CONNECT EVOLUTION

HENGXIN TECHNOLOGY LTD

(Stock Code: 1085)

ANNUAL REPORT 2024

CONTENTS

Corporate Profile

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

During the year ended 31 December 2022, the Company has completed the acquisitions of Nanjing Zhangyu Information Technology Co., Ltd* (南京掌御信息科技有限公司) ("**Nanjing Zhangyu**") and Shanghai Zhangyu Information Technology Co., Ltd.* (上海掌御信息科技有限公司) ("**Shanghai Zhangyu**") (collectively referred to as the "**Zhangyu Companies**"), forming the new digital technology and digital security ("**Digital Technology and Digital Security**") business segment of the Company. To better reflect the Group's business operations and development, the Digital Technology and Digital Security business segment has been renamed to integrated circuits and digital technology ("**Integrated Circuits and Digital Technology**") business segment during the year ended 31 December 2024. The Integrated Circuits and Digital Technology business segment mainly focuses on chips research, design, sales and supply chain services, semiconductor intellectual property authorization business, and digital security products and services.

During the year ended 31 December 2023, the Company has completed the acquisition of the Zhejiang Zhongguang New Energy Technology Co., Ltd. (浙江中光新能源科技有限公司) ("**Zhejiang Zhongguang**"), forming the new energy and services ("**New Energy and Services**") business segment of the Company. The New Energy and Services business segment mainly focuses on supply of electricity with a focus on the production and sales of solar power as well as the provision of development consultation and technical services of the solar thermal power generation technology. Currently, the New Energy and Services business segment owns and operates two tower concentrated solar power ("**CSP**") stations with molten salt energy storage: a 10MW project and a 50MW project, both located in Delingha, Qinghai Province, the PRC.

The wholly-owned subsidiary of the Company, Jiangsu Hengxin Technology Co., Ltd. ("**Jiangsu Hengxin**"), is based in Yixing City in Jiangsu Province in the PRC, Jiangsu Hengxin now have an aggregate annual production capacity of approximately 168,000 kilometres for RF coaxial cables for mobile communications, 7,860,000 pieces for accessories and 120,000 pieces for antennas.

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

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

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

PRODUCT PORTFOLIO

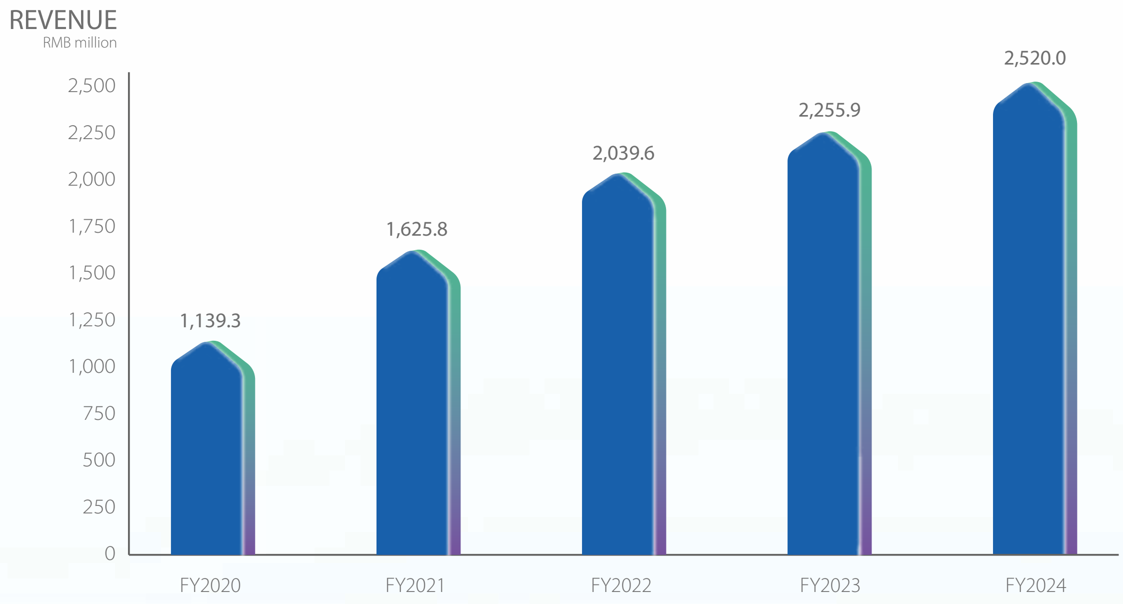
Integrated Circuits and Digital Technology ("**Integrated Circuits and Digital Technology**")	New energy and services ("**New Energy and Services**")	Telecommunications ("**Telecommunications**")
– Chips research, design, sales and supply chain services, semiconductor intellectual property authorization business, and digital security products and services	New energy technology focuses on "CSP", "molten salt energy storage", "operation and maintenance", multi-energy complementarity, and intelligent energy management with specialized "operation and maintenance +" working teams for solar thermal power plants, as well as integrated solutions and devices for molten salt energy storage.	– Transmission of high-frequency signals between antenna and base station equipment in outdoor base station wireless signal coverage system and indoor wireless signal coverage system in buildings – The leaky cables products can be used in radiating high frequency signals to surrounding environment through continuous small antenna elements along the cable in railways, highways, tunnels, underground car parks, elevators and high rise buildings – Transmission of signals within microwave communications systems, radio broadcast wireless systems and air/sea radar systems – Accessories such as connectors and jumper cables for wireless signal coverage systems equipment within base stations – Antennas adopted by telecom operators for use in signal transmission for wireless communications – High temperature resistant cables ("HTRC") which are used as part of the raw material components for antennas – Antenna testing services

