,326	20,753
Transfers from construction in process	–	207	1,335	4,682	–	(6,224)	–
Disposals	–	–	(742)	(198)	(357)	–	(1,297)
Exchange adjustments	–	–	(48)	(41)	–	–	(89)
Balance at 31 December 2021	53,178	92,943	199,997	74,188	3,151	6,134	429,591
Accumulated amortisation and depreciation:							
Balance at 1 January 2020	(2,256)	(42,091)	(135,197)	(34,291)	(3,206)	–	(217,041)
Charge for the year	(2,420)	(4,811)	(9,366)	(11,388)	(282)	–	(28,267)
Written back on disposals	–	–	301	2	2,267	–	2,570
Exchange adjustments	–	–	5	4	–	–	9
Balance at 31 December 2020 and at 1 January 2021	(4,676)	(46,902)	(144,257)	(45,673)	(1,221)	–	(242,729)
Charge for the year	(2,420)	(4,545)	(7,359)	(5,098)	(403)	–	(19,825)
Written back on disposals	–	–	479	181	321	–	981
Exchange adjustments	–	–	56	115	–	–	171
Balance at 31 December 2021	(7,096)	(51,447)	(151,081)	(50,475)	(1,303)	–	(261,402)
Net book value:							
At 31 December 2021	46,082	41,496	48,916	23,713	1,848	6,134	168,189
At 31 December 2020	48,342	44,724	51,980	17,130	2,287	3,032	167,495

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

(b) *Right-of-use assets*

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
Ownership interests in leasehold land held for own use, carried at depreciated cost	(i)	45,275	46,630
Other properties leased for own use, carried at depreciated cost	(ii)	807	1,712
		46,082	48,342

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land	1,355	1,355
Other properties leased for own use	1,065	1,065
	2,420	2,420

During the year, additions to right-of-use assets were RMB160,000 (2020: RMB1,009,000). This amount is related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in Notes 23(c), 27 and 30(b), respectively.

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

(b) Right-of-use assets (cont'd)

(i) Ownership interests in leasehold land held for own use

The Group holds several leasehold land for its business, including the whole or part of undivided share in the land in the PRC, where its manufacturing facilities are primarily located. The leases run for periods ranging from 42 to 48 years. The Group is the registered owner of these property interests. Lump sum payments were made upfront to acquire these property interests from the PRC government authorities, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its warehouses and office through tenancy agreements. The leases typically run for an initial period of 2 to 4 years.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities. The potential exposure to these future lease payments as at the reporting date is summarised below:

	Lease liabilities recognised/ (discounted)	
	2021	2020
	RMB'000	RMB'000
Warehouses – India	142	236
Office – Singapore	409	732
Office – PRC	259	779

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES

The following list contains the particulars of subsidiaries of the Company which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Principal activities	Place and date of incorporation and business	Particulars of registered and paid-up capital	Proportion of ownership interest Direct	Proportion of ownership interest Indirect
Jiangsu Hengxin Technology Co., Ltd.*	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	PRC, 7 January 2005	USD88,000,000/ USD88,000,000	100%	–
Hengxin Technology (India) Pvt Ltd.	Marketing and trading of the Group's products to telecommunication operators in India	India, 10 June 2009	INR59,500,000.00/ INR59,500,000.00	100%	–
Hengxin Metaverse Co., Ltd.	Investment holding	Hong Kong 10 December 2021	HKD5,000,000.00/ Nil	100%	–
Jiangsu Hengxin Wireless Technology Co., Ltd.*	Research, design, development and manufacture sale and technical services of antennas and related telecommunications products for mobile communications systems	PRC, 29 March 2013	RMB5,000,000/ RMB5,000,000	–	100%
Hengxin Technology International Co., Ltd.	Trading and investment holding	Hong Kong, 17 September 2017	HKD1,170,000/ HKD1,170,000	–	100%
Jiangsu Hengxin Zhonglian Communication Technology Co., Ltd.*	Research, design, development and manufacture sale and technical services of telecommunication products for mobile communications systems	PRC, 28 August 2020	RMB10,000,000/ RMB10,000,000	–	70%
Yixing Tianyue Enterprise Management Consulting Partnership (Limited Partnership)	Enterprise management consulting	PRC, 30 November 2021	RMB3,000,400/Nil	–	100%

* These subsidiaries in the PRC are established as limited liability companies.

