



HENGXIN TECHNOLOGY LTD.
亨鑫科技有限公司*

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

INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

1. Revenue for the six months ended 30 June 2022 increased by approximately RMB506.1 million or 99.0% to approximately RMB1,017.5 million
2. Gross profit increased by approximately RMB63.3 million or 59.1% to approximately RMB170.4 million
3. Net profit attributable to equity shareholders of the Company increased by approximately RMB14.4 million or 91.1% to approximately RMB30.2 million
4. Basic earnings per share was approximately RMB0.078, representing an increase of approximately RMB0.037 or 90.2%
5. No payment of interim dividend for the six months ended 30 June 2022 has been recommended

* *For identification purposes only*

The board (the “**Board**”) of directors (the “**Director(s)**”) of Hengxin Technology Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively hereinafter referred as the “**Group**”) for the six months ended 30 June 2022 together with the comparative figures for the corresponding period in 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the six months ended 30 June (“1H”)

	<i>Notes</i>	1H2022 RMB’000 (unaudited)	1H2021 RMB’000 (unaudited)
Revenue	3	1,017,542	511,401
Cost of sales		<u>(847,122)</u>	<u>(404,272)</u>
Gross profit		170,420	107,129
Other operating income	4	14,599	16,131
Selling and distribution expenses		(59,559)	(45,226)
Administrative expenses		(26,723)	(19,101)
Research and development costs		(53,665)	(36,599)
Other operating expenses		<u>(9,079)</u>	<u>(3,984)</u>
Profit from operations		35,993	18,350
Interest expense	5	<u>(6,743)</u>	<u>(3,965)</u>
Profit before taxation	6	29,250	14,385
Income tax	7	<u>(5,422)</u>	<u>(1,570)</u>
Profit for the period		<u>23,828</u>	<u>12,815</u>
Attributable to:			
Equity shareholders of the Company		30,214	15,844
Non-controlling interest		<u>(6,386)</u>	<u>(3,029)</u>
Profit for the period		<u>23,828</u>	<u>12,815</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME*(Continued)**For the six months ended 30 June*

	<i>Notes</i>	1H2022 RMB'000 (unaudited)	1H2021 RMB'000 (unaudited)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of – financial statements of entities with functional currencies other than RMB		<u>618</u>	<u>(247)</u>
Total comprehensive income for the period		<u>24,446</u>	<u>12,568</u>
Attributable to:			
Equity shareholders of the Company		30,832	15,597
Non-controlling interest		<u>(6,386)</u>	<u>(3,029)</u>
Total comprehensive income for the period		<u>24,446</u>	<u>12,568</u>
Earnings per share attributable to equity shareholders of the Company			
Basic and diluted (<i>RMB</i>)	<i>10</i>	<u>0.078</u>	<u>0.041</u>
Dividends per share (<i>RMB</i>)	8	<u>–</u>	<u>–</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
ASSETS			
Non-current assets			
Property, plant and equipment	<i>11</i>	162,813	168,189
Interest in an associate		–	–
Other investments		18,882	6,882
Deferred tax assets		12,138	11,123
		<hr/>	<hr/>
Total non-current assets		193,833	186,194
Current assets			
Inventories		241,735	254,145
Trade and other receivables	<i>12</i>	1,235,133	982,958
Time deposits with original maturity more than 3 months		433,127	506,000
Cash and cash equivalents		470,771	546,919
Derivative financial asset		–	1,238
Income tax receivable		2,562	–
		<hr/>	<hr/>
Total current assets		2,383,328	2,291,260
		<hr/>	<hr/>
TOTAL ASSETS		2,577,161	2,477,454
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	<i>13</i>	469,573	337,975
Short-term loans		282,000	330,293
Derivative financial liability		544	4,227
Lease liabilities		583	703
Income tax payable		–	4,330
		<hr/>	<hr/>
Total current liabilities		752,700	677,528
		<hr/>	<hr/>
NET CURRENT ASSETS		1,630,628	1,613,732
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,824,461	1,799,926
		<hr/>	<hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	<i>Note</i>	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Non-current liabilities			
Deferred income		4,786	4,786
Lease liabilities		–	107
Deferred tax liabilities		<u>8,058</u>	<u>7,862</u>
 Total non-current liabilities		 <u>12,844</u>	 <u>12,755</u>
 TOTAL LIABILITIES		 <u>765,544</u>	 <u>690,283</u>
 NET ASSETS		 <u>1,811,617</u>	 <u>1,787,171</u>
 CAPITAL AND RESERVES			
Share capital	9	295,000	295,000
General reserves		278,893	278,893
Special reserve		(6,017)	(6,017)
Fair value reserve		(3,200)	(3,200)
Translation reserves		(2,402)	(3,020)
Accumulated profits		<u>1,261,980</u>	<u>1,231,766</u>
 Total equity attributable to equity shareholders of the Company		 <u>1,824,254</u>	 <u>1,793,422</u>
 Non-controlling interest		 <u>(12,637)</u>	 <u>(6,251)</u>
 TOTAL EQUITY		 <u>1,811,617</u>	 <u>1,787,171</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022 (unaudited)

