HENGXIN TECHNOLOGY LTD.
亨鑫科技有限公司 *

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

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

1. Revenue increased by approximately 25.5% to approximately RMB2,039.6 million

2. Gross profit increased by approximately 26.6% to approximately RMB375.5 million

3. Gross profit margin decreased by approximately 0.2 percentage point to approximately 18.2%

4. Net profit attributable to equity shareholders of the Company decreased by approximately 10.8% to approximately RMB63.6 million

5. Basic earnings per share was RMB0.164

6. No final dividend has been recommended by the Company for the financial year ended 31 December 2022

* *For identification purposes only*

The board of directors (the "**Director(s)**") of Hengxin Technology Ltd. (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively hereinafter referred as the "**Group**") for the year ended 31 December 2022 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December

	Notes	**2022** *RMB'000*	2021 *RMB'000*
Revenue	*4*	**2,039,583**	1,625,775
Cost of sales		**(1,664,058)**	(1,329,217)
Gross profit		**375,525**	296,558
Other operating income	*5*	**48,023**	37,927
Selling and distribution expenses		**(118,387)**	(103,736)
Administrative expenses		**(60,610)**	(46,829)
Impairment loss on trade receivables		**–**	(3,370)
Other operating expenses	*6*	**(155,717)**	(99,751)
Profit from operations		**88,834**	80,799
Interest expense	*7*	**(11,881)**	(7,142)
Profit before taxation	*8*	**76,953**	73,657
Income tax	*9*	**(8,871)**	(10,733)
Profit for the year		**68,082**	62,924
Attributable to:			
Equity shareholders of the Company		**63,602**	71,303
Non-controlling interests		**4,480**	(8,379)
Profit for the year		**68,082**	62,924
Earnings per share attributable to equity shareholders of the Company *(RMB)*	*12*		
Basic and diluted		**0.164**	0.184
Dividends per share *(RMB)*	*10*	**–**	–

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	2022	2021
	RMB'000	*RMB'000*
Profit for the year	**68,082**	62,924
Other comprehensive income for the year (after tax and reclassification adjustments)		
Item that will not be reclassified to profit or loss:		
Equity investments at fair value through other comprehensive income – net movement in fair value reserves (non-recycling)	**(1,071)**	(1,670)
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	**1,161**	(367)
Other comprehensive income for the year	**90**	(2,037)
Total comprehensive income for the year	**68,172**	60,887
Attributable to:		
Equity shareholders of the Company	**63,692**	69,266
Non-controlling interests	**4,480**	(8,379)
Total comprehensive income for the year	**68,172**	60,887

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	**31 December 2022** ***RMB'000***	31 December 2021 *RMB'000*
Non-current assets			
Property, plant and equipment	*13*	**212,359**	168,189
Intangible assets	*14*	**56,416**	–
Goodwill	*15*	**155,116**	–
Interest in an associate		**–**	–
Equity securities designated at fair value through other comprehensive income (FVOCI)		**5,622**	6,882
Financial assets measured at fair value through profit or loss (FVTPL)		**15,321**	–
Deferred tax assets		**20,244**	11,123
		465,078	186,194
Current assets			
Inventories and other contract costs		**151,587**	254,145
Trade and other receivables	*16*	**743,657**	982,958
Time deposits with original maturity more than 3 months		**300,000**	506,000
Cash and cash equivalents		**881,561**	546,919
Derivative financial asset		**456**	1,238
		2,077,261	2,291,260
Current liabilities			
Trade and other payables	*17*	**387,960**	337,975
Short-term loans		**228,634**	330,293
Derivative financial liability		**2,781**	4,227
Lease liabilities		**3,709**	703
Income tax payable		**9,414**	4,330
		632,498	677,528
Net current assets		**1,444,763**	1,613,732
Total assets less current liabilities		**1,909,841**	1,799,926

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 31 December

	Note	**31 December 2022** *RMB'000*	31 December 2021 *RMB'000*
Non-current liabilities			
Deferred income		**2,460**	4,786
Lease liabilities		**2,906**	107
Deferred tax liabilities		**15,645**	7,862
		21,011	12,755
NET ASSETS		**1,888,830**	1,787,171
CAPITAL AND RESERVES			
Share capital	*11*	**295,000**	295,000
General reserves		**293,265**	278,893
Special reserve		**(6,017)**	(6,017)
Fair value reserve		**(4,271)**	(3,200)
Translation reserves		**(1,859)**	(3,020)
Retained profits		**1,280,996**	1,231,766
Total equity attributable to equity shareholders of the Company		**1,857,114**	1,793,422
Non-controlling interests		**31,716**	(6,251)
TOTAL EQUITY		**1,888,830**	1,787,171

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

	2022	2021
	RMB'000	*RMB'000*
Operating activities		
Profit before taxation	**76,953**	73,657
Adjustments for:		
Impairment loss on trade receivables	**–**	3,370
Amortisation of deferred income	**(2,326)**	(1,189)
Depreciation of property, plant and equipment	**21,514**	19,825
Amortisation of intangible assets	**13,565**	–
Interest expense	**11,881**	7,142
Interest income	**(14,415)**	(13,571)
Net foreign exchange gain	**(5,491)**	(3,363)
Net loss on derivative financial instruments	**6,459**	2,126
Net loss on financial assets measured at FVPL	**32,357**	–
Net loss on disposal of property, plant and equipment	**801**	58
(Reversal)/Provision of stock obsolescence	**(786)**	1,314
	140,512	89,369
Changes in working capital:		
Inventories	**104,504**	(148,714)
Trade and other receivables	**265,331**	(408,790)
Trade and other payables	**(31,957)**	162,466
Cash generated from/(used in) operations	**478,390**	(305,669)
Interest received	**3,959**	2,011
Income taxes paid	**(18,172)**	(9,175)
Withholding taxes paid	**(3,018)**	–
Net cash generated from/(used in) operating activities	**461,159**	(312,833)
Investing activities		
Payment for acquisition of property, plant and equipment	**(57,247)**	(20,593)
Payment for acquisition of intangible assets	**(4,964)**	–
Payment for acquisition of financial assets measured at fair value through profit or loss	**(12,000)**	–
Proceeds from disposal of property, plant and equipment	**204**	258
Payment for acquisition of subsidiaries	**(152,124)**	–
Payment for time deposits	**(691,800)**	(1,107,761)
Proceeds from time deposits	**897,800**	1,071,761
Interest received from time deposits	**11,221**	11,560
Changes in pledged bank deposits	**(29,061)**	(14,850)
Net cash used in investing activities	**(37,971)**	(59,625)

CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

For the year ended 31 December

	2022	2021
	RMB'000	*RMB'000*
Financing activities		
Dividends paid to shareholders of the Company	**–**	(6,130)
Capital element of lease rentals paid	**(2,500)**	(1,080)
Interest element of lease rentals paid	**(147)**	(55)
Other interest expense paid	**(13,911)**	(10,963)
Proceeds from short-term bank loans	**373,634**	486,510
Repayment of short-term bank loans	**(475,293)**	(450,316)
Net cash (used in)/generated from financing activities	**(118,217)**	17,966
Net increase/(decrease) in cash and cash equivalents	**304,971**	(354,492)
Cash and cash equivalents at the beginning of the financial year	**521,222**	876,226
Effect of foreign exchange rate changes	**611**	(512)
Cash and cash equivalents at the end of the financial year	**826,804**	521,222

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

	Attributable to equity shareholders of the Company								
RMB'000	Share capital	General reserves	Special reserve	Fair value reserve	Translation reserves	Retained profits	Total	Non-controlling interests	Total
Balance at 1 January 2021	295,000	262,923	(6,017)	(1,530)	(2,653)	1,182,563	1,730,286	2,128	1,732,414
Changes in equity for 2021:									
Profit for the year	–	–	–	–	–	71,303	71,303	(8,379)	62,924
Other comprehensive income for the year	–	–	–	(1,670)	(367)	–	(2,037)	–	(2,037)
Total comprehensive income	–	–	–	(1,670)	(367)	71,303	69,266	(8,379)	60,887
Dividends paid	–	–	–	–	–	(6,130)	(6,130)	–	(6,130)
Transfer to general reserves	–	15,970	–	–	–	(15,970)	–	–	–
Balance at 31 December 2021 and 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 2022:									
Profit for the year	**–**	**–**	**–**	**–**	**–**	**63,602**	**63,602**	**4,480**	**68,082**
Other comprehensive income for the year	**–**	**–**	**–**	**(1,071)**	**1,161**	**–**	**90**	**–**	**90**
Total comprehensive income	**–**	**–**	**–**	**(1,071)**	**1,161**	**63,602**	**63,692**	**4,480**	**68,172**
Transfer to general reserves	**–**	**14,372**	**–**	**–**	**–**	**(14,372)**	**–**	**–**	**–**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**33,487**	**33,487**
Balance at 31 December 2022	**295,000**	**293,265**	**(6,017)**	**(4,271)**	**(1,859)**	**1,280,996**	**1,857,114**	**31,716**	**1,888,830**

NOTES:

1. STATEMENT OF COMPLIANCE

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

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

The Group's consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on SEHK (the "**Listing Rules**").

The financial information relating to the years ended 31 December 2022 and 2021 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements.

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

The consolidated financial statements for the year ended 31 December 2022 comprise the Group's subsidiaries and the Group's interest in an associate.

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

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

- Amendments to IAS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IAS 37, *Provisions, contingent liabilities and contingent assets: Onerous contracts -- cost of fulfilling a contract*

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 and presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. SEGMENT INFORMATION

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

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

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

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

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

Information about reportable segments

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

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

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

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

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below:

	Reportable segments						
	Radio Frequency Coaxial Cables *RMB'000*	**Telecom-munication Equipment and Accessories** *RMB'000*	**Antennas** *RMB'000*	**Digital Technology and Digital Security** *RMB'000*	**Total reportable segments** *RMB'000*	**All other segments** *RMB'000*	**Total** *RMB'000*
2022							
Disaggregated by timing of revenue recognition							
Point in time	**984,846**	**427,949**	**450,982**	**80,796**	**1,944,573**	**81,007**	**2,025,580**
Over time	**–**	**–**	**–**	**13,422**	**13,422**	**581**	**14,003**
Revenue from external customers	**984,846**	**427,949**	**450,982**	**94,218**	**1,957,995**	**81,588**	**2,039,583**
Segment profit before taxation	**28,976**	**31,919**	**10,383**	**27,510**	**98,788**	**4,916**	**103,704**
Interest income	**6,961**	**3,025**	**3,187**	**666**	**13,839**	**576**	**14,415**
Interest expense	**(5,742)**	**(2,495)**	**(2,629)**	**(549)**	**(11,415)**	**(476)**	**(11,891)**
Depreciation and amortisation expense	**(10,237)**	**(4,448)**	**(4,688)**	**(14,544)**	**(33,917)**	**(849)**	**(34,766)**
Reversal of provision of stock obsolescence	**–**	**–**	**786**	**–**	**786**	**–**	**786**

	Reportable segments					
	Radio Frequency Coaxial Cables *RMB'000*	Telecom-munication Equipment and Accessories *RMB'000*	Antennas *RMB'000*	Total reportable segments *RMB'000*	All other segments *RMB'000*	Total *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 taxation	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)

Reconciliation of information on reportable segments

	Group For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Profit before taxation		
Total profit before tax for reportable segments	**98,788**	69,770
Profit before tax for other segments	**4,916**	2,209
Unallocated amounts:		
– Other income	**28,499**	21,520
– Other expenses	**(41,125)**	(9,842)
– Other unallocated amounts	**(14,125)**	(10,000)
Consolidated profit before taxation	**76,953**	73,657

Other material items

	Reportable and all other segment totals	Unallocated amounts	Consolidated totals
	RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2022			
Depreciation and amortisation expense	**(34,766)**	**(313)**	**(35,079)**
For the year ended 31 December 2021			
Depreciation and amortisation expense	(19,486)	(339)	(19,825)

Geographical segment

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

The following table sets out the geographic information analyses 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 As at	
			31 December	31 December
	2022	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**1,871,728**	1,431,693	**421,221**	167,095
Others	**167,855**	194,082	**426**	1,094
Total	**2,039,583**	1,625,775	**421,647**	168,189

4. REVENUE

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

Disaggregation of revenue

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

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Radio Frequency Coaxial Cables	**984,846**	810,815
Antennas	**450,982**	337,910
Telecommunication Equipment and Accessories	**427,949**	387,518
Digital Technology and Digital Security	**94,218**	–
Others	**81,588**	89,532
Total	**2,039,583**	1,625,775

5. OTHER OPERATING INCOME

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Compensation claims received	**1,947**	886
Government grants	**10,383**	17,053
Interest income	**14,415**	13,571
Net gain on commodity future contracts	**2,172**	4,724
Net foreign exchange gain	**16,999**	–
Others	**2,107**	1,693
Total	**48,023**	37,927