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES (cont'd)

The following table lists out the information relating to Jiangsu Hengxin Zhonglian Communication Technology Co., Ltd., the only subsidiary of the Group which has a non-controlling interest (NCI). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2021 RMB'000	2020 RMB'000
NCI percentage	30%	30%
Current assets	8,968	18,190
Non-current assets	14,902	1,076
Current liabilities	44,705	11,913
Non-current liabilities	–	259
Net (deficit)/assets	(20,835)	7,094
Carrying amount of NCI	(6,251)	2,128
Revenue	–	–
Loss for the year	(27,929)	(2,907)
Total comprehensive income	(27,929)	(2,907)
Loss allocated to NCI	(8,379)	(872)
Dividend paid to NCI	–	–
Cash flows from operating activities	(23,734)	(5,912)
Cash flows from investing activities	(16,415)	(604)
Cash flows from financing activities	40,149	9,723

17 INTEREST IN AN ASSOCIATE

	2021 RMB'000	2020 RMB'000
Cost of investment in an associate	25,528	25,528
Share of post-acquisition losses	(9,762)	(9,762)
Less: provision for interest in an associate	(15,766)	(15,766)
	–	–

17 INTEREST IN AN ASSOCIATE (cont'd)

Details of the associate are as follows:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid-up capital	Proportion of ownership interest Held by the Company	Proportion of ownership interest Held by a subsidiary	Principal activities
Mianyang Xin Tong Industrial Co., Ltd. ("**Mianyang Xin Tong**")	Limited liability company	PRC	RMB106 million	–	24%	Manufacture and sale of communications equipment and related components, optical integrated circuits, precision zirconia ceramic instruments and equipment and electronic products

The above associate is accounted for using the equity method in the consolidated financial statements.

Summarised financial information of the associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Mianyang Xin Tong 2021 RMB'000	Mianyang Xin Tong 2020 RMB'000
Gross amounts of the associate's		
Current assets	7,037	7,363
Non-current assets	12,358	12,368
Current liabilities	63,976	64,292
Net deficit	(44,581)	(44,561)
Revenue	–	699
Loss from continuing operations	(20)	(10,479)
Total comprehensive income	(20)	(10,479)
Reconciled to the Group's interests in the associate		
Gross amounts of net liabilities of the associate	(44,581)	(44,561)
Group's effective interest	24%	24%
Group's share of net liabilities of the associate	(10,699)	(10,695)
Carrying amount in the consolidated financial statements (Note)	–	–

Note: As the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil in the consolidated financial statements.

There were no contingent liability provided by the Group on behalf of the associate.

18 OTHER INVESTMENTS

	2021 RMB'000	2020 RMB'000
Equity securities designated at FVOCI (non-recycling)		
– Unlisted equity securities	6,235	8,200
– Non-trading securities investment funds	647	647
	6,882	8,847

The Group designated the investments shown below as equity securities at FVOCI because these equity securities represent investments that the Group intends to hold for the long-term strategic purposes.

	Fair value at 31 December 2021 RMB'000	Dividend income recognised during 2021 RMB'000
Investment in Anosi Telecom Technologies Co., Ltd.	6,235	–
Investment in Shanghai International Trust Corp., Ltd.	647	–
	6,882	–

	Fair value at 31 December 2020 RMB'000	Dividend income recognised during 2020 RMB'000
Investment in Anosi Telecom Technologies Co., Ltd.	8,200	–
Investment in Shanghai International Trust Corp., Ltd.	647	–
	8,847	–

No strategic investments were disposed of during 2021, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

19 DERIVATIVE FINANCIAL INSTRUMENTS

	2021			2020		
	Nominal amount	Fair value		Nominal amount	Fair value	
		Asset	Liability		Asset	Liability
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Derivative financial assets						
Foreign currency forward contracts – not under hedge accounting	31,879	1,238	–	–	–	–
Derivative financial liabilities						
Foreign currency forward contracts – not under hedge accounting	242,277	–	(4,227)	248,325	–	(19,954)

The Group entered into several foreign currency forward contracts with certain banks to mitigate the currency risk arising from certain of its bank loans and receivables denominated in USD.

The fair value changes of above derivative financial instruments were recognised in profit or loss.

The analysis on the fair value measurement of the above financial instruments is disclosed in Note 30(f).

20 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2021 RMB'000	2020 RMB'000
Raw materials	76,168	24,544
Work-in-progress	36,284	9,010
Finished goods	143,007	73,188
	255,459	106,742
Provision for obsolescence	(1,314)	–
	254,145	106,742

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

20 INVENTORIES (cont'd)

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2021 RMB'000	2020 RMB'000
Carrying amount of inventories sold	1,327,903	878,579
Provision for write down of inventories	1,314	–
	1,329,217	878,579

All of the inventories are expected to be recovered within one year.

21 TRADE AND OTHER RECEIVABLES

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

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

21 TRADE AND OTHER RECEIVABLES (cont'd)

* 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.