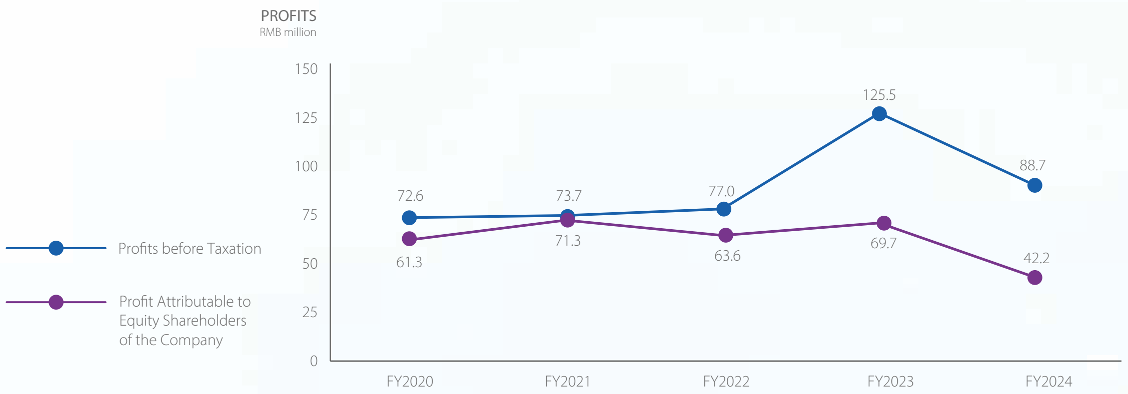
Five-year Financial Summary

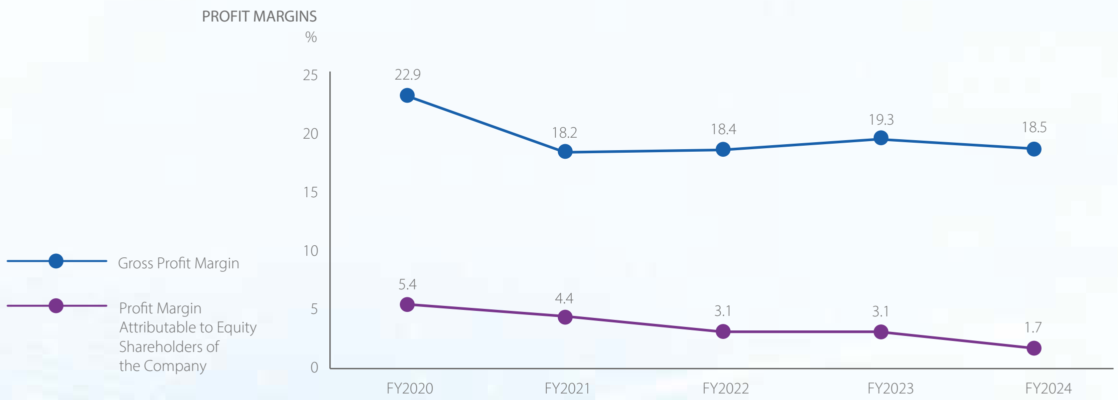
A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

	Year ended 31 December				
	2020	2021	2022	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
REVENUE	1,139,341	1,625,775	2,039,583	2,255,903	2,519,987
Cost of sales	(878,579)	(1,329,217)	(1,664,058)	(1,821,205)	(2,052,682)
Gross profit	260,762	296,558	375,525	434,698	467,305
Interest income	21,245	13,571	14,415	22,510	34,017
Other operating income	36,941	24,356	33,608	31,607	36,048
Selling and distribution expenses	(93,405)	(103,736)	(118,387)	(107,756)	(131,161)
Administrative expenses	(39,215)	(46,829)	(60,610)	(72,458)	(99,840)
Impairment loss on trade and other receivables	–	(3,370)	–	(26,615)	(7,042)
Other operating expenses	(100,760)	(99,751)	(155,717)	(125,469)	(159,159)
Interest expense	(12,964)	(7,142)	(11,881)	(30,993)	(51,470)
Share of result of an associate	–	–	–	8	24
Profit before taxation	72,604	73,657	76,953	125,532	88,722
Income tax	(12,177)	(10,733)	(8,871)	(21,357)	(15,399)
Profit for the year	60,427	62,924	68,082	104,175	73,323
Non-controlling interests	872	8,379	(4,480)	(34,473)	(31,134)
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	61,299	71,303	63,602	69,702	42,189
ASSETS AND LIABILITIES					
TOTAL ASSETS	2,227,781	2,477,454	2,542,339	4,247,771	4,666,187
TOTAL LIABILITIES	(495,367)	(690,283)	(653,509)	(1,509,198)	(2,319,095)
	1,732,414	1,787,171	1,888,830	2,738,573	2,347,092
NON-CONTROLLING INTERESTS	(2,128)	6,251	(31,716)	(812,864)	(785,215)
NET ASSETS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	1,730,286	1,793,422	1,857,114	1,925,709	1,561,877

Financial Highlights







Financial Ratios and Performance

FINANCIAL PERFORMANCE	UNIT	FY2020	FY2021	FY2022	FY2023	FY2024
Revenue	RMB'000	1,139,341	1,625,775	2,039,583	2,255,903	2,519,987
Including: Revenue from regions outside of PRC	*RMB'000*	*205,650*	*194,082*	*167,855*	*115,094*	*122,824*
Proportion of revenue from other regions to total revenue	*%*	*18.0*	*11.9*	*8.2*	*5.1*	*4.9*
Gross profit margin	%	22.9	18.2	18.4	19.3	18.5
Profit before taxation	RMB'000	72,604	73,657	76,953	125,532	88,722
Non-controlling interests	RMB'000	872	8,379	(4,480)	(34,473)	(31,134)
Profit attributable to equity shareholders of the Company	RMB'000	61,299	71,303	63,602	69,702	42,189

FINANCIAL POSITION	UNIT	FY2020	FY2021	FY2022	FY2023	FY2024
Net assets attributable to equity shareholders of the Company	RMB'000	1,730,286	1,793,422	1,857,114	1,925,709	1,561,877

FINANCIAL RATIOS	NOTES	UNIT	FY2020	FY2021	FY2022	FY2023	FY2024
Earnings per share (basic)		RMB	0.158	0.184	0.164	0.180	0.097
Net asset per share attributable to equity shareholders of the Company		RMB	4.46	4.62	4.79	4.96	3.35
Return on total equity		%	3.5	3.5	3.6	3.8	3.1
Debt-to-assets ratio	a	%	22	28	26	36	50
Interest cover ratio	b	times	6.6	11.3	7.5	5.1	2.7
Current ratio	c	times	4.2	3.4	3.3	3.9	2.4

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

Chairman's Message

I. ECONOMIC REVIEW FOR 2024

In 2024, the global economy showed characteristics encompassing insufficient momentum, unbalanced growth and intensified fragmentation in its slow recovery. Risks and challenges such as the escalation of geopolitical conflicts, and the spread of unilateralism and protectionism, have cast a shadow over the prospects of global growth. Simultaneously, the transformations and opportunities were remarkable. The world witnessed an unprecedented surge in global scientific and technological innovation, birthing more novel economic patterns. Moreover, the green transformation has emerged with an inexorable trend, poised to infuse fresh momentum into sustainable development. Faced with a complex and severe external environment, the Chinese economy has forged ahead against the odds and adhered to the overarching principle of "pursuing progress while ensuring stability", exhibited remarkable resilience and potential. According to the preliminary data from China's National Bureau of Statistics, China's GDP growth rate reached 5.0% in 2024, and national fixed-asset investment increased by 3.2% year-on-year, of which investments in computer, communication and other electronic equipment manufacturing industries increased by 12.0% year-on-year. The added value of industrial enterprises above the designated size witnessed a growth of 5.8% compared to the previous year, surpassing the 2023 year-on-year growth rate of 4.6% by 1.2 percentage points, which indicates the vigorous recovery momentum of the domestic economy.

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

The Chinese government has injected strong impetus into economic growth by enhancing fixed-asset investment, and fostering technological innovation and industrial upgrading. Especially in emerging fields such as 5G, artificial intelligence, and the Internet of Things, the implementation of supportive national policies has opened up vast and promising development horizons for technology enterprises. According to the statistics of the preliminary calculation by the Ministry of Industry and Information Technology of the PRC, the revenue of the telecommunications industry increased by 3.2% in 2024 as compared with that of the previous year. Meanwhile, the Chinese government has continued to promote the "dual carbon" targets, while bolstering its support for strategic emerging industries such as new energy, intelligent manufacturing, and 5G communications, which has brought about broad space for products development under the Company's three core businesses including Integrated Circuits and Digital Technology, New Energy (especially those related to solar thermal power generation), and Telecommunications.