6. OTHER OPERATING EXPENSES

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Donations	**700**	600
Research and development expenses	**114,592**	89,909
Net loss on write-off of property, plant and equipment	**801**	58
Net foreign exchange losses	**–**	5,708
Penalty expenses charged by customers	**808**	1,350
Net loss on derivative financial instruments	**6,459**	2,126
Net loss on financial assets measured at FVTPL	**32,357**	–
Total	**155,717**	99,751

7. INTEREST EXPENSE

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Interest expense on short-term bank loans	**10,739**	6,550
Interest on lease liabilities	**147**	55
Other interest expense	**995**	537
Total	**11,881**	7,142

8. PROFIT BEFORE TAXATION

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

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Cost of inventories recognised as expense#	**1,664,058**	1,329,217
Depreciation of owned property, plant and equipment	**17,842**	17,405
Depreciation of right-of-use assets	**3,672**	2,420
Amortisation of intangible assets	**13,565**	–
Impairment loss/(reversal) recognised of:		
– trade receivables	**–**	3,370
– inventory	**(786)**	1,314
Audit and related services fees paid to:		
– member firms of KPMG International	**3,150**	1,680
– other auditors	**321**	176
Salaries and bonus	**132,623**	116,950
Contributions to defined contribution plans	**7,411**	4,266
Executive directors' remuneration	**2,512**	3,435
Non-executive directors' fees	**1,603**	1,542
Total staff costs	**144,149**	126,193
Research and development expenses (included in other operating expenses)	**114,592**	89,909
Net loss on derivative financial instruments	**6,459**	2,126
Net foreign exchange (gain)/loss	**(16,999)**	5,708
Net loss on financial assets measured at FVTPL	**32,357**	–
Net gain on commodity future contracts	**(2,172)**	(4,724)

Cost of inventories includes RMB73,795,000 (2021: RMB43,805,000) relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately in the financial statement for each of these types of expenses.

9. INCOME TAX

	For the year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Current tax expense		
Current year	**20,166**	12,134
Under/(over) provision in prior years	**440**	(1,240)
	20,606	10,894
Deferred tax expense		
Origination of temporary differences	**(11,735)**	(161)
Income tax expense	**8,871**	10,733

(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. is 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 ended 31 December 2022.

No provision for Hong Kong Profits Tax was made for Hengxin Metaverse Limited as it does not have assessable profits subject to Hong Kong Profits Tax for the year ended 31 December 2022.

10. DIVIDENDS

No final dividend has been proposed for the financial year ended 31 December 2022 (Year ended 31 December 2021: Nil).

11. SHARE CAPITAL

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

Share capital – Ordinary Shares	**No. of shares**		
	'000	*RMB'000*	*S$'000*
Balance as at 31 December 2022 and 2021	388,000	295,000	58,342

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

12. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share at 31 December 2022 was based on the profit attributable to equity shareholders of the Company amounting to approximately RMB63,602,000 (2021: RMB71,303,000), and the weighted average number of ordinary shares outstanding of 388,000,000 (2021: 388,000,000 shares), calculated as follows:

Weighted average number of ordinary shares:

	2022	2021
	RMB'000	*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 2022 and 2021. The calculated diluted earnings per share equals the basic earnings per share at 31 December 2022 and 2021.

13. PROPERTY, PLANT AND EQUIPMENT

During the financial year ended 31 December 2022, the Group's additions of property, plant and equipment during the year was approximately RMB60.0 million (2021: RMB20.8 million).

14. INTANGIBLE ASSETS

	Customer relationship *RMB'000*	Patents *RMB'000*	IP resources *RMB'000*	Total *RMB'000*
Cost:				
At 1 January 2021 and 1 January 2022	–	–	–	–
Addition	–	–	4,964	4,964
Acquisition of subsidiaries	50,864	14,153	–	65,017
At 31 December 2022	**50,864**	**14,153**	**4,964**	**69,981**
Accumulated amortisation:				
At 1 January 2021 and 1 January 2022	–	–	–	–
Charge for the year	(11,868)	(1,490)	(207)	(13,565)
At 31 December 2022	**(11,868)**	**(1,490)**	**(207)**	**(13,565)**
Net book value:				
At 31 December 2022	**38,996**	**12,663**	**4,757**	**56,416**
At 31 December 2021	–	–	–	–

The amortisation charge for the year is included in "cost of sales" in the consolidated statement of profit or loss. No impairment loss was recognised during the year (2021: Nil).

15. GOODWILL

	RMB'000
Cost:	
At 1 January 2021 and 31 December 2021	–
Acquisition of subsidiaries	155,116
At 31 December 2022	**155,116**
Accumulated impairment losses:	
At 1 January 2021, 31 December 2021 and 31 December 2022	–
Carrying amount:	
At 31 December 2022	**155,116**
At 31 December 2021	–

Impairment tests for cash-generating units containing goodwill

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

	2022	2021
	RMB'000	*RMB'000*
Digital technology and digital security	**155,116**	–

The recoverable amount of the CGU based on the value-in-use calculations was higher than the carrying amount as at 31 December 2022. Accordingly, no impairment loss for goodwill was recognised in the consolidated statements of profit or loss.

16. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**597,910**	825,427
Bills receivables	**81,232**	90,460
Less: Loss allowance	**(13,075)**	(13,075)
Net trade and bills receivables	**666,067**	902,812
Loans to the associate	**21,191**	21,191
Non-trade amount due from the associate	**1,680**	1,680
Less: Loss allowance	**(22,871)**	(22,871)
	–	–
Advances to suppliers	**45,788**	13,706
Advances to staff	**1,454**	2,495
Refundable deposits	**8,558**	10,227
Tax recoverable	**21,511**	52,664
Prepayments		
– third parties	**79**	1,054
– affiliated corporation*	**200**	–
Net prepayments and non-trade receivables	**77,590**	80,146
	743,657	982,958

* An affiliated corporation is defined as one:

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

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

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

Trade and bills receivables are due within 90-270 days from the date of billing. As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Within 6 months	**489,206**	766,889
7 to 12 months	**114,902**	69,966
1 to 2 years	**49,156**	42,598
Over 2 years	**12,803**	23,359
	666,067	902,812

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

	2022	2021
	RMB'000	*RMB'000*
Balance at 1 January	**(13,075)**	(9,705)
Impairment loss recognised during the year	**–**	(3,370)
	(13,075)	(13,075)

17. TRADE AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Trade payables due to:		
– third parties	**72,172**	232,678
– affiliated corporation	**–**	124
Bills payable	**145,000**	27,000
Trade and bills payables	**217,172**	259,802
Accrued operating expenses	**68,816**	53,290
Interest payable	**–**	2,177
Contract liabilities	**40,431**	6,164
Contingent consideration payables	**45,000**	–
Tender deposits	**10,823**	9,050
Value added tax, business tax and other taxes payable	**3,709**	4,764
Other payables	**2,009**	2,728
Other payables	**170,788**	78,173
	387,960	337,975

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

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
0 to 90 days	**196,207**	232,885
91 to 180 days	**12,394**	17,243
181 to 360 days	**5,104**	6,333
Over 360 days	**3,467**	3,341
	217,172	259,802

18. RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

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

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Sale of finished goods	**9,116**	7,116
Purchase of raw materials	**37,377**	22,494

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

(b) Significant related party balances

Balances with Suzhou Hengli Telecommunications Materials Co., Ltd.