Notes:

i The Group's loans to the associate are unsecured, interest-free and repayable in 7 semi-annual instalments from 30 December 2017 to 30 December 2021. In 2018, the Group has fully impaired the loans to associate due to the financial difficulties encountered by the associate.

ii The non-trade amount due from the associate are unsecured, interest-free and repayable on demand. In 2018, the Group has fully impaired the non-trade amounts due from the associate due to the financial difficulties encountered by the associate.

iii The advances to suppliers and staff are unsecured, interest-free and repayable on demand.

iv Included in the refundable deposits are tender deposits for bidding of customer contracts. If the tender is not successful, these deposits paid will be refunded to the Group.

v Included in the tax recoverable are value added tax receivables in PRC arising from the purchase of raw materials, service and other property, plant and equipment.

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

The bills receivables held by the Group are achieved by both collecting contractual cash flows and selling financial assets, which are measured at fair value through other comprehensive income (recycling).

The Group's exposure to credit risk and foreign currency risks related to trade and other receivables are disclosed in Note 30.

Ageing analysis

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:

	2021 RMB'000	2020 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
	902,812	507,257

Trade and bills receivables are due within 90–270 days from the date of billing. Further details on the Group's credit policy and credit risk arising for trade and bills receivable are set out in Note 30(a).

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

22 TIME DEPOSITS WITH ORIGINAL MATURITY MORE THAN 3 MONTHS

As at 31 December 2021, time deposits of RMB506,000,000 (2020: RMB470,000,000) in the consolidated statement of financial position represent bank deposits that are more than 3 months of maturity at acquisition.

The Group's exposure to credit risk and interest rate risks are disclosed in Note 30.

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2021 RMB'000	2020 RMB'000
Cash at bank and on hand	520,105	874,219
Short-term deposits	1,117	2,007
Pledged bank deposits	25,697	10,847
Cash and cash equivalents in the statements of financial position	546,919	887,073
Less: pledged bank deposits	(25,697)	(10,847)
Cash and cash equivalents in the statements of cash flows	521,222	876,226

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.

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(b) Reconciliation of liabilities arising from financing activities

	Short-term loans RMB'000 (Note 25)	Interest payable RMB'000 (Note 24)	Lease liabilities RMB'000 (Note 27)	Total RMB'000
At 1 January 2021	278,371	6,053	1,730	286,154
Changes from financing cash flows:				
Proceeds from short-term bank loans	486,510	–	–	486,510
Repayment of short-term bank loans	(450,316)	–	–	(450,316)
Capital element of lease rentals paid	–	–	(1,080)	(1,080)
Interest element of lease rentals paid	–	–	(55)	(55)
Other interest expense paid	–	(10,963)	–	(10,963)
Total changes from financing cash flows	36,194	(10,963)	(1,135)	24,096
Exchange adjustment	15,728	–	–	15,728
Other changes:				
Increase in lease liabilities from entering new leases during the year	–	–	160	160
Interest expense	–	7,087	55	7,142
Total other changes	–	7,087	215	7,302
At 31 December 2021	330,293	2,177	810	333,280

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

23 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (cont'd)

(b) Reconciliation of liabilities arising from financing activities (cont'd)

	Short-term loans RMB'000 (Note 25)	Interest payable RMB'000 (Note 24)	Lease liabilities RMB'000 (Note 27)	Total RMB'000
At 1 January 2020	310,000	–	1,786	311,786
Changes from financing cash flows:				
Proceeds from short-term bank loans	298,325	–	–	298,325
Repayment of short-term bank loans	(310,000)	–	–	(310,000)
Capital element of lease rentals paid	–	–	(1,065)	(1,065)
Interest element of lease rentals paid	–	–	(70)	(70)
Other interest expense paid	–	(6,841)	–	(6,841)
Total changes from financing cash flows	(11,675)	(6,841)	(1,135)	(19,651)
Exchange adjustment	(19,954)	–	–	(19,954)
Other changes:				
Increase in lease liabilities from entering new leases during the year	–	–	1,009	1,009
Interest expense	–	12,894	70	12,964
Total other changes	–	12,894	1,079	13,973
At 31 December 2020	278,371	6,053	1,730	286,154

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2021 RMB'000	2020 RMB'000
Within operating cash flows	207	216
Within financing cash flows	1,135	1,135
	1,342	1,351

These amounts relate to the following:

	2021 RMB'000	2020 RMB'000
Lease rentals paid	1,342	1,351

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

24 TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables		
– third parties	232,678	103,512
– affiliated corporation	124	–
Bills payable	27,000	–
Trade and bills payable	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 and other taxes payable	4,764	2,964
Other payables	2,728	3,250
	337,975	179,019

Movements in contract liabilities during the year are as follows:

	2021 RMB'000	2020 RMB'000
Balance at 1 January	9,687	13,265
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(9,687)	(13,265)
Increase in contract liabilities as a result of billing in advance of manufacturing activities	6,164	9,687
	6,164	9,687

Advanced receipt is an upfront government grant of RMBnil (2020: RMB366,000). The grant is deferred and recognised as income when the grant's conditions have been fulfilled.