II. BUSINESS REVIEW FOR 2024

In 2024, all employees of the Company worked together to focus on the three core businesses in the fields of Integrated Circuits and Digital Technology, New Energy and Telecommunications, and faced various challenges in a proactive manner with "innovation-driven and green development" as its strategic goal. Taking advantage of their own favourable conditions, they managed to seize development opportunities, achieving contrary growth and an encouraging result, and laying a solid foundation for sustainable development in 2025. Throughout 2024, the Company realized a revenue of approximately RMB2,520.0 million, representing a year-on-year increase of approximately 11.7%, and a profit attributable to equity shareholders of the Company for the year of approximately RMB42.2 million, representing a decrease of approximately 39.5% over the corresponding period in the previous year. This fully demonstrates the Company's continuous improvement in profitability, operational capability, and other development indicators under its business diversification strategy in recent years, reflecting a sound growth momentum.

In July 2024, the Company completed the acquisition of the remaining 49% equity interests in each of Nanjing Zhangyu Information Technology Co., Ltd* (南京掌御信息科技有限公司) ("**Nanjing Zhangyu**") and Shanghai Zhangyu Information Technology Co., Ltd.* (上海掌御信息科技有限公司) ("**Shanghai Zhangyu**") (Nanjing Zhangyu and Shanghai Zhangyu are subsidiaries of the Company in which the Company indirectly held 51% equity interest prior to the completion of the equity acquisition). Nanjing Zhangyu mainly engages in chips customization services, semiconductor IP authorization services and supply chain services as well as research and development, production and sales of Internet of Things security chips. Shanghai Zhangyu mainly provides security solutions in the fields of blockchain security applications, digital security services, data security governance and digital asset trading platforms. The acquisition of the remaining equity interests in Nanjing Zhangyu and Shanghai Zhangyu allows the Group to gain full control over the management and operations of Nanjing Zhangyu and Shanghai Zhangyu, simplify the decision-making process to effectively implement strategic plans that are in line with the Company's business objectives. Meanwhile, the Company will also further streamline regulatory reporting and approval procedures and save costs associated with connected transactions involving Nanjing Zhangyu and Shanghai Zhangyu, thereby improving operational efficiency.

1. *Integrated Circuits and Digital Technology*

Data released by the Semiconductor Industry Association (SIA) of the United States of America on 8 February 2025 indicated that the sales of the global semiconductor reached US$627.6 billion in 2024, representing a year-on-year increase of 19.1%. From a regional perspective, the Americas, China, and Asia-Pacific/all other regions all achieved significant sales growth in 2024, with increases of 44.8%, 18.3%, and 12.5%, respectively, while Japan and Europe markets experienced relatively weak performance, with negative growth of 0.4% and 8.1%, respectively. The global and domestic semiconductor industry chains have emerged from the bottom, with the industry as a whole actively restocking and entering an upward trajectory. Especially under the impetus of AI technology, the Company has a promising prospect for the development in related fields. In the second half of 2024, attributable to the Company's excellent customer service and stable supply chain system, the revenue of the Integrated Circuits and Digital Technology segment achieved a recovery growth.

For Marketing

The Company provides customers with all-around technical support, covering specification definition, IP selection, tape-out, packaging and testing design verification, ensures a worry-free experience for its customers by offering customized solutions and rapid response services and gains wide recognition from customers. The Company realizes strategic win-win situation with its customers by continuously improving its operations, management and customer service level. The Company has formed a sound reputation in the market and built a stable brand image. The proportion of sales to strategic customers has increased year by year, with customer structure characterized by high quality, efficiency and stability.

For Production and Supply

The Company specializes in the design, development and sales of integrated circuits, while entrusting wafer manufacturing, packaging and testing and other processes to professional wafer manufacturers and packaging and testing manufacturers. By establishing long-term partnerships with global mainstream wafer foundries, the Company ensures a stable supply of raw materials and production capacity, and is equipped with delivery solutions for a number of process nodes, ranging from 12nm to 0.5um. Meanwhile, in the face of external risks such as geopolitics and trade friction, the Company has effectively avoided the risk of potential supply disruption by virtue of its diversified supply chain layout.

For Research and Development

The core members of the Company's R&D system are composed of experts with senior semiconductor professional background and extensive industrial experience, which focuses on the development of new products, technologies and processes, as well as the improvement of yield and efficiency. Meanwhile, on the basis of independent innovation, the Company actively strengthens cooperation with external organizations such as scientific research institutes, universities or downstream industry giants to foster a sound mechanism of complementary advantages and synergistic development. As of the end of 2024, the Company had 5 authorized invention patents, 4 integrated circuits layout designs, 64 computer software copyrights, 6 industry standards and 1 commercial password certificate.

2. *New Energy and Services*

Driven by the "dual carbon" targets, China's new energy industry has ushered in an unprecedented opportunity. In 2024, China's power generation reached 9.4 trillion kWh, of which clean energy power generation accounted for more than 32%. As a vital component of clean energy, solar thermal power generation serves the dual functions of peaking power sources and energy storage. It is an indispensable technology for China in building a new type pf power system and achieving its energy transformation goals, offering vast market potential for the future.

As of the end of 2024, China's cumulative installed capacity of completed solar thermal power generation reached 838.2 megawatts (MW), raising its global share to 10.6%. China currently has 34 solar thermal power generation projects under construction, with a total installed capacity of 3,300 MW (most of which are expected to be completed by 2025); and 37 planned solar thermal power generation projects, with a total installed capacity of approximately 4,800 MW.

Chairman's Message

For Marketing

As a pioneer in the construction, operations and maintenance of domestic molten salt field in China, Zhejiang Zhongguang New Energy Technology Co., Ltd., in which the Company acquired 51% equity interest in the second half of 2023 and its subsidiaries, has been in an industry leading position in the field of solar thermal operations and maintenance, with the cumulative installed capacity of solar thermal power plant projects undertaken and participated in the operations and maintenance thereof exceeding 900MW, ranking among the top in the world. In September 2024, Jinta Zhongguang, Shandong Institute's Shanshan, Xikan Institute's Golmud and Zhejiang Thermal Power's Turpan projects entered the site and commenced their initial operational phase. In November 2024, the Delingha 350MW solar thermal project declared by the Company was successfully selected as the 2024 Solar Thermal Power Generation Demonstration (Pilot) Project of Qinghai Province, which will adopt the tower-type molten salt solar thermal technology, with a planned installed capacity of 350MW and supported by a 14-hour molten salt energy storage system. It is currently the largest tower-type solar thermal project in terms of installed capacity amongst the completed, planned and under-construction projects in the world.

Leveraging its expertise in molten salt heat storage and exchange technology, while vigorously developing the construction and operations of solar thermal power plants, it also focused on the provision of overall solutions and related products for molten salt energy storage scenarios, such as zero-carbon parks, flexible peak-shaving for thermal power plants, energy-saving and peak-valley arbitrage in steel plants, as well as distributed heat storage. In 2024, it won the bidding of the project of steam supply for Qiongke Brewing in Renhuai City, Guizhou Province, and the electric energy storage for green steam supply project of Jujing Ecological Technology Co., Ltd. in Huangyan, Taizhou City.