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

For the six months ended 30 June 2021 (unaudited)

GROUP – RMB'000	Share capital	General reserves	Special reserve	Fair value reserve	Translation reserves	Accumulated profits	Total	Non-controlling interest	Total
Balance at									
1 January 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 the period:									
Profit for the period	-	-	-	-	-	15,844	15,844	(3,029)	12,815
Other comprehensive income for the period	-	-	-	-	(247)	-	(247)	-	(247)
Total comprehensive income	-	-	-	-	(247)	15,844	15,597	(3,029)	12,568
Final dividends paid for 2020	-	-	-	-	-	(6,130)	(6,130)	-	(6,130)
Balance at 30 June 2021	<u>295,000</u>	<u>262,923</u>	<u>(6,017)</u>	<u>(1,530)</u>	<u>(2,900)</u>	<u>1,192,277</u>	<u>1,739,753</u>	<u>(901)</u>	<u>1,738,852</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Singapore on 18 November 2004 under the Singapore Companies Act and its shares are listed on Main Board of The Stock Exchange of Hong Kong Limited. The address of the Company's principal place of business is 5 Tampines Central 1, #06-05 Tampines Plaza 2, Singapore 529541. The registered office of the Company is located at 138 Robinson Road, #26-03, Oxley Tower, Singapore 068906. The principal place of business of the Group is located at No. 138 Taodu Road, Dingshu Town, Yixing City, Jiangsu Province, the People's Republic of China (the "PRC").

The Company is an investment holding company, and the principal activities of the subsidiaries are research, design, development and manufacture of telecommunication and technological products, production of radio frequency coaxial cables for mobile communications and mobile communications systems exchange equipment. The Group's operations are principally conducted in the PRC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements for the six months ended 30 June 2022 (the "Financial Statements") have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB") that are effective for annual reporting periods beginning on or after 1 January 2022.

The IASB has issued a number of amendments and a new standard, IFRS 17, Insurance contracts, which are not yet effective for the current accounting period of the Group. 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 the new and revised IFRSs is unlikely to have a significant impact on the consolidated financial statements of the Group.

The consolidated financial statements for the six months ended 30 June 2022 comprise the Group and the Group's interest in an associate.

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

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

Disaggregation of revenue

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

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Radio frequency coaxial cables	484,119	281,772
Telecommunication equipment and accessories	237,578	98,426
Antennas	245,269	101,065
Others	50,576	30,138
	<u>1,017,542</u>	<u>511,401</u>

(b) Segment reporting

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

- Radio frequency coaxial cables: 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.

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

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

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

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2022 and 2021 is set out below.

Group	Reportable segments			Total Reportable Segments	All Other Segments	Total
	Radio Frequency Coaxial Cables	Telecommunication Equipment and Accessories	Antennas			
Six months ended 30 June 2022 (unaudited)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition						
Point in time	484,119	237,578	245,269	966,966	50,131	1,017,097
Over time	-	-	-	-	445	445
Revenue from external customers	484,119	237,578	245,269	966,966	50,576	1,017,542
Segment profit/(loss) before tax (Note 1)	11,233	24,130	59	35,422	(405)	35,017
Interest income	1,968	966	997	3,931	205	4,136
Interest expense	(3,205)	(1,573)	(1,624)	(6,402)	(341)	(6,743)
Depreciation and amortisation expenses	(4,752)	(2,332)	(2,407)	(9,491)	(496)	(9,987)

Group	Reportable segments			Total Reportable Segments	All Other Segments	Total
	Radio Frequency Coaxial Cables	Telecommunication Equipment and Accessories	Antennas			
Six months ended 30 June 2021 (unaudited)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Disaggregated by timing of revenue recognition						
Point in time	281,772	98,426	101,065	481,263	28,985	510,248
Over time	-	-	-	-	1,153	1,153
Revenue from external customers	281,772	98,426	101,065	481,263	30,138	511,401
Segment profit/(loss) before tax (<i>Note 1</i>)	16,058	5,859	1,544	23,461	(2,006)	21,455
Interest income	2,838	992	1,018	4,848	304	5,152
Interest expense	(2,178)	(761)	(781)	(3,720)	(245)	(3,965)
Depreciation and amortisation expenses	(5,410)	(1,890)	(1,940)	(9,240)	(579)	(9,819)

Note 1:

Segment profit before tax represent the profits earned by each segment without allocation of other income, central interest expense, central administrative expenses, independent non-executive directors' fees at corporate level and foreign exchange gains or losses.