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

24 TRADE AND OTHER PAYABLES (cont'd)

All of the other 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:

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

25 SHORT-TERM LOANS

	2021 RMB'000	2020 RMB'000
Unsecured bank loans	330,293	278,371

The unsecured bank loans carried interest at annual rates within 0.90%–3.40% (2020: 3.40%–3.45%) per annum, and were all repayable within one year.

At 31 December 2021, the Group had RMB1,625,700,000 (2020: RMB1,616,036,000) of unutilised bank borrowing facilities.

26 DEFERRED INCOME

	2021 RMB'000	2020 RMB'000
Deferred income	4,786	6,341

The amount represents deferred revenue arising as a result of the special fund received from local government to support the Group's project of transformation of science and technology achievements in PRC. The grants are related to assets and will be offset against relevant cost incurred in profit or loss over a period of 5 to 10 years.

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

27 LEASE LIABILITIES

At 31 December 2021, the lease liabilities were repayable as follows:

	2021 RMB'000	2020 RMB'000
Within 1 year	703	1,027
After 1 year but within 2 years	107	620
After 2 years but within 5 years	–	83
	107	703
	810	1,730

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2021 RMB'000	2020 RMB'000
At the beginning of the year	2,611	2,493
Provision for PRC Corporate Income Tax for the year	8,679	12,078
Provision for Hong Kong Profits Tax for the year	2,215	1,071
Income taxes paid	(9,175)	(13,031)
At the end of the year	4,330	2,611

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

(b) Deferred tax assets and liabilities recognised

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	At 1 January 2021	Recognised in profit or loss	Recognised in OCI	At 31 December 2021
	RMB'000	RMB'000	RMB'000	RMB'000
Impairment loss for trade and other receivables	4,886	506	–	5,392
Equity investments at FVOCI	270	–	295	565
Deferred income	313	(191)	–	122
Impairment loss on associate	2,365	–	–	2,365
Unrealised exchange loss	16	(2)	–	14
Unrealised profits	612	(462)	–	150
Accrued expenses	1,684	–	–	1,684
Write down of inventories	–	197	–	197
Derivative financial liability	–	634	–	634
Derivative financial asset	–	(186)	–	(186)
Dividend from subsidiary	(7,341)	(335)	–	(7,676)
Total	2,805	161	295	3,261

	At 1 January 2020	Recognised in profit or loss	Recognised in OCI	At 31 December 2020
	RMB'000	RMB'000	RMB'000	RMB'000
Impairment loss for trade and other receivables	4,886	–	–	4,886
Equity investments at FVOCI	150	–	120	270
Deferred income	773	(460)	–	313
Impairment loss on associate	2,365	–	–	2,365
Unrealised exchange loss	14	2	–	16
Unrealised profits	505	107	–	612
Accrued expenses	–	1,684	–	1,684
Dividend from subsidiary	(6,980)	(361)	–	(7,341)
Total	1,713	972	120	2,805

Deferred tax assets/(liabilities) are recognised to the extent that realisation of the related tax benefits through future taxable profits is probable.

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

28 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (cont'd)

(b) Deferred tax assets and liabilities recognised (cont'd)

(ii) Reconciliation to the consolidated statement of financial position

	2021 RMB'000	2020 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	11,123	10,146
Net deferred tax liability recognised in the consolidated statement of financial position	(7,862)	(7,341)
	3,261	2,805

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 3(p), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB47,386,000 and RMB11,718,000 (2020: RMB11,975,000 and RMB10,323,000) incurred by subsidiaries in PRC and India respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses incurred by subsidiaries in PRC and the subsidiary in India will expire within 5–10 years from the year when such losses were incurred under current tax legislation.

(d) Deferred tax liability not recognised

The total undistributed profits of the PRC subsidiaries are RMB885,027,000 (2020: RMB787,417,000). No deferred tax liability has been recognised for undistributed profits of RMB731,507,000 (2020: RMB640,599,000) because the Group controls the dividend policy of its subsidiaries and is of the opinion that these reserves will not be remitted back to the holding company in the foreseeable future.