In addition, the 50MW tower-type solar thermal molten salt power stations has continuously enhanced its public image, and significantly increased its industry influence, with 121 receptions totaling 1,770 person times throughout the year, including 62 receptions totaling 925 person times for governmental units, 6 receptions totaling 118 person times for universities and media, and 52 receptions totaling 727 person times for enterprises (merchants) and others. The Qinghai Daily and other provincial and municipal mainstream media featured special reports titled "Gathering the World's 'Light' in the Qaidam Basin", "Chasing the Sun and 'Forging' a New Path" and "Over Ten Thousand Heliostats 'Bloom' in the Gobi Desert".

For Production and Supply

The Company owns two tower-type solar thermal molten salt energy storage power generation projects in Delingha, Qinghai, with capacities of 10MW and 50MW respectively. Qinghai Zhongkong's Delingha 50MW solar thermal power station reached a cumulative power generation of 140.2 million kWh in 2024, completing its power generation targets in a steady manner for three consecutive years.

The Company completed two major technological transformations in this year: firstly, the fully automatic one-key start-stop control technology upgrade of the concentrated heat collection system was successfully implemented, enabling the intelligent management and control of the start-stop process of the unit and significantly improving the system response efficiency; secondly, the independently built intelligent cloud monitoring platform, which integrates core functional modules such as remote real-time monitoring, meteorological disaster early warning, customized video inspection and intelligent analysis of theoretical power generation, supports authorized users to realize the visual operations and management of all elements of the power station through the digital twin system. They have effectively improved the intelligent operations and maintenance level and power generation efficiency of the power station, laying a technical foundation for subsequent large-scale popularization and application.

For Research and Development

In line with the market demand and the future development direction of the industry, the Company continued to accelerate the construction of innovation platforms and increase investment in the research and development of new products and new technologies. Currently, it has possessed 3 scientific research platforms above the provincial level, namely "National Local Joint Engineering Research Center for Solar Thermal Power Generation Technology (approved by the NDRC)", "Qinghai Solar Tower Thermal Power Generation Engineering and Technology Research Center (approved by the Science and Technology Department of Qinghai Province)", and "Tower Solar Thermal Power Generation Engineering and Technology Research Center (approved by the Development and Reform Commission of Qinghai Province)". The Company has 22 authorized invention patents, 25 utility model patents, 5 computer software copyrights and 14 industry standards.

3. *Telecommunications*

With the in-depth advancement of China's 5G networks construction, 5G networks construction has achieved comprehensive coverage. In 2024, the total number of 5G base stations nationwide exceeded 4 million to reach 4.251 million, and 5G-related investment exceeded RMB200 billion. In 2024, with the continuous scale expansion of data centers, the rapid popularization of emerging applications such as smart homes and the Internet of Things, the market demand for high-performance coaxial cables continued to grow. In 2024, the Company further consolidated its market position in the fields such as telecommunications, radio and television and safety monitoring by virtue of its leading technological advantages and stable product quality. At the same time, the Company has increased its R&D investment in high frequency and high-speed transmission technology, and launched a variety of innovative products, which garnered high recognition from customers.

For Marketing

In 2024, the Company continued to strengthen the customer centralized procurement market. In terms of radio frequency ("RF") centralized procurement projects, it won the biddings with the excellent results of ranking first in terms of the bidding of feeder wire, leaky cables and accessories, and centralized procurement project of feeder wire and jumper cable organized by China Mobile. In terms of the centralized procurement project of feeder wire and accessories of China Tower, it won the first and second places respectively. In terms of antennas centralized procurement projects, it successfully won the bid for China Mobile's 2024-2025 special scenario antennas products, multi-frequency base station and high-speed railway antennas products centralized procurement project. The cumulative bid amount of centralized procurement projects in 2024 reached approximately RMB1,195.53 million, which effectively supported the Company's efficient production facilities to run close to full capacity for a considerable period of time, laying a solid foundation for achieving the annual results targets.

In 2024, the overseas market business achieved a year-on-year growth of 44%. Despite challenges in conducting business in the Commonwealth of Independent States markets and the European and American markets due to the Russian-Ukrainian conflict, growth was achieved in the Southeast Asian market, the Middle Eastern market, the Indian market, and the business with communication equipment manufacturers. Additionally, breakthroughs were made in the emerging markets of South America. With five new operators being shortlisted in 2024, the Company become a qualified supplier for Ericsson in the China region.

For Production and Supply

In 2024, the Company, with "technological innovation, quality priority, efficiency-driven, and sustainable development" at its core, comprehensively improved intelligent and digital capabilities, achieving a cost reduction of over RMB55.0 million during 2024. Meanwhile, the Company actively promoted the deep integration of manufacturing and R&D and enhanced its core competitiveness, providing strong support for the Company's high-quality development.

For Research and Development

In 2024, the Company intensified its R&D efforts, developed and launched a new type of low-loss 50-42 spread spectrum 3.6GHz leaky cable applied in high-speed rail tunnel scenario and realized mass application. The Company redefined the product structure of feeders and launched the HPALS series of ultra-flexible feeder products, which were accompanied by HPC2.0 standardized installation tools, realizing a new level of innovation and upgrading in high reliability and high efficiency. The Company achieved 27 invention patent authorizations and 4 international patents in 2024, and was honored with the second prize of the 2024 China Quality Awards by China Association for Quality. Throughout the year, the Company undertook 17 R&D projects, with the sales revenue of new products amounted to more than RMB665.0 million. Significant results growth was achieved in 5G expansion antenna series, low-frequency 5G re-farming macro base station antennas, high-efficiency green base station antennas, multi-mode radiation wide high-frequency leaky cable products, and the new generation of waterproof integrable high-frequency cable assembly products.

III. CHINA'S ECONOMIC SITUATION AND INDUSTRY OPPORTUNITIES

The year 2025 is the concluding year of China's "14th Five-Year" Plan. Under the synergistic efforts of strategic layout and macro policies, China's economy is steadily advancing on the path of high-quality development. The Chinese government has created a more favorable development environment for manufacturing enterprises by enhancing the guiding layout of strategic emerging industries and supporting enterprises in R&D innovation, green development and digital transformation, which has brought broad development space for the integrated circuits, new energy and telecommunication industries in which the Company operates.

1. *Integrated Circuits and Digital Technology*

The year 2025 will mark the beginning of an explosion in AI terminal applications, and the semiconductor market will usher in comprehensive growth. According to the World Semiconductor Trade Statistics (WSTS), the scale of semiconductor market is projected to reach US$697 billion in 2025, with a growth rate of 11.2%. Meanwhile, the Chinese government is vigorously promoting the independent control of the semiconductor industry, coupled with the rapid development of emerging technology areas such as 5G communications, Internet of Things, big data and new energy vehicles, leading to a promising prospect for the integrated circuits and digital technology market.

In 2025, the Company will seize the opportunities for market development in the industry, continue to increase R&D investment in the fields of integrated circuits design, advanced manufacturing processes and intelligent solutions, strengthen collaborative innovation with upstream and downstream enterprises in the industry chain and accelerate breakthroughs in cutting-edge technologies such as artificial intelligence, Internet of Things and high-performance computing to build a more competitive product line. The Company will further optimize the supply chain management, actively expand the overseas market, and position integrated circuits and digital technology businesses as important engines for the overall development of the Company.