Reconciliation of reportable segment profit

	Group	
	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Profit before tax		
Total profit before tax for reportable segments	35,422	23,461
Loss before tax for other segments	(405)	(2,006)
Unallocated amounts:		
– Other operating income	10,463	10,980
– Other operating expenses	(9,079)	(3,984)
– Other unallocated amounts	(7,151)	(14,066)
Consolidated profit before tax	29,250	14,385

Other material items

	Reportable and all other segment totals <i>RMB'000</i>	Adjustments <i>RMB'000</i>	Consolidated totals <i>RMB'000</i>
For the six months ended			
30 June 2022 (unaudited)			
Depreciation and amortisation expenses	<u>(9,987)</u>	<u>(157)</u>	<u>(10,144)</u>
For the six months ended			
30 June 2021 (unaudited)			
Depreciation and amortisation expenses	<u>(9,819)</u>	<u>(183)</u>	<u>(10,002)</u>

Geographical segment

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

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

	Revenue from external customer		Specified non-current assets*	
	For the six months ended		As at	
	30 June		30 June	31 December
	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(audited)
People's Republic of China	931,948	411,184	162,132	167,095
India	–	4,954	448	704
Other countries	85,594	95,263	233	390
	<u>1,017,542</u>	<u>511,401</u>	<u>162,813</u>	<u>168,189</u>
Total				

* *excludes other investments and deferred tax assets*

4. OTHER OPERATING INCOME

	For the six months ended 30 June	
	2022 <i>RMB'000</i> (unaudited)	2021 <i>RMB'000</i> (unaudited)
Government grants	3,690	4,675
Interest income	4,136	5,152
Net gain on derivative financial liability	4,227	2,826
Compensation claims received	807	296
Service fee income	1,377	1,377
Net gain on commodity future contracts	53	1,375
Others	362	430
	<hr/>	<hr/>
Total	14,599	16,131

5. INTEREST EXPENSE

	For the six months ended 30 June	
	2022 <i>RMB'000</i> (unaudited)	2021 <i>RMB'000</i> (unaudited)
Interest expense on short term bank loans	6,735	3,936
Interest on lease liabilities	8	29
	<hr/>	<hr/>
	6,743	3,965

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following during the period:

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Cost of inventories sold	847,122	404,272
Depreciation of property, plant and equipment	10,144	10,002
Salaries and bonus	72,419	69,040
Contributions to defined contribution plans	3,049	2,179
Executive directors' remuneration (including contribution to defined contribution plans)	1,409	1,261
Non-executive directors' fees	778	774
Total staff costs	<u>77,655</u>	<u>73,254</u>
Impairment loss on other receivable	4,200	–
Net foreign exchange losses, included in other operating expenses	2,465	3,443
Net losses on disposal of property, plant and equipment	<u>8</u>	<u>37</u>

7. INCOME TAX

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (audited)
Current tax expense		
Current year	10,199	2,658
Over provision in prior years	<u>(3,958)</u>	<u>(1,539)</u>
	<u>6,241</u>	<u>1,119</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>(819)</u>	<u>451</u>
	<u>5,422</u>	<u>1,570</u>

- (i) Singapore, PRC and India income tax liabilities are calculated at the applicable rates in accordance with the relevant tax laws and regulation in respective countries.
- (ii) The provision for PRC Income Tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

The statutory corporate income tax rate of the Group's operating subsidiaries in the PRC is 25% (2021: 25%).

Jiangsu Hengxin Technology Co., Ltd (“**Jiangsu Hengxin**”) and Jiangsu Hengxin Wireless Technology Co., Ltd., are subject to a preferential income tax rate of 15% in 2022 available to enterprises which qualify as a High and New Technology Enterprise (2021: 15%).

- (iii) Hong Kong Profits Tax has been provided for Hengxin Technology International Co., Ltd. at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong for the year ending 31 December 2022.

8. DIVIDENDS

The Company did not recommend or declare any interim dividend for the six months ended 30 June 2022 and 30 June 2021.