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Prepayment to	**200**	–
Trade payables to	**–**	124

(c) Compensation of key management personnel

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

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Short term benefits	**8,056**	8,888
Retirement benefits scheme contributions	**539**	187
Total	**8,595**	9,075
Key management personnel compensation comprised amounts paid to:		
– directors of the Company	**4,115**	4,977
– other key management personnel	**4,480**	4,098
	8,595	9,075

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

19. DONATIONS AND CAPITAL COMMITMENTS

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Contracted for but not provided for property, plant and equipment	**189**	24
Donation commitment	**2,000**	2,500
	2,189	2,524

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

(I) MANAGEMENT DISCUSSION AND ANALYSIS

Consolidated Statement of Profit or Loss

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

Revenue

The Group's revenue for the financial year ended 31 December 2022 ("**FY2022**" or the "**Reporting Period**") increased by approximately RMB413.8 million, or approximately 25.5% from approximately RMB1,625.8 million in the previous financial year ended 31 December 2021 ("**FY2021**") to approximately RMB2,039.6 million in FY2022.

Part of the increase in revenue for FY2022 comparing FY2021 is due to the completion of the acquisition of Nanjing Zhangyu Information Technology Co., Ltd. ("**Nanjing Zhangyu**") and Shanghai Zhangyu Information Technology Co., Ltd. ("**Shanghai Zhangyu**") (collectively, the "**Zhangyu Companies**") in July 2022, the Zhangyu Companies have contributed approximately RMB94.2 million in revenue in the second half of FY2022. The revenue of Zhangyu Companies formed the new business segment, Digital Technology and Digital Security, of the Group.

By separating the revenue contribution by the Zhangyu Companies in the second half of FY2022, the telecommunications business segment recorded an increase in revenue of approximately RMB319.6 million or 19.7% from FY2021's approximately RMB1,625.8 million to FY2022's approximately RMB1,945.4 million. Below is an analysis of revenue according to the categories of business segments.

Radio Frequency Coaxial Cables

Revenue generated from the segment of Radio Frequency Coaxial Cables increased by approximately RMB174.0 million or approximately 21.5% from approximately RMB810.8 million in FY2021 to approximately RMB984.8 million in FY2022, of which the revenue from feeder cables increased by approximately RMB290.1 million or 47.5% from approximately RMB611.2 million in FY2021 to approximately RMB901.3 million in FY2022. The increase in the sales of feeder cables was driven by the Group's higher effort on market exploration and the more competitive pricing strategy resulting in the higher winning percentage of tender. 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, therefore revenue has increased accordingly.

Included in the segment revenue of Radio Frequency Coaxial Cables are the revenue from leaky cables of approximately RMB83.6 million for FY2022, representing a decrease of approximately RMB116.0 million or 58.1% from approximately RMB199.6 million in FY2021. 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. The decrease in revenue for leaky cables is because demand from customers of railways operator was weak during FY2022.

Telecommunication Equipment and Accessories

Revenue generated from the segment of Telecommunication Equipment and Accessories increased by approximately RMB40.4 million or approximately 10.4% from approximately RMB387.5 million in FY2021 to approximately RMB427.9 million in FY2022. 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 FY2022 was approximately RMB451.0 million, representing an increase of approximately RMB113.1 million or approximately 33.5% from approximately RMB337.9 million in FY2021. 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.

Digital Technology and Digital Security

With the completion of the acquisition of the Zhangyu Companies in July 2022, a new business segment of Digital Technology and Digital Security comprising the Zhangyu Companies was formed. During the second half of FY2022, Zhangyu Companies have recorded revenue of approximately RMB94.2 million (representing an increase of approximately RMB58.1 million or 160.9% from approximately RMB36.1 million (unaudited) for the second half of FY2021), of which revenue from (i) design services was approximately RMB17.2 million; (ii) tape-out service was approximately RMB35.5 million; (iii) digital security was approximately RMB16.5 million; (iv) revenue from IP authorization was approximately RMB28.0 million; and (v) intercompany eliminations and others of approximately minus RMB3.0 million.

Others (HTRC and antennas testing services)

Revenue generated from this segment decreased by approximately RMB7.9 million or approximately 8.8% from approximately RMB89.5 million during FY2021 to approximately RMB81.6 million during FY2022, of which the decrease was mostly attributable to the decrease in revenue for high temperature resistant cables.

Gross profit margin

The Group achieved an overall gross profit margin of approximately 18.4% for FY2022 compared to approximately 18.2% for FY2021, representing a slight increase of approximately 0.2 percentage point year-on-year. By separating the Digital Technology and Digital Security segment, the rest of the telecommunications business segments achieved a combined gross profit margin of approximately 17.1%, representing a decrease of approximately 1.1 percentage point. The Digital Technology and Digital Security segment has achieved a gross profit margin of 45.7% during the second half of FY2022.

Although the Group achieved significant revenue growth in the telecommunications business segment in FY2022, due to the sluggish investment in fixed assets of telecommunications operators in China and fierce market competition, the Group has to secure sales orders with a more competitive pricing policy, coupled with the more stringent epidemic prevention and control measures, high temperature, power cuts, etc. have had a considerable impact on normal production and supply chains, resulting in a significant increase in transportation costs and labor costs. As compared with FY2021, major products have recorded a lower gross profit margin in FY2022.