2. *New Energy and Services*

Under the guidance of China's "dual carbon goals" (carbon emissions peak by 2030 and carbon neutrality by 2060), China's energy industry is accelerating its transformation and upgrading, which propels the renewable energy industry into a new stage of high-quality development. As an important part of renewable energy, solar thermal power is gaining increasing importance in the transformation of energy structure due to its reliability and sustainability. In particular, the Energy Law of the People's Republic of China implemented on 1 January 2025 explicitly advocates for "active development of solar thermal power generation", providing robust legal support for the development of the solar thermal power generation industry. According to the China Photovoltaic Industry Association (CPIA), the global photovoltaic newly added installed capacities are expected to reach 531~583GW in 2025. Among them, driven by both policy and market forces, China's newly added installed capacities are projected to reach 215-255GW, accounting for more than 40% of the world's total, reflecting the sustained robust demand in the domestic market.

In 2025, the Company will continue to deepen its focus on the field of solar thermal power generation, increase investment in the research and development of key technologies such as high-efficiency collectors and new molten salt formulations and explore the in-depth integration with energy storage technology to effectively address the challenges of intermittent solar thermal power generation. By expanding the application scenarios of solar thermal power generation projects, and formulating a differentiated marketing strategy, the Company actively strives for domestic and international high-quality solar thermal power generation projects to promote the scaled development of its business. Meanwhile, the Company will further expand its presence in the new energy services, introduce AI and big data technology and build an intelligent operation and maintenance platform, with a view to improving the efficiency and accuracy of operation and maintenance, and providing one-stop solutions from project design, construction to operation and maintenance. The Company will also actively participate in large-scale solar thermal power generation projects at home and abroad to further increase its market share and create an important growth point for the Company's future green development.

3. *Telecommunications*

With the further popularization of 5G networks, the widespread application of Internet of Things devices and the accelerated construction of data centers, the market demand for high-performance coaxial cables will continue to grow. In 2025, the Company will continue to optimize its product structure, enhance its technology standard and further expand its market share in the high-frequency and high-speed transmission sectors.

In 2025, 5G network construction will be fully popularized, and the number of 5G base stations constructed is expected to reach 4.5 million seats, with the construction speed gradually slowing down. However, as 5G-A accelerates its evolution and global 6G standardization efforts enter a substantive phase, the telecommunication industry is poised to gain new growth momentum.

As a leading supplier of coaxial cables, antennas and base station equipment, the Company will fully implement product line management, and further enhance the quality and efficiency of its advantageous traditional product lines to consolidate its leading position in the industry; increase investment in nurturing product lines to realize rapid development; and accelerate the research of its future business and layout it as early as possible. The Company will focus on R&D of 4G & 5G converged antenna, special scenario application antennas, green antennas, repeater stations, spread spectrum RF coaxial cable and leaky cable, low-loss RF coaxial cable and other new products, to satisfy the diversified needs of scene, high quality and low cost in the post-5G era; start the new business of satellite communication millimeter-wave phased array antennas for technology reserve and market development of integrated space-air-ground communication and low-altitude flight network coverage for the 5G-A and 6G eras; promote market diversification to develop the domestic provincial procurement by operators, non-operator markets and overseas markets; accelerate the overseas industrial deployment, expedite the internationalization of the brand, to achieve the transition from an "export" mode to an in-depth localization operation mode of "going global". The Company expects that its telecommunications business will continue to grow steadily in the future and contribute substantial revenue to the Company.

IV. OUTLOOK FOR 2025

Looking ahead to 2025, despite the continuing uncertainties in the global economy, the fundamentals of long-term positive economic growth remain unchanged in China and the Company is confident in the long-term positive trend of China's economy. The Company will continue to uphold the concepts of innovation-driven, green development and win-win cooperation, and to deepen its efforts in the three core business areas including integrated circuits and digital technology, new energy and services, and telecommunications. The following initiatives will be prioritized:

1. Technology Innovation

Investments in research and development will be intensified to enhance the core competitiveness of the Company's three business segments, driving products towards high-end and intelligent development. The Company will continue to focus on cutting-edge technologies and promote the upgrading of its products and services to meet the ever-changing market demands.

2. Market Exploration

The Company will deepen its presence in the domestic market while actively exploring overseas markets in countries and regions along the "Belt and Road" to enhance its international operational capabilities.

3. Green Development

The Company will respond positively to the national "dual-carbon" targets and promote the large-scale development of its solar thermal power generation business to contribute to the transformation of energy structure.

4. Talent Cultivation

The Company will strengthen the construction of talent team, attract and cultivate more high-quality technical and managerial professionals, so as to provide a solid guarantee for the sustainable development of the Company.

The year 2025 will be full of challenges and opportunities. The Company will focus on strategic layout and efficient execution, remain vigilant and flexible in responding to challenges, ensure steady development, and realize a double increase in business scale and profitability. Looking ahead, the Company will continue to uphold the spirit of innovation, adhere to its corporate mission, and forge ahead in the new journey of development.

V. ACKNOWLEDGEMENT

Finally, on behalf of the Board, I would like to extend my heartfelt thanks to all employees, shareholders, customers, partners and friends from all walks of life! It is your trust and support that have enabled the Company to move forward in a challenging environment. In 2025, the Company will continue to seize opportunities and meet challenges with unwavering determination and a pragmatic attitude to create greater value for its shareholders and contribute more integrated circuits and digital technology, green energy, and telecommunications solutions to society.

RESEARCH AND DEVELOPMENT

Management Discussion and Analysis

(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 2024 ("**FY2024**" or the "**Reporting Period**") increased by approximately RMB264.1 million, or approximately 11.7% from approximately RMB2,255.9 million in the previous financial year ended 31 December 2023 ("**FY2023**") to approximately RMB2,520.0 million in FY2024.

After 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 RMB238.3 million of revenue in FY2024, representing an increase of approximately RMB35.6 million or 17.6% year-on-year.

The other reason contributing to the increase in revenue for FY2024 comparing FY2023 is due to the completion of the acquisition of Zhejiang Zhongguang New Energy Technology Co., Ltd. and its subsidiaries ("**Zhongguang New Energy**") in July 2023. The revenue of Zhongguang New Energy formed the New Energy and Services business segment of the Group. Zhongguang New Energy have contributed approximately RMB186.0 million of revenue in FY2024 compared with the revenue contribution of approximately RMB77.1 million in the second half of FY2023, representing an increase of approximately RMB108.9 million or 141.2% year-on-year.

By separating the revenue contribution by the Zhangyu Companies and Zhongguang New Energy in FY2024, the Telecommunications business segment recorded an increase in revenue of approximately RMB119.5 million or 6.0% from FY2023's approximately RMB1,976.2 million to FY2024's approximately RMB2,095.7 million. Below is an analysis of revenue according to the categories of business segments.