9. SHARE CAPITAL

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

Share capital – Ordinary Shares	No. of shares		
	<i>'000</i>	<i>RMB'000</i>	<i>S\$'000</i>
Balance as at 31 December 2021 and 30 June 2022	<u>388,000</u>	<u>295,000</u>	<u>58,342</u>

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

10. EARNINGS PER SHARE

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

	Group	
	For the six months ended	
	30 June 2022 (unaudited)	30 June 2021 (unaudited)
Earnings per share (<i>RMB</i>)		
– Basic	<u>0.078</u>	<u>0.041</u>
– Diluted	<u>0.078</u>	<u>0.041</u>
Weighted average no. of shares applicable to basic EPS (<i>'000</i>)	388,000	388,000

There were no potential dilutive ordinary shares in existence during the six months ended 30 June 2022 and 2021.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group's capital expenditure was approximately RMB4.9 million (six months ended 30 June 2021: approximately RMB8.4 million).

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Trade receivables	907,855	825,427
Bills receivables	55,441	90,460
Less: Loss allowance	<u>(13,075)</u>	<u>(13,075)</u>
Net trade and bills receivables	950,221	902,812
Loans to the associate	21,191	21,191
Non-trade amount due from the associate	1,680	1,680
Less: Loss allowance	<u>(22,871)</u>	<u>(22,871)</u>
Other receivables	<u>284,912</u>	<u>80,146</u>
	<u>1,235,133</u>	<u>982,958</u>

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

	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Within 6 months	779,014	766,889
7 to 12 months	107,914	69,966
1 to 2 years	45,196	42,598
Over 2 years	<u>18,097</u>	<u>23,359</u>
	<u>950,221</u>	<u>902,812</u>

13. TRADE AND OTHER PAYABLES

	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Trade payables	251,037	232,802
Bills payable	<u>145,000</u>	<u>27,000</u>
	396,037	259,802
Other payables	<u>73,536</u>	<u>78,173</u>
	<u>469,573</u>	<u>337,975</u>

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

	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
0 to 90 days	373,729	232,885
91 to 180 days	10,386	17,243
181 to 360 days	6,639	6,333
Over 360 days	<u>5,283</u>	<u>3,341</u>
	<u>396,037</u>	<u>259,802</u>

14. NET ASSET VALUE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The net asset value attributable to equity shareholders of the Company per ordinary share of the Group is shown below:

	As at 30 June 2022 (unaudited)	As at 31 December 2021 (audited)
Net assets value attributable to equity shareholders of the Company (RMB'000)	1,824,254	1,793,422
Number of ordinary shares ('000)	<u>388,000</u>	<u>388,000</u>
Net asset value attributable to equity shareholders of the Company per ordinary share (RMB)	<u>4.70</u>	<u>4.48</u>

15. CONNECTED TRANSACTIONS

(a) Transactions

During the Reporting Period, the Group had the following significant transactions with Suzhou Hengli Telecommunications Materials Co. Ltd.:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sale of finished goods	-	6,986
Purchase of raw materials	<u>9,166</u>	<u>5,787</u>

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 24.05% 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 4.03% of the share capital of Hengtong Optic-Electric and can control the composition of a majority of the board of directors of Hengtong Optic-Electric. In this regard, each of Mr. Cui Wei, Mr. Cui Genliang, Hengtong Group, Hengtong Optic-Electric and Suzhou Hengli is considered as a connected person of the Company under Rule 14A.07 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

(b) Compensation of key management personnel

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

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Short term benefits	3,540	3,572
Retirement benefits scheme contribution	123	97
Total	<u>3,663</u>	<u>3,669</u>

16. DONATIONS & CAPITAL COMMITMENTS

	As at	As at
	30 June	31 December
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Contracted but not provided for property, plant and equipment	206	24
Donation commitment	2,500	2,500
	<u>2,706</u>	<u>2,524</u>

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

(I) MANAGEMENT DISCUSSION AND ANALYSIS

Consolidated Statement of Profit or Loss

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

Revenue

The Group's revenue for the six months ended 30 June 2022 (“**1H2022**” or the “**Reporting Period**”) increased by approximately RMB506.1 million, or approximately 99.0% from approximately RMB511.4 million during the six months ended 30 June 2021 (“**1H2021**”) to approximately RMB1,017.5 million in 1H2022.

Radio Frequency Coaxial Cables

Revenue generated from the segment of radio frequency coaxial cables (“**Radio Frequency Coaxial Cables**”) increased by approximately RMB202.3 million or approximately 71.8% from approximately RMB281.8 million in 1H2021 to approximately RMB484.1 million in 1H2022, of which the revenue from feeder cables increased by approximately RMB211.9 million or 98.0% from approximately RMB216.2 million in 1H2021 to approximately RMB428.1 million in 1H2022. Similar to the previous year, the increase in the sales of feeder cables was driven by the continuous 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. Also, as the Group has increased its effort on market exploration and securing sales orders during 1H2022, revenue has increased accordingly.