The impact of the above unfavorable factors on the gross profit margin is mainly reflected in the feeder cables products. The overall gross margin of RF coaxial cables decreased by approximately 2.9 percentage points from approximately 16.9% in FY2021 to approximately 14.0% in FY2022. The decrease in gross profit margin has offset the positive contribution brought by the increase in revenue, overall gross profit contribution of Radio Frequency Coaxial Cables remained relative stable comparing FY2022 (approximately RMB137.4 million) and FY2021 (approximately RMB137.2 million).

As for Telecommunication Equipment and Accessories, gross profit margin has remained stable in FY2022 and decreased slightly by approximately 0.1 percentage point from approximately 25.2% in FY2021 to approximately 25.1% in FY2022. The higher revenue of FY2022 as compared with FY2021 has led to a higher gross profit contribution by approximately RMB9.9 million or 10.1% year-on-year.

As for Antennas, gross profit margin has recorded an increase of approximately 1.5 percentage point from approximately 15.4% in FY2021 to approximately 16.9% in FY2022. Such increase was mainly because the Group has entered into the second year of production for the China Mobile 700 MHz project, with higher production efficiency, Antennas has achieved higher gross profit margin in FY2022.

As a result of the combined effects of the above changes in gross profit margin for the various telecommunications products of the Group, the overall gross profit margin of the telecommunications business segment of the Group during FY2022 decreased accordingly.

For the Digital Technology and Digital Security business segment, overall gross profit margin was approximately 45.7% during the second half of FY2022. Due to the nature of digital security and IP authorization businesses, gross profit margins are generally higher than the other business segments of the Group, amid the lower gross profit margin of the telecommunications business segment in FY2022, the Group achieved an overall slight increase in gross profit margin of approximately 0.2 percentage point year-on-year and an increase in gross profit contribution of approximately RMB79.0 million or 26.6% year-on-year.

On the one hand, the Group will enhance product profitability by increasing investment in new product research and development and the application of new technologies. On the other hand, the Group will continue to promote intelligent, information-based and lean development. In addition to micro-innovation and micro-operating activities, the Group will also identify gaps by benchmarking against Fortune 500 companies to improve output efficiency, reduce labor and materials consumption, control procurement costs and strengthen inventory management, thereby breaking through the bottleneck of costs improvement and maintaining an appropriate gross margin to cope with market competition pressure. As the Digital Technology and Digital Security business segment further develops and contribute to the Group on a full year basis after FY2022, the Group will be able to achieve higher overall gross profit margin.

Other operating income

Other operating income increased by approximately RMB10.1 million or approximately 26.6% from approximately RMB37.9 million in FY2021 to approximately RMB48.0 million in FY2022. The increase is primarily due to:

(i) a decrease in government grants and subsidies of approximately RMB6.7 million;

(ii) a decrease in net gain on commodity future contracts of approximately RMB2.5 million from approximately RMB4.7 million in FY2021 to approximately RMB2.2 million in FY2022;

(iii) 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 RMB17.0 million for FY2022 that was classified as other operating income; and

(iv) a net increase in other items of approximately RMB2.3 million.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB14.7 million or approximately 14.2% from approximately RMB103.7 million in FY2021 to approximately RMB118.4 million in FY2022. This was due to a combination of various factors including the increase in salary expenses under selling and distribution expenses, the increase in transportation costs, and the increase in marketing expenses due to increased efforts in business promotion.

Administrative expenses

Administrative expenses increased by approximately RMB13.8 million or approximately 29.4% from approximately RMB46.8 million in FY2021 to approximately RMB60.6 million in FY2022. The increase is mainly due to the increase in staff related costs and legal and profession fees related to the acquisition of the Zhangyu Companies during FY2022.

Impairment loss on trade receivables

No additional impairment loss on trade receivables was required in FY2022 as compared with the impairment loss of approximately RMB3.4 million for FY2021.

Other operating expenses

Other operating expenses increased by approximately RMB55.9 million or approximately 56.1% from approximately RMB99.8 million in FY2021 to approximately RMB155.7 million in FY2022. Such change is mainly due to:

(i) an increase in research and development ("**R&D**") expenses by approximately RMB24.7 million year-on-year, of which approximately RMB104.3 million (representing an increase of approximately RMB14.5 million or 16.1%) is attributable to the continuing R&D activities undertaken for the modifications and improvements to the Group's telecommunications products during FY2022 and approximately RMB10.2 million is due to the R&D undertaken by the Zhangyu Companies during the second half of FY2022;

(ii) an increase in the net loss on derivative financial instruments of approximately RMB4.3 million in FY2022;

(iii) a net loss on financial assets measured at FVTPL of approximately RMB32.4 million in FY2022; 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 RMB17.0 million for FY2022 that was classified as other operating income.

Interest expense

Interest expense increased by approximately RMB4.8 million or approximately 67.6% from approximately RMB7.1 million in FY2021 to approximately RMB11.9 million in FY2022, mainly because of the increase in average interest rates of short-term loans during FY2022.

Profit before taxation

Profit before taxation increased by approximately RMB3.3 million or approximately 4.5% from approximately RMB73.7 million in FY2021 to approximately RMB77.0 million in FY2022. During the second half of FY2022, the Zhangyu Companies have made positive profit contribution to the Group, forming a new driver for the Group's growth.

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 RMB1.8 million or 17.3% from approximately RMB10.7 million in FY2021 to approximately RMB8.9 million in FY2022. The decrease is mainly due to (i) the increase in profit from operations and the new profit center after the acquisition of the Zhangyu Companies in the second half of FY2022; and (ii) the deferred tax expense arising from the origination of temporary difference mainly from contingent consideration and put option and intangible assets identified in business combination.

Profit Attributable to Equity Shareholders of the Company

In view of the above, after taking into account of the effect of non-controlling interests, profit attributable to equity shareholders of the Company decreased by approximately RMB7.7 million or approximately 10.8% from approximately RMB71.3 million in FY2021 to approximately RMB63.6 million in FY2022.

Consolidated Statement of Financial Position

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

Property, plant and equipment

As at 31 December 2022, Property, plant and equipment amounted to approximately RMB212.4 million, representing an increase of approximately RMB44.2 million or 26.3% from approximately RMB168.2 million as at 31 December 2021. The increase is mainly due to the construction in progress relating to the high performance servers purchased in the fourth quarter of FY2022 for the setting up of the provision of cloud computing and cloud storage business commencing on 1 January 2023.

Intangible assets

Intangible assets amounting to approximately RMB56.4 million as at 31 December 2022 (as at 31 December 2021: Nil) is due to the acquisition of the Zhangyu Companies during FY2022 and mainly represent customer relationship, patents and intellectual property resources. The Group has engaged an external valuation firm to perform fair value assessments on these intangible assets of customer relationship and patents in accordance with IAS 38 Intangible Assets and IFRS 3 Business Combination.