Integrated Circuits and Digital Technology

With the completion of the acquisition of the Zhangyu Companies in July 2022, a new business segment of Integrated Circuits and Digital Technology comprising the Zhangyu Companies was formed (to better reflect the Group's business operations and development, the Integrated Circuits and Digital Technology business segment was renamed during the FY2024 from digital technology and digital security). During FY2024, Zhangyu Companies have recorded revenue of approximately RMB238.3 million (representing an increase of approximately RMB35.6 million or approximately 17.6% from approximately RMB202.7 million during FY2023), of which revenue from (i) design services was approximately RMB58.7 million (FY2023: approximately RMB44.4 million); (ii) tape-out service was approximately RMB102.1 million (FY2023: approximately RMB63.9 million); and (iii) digital technology, cloud computing and services were approximately RMB77.5 million (FY2023: approximately RMB94.4 million).

New Energy and Services

With the completion of the acquisition of the Zhongguang New Energy in July 2023, a new business segment of New Energy and Services was formed with a focus on the supply of electricity through the production and sales of solar power as well as the provision of development consultation and technical services of the solar thermal power generation technology.

In FY2024, Zhongguang New Energy have recorded revenue of approximately RMB144.2 million from the sales of solar power from the business segment's 50MW and 10MW power generating facilities. In FY2024, the 50MW power plant has operated 4,915 hours (representing a decrease of approximately 5.7% year-on-year) and generated 140.15 MkWh of electricity (representing a decrease of approximately 8.1% year-on-year), of which the grid-connected power generated was 138.26 MkWh (representing a decrease of approximately 7.8% year-on-year). The revenue in FY2024 also included revenue from the operation and maintenance ("**O&M**") and others of approximately RMB41.8 million. The development of the O&M business will not only enrich the income base of the New Energy and Services business segment, but also create a sustainable and stable stream of revenue to the Group. The New Energy and Services business segment will provide the Group with stable and consistent income stream and marked the Group's successful leap into a new business diversification arena.

Telecommunications

Amid continuous fierce market competition during FY2024, Telecommunications business segment recorded a slight increase in revenue of RMB119.5 million or 6.0% from the previous year due to the Group's increased effort on market exploration with more competitive pricing strategy and broadening its products mix width in order to maintain its market position and securing orders from major telecommunication operators in the PRC.

Gross profit margin

The Group achieved an overall gross profit margin of approximately 18.5% for FY2024 compared to approximately 19.3% for FY2023, representing a decrease of approximately 0.8 percentage point year-on-year. By separating the Integrated Circuits and Digital Technology business segment and New Energy and Service business segment, the rest of the Telecommunications business segment achieved a combined gross profit margin of approximately 14.0% during FY2024, representing a decrease of approximately 1.3 percentage points from the previous year's gross profit margin of approximately 15.3%. The Integrated Circuits and Digital Technology business segment has achieved a gross profit margin of approximately 36.2% during FY2024 (approximately 41.7% during FY2023), representing a decrease of approximately 5.5 percentage points year-on-year. During FY2024, the New Energy and Service business segment has achieved a gross profit margin of 47.6% (approximately 61.8% after the completion of the acquisition in July 2023 and up to the end of FY2023), representing a decrease of approximately 14.2 percentage points year-on-year.

As mentioned before, the Telecommunications business segment has faced strong market competition, in order to maintain its market share, more competitive pricing strategy was applied in order to secure more orders, therefore gross profits recorded a decrease year-on-year.

Although gross profit margin has recorded a slight decrease, the increase in revenue has offset the effect from the decrease in gross profit margin. Gross profit contribution for the Telecommunications business segment in FY2024 has recorded a year-on-year slight decrease of approximately RMB2.7 million or 0.9% from FY2023's RMB302.5 million to FY2024's RMB299.8 million.

For the Integrated Circuits and Digital Technology business segment, overall gross profit margin for FY2024 was approximately 36.2% (gross profit margin of approximately 41.7% during FY2023), representing a decrease of approximately 5.5 percentage points year-on-year. Due to the nature of digital technology, cloud computing and services businesses, gross profit margins are generally higher than the Telecommunications business segment. Because of the change in products mix in FY2024 comparing FY2023, the Integrated Circuits and Digital Technology business segment has recorded a decrease in gross profit margin and gross profit contribution in FY2024 was approximately RMB86.4 million, representing a slight increase of approximately RMB1.9 million or approximately 2.2% from FY2023's approximately RMB84.5 million.

For the New Energy and Services business segment, overall gross profit margin for FY2024 was approximately 47.6% and gross profit contribution to the Group was approximately RMB88.3 million during FY2024. In FY2023, after the completion of acquisition in July 2023, the New Energy and Services business segment has recorded a gross profit margin of approximately 61.8% and gross profit contribution of approximately RMB47.6 million. The decrease in the gross profit margin for the New Energy and Services business segment is because during FY2024, there were technical modification and maintenance leading to an increase in direct operating costs. Also, the revenue from O&M and others of the New Energy and Services business segment has a lower gross profit margin than the solar thermal power generation, therefore the New Energy and Services business segment recorded a lower gross profit margin in FY2024 comparing its contribution in FY2023 after its acquisition. As the Integrated Circuits and Digital Technology and New Energy and Services business segments have higher gross profit margin than the Telecommunications business segment, the Group recorded a slight decrease in the combined gross profit margin year-on-year.

In order to improve the Group's gross profit margin, the Group will enhance product profitability by increasing investment in new product research and development and the application of new technologies and the development of high value-added services. On the other hand, the Group will continue to promote intelligent, information-based and lean development. In addition to micro-innovation and micro operating activities, the Group will also continue to improve output efficiency, reduce labor and materials consumption, control procurement costs and strengthen inventory management, thereby breaking through the bottleneck of costs improvement and maintaining an appropriate gross profit margin to cope with market competition pressure. With the growing importance and trend of using green and renewable energy in the China domestic market and overseas and the growing demand on integrated circuits and digital technology in the era of booming artificial intelligence, the Group envisages that the further development of the two new business segments, the Integrated Circuits and Digital Technology and New Energy and Services business segments will further contribute to the sustainable long term development and profitability of the Group.

Other operating income

Other operating income increased by approximately RMB4.4 million or approximately 13.9% from approximately RMB31.6 million in FY2023 to approximately RMB36.0 million in FY2024. The increase is primarily due to:

(i) an increase in government grants and subsidies of approximately RMB11.2 million; and

(ii) a decrease in net foreign gain of RMB7.9 million.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB23.4 million or approximately 21.7% from approximately RMB107.8 million in FY2023 to approximately RMB131.2 million in FY2024. The increase is due to a combination of various factors including the increase in salary expenses under selling and distribution expenses due to increased effort on market exploration and the increase in transportation costs and business development expenses.

Administrative expenses

Administrative expenses increased by approximately RMB27.3 million or approximately 37.7% from approximately RMB72.5 million in FY2023 to approximately RMB99.8 million in FY2024. The increase was mainly due to (i) the full year consolidation of Zhongguang New Energy in FY2024 (comparing only 5 months of administrative expenses in FY2023 after the completion of the acquisition); and (ii) an increase in legal and professional fees due to the various corporate actions such as connected transactions and discloseable transactions undertaken in FY2024.

Impairment loss on trade and other receivables

The impairment loss on trade and other receivables for FY2024 is approximately RMB7.0 million (FY2023: impairment loss of approximately RMB26.6 million).