Included in the segment revenue of Radio Frequency Coaxial Cables are the revenue from leaky cables of approximately RMB56.0 million for 1H2022, representing a decrease of approximately RMB9.6 million or 14.6% from approximately RMB65.6 million in 1H2021. 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 (“**Telecommunication Equipment and Accessories**”) increased by approximately RMB139.2 million or approximately 141.5% from approximately RMB98.4 million in 1H2021 to approximately RMB237.6 million in 1H2022. 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 (“**Antennas**”) during 1H2022 was approximately RMB245.3 million, representing an increase of approximately RMB144.2 million or approximately 142.6% from approximately RMB101.1 million in 1H2021. 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 (High temperature resistant cables and antennas testing services)

Revenue generated from this segment increased by approximately RMB20.5 million or approximately 68.1% from approximately RMB30.1 million during 1H2021 to approximately RMB50.6 million during 1H2022, 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 16.7% for 1H2022 compared to approximately 20.9% for 1H2021, representing a decrease of approximately 4.2 percentage points year-on-year. Although fixed assets investments by PRC telecommunications operators has improved a lot year-on-year and the Group has continued to gain more market share during 1H2022 and achieved a significant growth in revenue, there was still vigorous competition in the market due to the sustained COVID-19 pandemic effect. Combined with the significant increases in costs of raw materials, labour and transportation and the Group’s strategy on securing sales orders with more competitive product prices, the Group’s various products have recorded lower gross profit margin in 1H2022 as compared with 1H2021.

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 4.6 percentage points from approximately 18.8% in 1H2021 to approximately 14.2% in 1H2022 due to the lack of such linkage mechanism for the sales price of leaky cables. However, the gross profit contribution increased by approximately RMB15.8 million or 29.8% on a year-on-year basis driven by the revenue growth. In addition, the gross profit margin of Telecommunication Equipment and Accessories has recorded a slight increase in gross profit margin from approximately 23.9% in 1H2021 to approximately 24.0% in 1H2022 representing an increase of approximately 0.1 percentage point. While maintaining a similar gross profit margin year-on-year, the significant higher revenue of 1H2022 as compared with 1H2021 has led to a higher gross profit contribution by approximately RMB33.5 million or 142.6% year-on-year.

As for Antennas, gross profit margin has decreased by approximately 11.8 percentage points from approximately 26.3% in 1H2021 to approximately 14.5% in 1H2022. Such decrease was mainly due to the significant increase in the costs of labour and raw materials in 1H2022 and the general lower profitability for the Group’s tender for the China Mobile 700MHz project.

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 1H2022 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 RMB1.5 million or approximately 9.3% from approximately RMB16.1 million in 1H2021 to approximately RMB14.6 million in 1H2022. 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 RMB1.1 million due to the decrease in average cash and cash equivalents and time deposits balances during 1H2022 as compared with 1H2021;
- (iii) a realised net gain on commodity future contracts of approximately RMB0.1 million during 1H2022, whereas in 1H2021, the realised net gain on commodity future contracts was approximately RMB1.4 million, representing a decrease of approximately RMB1.3 million; and
- (iv) during 1H2022, there was a net gain on derivative financial liability of approximately RMB4.2 million, whereas the net gain on derivative financial liability for 1H2021 was approximately RMB2.8 million, representing an increase of approximately RMB1.4 million.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB14.4 million or approximately 31.9% from approximately RMB45.2 million in 1H2021 to approximately RMB59.6 million in 1H2022 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 1H2022 and the significant increase in revenue during 1H2022.

Administrative expenses

Administrative expenses increased by approximately RMB7.6 million or approximately 39.8% from approximately RMB19.1 million in 1H2021 to approximately RMB26.7 million in 1H2022. The increase is mainly due to the increase in staff related costs and professional fees.

Research and development costs

Research and development costs increased from 1H2021's approximately RMB36.6 million to 1H2022's approximately RMB53.7 million, representing an increase of approximately RMB17.1 million or 46.7%. The increase is mainly in line with the increase in revenue during 1H2022.

Other operating expenses

Other operating expenses increased by approximately RMB5.1 million or approximately 127.5% from approximately RMB4.0 million in 1H2021 to approximately RMB9.1 million in 1H2022. The other operating expenses for 1H2021 mainly represented the net foreign exchange loss of approximately RMB3.4 million and as for 1H2022, other operating expenses mainly represented the net foreign exchange loss of approximately RMB2.5 million, the impairment loss on other receivable of RMB4.2 million and the unrealised net loss on commodity future contracts of approximately RMB1.8 million.