Goodwill

Goodwill amounting to approximately RMB155.1 million as at 31 December 2022 (as at 31 December 2021: Nil) is due to the acquisition of the Zhangyu Companies during FY2022. Based on the independent valuation performed by an external valuation firm engaged by the Group, no impairment is required for FY2022.

Inventories and other contract costs

Inventories and other contract costs (comprising raw materials, work-in-progress, finished goods and other contract costs) decreased by approximately RMB102.6 million or approximately 40.3% from approximately RMB254.1 million as at 31 December 2021 to approximately RMB151.6 million as at 31 December 2022. The decrease was mainly due to the continuous consumption of inventories during FY2022 and the Group's continued effort to downsize the scale of its inventories during the year to enhance its working capital structure.

Trade and other receivables

(i) Net trade and bills receivables decreased by approximately RMB236.7 million or approximately 26.2% from approximately RMB902.8 million as at 31 December 2021 to approximately RMB666.1 million as at 31 December 2022. Average trade and bills receivables turnover days was approximately 143 days as at 31 December 2022 as compared to approximately 161 days as at 31 December 2021. The improvement in trade and bills receivables turnover days by approximately 18 days was mainly because the Group has applied stricter control and management on receivables in order to control the credit risk exposure during FY2022.

    During FY2022, customers have speeded up their settlement arrangement. Thus, although the Group has recorded higher revenue during FY2022, turnover days for trade and bills receivables has recorded an 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 2022, based on the invoice date and net of allowance for impairment, approximately 69.3% of the trade receivables are within the credit period given as compared with that of approximately 83.5% as at 31 December 2021. For long aged trade receivables, as at 31 December 2022, approximately 9.7% were overdue by more than six months (as compared with 8.1% as at 31 December 2021). The trade receivables that were overdue by more than six months were mostly non-operator 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 decreased by approximately RMB2.6 million or approximately 3.2% from approximately RMB80.1 million as at 31 December 2021 to approximately RMB77.6 million as at 31 December 2022. The decrease was mainly due to (i) the increase in advances to suppliers by approximately RMB32.1 million attributable to the increase from Zhangyu Companies; and (ii) decrease in tax recoverable of approximately RMB31.2 million.

Trade and other payables

(i) Trade and bills payables decreased by approximately RMB42.6 million or approximately 16.4% from approximately RMB259.8 million as at 31 December 2021 to approximately RMB217.2 million as at 31 December 2022. The decrease is mainly in line with the decrease in inventories in response to the Group's measures on controlling inventories level.

(ii) Other payables increased by approximately RMB92.6 million or approximately 118.5% from approximately RMB78.2 million as at 31 December 2021 to approximately RMB170.8 million as at 31 December 2022. The increase is mainly due to (a) the increase in contract liabilities by approximately RMB34.3 million; (b) the increase in accrued operating expenses of approximately RMB15.5 million; and (c) the contingent consideration payables relating to the second (last) payment for the acquisition of the Zhangyu Companies of RMB45.0 million.

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 2022 with fixed interest rates will become due for repayment on or before the third quarter of year 2023. Due to the improvement in working capital position during FY2022, part of the short-term loans were repaid and decreased by approximately RMB101.7 million or 30.8% from approximately RMB330.3 million as at 31 December 2021 to approximately RMB228.6 million as at 31 December 2022.

Cash and cash equivalents and time deposits

Cash and cash equivalents and time deposits increased by approximately RMB128.6 million or approximately 12.2% from approximately RMB1,052.9 million as at 31 December 2021 to approximately RMB1,181.6 million as at 31 December 2022. The increase is mainly due to the decrease in inventories and trade and bills receivables comparing 31 December 2022 and 31 December 2021 and the cash paid for the acquisition of the Zhangyu Companies of RMB180.0 million during FY2022.

(II) SUBSIDIARIES

The subsidiaries of the Company are Jiangsu Hengxin, Jiangsu Hengxin Wireless Technology Co., Ltd, Hengxin Technology (India) Pvt Ltd, Hengxin Technology International Co., Limited, HODL PCC Limited, Jiangsu Hengxin Zhonglian Communications Technology Co., Ltd., Hengxin Metaverse Limited, Yixing Tianyue Enterprise Management Consulting Partnership (Limited Partnership), Nanjing Zhangyu Information Technology Co., Ltd., Shanghai Zhangyu Information Technology Co., Ltd. and Wuxi Sihai Technology Co., Ltd..

(III) FOREIGN CURRENCY EXPOSURE

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

(IV) DONATION AND CAPITAL COMMITMENTS

As at 31 December 2022, the capital commitments of the Group in respect of the purchase of property, plant and equipment were approximately RMB189,000 (31 December 2021: approximately RMB24,000).

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 2022, the donation commitment was approximately RMB2,000,000 (31 December 2021: approximately RMB2,500,000).

(V) CHARGE OR PLEDGE OF ASSETS

As at 31 December 2022, deposits amounting to RMB39,671,000 (2021: RMB9,842,000) 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 1.0878% (2021: 1.317%) per annum and for a tenure of approximately 4 to 60 months (2021: 4 to 60 months). Remaining pledged deposits is pertaining to the security deposit for the commodity future contracts entered to hedge the purchase of raw materials during the year.

(VI) LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group's total assets were approximately RMB2,542,339,000 (2021: RMB2,477,454,000) (of which current assets were approximately RMB2,077,261,000 (2021: approximately RMB2,291,260,000) and non-current assets were approximately RMB465,078,000 (2021: approximately RMB186,194,000)), the total liabilities were approximately RMB653,509,000 (2021: approximately RMB690,283,000) (of which current liabilities were approximately RMB632,498,000 (2021: approximately RMB677,528,000) and non-current liabilities were approximately RMB21,011,000 (2021: approximately RMB12,755,000)), and shareholder's equity attributable to equity shareholders of the Company reached approximately RMB1,857,114,000 (2021: approximately RMB1,793,422,000). As at 31 December 2022, the Group's cash and cash equivalents and time deposits were approximately RMB1,181,561,000 (31 December 2021: approximately RMB1,052,919,000). The Group's time deposits were all due more than three months. As at 31 December 2022, the Group has short-term bank borrowings due within one year of approximately RMB228,634,000 (2021: approximately RMB330,293,000) carrying fixed interest rate. At 31 December 2022, the Group had approximately RMB2,454,000,000 (2021: approximately RMB1,625,700,000) of unutilised bank borrowing facilities.