Other operating expenses

Other operating expenses increased by approximately RMB33.7 million or approximately 26.9% from approximately RMB125.5 million in FY2023 to approximately RMB159.2 million in FY2024. Such change is mainly due to the increase in research and development ("**R&D**") expenses by approximately RMB33.6 million or approximately 29.3% year-on-year from FY2023's approximately RMB114.7 million to approximately RMB148.3 million in FY2024. During FY2024, approximately RMB118.9 million (representing an increase of approximately RMB22.6 million or 23.5% year-on-year) of R&D is attributable to the continuing R&D activities undertaken for the modifications and improvements to the Group's telecommunications products during FY2024; approximately RMB20.0 million is due to the R&D undertaken by the Zhangyu Companies during FY2024; and approximately RMB9.4 million is due to the R&D undertaken by Zhongguang New Energy during the FY2024 (approximately RMB4.8 million during the second half of FY2023).

Interest expense

Interest expense increased by approximately RMB20.5 million or approximately 66.1% from approximately RMB31.0 million in FY2023 to approximately RMB51.5 million in FY2024, mainly because of the bank borrowings for the acquisition of Zhongguang New Energy during FY2023 and the full year interest expenses in FY2024 relating to Zhongguang New Energy's bank loans.

Profit before taxation

Profit before taxation decreased by approximately RMB36.8 million or approximately 29.3% from approximately RMB125.5 million in FY2023 to approximately RMB88.7 million in FY2024.

Income tax

The Group's main subsidiaries, Jiangsu Hengxin Technology Co., Ltd. ("**Jiangsu Hengxin**"), Zhangyu Companies and the subsidiary of Zhongguang New Energy, Qinghai Zhongkong Solar Power Co., Ltd., have been subject to an incentive tax rate of 15% in FY2024 as they qualify as a high-tech enterprise in the PRC. Income tax expense decreased by approximately RMB6.0 million or approximately 28.0% from approximately RMB21.4 million in FY2023 to approximately RMB15.4 million in FY2024 due to the decrease in profit before taxation.

Profit Attributable to Equity Shareholders of the Company

In view of the above, after taking into account of the effect of non-controlling interests (a decrease in profit sharing to non-controlling interest in FY2024 due to the completion in the acquisition of the remaining 49% equity interests of the Zhangyu Companies in July 2024), profit attributable to equity shareholders of the Company decreased by approximately RMB27.5 million or approximately 39.5% from approximately RMB69.7 million in FY2023 to approximately RMB42.2 million in FY2024.

Consolidated Statement of Financial Position

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

Intangible assets

Intangible assets amounted to approximately RMB227.5 million as at 31 December 2024 (as at 31 December 2023: RMB241.5 million), representing a decrease of approximately RMB14.0 million or approximately 5.8% and mainly represent customer relationship, patents, intellectual property resources and licence. The decrease is mainly due to the amortisation during FY2024.

Goodwill

As at 31 December 2024, goodwill amounted to approximately RMB201.6 million (as at 31 December 2023: RMB201.6 million), of which RMB155.1 million was due to the acquisition of the Zhangyu Companies during the year ended 31 December 2022 and RMB46.5 million was due to the acquisition of Zhongguang New Energy during FY2023 Based on the independent valuation performed by an external valuation firm engaged by the Group, no impairment on goodwill was required for FY2024.

Inventories and other contract costs

Inventories and other contract costs (comprising raw materials, work-in-progress, finished goods and other contract costs) increased by approximately RMB32.3 million or approximately 16.6% from approximately RMB194.9 million as at 31 December 2023 to approximately RMB227.2 million as at 31 December 2024. The increase was mainly due to the increase in finished goods for the Telecommunications business segment because of the goods-in-transit close to the year end of FY2024.

Trade and other receivables

(i) Net trade and bills receivables increased by approximately RMB465.5 million or approximately 56.1% from approximately RMB830.3 million as at 31 December 2023 to approximately RMB1,295.8 million as at 31 December 2024. The increase is mainly due to the increase in the revenue during the last quarter of FY2024.

As at 31 December 2024, based on the invoice date and net of allowance for impairment, approximately 73.9% of the net trade and bills receivables are within 6 months as compared with that of approximately 70.8% as at 31 December 2023. For long aged net trade and bills receivables, as at 31 December 2024, approximately 5.8% were over two years (as compared with 7.3% as at 31 December 2023).

(ii) Net other receivables increased by approximately RMB5.2 million or approximately 5.4% from approximately RMB96.6 million as at 31 December 2023 to approximately RMB101.8 million as at 31 December 2024. The increase was mainly due to the (i) decrease in prepayments by approximately RMB9.3 million; (ii) decrease in refundable deposits by approximately RMB6.4 million; (iii) increase in other receivables by approximately RMB15.3 million; and (iv) increase in tax recoverable of approximately RMB5.5 million.

Trade and other payables

(i) Trade payables increased by approximately RMB349.1 million or approximately 122.5% from approximately RMB284.9 million as at 31 December 2023 to approximately RMB634.0 million as at 31 December 2024.

The increase in trade payables is mainly due to the increase in the Group's purchases for the Telecommunications business segment in anticipation of the increase in raw materials costs.

(ii) Other payables recorded an increase of approximately RMB0.2 million or approximately 0.2% from approximately RMB105.9 million as at 31 December 2023 to approximately RMB106.1 million as at 31 December 2024. The increase is mainly due to (i) the decrease in tender deposits of approximately RMB6.9 million; and (ii) the increase in VAT and other taxes payable by approximately RMB6.7 million.

Current bank loans and non-current bank loans

The current and non-current bank loans as at 31 December 2024 amounted to approximately RMB1,498.0 million (as at 31 December 2023: approximately RMB1,012.9 million). The increase in total current and non-current bank loans is mainly due to the new loan in FY2024 to finance the acquisition of the remaining 49% equity interests of the Zhangyu Companies.

(II) SUBSIDIARIES

The major subsidiaries of the Company are Jiangsu Hengxin, Jiangsu Hengxin Wireless Technology Co., Ltd, Hengxin Technology (India) Pvt Ltd, Hengxin Technology International Co., Limited, HODL PCC Limited, Jiangsu Hengxin Zhonglian Communication Technology Co., Ltd., Hengxin Metaverse Limited, Xin Ke Xin (Suzhou) Technology Co., Ltd., Yixing Tianyue Enterprise Management Consulting Partnership (Limited Partnership), Nanjing Zhangyu Information Technology Co., Ltd., Shanghai Zhangyu Information Technology Co., Ltd., Wuxi Sihai Technology Co., Ltd., Shanghai Zhangyu Semiconductor Co., Ltd., Hangzhou Longkong Zhongguang Enterprise Holding Enterprise Partnership (Limited Partnership), Zhejiang Zhongguang New Energy Technology Co., Ltd., Zhongguang (Qinghai) New Energy Science Technology Co. Ltd., Heli (Qinghai) Operation And Maintenance Technology Co., Ltd., Qinghai Zhongkong Solar Power Co., Ltd. (青海中控太陽能發電有限公司), and Qinghai Zhongkong Solar Power Co., Ltd. (青海眾控太陽能發電有限公司).

(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 2024, the capital commitments of the Group in respect of the purchase of property, plant and equipment were approximately RMB914,000 (31 December 2023: approximately RMB10,577,000).

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 2024, the donation commitment was approximately RMB1,000,000 (31 December 2023: approximately RMB1,500,000).