Interest expense

Interest expense increased by approximately RMB2.7 million or approximately 67.5% from approximately RMB4.0 million in 1H2021 to approximately RMB6.7 million in 1H2022, mainly because of the increase in average interest rates and average outstanding balance of short-term loans during 1H2022 as compared with 1H2021.

Profit before taxation

Profit before taxation increased by approximately RMB14.9 million or approximately 103.5% from approximately RMB14.4 million in 1H2021 to approximately RMB29.3 million in 1H2022.

Income tax

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

Income tax expense increased by approximately RMB3.8 million or approximately 237.5% from approximately RMB1.6 million in 1H2021 to approximately RMB5.4 million in 1H2022. The increase is mainly due to the combined effects of the increase in operating profit in 1H2022 as compared with 1H2021 and the over-provision for income tax in prior years.

Profit attributable to equity shareholders of the Company

In view of the above, after taking into account of the contribution from non-controlling interest, profit attributable to equity shareholders of the Company increased by approximately RMB14.4 million or approximately 91.1% from approximately RMB15.8 million in 1H2021 compared to approximately RMB30.2 million in 1H2022.

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 RMB47.4 million or approximately 5.3% from approximately RMB902.8 million as at 31 December 2021 to approximately RMB950.2 million as at 30 June 2022.

Average trade and bills receivables turnover days was approximately 169 days as at 30 June 2022 as compared to approximately 161 days as at 31 December 2021. The increase in trade and bills receivables turnover days by approximately 8 days was mainly because the continued COVID-19 pandemic during 1H2022 has caused customers' settlement relatively slow and the significant increase in revenue during 1H2022. In view of the significant increase in revenue during 1H2022, the Group has applied stricter control and management on receivables in order to control the credit risk exposure during 1H2022. As at 30 June 2022, based on the invoice date and net of allowance for impairment, approximately 82.0% of the age of trade and bills receivables are within 6 months as compared with that of approximately 84.9% as at 31 December 2021. No material fluctuation was noted from the aging of trade and bills receivables comparing 30 June 2022 and 31 December 2021.

For long aged trade and bills receivables, as at 30 June 2022, based on the invoice date and net of allowance for impairment, approximately 6.7% were aged more than 1 year (as compared with 7.3% as at 31 December 2021). The trade and bills receivables that were aged over 1 year were mostly non-operator customers.

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

- (ii) Other receivables comprising mainly net prepayments and non-trade receivables increased by approximately RMB204.8 million or approximately 255.7% from approximately RMB80.1 million as at 31 December 2021 to approximately RMB284.9 million as at 30 June 2022. The increase was mainly due to (i) the first tranche of the consideration of RMB180.0 million paid in June 2022 for the acquisition of 51% equity interest in Nanjing Zhangyu Information Technology Co., Ltd* (南京掌御信息科技有限公司) (“**Nanjing Zhangyu**”) and 51% equity interest in Shanghai Zhangyu Information Technology Co., Ltd.* (上海掌御信息科技有限公司) (“**Shanghai Zhangyu**”) (collectively, the “**Target Companies**”) (please refer to section headed (VI) Supplemental Information below on “8. Discloseable Transactions During The Reporting Period” for further details of the acquisition of the Target Companies) and (ii) the increase in advance payments during 1H2022 to suppliers on purchase of raw materials in anticipation of the rise in raw materials costs.

* For identification purposes only

Inventories

Inventories (comprising raw materials, work-in-progress and finished goods) decreased slightly by approximately RMB12.4 million or approximately 4.9% from approximately RMB254.1 million as at 31 December 2021 to approximately RMB241.7 million as at 30 June 2022. The slight decrease was mainly due to the increase in revenue during 1H2022 leading to the consumption of inventories.

Short-term loans

Short-term loans were raised with an aim to enhance the working capital position of the Group. Short-term loans as at 30 June 2022 with fixed interest rates will become due for repayment within one year.

Trade and other payables

- (i) Trade and bills payables increased by approximately RMB136.2 million or approximately 52.4% from approximately RMB259.8 million as at 31 December 2021 to approximately RMB396.0 million as at 30 June 2022. The increase is generally in line with the increase in revenue during 1H2022.
- (ii) Other payables decreased slightly by approximately RMB4.7 million or approximately 6.0% from approximately RMB78.2 million as at 31 December 2021 to approximately RMB73.5 million as at 30 June 2022.