29 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital	Accumulated profits	Total
		RMB'000	RMB'000	RMB'000
Company				
Balance at 1 January 2020		295,000	152,592	447,592
Changes in equity for 2020:				
Total comprehensive income for the year		–	(11,977)	(11,977)
Dividends paid	29(b)	–	(11,330)	(11,330)
Balance at 31 December 2020 and 1 January 2021		295,000	129,285	424,285
Changes in equity for 2021:				
Total comprehensive income for the year		–	(13,096)	(13,096)
Dividends paid	29(b)	–	(6,130)	(6,130)
Balance at 31 December 2021		295,000	110,059	405,059

(b) Dividends

The following exempt (one-tier) dividends were declared and paid by the Company during the year.

	2021	2020
	RMB'000	RMB'000
RMB0.0158 per qualifying ordinary share (2020: RMB0.0292)	6,130	11,330

29 CAPITAL, RESERVES AND DIVIDENDS (cont'd)

(b) Dividends (cont'd)

After the reporting dates, the following exempt (one-tier) dividends were proposed by the Board of Directors. No dividends were proposed in respect of the year ended 31 December 2021 (2020: RMB0.0158 per share). These exempted (one-tier) dividends have not been recognised as liabilities and there are no tax consequences.

	2021 RMB'000	2020 RMB'000
Nil per qualifying ordinary share (2020: RMB0.0158)	–	6,130

(c) Share capital

	2021 No. of shares '000	2021 RMB'000	2020 No. of shares '000	2020 RMB'000
Ordinary shares, issued and fully paid:				
At the beginning and end of year	388,000	295,000	388,000	295,000

The ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

(d) Nature and purpose of reserves

(i) General reserves

General reserves represent the statutory and discretionary reserve arising from the PRC subsidiaries.

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the PRC, the subsidiaries are required to make appropriation to a statutory reserve.

In the PRC, at least 10% of the statutory profits after tax as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the statutory reserve until the cumulative total of the statutory reserves reach 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The statutory reserves in PRC are not available for dividend distribution to shareholders.

(ii) Special reserve

The special reserve represents the difference between the acquisition cost and carrying amount of net assets of the PRC subsidiary arising from the acquisition of PRC subsidiary in 2004.

29 CAPITAL, RESERVES AND DIVIDENDS (cont'd)

(d) Nature and purpose of reserves (cont'd)

(iii) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) represents the cumulative change in the fair value arising from equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see Note 3(c)).

(iv) Translation reserves

The translation reserves comprise all foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. The reserve is dealt with in accordance with the accounting policies set out in Note 3(s).

(e) Capital management

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

The capital structure of the Group consists of debt and equity, which includes equity attributable to equity shareholders of the Company, comprising share capital, reserves and accumulated profits.

The Group's management reviews the capital structure on an on-going basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital and reserves. Based on recommendations of management, the Group will balance its overall capital structure through the payment of dividends, as well as the issue of new debt or the redemption of existing debt.

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 at the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
Total liabilities	690,283	495,367
Total assets	2,477,454	2,227,781
Debt-to-assets ratio	28%	22%

30 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables. The Group's exposure to credit risk arising from cash and cash equivalents, time deposits and bills receivables is limited because the counterparties are mainly reputable financial institutions with high credit standing, for which the Group considers to have low credit risk.

The Group does not provide any guarantees which would expose the Group to credit risk.

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 22% (2020: 12%) and 49% (2020: 40%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90–270 days from the date of billing. Normally, the Group does not obtain collateral from customers.

As at reporting date, the maximum exposure to credit risk for trade receivables (excluding bill receivables) by geographical region was as follows.

	2021 RMB'000	2020 RMB'000
PRC	785,279	400,070
Other customers	27,073	58,929
	812,352	458,999

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

30 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (cont'd)

(a) Credit risk (cont'd)

Trade receivables (cont'd)

The exposure of credit risk for trade receivables (excluding bill receivables) at the reporting date by type of counterparty was:

	2021 RMB'000	2020 RMB'000
State-owned enterprises in PRC	397,136	177,374
Other customers	415,216	281,625
	812,352	458,999

At 31 December 2021, 5 (2020: 5) largest customers accounted for 49% (2020: 40%) of gross trade receivables. There are no other customers who represent more than 5% of the total balance of trade receivables.