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

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

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

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

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
Total liabilities	**653,509**	690,283
Total assets	**2,542,339**	2,477,454
Debt-to-assets ratio	**26%**	28%

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

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

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

	Contractual cash flows				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
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	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				
– outflow	(276,441)	–	–	(276,441)
– inflow	279,430	–	–	279,430

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

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

With the adjustment of China's domestic pandemic prevention and control policies along with the end of the large-scale outbreak of COVID-19, all aspects of social life have begun to return to normal and the demands previously suppressed by the pandemic have been gradually released. According to the Report on the Work of the Government, expanding domestic demand has become a top priority for the economy in 2023, and the government has also launched various policies and specific measures to stimulate the economy development, with a rapid increase in the growth of the money supply. Coupled with the change of the government composition this year, the market has high expectation for the new government with a wide forecast of the GDP growth of around 6% in 2023.

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

In terms of the telecommunications industry, the Group will secure its strong foundation in the first place in 2023 by consolidating its leading position in the feeder wire and leaky cable industries as well as striving to minimise the costs and win the single championship in leaky cables while maintaining the high-quality development through intelligent, information-based and lean development. Meanwhile, the Group will step up efforts in innovative development by focusing on industry-specific applications for 5G, improving the R&D efficiency and market competitiveness of the feeder cables products, rapidly promoting broadband and low-loss RF transmission products, vigorously promoting multi-scenario antennas solutions as well as conducting innovative R&D on the fully automatic connector/component production and testing lines. The Group will also strengthen industry collaboration and cultivate its industrial ecosystem, with an aim to provide all-round product solutions for indoor distribution, rail transit and aerial coverage. In addition, the Group will make continuous efforts to diversify its market footholds by strengthening the expansion into the non-centralized procurement and non-telecommunication markets of the domestic operators as well as overseas markets. Coupled with vigorous steps to accelerate overseas industrial footprints and improve exported product portfolio, the Group is committed to building its international brands to boost the development of overseas businesses.

In terms of integrated circuit design and supply chain services, the Group will step up efforts to secure and develop new customers and strive to provide mass production services for some customers who have successfully completed the tape-out process, thereby achieving a significant increase in order amounts. In addition, the Group will increase its investment in R&D and strive for significant growth in the revenue of semiconductor IP authorization. By developing a generic software driver SDK for the complete adaptation of the PMSC 1.0 intelligent IoT identity authentication security chips and supporting upper-layer applications on encrypted chips, the Group anticipates to complete the software and hardware docking with pilot customers so as to put into practical applications as early as possible. Meanwhile, the Group will carry out R&D on electronics security encryption authentication chips for intelligent consumption and strive to realise mass production and market launch by the end of 2023.

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

In terms of digital technology security, the Group will proactively cooperate with the digital cultural product (gaming props) trading platform of Shandong Taishan Culture Art Exchange (山東泰山文化藝術品交易所) to ensure stable and normal operations since its inception. It will also assist the Inner Mongolia Culture Assets and Equity Exchange (內蒙古文化產權交易所) in completing the preparation work prior to its opening. In addition, the Group will endeavour to implement the Intelligent IoT Data Privacy Computing Project Plan and develop a recommendation system based on differential privacy. Through analyses on user data with privacy protection, the Group is committed to realising specific information recommendations and thereby achieving models for cooperation in the fields of electricity, energy, medical and industrial IoT.

What matters is that the ice has been broken, the route opened and the toughest time for China's macro economy is over. Leveraging on the solid foundation laid out by the diligent works in the previous year and the improved macroeconomic and industry background, the Group is expected to make progress in 2023 with the efforts of all our employees.

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

As at 31 December 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 SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which are required to be entered into, as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Company:

Name of Directors	Capacity and nature of interests	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Mr. Cui Wei(1)	Deemed interest and interest in controlled corporation	108,868,662	28.06%
Ms. Zhang Zhong(2)	Deemed interest and interest in controlled corporation	15,382,525	3.96%
Mr. Du Xiping	Beneficial owner	11,468,000	2.96%

Notes:

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

(2) Ms. Zhang Zhong beneficially owns the entire issued share capital of Wellahead Holdings Limited ("**Wellahead**"), and Wellahead in turn holds approximately 3.96% of the total issued share capital in the Company.

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

As at 31 December 2022, in so far as is known to the Directors, the following shareholders having interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long positions in the Company:

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

Note: Mr. Cui Wei beneficially owns the entire issued share capital of Kingever, and Kingever in turn holds approximately 28.06% of the total issued share capital in the Company.

(X) ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the Reporting Period nor at any time during the Reporting Period did there subsist any arrangement which enable the Directors of the Company to acquire benefits by means of acquisition of shares or debentures in the Company or any other body corporate, except for the employee equity incentive scheme (the "**Incentive Scheme**") adopted by the Company at its extraordinary general meeting held on 26 April 2019. For details of the Incentive Scheme, please refer to the previous announcements of the Company dated 29 March 2019, 12 November 2019 and 28 February 2020 and the circular of the Company dated 29 March 2019.

(XI) CHANGE IN THE COMPOSITION OF THE BOARD

Mr. Peng Yinan was appointed as an executive Director of the Company with effect from 20 August 2022 subsequent to the completion of the acquisition of Zhangyu Companies. In accordance with Articles 88 of the Articles of Association of the Company, Mr. Peng Yinan shall hold office only until the next annual general meeting and shall then be eligible for re-election. Therefore, Mr. Peng Yinan shall retire at the forthcoming annual general meeting and shall offer himself for re-election.

(XII) SUPPLEMENTARY INFORMATION

1. Operational and Financial Risk Management

(i) Market risk

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

(ii) Commodity price risk

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

(iii) Interest rate risk

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

(iv) Foreign currency risk

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

2. Contingent liabilities

There were no material contingent liabilities as at 31 December 2022.

3. Employees and Remuneration Policies

As at 31 December 2022, there were 936 (31 December 2021: 848) employees in the Group. Staff remuneration packages are determined in consideration of the market conditions and the performance of the individual concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses to eligible staff based on their performance and contributions to the Group.

4. Material Litigation and Arbitration

As at 31 December 2022, the Group was not involved in any material litigation or arbitration.

5. Discloseable Transaction During the Reporting Period

During the year ended 31 December 2022, the Company has the following discloseable transaction.

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 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 "**Zhangyu Companies**"), at the consideration of RMB225 million in cash (the "**Consideration**"). The acquisition of 51% equity interest in Nanjing Zhangyu and 51% equity interest in Shanghai Zhangyu was completed on 19 July 2022.