Cash and cash equivalents and time deposits

Cash and cash equivalents and time deposits decreased by approximately RMB149.0 million or approximately 14.2% from approximately RMB1,052.9 million as at 31 December 2021 to approximately RMB903.9 million as at 30 June 2022. The decrease is mainly due to consideration of RMB180.0 million paid for the acquisition of the Target Companies during 1H2022.

(II) LIQUIDITY, FINANCIAL RESOURCES

As at 30 June 2022, the Group's total assets were approximately RMB2,577,161,000 (31 December 2021: RMB2,477,454,000) (of which current assets were approximately RMB2,383,328,000 (31 December 2021: RMB2,291,260,000) and non-current assets were approximately RMB193,833,000 (31 December 2021: RMB186,194,000)), the total liabilities were approximately RMB765,544,000 (31 December 2021: RMB690,283,000), of which current liabilities were approximately RMB752,700,000 (31 December 2021: RMB677,528,000) and non-current liabilities were approximately RMB12,844,000 (31 December 2021: RMB12,755,000)), and total equity attributable to equity shareholders of the Company reached approximately RMB1,824,254,000 (31 December 2021: RMB1,793,422,000). As at 30 June 2022, the Group's cash and cash equivalents and time deposits were approximately RMB903,898,000 (31 December 2021: approximately RMB1,052,919,000). The Group's time deposits have original maturity of more than three months and will all mature within one year.

As at 30 June 2022, the Group has short-term bank borrowings due within one year of approximately RMB282,000,000 (31 December 2021: RMB330,293,000) carrying fixed interest rates.

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

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

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

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

	As at	
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(audited)
Total liabilities	765,544	690,283
Total assets	2,577,161	2,477,454
Debt-to-assets ratio (%)	30%	28%

As at 30 June 2022, the gearing ratio of the Group, which was calculated by dividing the total liabilities by the total equity, was approximately 42% (as at 31 December 2021: approximately 39%).

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

As at 30 June 2022		As at 31 December 2021	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
(unaudited)	(unaudited)	(audited)	(audited)
-	282,000	-	330,293

(III) REVIEW AND OUTLOOK

The Group's operating conditions in 1H2022 were characterized by two obvious departures: one was the departure of the Group's operating performance from the macroeconomic background, and the other was the departure of the Group's domestic sales business and export business performance. In 1H2022, the COVID-19 epidemic was still raging, especially the long-term closure and control measures adopted for the frequent epidemics in various places in response to the outbreak of the epidemic in Shanghai, which had brought a serious drag on the macro economy. In the first half of the year, the growth rate of China's GDP was only 2.5%, and the added value of industrial enterprises above designated size increased by 3.7% year-on-year, both of which were the lowest in years. The outbreak of the Russian-Ukrainian war and the austerity policies triggered by the generally high inflation in developed countries have brought the economies of various countries back into a slump.

However, the small environment faced by the Group was different: fixed asset investment in the domestic telecommunications industry of China increased by 24.6% over the same period of the previous year, 18.5 percentage points higher than the national fixed asset investment growth rate. Starting from 1H2022, the 700MHz band 5G wireless network jointly built by China Mobile and China Radio and Television, as well as the 900MHz, 2.1GHz and other medium and low frequency 5G wireless networks jointly built by China Telecom and China Unicom, have entered the stage of large-scale construction. These above points provide good external conditions for the sales of various products such as base station antennas, traditional feeder cables, cable assemblies, and components. Under the leadership of the management, the Group had overcome unfavorable factors such as the sharp fluctuations in the prices of bulk products and the transportation difficulties caused by the epidemic by adjusting and optimizing the product sales structure and strengthening the development and sales of new products. Relying on a sound management foundation, strong technical strength and the hard work of all colleagues, the Group won a high-value bid in the mobile communication operator procurement bidding in 1H2022, laying a solid foundation for this year's business. Overall, the Group's revenue for 1H2022 was approximately RMB1,017.5 million, representing an increase of approximately 99.0% over the same period in 2021; the net profit attributable to equity shareholders of the Company was approximately RMB30.2 million, an increase of approximately 91.1% over the same period in 2021. What is particularly gratifying is that in 1H2022, the Group has won a number of major bidding projects in the segment of antennas, such as China Mobile's 700MHz antenna phase II centralized procurement project, China Mobile's high-speed rail antennas and special-scenario antennas centralized procurement project,

and China Mobile's indoor distribution antenna centralized procurement project, China Tower leaky cable centralized procurement project, and the China Tower Feeder Phase II centralized procurement project, the total winning bids exceeded RMB1.1 billion, consolidating the market position of the Group.

In terms of overseas markets, although the Group's products had good market potential, the shadow of the Russian-Ukrainian conflict, the disruption as a result of the COVID-19 epidemic, and the sharp increase in shipping costs all affected the delivery of the Group's products.