The Group measures loss allowance for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. ECLs are based on actual loss experience over the past years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The following table provides information about the Group's exposure to credit risk and ECLs by type of counterparty for trade receivables as at the end of reporting periods:

	2021		
	Average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
State-owned enterprises in the PRC			
Not past due	0.01%	369,609	48
Past due 1–180 days	0.20%	20,974	41
Past due 181–360 days	0.96%	3,970	38
Past due 361–540 days	2.86%	1,891	54
Past due over 540 days	23.22%	1,137	264
		397,581	445

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

30 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (cont'd)

(a) Credit risk (cont'd)

Trade receivables (cont'd)

	2021		
	Average expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Other customers			
Not past due	0.66%	353,152	2,314
Past due 1–180 days	4.45%	36,085	1,604
Past due 181–360 days	9.01%	24,751	2,230
Past due 361–540 days	18.31%	9,029	1,653
Past due over 540 days	100.00%	4,829	4,829
		427,846	12,630

	2020		
	Average expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
State-owned enterprises in the PRC			
Not past due	0.24%	131,192	314
Past due 1–180 days	1.24%	35,705	441
Past due 181–360 days	3.54%	7,286	258
Past due 361–540 days	8.64%	3,416	295
Past due over 540 days	27.66%	1,497	414
		179,096	1,722

	2020		
	Average expected loss rate	Gross carrying amount	Loss allowance
	%	RMB'000	RMB'000
Other customers			
Not past due	0.60%	193,206	1,150
Past due 1–180 days	2.33%	42,475	990
Past due 181–360 days	5.76%	20,049	1,154
Past due 361–540 days	10.12%	32,477	3,288
Past due over 540 days	100.00%	1,401	1,401
		289,608	7,983

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

30 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (cont'd)

(a) Credit risk (cont'd)

Trade receivables (cont'd)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

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

Loans to associate and non-trade amount due from the associate

The Group adopted the ECL approach to estimate credit losses over the expected life of these receivables. As the amounts are assessed to be not probable of recovery, the Group has fully impaired the loans to associate and non-trade receivables due from the associate as at 31 December 2021 and 2020.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

30 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (cont'd)

(b) Liquidity risk (cont'd)

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				
	Note	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
2021						
Non-derivative financial liabilities						
Short-term loans	25	332,121	–	–	332,121	330,293
Trade and other payables#	24	327,047	–	–	327,047	327,047
Lease liabilities	27	719	108	–	827	810
At 31 December 2021		659,887	108	–	659,995	658,150

		Contractual undiscounted cash (outflow)/inflow			
	Note	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
2021					
Derivatives settled gross:					
Forward foreign exchange contracts	19				
– outflow		(276,441)	–	–	(276,441)
– inflow		279,430	–	–	279,430

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

30 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (cont'd)

(b) Liquidity risk (cont'd)

		Contractual cash flows				
	Note	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
2020						
Non-derivative financial liabilities						
Short-term loans	25	281,458	–	–	281,458	278,371
Trade and other payables#	24	166,002	–	–	166,002	166,002
Lease liabilities	27	1,038	661	84	1,783	1,730
At 31 December 2020		448,498	661	84	449,243	446,103

		Contractual undiscounted cash (outflow)/inflow			
	Note	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
2020					
Derivatives settled gross:					
Forward foreign exchange contracts	19				
– outflow		(228,371)	–	–	(228,371)
– inflow		248,325	–	–	248,325

Exclude contract liabilities, advanced receipt, value added tax and other taxes payable.

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

30 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (cont'd)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risks arises primarily from the Group's bank deposits and debt obligations.

(i) Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments, as reported to management was as follows:

	2021 RMB'000	2020 RMB'000
Fixed-rate instruments		
Time deposits with original maturity more than 3 months	506,000	470,000
Pledged bank deposits	25,697	10,847
Short-term deposits	1,117	2,007
Short-term loans	(330,293)	(278,371)
	202,521	204,483

(ii) Sensitivity analysis

Fair value sensitivity analysis for fixed-rate instruments

The Group does not account for any fixed-rate financial assets and liabilities at fair value through profit or loss, and the Group does not use derivatives to hedge interest rate risk. Therefore, in respect of the fixed rate instrument, a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable-rate instruments

The Group does not have significant financial assets or liabilities that are exposed to interest rate risk as at the end of reporting periods.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars ("**USD**"), Singapore dollars ("**SGD**"), Hong Kong dollars ("**HKD**") and Euro ("**EUR**").

RMB is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rate adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China.

30 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (cont'd)

(d) Currency risk (cont'd)

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in RMB, translated using the spot rate at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	USD	SGD	HKD	EUR
	RMB'000	RMB'000	RMB'000	RMB'000
2021				
Cash and cash equivalents	141,442	1,372	768	19,606
Trade and other receivables	21,449	72	348	1,477
Trade and other payables	(2,406)	(632)	(252)	(6)
Lease liabilities	–	(457)	–	–
Short-term loans	(242,277)	–	–	–
Net exposure	(81,792)	355	864	21,077
2020				
Cash and cash equivalents	75,077	1,115	2,820	15,785
Trade and other receivables	44,027	89	221	2,362
Trade and other payables	(5,280)	(639)	(251)	–
Lease liabilities	–	(732)	–	–
Short-term loans	(228,372)	–	–	–
Net exposure	(114,548)	(167)	2,790	18,147

30 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (cont'd)

(d) Currency risk (cont'd)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had increased at that date, assuming all other risk variables remained constant.