The Zhangyu 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 Zhangyu 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 Zhangyu 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 Zhangyu Companies in the first quarter of the year ended 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.

6. 2022 Profit Guarantee Relating to the Acquisition of Zhangyu Companies

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

Based on the draft audited financial statements of the Zhangyu Companies for the year ended 31 December 2022, the aggregate net profit after tax (excluding non-recurring income) of the Zhangyu Companies is not less than RMB40 million. Subject to the finalization of the audited financial statements of the Zhangyu Companies on or before the release of the annual report of the Company for the year ended 31 December 2022 on around 27 March 2023, it is expected that (i) no compensation will be required for the Vendor regarding the 2022 Profit Guarantee as the requirement for the 2022 Profit Guarantee is expected to be met; and (ii) RMB45,000,000, representing 20% of the Consideration, is expected to be paid to Vendor's designated account within 15 business days after (a) the release of the Company's annual report for the year ended 31 December 2022; and (b) both the Purchaser and the Vendor have confirmed the 2022 Profit Guarantee has been achieved.

7. Events After the Reporting Period

(a) Continuing Connected Transaction – Server Leasing Agreement

On 1 January 2023, Hengxin Metaverse Limited ("**Hengxin Metaverse**"), a wholly-owned subsidiary of the Company, entered into the server leasing agreement (the "**Server Leasing Agreement**") with Shanghai Zhangyu in relation to the leasing of 90 high performance servers (the "**Servers**").

According to the Server Leasing Agreement, Hengxin Metaverse shall lease 90 high performance servers located at Hong Kong to Shanghai Zhangyu for a term of three years commencing on 1 January 2023 and ending on 31 December 2025 at a monthly rent of HK$700,000, subject to an annual adjustment of not more than 5%.

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

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

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

(b) Continuing Connected Transaction – Renewal of Continuing Connected Transactions

In contemplation of the expiry of the sales master agreement and the purchase master agreement on 31 December 2022, on 3 January 2023, Jiangsu Hengxin Technology Co., Ltd. ("**Jiangsu Hengxin**"), a wholly-owned subsidiary of the Company, Hengtong Group Co., Ltd. ("**Hengtong Group**") and Hengtong Optic-Electric Co., Ltd. ("**Hengtong Optic-Electric**") (collectively, the "**Hengtong Comapnies**") entered into (i) the new sales master agreement to govern the terms of the sales of products from Jiangsu Hengxin to Hengtong Companies (the "**New Sales Master Agreement**"); and (ii) the new purchase master agreement to govern the terms of the purchases of materials by Jiangsu Hengxin from Hengtong Companies (the "**New Purchases Master Agreement**"), for the periods up to 31 December 2025.

The annual caps for the New Sales Master Agreement for the three years ending 31 December 2025 (RMB46,000,000, RMB57,400,000 and RMB71,900,000 respectively) were determined after taking into account the estimated demand for the products indicated by the Hengtong Companies.

As the highest applicable percentage ratio in respect of the annual caps for the New Sales Master Agreement for the three years ending 31 December 2025 is higher than 0.1% but less than 5%, the New Sales Master Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details of the New Sales Master Agreement, please refer to the announcement of the Company dated 3 January 2023.

The annual caps for the New Purchases Master Agreement for the three years ending 31 December 2025 (RMB253,000,000) were determined after taking into account the estimated demand for the materials required by Jiangsu Hengxin and the estimated amount of materials to be purchased from the Hengtong Companies.

As the highest applicable percentage ratio in respect of the annual caps of the New Purchases Master Agreement is higher than 5%, the New Purchases Master Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review, circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purposes of entering into the New Sales Master Agreement and New Purchases Master Agreement are to renew the term of each of the sales master agreement and purchase master agreement that have expired on 31 December 2022 for the periods up to 31 December 2025 and to renew the annual caps for the transactions contemplated thereunder, in order to ensure the continuation of the on-going sales of products and purchases of materials.

As part of the Group's continuous plans to expand its revenue stream and sources of supplies, the Group intends to continue to work closely with Hengtong Companies in respect of its sourcing of raw materials and the sale of its products. The Board believes that it is for the benefit of the Group to continue sourcing materials from Hengtong Companies and selling its products to the Hengtong Companies.

Under the respective New Sales Master Agreement and New Purchases Master Agreement, the Group is not committed to sell any products from the Hengtong Companies or purchase any materials from Hengtong Companies but if any transaction is entered into between the parties, all such transactions will be on normal commercial terms and on terms no more favourable than those offered to any independent third Parties (in respect of sales) or on terms no less favourable than those offered by any independent third parties (in respect of purchases). Therefore flexibility will be given to the Group to sell products to Hengtong Companies or purchase materials it requires from Hengtong Companies if it so wishes at competitive market prices.

Based on the above, the Board (including the independent non-executive Directors) is of the view that the terms of the New Sales Master Agreement and the transactions contemplated thereunder are fair and reasonable and are on normal commercial terms, and the New Sales Master Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the shareholders as a whole; and the Board (including the independent non-executive Directors who expressed their view after having considered the advice from the independent financial adviser, Gram Capital Limited) is of the view that the terms of the New Purchases Master Agreement and the transactions contemplated thereunder are fair and reasonable and are on normal commercial terms, and the New Purchases Master Agreement and the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the shareholders as a whole.

The resolution relating to the New Purchases Master Agreement was duly passed at the extraordinary general meeting of the Company held on 27 February 2023.

For details of the New Purchases Master Agreement, please refer to the announcement of the Company dated 3 January 2023 and the circular of the Company dated 3 February 2023.

8. Audit Committee

The Company's audit committee members are Mr. Tam Chi Kwan Michael, Mr. Cui Wei, Ms. Zhang Zhong, Dr. Li Jun and Mr. Pu Hong. The audit committee, which is chaired by Mr. Tam Chi Kwan Michael, has reviewed the annual results of the Group for the year ended 31 December 2022.

9. Compliance with Corporate Governance Code

The Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2022.

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

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

11. Annual General Meeting

The 2022 annual general meeting of the Company will be held on 28 April 2023 (Friday) in Hong Kong. For further details of the annual general meeting, please refer to the notice of annual general meeting, which will be published and despatched by the Company in due course.

12. Scope of work of KPMG

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

13. Dividends

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

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

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

For the year ended 31 December 2022, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the securities of the Company.

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

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

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

Singapore, 21 March 2023

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

* *For identification purposes only*