At present, the Group has ample orders for antennas and leaky cables products, which are close to full production, laying a solid foundation for the performance in the second half of 2022. However, the global economy is in a downturn and demand is sluggish, rising export freight costs caused by inflation have pushed up the export cost. The export market in the second half of 2022 is still not optimistic.

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

As at 30 June 2022, the interests and short positions of the Directors and chief executives of the Company in shares and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "SEHK") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which are required to be entered into, as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities

Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules were as follows:

Long positions in the Company:

Name of Directors	Capacity and nature of interests	Number of ordinary shares held	Approximate percentage of the Company’s issued share capital
Mr. Cui Wei ⁽¹⁾	Deemed interest and interest in controlled corporation	108,868,662	28.06%
Ms. Zhang Zhong ⁽²⁾	Deemed interest and interest in controlled corporation	16,082,525	4.14%
Mr. Du Xiping	Beneficial owner	11,468,000	2.96%

Notes:

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

Saved as disclosed above, as at 30 June 2022, none of the Directors and chief executives of the Company nor their associates had or deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to Section 352 of Part XV of the SFO or which has been notified to the Company and the SEHK pursuant to the Model Code.

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

As at 30 June 2022, insofar as is known to the Directors and chief executives of the Company, the following shareholders having interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long positions in the Company:

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

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

Saved as disclosed above, as at 30 June 2022, no person, other than the Directors, whose interests are set out in the paragraph headed "Directors' and chief executives' interests and short positions in shares and underlying shares and debentures" above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

Neither at the end of the Reporting Period nor at any time during the Reporting Period did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the employee equity incentive scheme (the "**Incentive Scheme**") adopted by the Company at its extraordinary general meeting held on 26 April 2019.

(VI) SUPPLEMENTAL INFORMATION

1. Audit Committee and its Terms of Reference

The Company's audit committee members are Mr. Tam Chi Kwan Michael, Mr. Cui Wei, Dr. Li Jun, Mr. Pu Hong and Ms. Zhang Zhong. The audit committee, which is chaired by Mr. Tam Chi Kwan Michael, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2022.

2. Compliance with Corporate Governance Code

The Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2022.

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

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 as set out in Appendix 10 to the Listing Rules. Having made specific enquiries with all the Directors, all the Directors have confirmed that they have complied with the required standards of the Model Code during the Reporting Period.

4. Dividends

No dividend has been recommended by the Company for the six months ended 30 June 2022.

5. Review of financial results

The consolidated interim results of the Group for the six months ended 30 June 2022 have not been audited or reviewed by the Company's auditors.

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

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

7. Employees and remuneration practices

As at 30 June 2022, there were 878 (as at 31 December 2021: 848) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

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

8. Discloseable Transaction During The Reporting Period

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

The Target Companies are engaged in the fields of chip design and mass production procurement services, provision of internet of things security and digital technology security, and have considerable product advantages and technological advantages in the industry. These are all rapidly developing and promising fields in Mainland China in recent years, and are encouraged and supported by the national industrial policies. The Board believes that by entering into the Equity Purchase Agreement, the Company can participate in the above emerging high growth industries, share the rapid growth of the Target Companies, cultivate new growth points, promote the transformation of the Company and enhance the long-term value of the Company, which is in the interest of the shareholders of the Company.

In addition, the Board notes that the Target Companies are in high-speed development stage and having considered (i) the rapid growth of the integrated circuit as well as cyber security and software solution sectors; (ii) the contracts and agreements that have already been secured by the Target Companies in the first quarter of the year ending 31 December 2022; (iii) the contracts and business projection of Shanghai Zhangyu in relation to the provision of cyber security services to culture assets and equity exchanges in Mainland China; and (iv) the factors that were taken into consideration during the determination of the Consideration, the Board is of the view that the terms of the Equity Purchase Agreement were arrived at after arm’s length negotiations among the parties, and are on normal commercial terms, fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

For details of the Equity Purchase Agreement, please refer to the announcements of the Company dated 5 May 2022, 12 May 2022 and 25 July 2022.

* *For identification purposes only*

9. Appendix 16 to the Listing Rules

Save as disclosed in this report, information of the Company in relation to those matters set out in paragraph 32 of Appendix 16 to the Listing Rules has not changed materially from the information disclosed in the annual report of the Company for the year ended 31 December 2021.

10. Events after the Reporting Period

Save as disclosed in this report, no important events affecting the Group has occurred since the end of the six months ended 30 June 2022 and up to the date of this report.

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

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

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

Singapore, 19 August 2022

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