	2021		2020	
	Increase in foreign exchange rates	(Decrease)/ Increase in profit after tax and retained profits RMB'000	Increase in foreign exchange rates	(Decrease)/ Increase in profit after tax and retained profits RMB'000
USD	10%	(6,927)	10%	(9,685)
SGD	10%	36	10%	(17)
HKD	10%	86	10%	267
EUR	10%	1,791	10%	1,542

Decrease in foreign exchange rates would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remained constant.

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into RMB at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2020.

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

30 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (cont'd)

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments held for non-trading purposes (see Note 18).

The Group's equity investments are held for long-term strategic purposes. The performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long-term strategic plans.

At 31 December 2021, it is estimated that an increase of 5% (2020: 5%) in the relevant equity price as applicable, as applicable, with all other variables held constant, would have increased/(decreased) fair value reserve (non-recycling) of consolidated equity as follows:

	2021		2020	
	Effect on equity	RMB'000	Effect on equity	RMB'000
Changes in the relevant equity price risk variable:				
Increase	5%	292	5%	376
Decrease	5%	(292)	(5%)	(376)

The sensitivity analysis indicates the instantaneous change in the Group's fair value reserve (non-recycling) of consolidated equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2020.

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

30 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (cont'd)

(f) Fair value measurement

(i) Financial assets measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

30 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (cont'd)

(f) Fair value measurement (cont'd)

(i) Financial assets measured at fair value (cont'd)

Fair value hierarchy (cont'd)

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount					Fair value			
	Notes	FVOCI	FVPL	Amortised cost	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2021										
Financial assets measured at fair value										
Other investments	18	6,882	–	–	–	6,882	647	–	6,235	6,882
Trade and other receivables#	21	90,460	–	–	–	90,460	–	90,460	–	90,460
Derivative financial asset	19	–	1,238	–	–	1,238	–	1,238	–	1,238
		97,342	1,238	–	–	98,580	647	91,698	6,235	98,580
Financial assets not measured at fair value										
Trade and other receivables#	21	–	–	825,074	–	825,074				
Time deposits with original maturity more than 3 months	22	–	–	506,000	–	506,000				
Cash and cash equivalents	23	–	–	546,919	–	546,919				
		–	–	1,877,993	–	1,877,993				
Financial liability measured at fair value										
Derivative financial liability	19	–	4,227	–	–	4,227	–	4,227	–	4,227
Financial liabilities not measured at fair value										
Trade and other payables##	24	–	–	–	327,047	327,047				
Short-term loans	25	–	–	–	330,293	330,293				
Lease liabilities	27	–	–	–	810	810				
		–	–	–	658,150	658,150				

30 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (cont'd)

(f) Fair value measurement (cont'd)

(i) Financial assets measured at fair value (cont'd)

Fair value hierarchy (cont'd)

		Carrying amount					Fair value			
	Notes	FVOCI	FVPL	Amortised cost	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2020										
Financial assets measured at fair value										
Other investments	18	8,847	–	–	–	8,847	647	–	8,200	8,847
Trade and other receivables[#]	21	48,258	–	–	–	48,258	–	48,258	–	48,258
		57,105	–	–	–	57,105	647	48,258	8,200	57,105
Financial assets not measured at fair value										
Trade and other receivables[#]	21	–	–	474,509	–	474,509				
Time deposits with original maturity more than 3 months	22	–	–	470,000	–	470,000				
Cash and cash equivalents	23	–	–	887,073	–	887,073				
		–	–	1,831,582	–	1,831,582				
Financial liability measured at fair value										
Derivative financial liability	19	–	19,954	–	–	19,954	–	19,954	–	19,954
Financial liabilities not measured at fair value										
Trade and other payables[##]	24	–	–	–	166,002	166,002				
Short-term loans	25	–	–	–	278,371	278,371				
Lease liabilities	27	–	–	–	1,730	1,730				
		–	–	–	446,103	446,103				

[#] Exclude advances to suppliers, prepayments and tax recoverable.

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

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

30 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (cont'd)

(f) Fair value measurement (cont'd)

(i) Financial assets measured at fair value (cont'd)

Fair value hierarchy (cont'd)

The Group enters into commodity derivative contracts with a financial institution with good credit ratings. The fair value of the commodity derivative contracts represents the difference between the quoted market price of commodity derivative contracts at year end and the quoted price at inception of the contracts. The carrying amount of commodity derivative financial instruments was nil as the Group settled all commodity derivative financial instruments as at 31 December 2021 (31 December 2020: nil).

During the years ended 31 December 2020 and 2021, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair values of the bills receivable in Level 2 have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts.

The fair value of forward exchange contract in Level 2 is determined by discounting the difference between the contractual forward price and the current forward price. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Weighted average
Unlisted equity securities	Discounted cash flow method: The valuation model considers the present value of net cash flows to be generated from the investment. The expected net cash flows are discounted using risk adjusted discount rates.	Growth rate Discount rate	18% to 25% (2020: 19% to 24%)	19% (2020: 19%)

The fair value of unlisted equity securities is determined using the discounted cash flow model. The fair value measurement is positively correlated to the growth rate and negatively correlated to the discount rate. The following table summarises how the impact on the Group's other comprehensive income at the end of the reporting period would have increased or decreased as a result of a change in one of the assumptions, holding other assumptions consistent.

30 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (cont'd)

(f) Fair value measurement (cont'd)

(i) Financial assets measured at fair value (cont'd)

Information about Level 3 fair value measurements (cont'd)

	2021		2020	
	Effect on equity RMB'000	Effect on equity RMB'000	Effect on equity RMB'000	Effect on equity RMB'000
Revenue growth rate (increase or decrease by 1%)	391	(377)	794	(764)
Discount rate (increase or decrease by 1%)	(483)	438	(526)	605

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2021 RMB'000	2020 RMB'000
Unquoted equity securities:		
At 1 January	8,200	9,000
Net unrealised loss recognised in other comprehensive income during the year	(1,965)	(800)
At 31 December	6,235	8,200

Any gain or loss arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

(ii) Financial assets and liabilities carried at other than fair value

All financial instruments measured at other than fair value are carried at cost or amortised cost that were not materially different from their fair values as at 31 December 2021 and 2020.

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

31 COMMITMENTS

(a) Commitments outstanding at 31 December 2021 not provided for in the financial statements were as follows:

	2021 RMB'000	2020 RMB'000
Contracted for but not provided for property, plant and equipment	24	285
Donation commitment	2,500	3,000
	2,524	3,285

The Group's PRC subsidiary has signed an intention letter to donate RMB 500,000 per annum from 2007 for a period of 20 years to a charitable organization in the PRC when making profit in the year.

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 11 and certain of the highest paid employees as disclosed in Note 12, is as follows:

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

Total remuneration is included in "staff costs" (see Note 9(b)).

Notes to the Financial Statements (cont'd)

*(Expressed in Renminbi ("**RMB**") unless otherwise indicated)*

32 MATERIAL RELATED PARTY TRANSACTIONS (cont'd)

(b) Transactions with related companies

(i) Significant related party transactions

	2021 RMB'000	2020 RMB'000
Transactions with Suzhou Hengli Telecommunications Materials Co., Ltd (Note)		
Sale of finished goods	7,116	7,746
Purchases of raw materials	22,494	21,970

Note: Suzhou Hengli Telecommunication Materials Co., Ltd. is a subsidiary of Hengtong Group Co., Ltd. ("**Hengtong Group**"), 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.

(ii) Significant related party balances

	2021 RMB'000	2020 RMB'000
Balances with Suzhou Hengli Telecommunications Materials Co., Ltd.		
Trade receivables from	–	7,954
Prepayment to	–	2,234
Trade payables to	124	–

(c) Applicability of the Listing Rules relating to connected transactions

The related party transactions in respect of sales of finished goods and purchases of raw materials above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

33 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
Non-current assets			
Property, plant and equipment		390	729
Investments in subsidiaries	16	388,724	392,840
		389,114	393,569
Current assets			
Trade and other receivables		13,237	25,524
Cash and cash equivalents		4,459	7,223
		17,696	32,747
Current liabilities			
Trade and other payables		1,294	1,299
Lease liabilities		373	289
		1,667	1,588
Net current assets		16,029	31,159
Total assets less current liabilities		405,143	424,728
Non-current liability			
Lease liabilities		84	443
		84	443
NET ASSETS		405,059	424,285
CAPITAL AND RESERVE	29(a)		
Share capital		295,000	295,000
Accumulated profits		110,059	129,285
TOTAL EQUITY		405,059	424,285

Approved and authorised for issue by the board of directors on 16 March 2022.

Du Xiping
Director

Song Haiyan
Director

Notes to the Financial Statements (cont'd)

(Expressed in Renminbi ("RMB") unless otherwise indicated)

34 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2021, the directors consider the ultimate controlling party of the Group to be Mr. Cui Wei, Chairman of the Group.

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendment to IFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021*	1 April 2021
Annual Improvements to IFRSs 2018–2020 Cycle	1 January 2022
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
IFRS 17, *Insurance contracts*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8, *Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined

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

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