(V) CHARGE OR PLEDGE OF ASSETS

As at 31 December 2024, deposits amounting to approximately RMB403,659,000 (2023: RMB30,164,000) 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 1.4610% (2023: 1.3933%) per annum and for a tenure of approximately 4 to 60 months (2023: 4 to 60 months). Remaining pledged deposits is pertaining to the security deposit for the commodity future contracts entered to hedge the purchase of raw materials during the year.

As at 31 December 2024, deposit amounting to approximately RMB35,000,000 (2023: RMB35,000,000), electric generating facilities amounting to approximately RMB790,562,000 (2023: RMB824,517,000) and trade and bills receivables amounting to approximately RMB328,027,000 (2023: RMB256,940,000) were pledged to banks for secured bank loans and banking facilities at an interest rate of 2.40% – 4.25% (2023: 4.35% – 4.90%) per annum. Pledged bank deposits bear interest at an average effective interest rates at 2.9975% (2023: 2.9770%) per annum and for 156 months. The pledged deposits will be released by the expiry of relevant banking facilities.

(VI) LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2024, the Group's total assets were approximately RMB4,666,187,000 (2023: RMB4,247,771,000) (of which current assets were approximately RMB2,928,291,000 (2023: approximately RMB2,517,664,000) and non-current assets were approximately RMB1,737,896,000 (2023: approximately RMB1,730,107,000)), the total liabilities were approximately RMB2,319,095,000 (2023: approximately RMB1,509,198,000) (of which current liabilities were approximately RMB1,229,692,000 (2023: approximately RMB648,831,000) and non-current liabilities were approximately RMB1,089,403,000 (2023: approximately RMB860,367,000)), and shareholder's equity attributable to equity shareholders of the Company reached approximately RMB1,561,877,000 (2023: approximately RMB1,925,709,000). As at 31 December 2024, the Group's total cash, time deposits and pledged deposits were approximately RMB1,455,212,000 (31 December 2023: approximately RMB1,380,821,000). As at 31 December 2024, the Group has current bank loans due within one year of approximately RMB424,602,000 (2023: approximately RMB176,543,000) carrying fixed interest rates and non-current bank loans of approximately RMB1,073,417,000 (31 December 2023: approximately RMB836,366,000) carrying fixed interest rates. At 31 December 2024, the Group had approximately RMB2,844,000,000 (2023: approximately RMB3,251,000,000) of unutilised bank borrowing facilities.

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

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

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

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

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

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Total liabilities	**2,319,095**	1,509,198
Total assets	**4,666,187**	4,247,771
Debt-to-assets ratio	**50%**	36%

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

The year 2025 is the concluding year of China's "14th Five-Year" Plan. Under the synergistic efforts of strategic layout and macro policies, China's economy is steadily advancing on the path of high-quality development. The Chinese government has created a more favorable development environment for manufacturing enterprises by enhancing the guiding layout of strategic emerging industries and supporting enterprises in R&D innovation, green development and digital transformation, which has brought broad development space for the integrated circuits, new energy and telecommunication industries in which the Company operates.

1. Integrated Circuits and Digital Technology

The year 2025 will mark the beginning of an explosion in AI terminal applications, and the semiconductor market will usher in comprehensive growth. According to the World Semiconductor Trade Statistics (WSTS), the scale of semiconductor market is projected to reach US$697 billion in 2025, with a growth rate of 11.2%. Meanwhile, the Chinese government is vigorously promoting the independent control of the semiconductor industry, coupled with the rapid development of emerging technology areas such as 5G communications, Internet of Things, big data and new energy vehicles, leading to a promising prospect for the integrated circuits and digital technology market.

In 2025, the Company will seize the opportunities for market development in the industry, continue to increase R&D investment in the fields of integrated circuits design, advanced manufacturing processes and intelligent solutions, strengthen collaborative innovation with upstream and downstream enterprises in the industry chain and accelerate breakthroughs in cutting-edge technologies such as artificial intelligence, Internet of Things and high-performance computing to build a more competitive product line. The Company will further optimize the supply chain management, actively expand the overseas market, and position integrated circuits and digital technology businesses as important engines for the overall development of the Company.

2. *New Energy and Services*

Under the guidance of China's "dual carbon goals" (carbon emissions peak by 2030 and carbon neutrality by 2060), China's energy industry is accelerating its transformation and upgrading, which propels the renewable energy industry into a new stage of high-quality development. As an important part of renewable energy, solar thermal power is gaining increasing importance in the transformation of energy structure due to its reliability and sustainability. In particular, the Energy Law of the People's Republic of China implemented on 1 January 2025 explicitly advocates for "active development of solar thermal power generation", providing robust legal support for the development of the solar thermal power generation industry. According to the China Photovoltaic Industry Association (CPIA), the global photovoltaic newly added installed capacities are expected to reach 531~583GW in 2025. Among them, driven by both policy and market forces, China's newly added installed capacities are projected to reach 215-255GW, accounting for more than 40% of the world's total, reflecting the sustained robust demand in the domestic market.

In 2025, the Company will continue to deepen its focus on the field of solar thermal power generation, increase investment in the research and development of key technologies such as high-efficiency collectors and new molten salt formulations and explore the in-depth integration with energy storage technology to effectively address the challenges of intermittent solar thermal power generation. By expanding the application scenarios of solar thermal power generation projects, and formulating a differentiated marketing strategy, the Company actively strives for domestic and international high-quality solar thermal power generation projects to promote the scaled development of its business. Meanwhile, the Company will further expand its presence in the new energy services, introduce AI and big data technology and build an intelligent operation and maintenance platform, with a view to improving the efficiency and accuracy of operation and maintenance, and providing one-stop solutions from project design, construction to operation and maintenance. The Company will also actively participate in large-scale solar thermal power generation projects at home and abroad to further increase its market share and create an important growth point for the Company's future green development.

3. *Telecommunications*

With the further popularization of 5G networks, the widespread application of Internet of Things devices and the accelerated construction of data centers, the market demand for high-performance coaxial cables will continue to grow. In 2025, the Company will continue to optimize its product structure, enhance its technology standard and further expand its market share in the high-frequency and high-speed transmission sectors.

In 2025, 5G network construction will be fully popularized, and the number of 5G base stations constructed is expected to reach 4.5 million seats, with the construction speed gradually slowing down. However, as 5G-A accelerates its evolution and global 6G standardization efforts enter a substantive phase, the telecommunication industry is poised to gain new growth momentum.

As a leading supplier of coaxial cables, antennas and base station equipment, the Company will fully implement product line management, and further enhance the quality and efficiency of its advantageous traditional product lines to consolidate its leading position in the industry; increase investment in nurturing product lines to realize rapid development; and accelerate the research of its future business and layout it as early as possible. The Company will focus on R&D of 4G & 5G converged antenna, special scenario application antennas, green antennas, repeater stations, spread spectrum RF coaxial cable and leaky cable, low-loss RF coaxial cable and other new products, to satisfy the diversified needs of scene, high quality and low cost in the post-5G era; start the new business of satellite communication millimeter-wave phased array antennas for technology reserve and market development of integrated space-air-ground communication and low-altitude flight network coverage for the 5G-A and 6G eras; promote market diversification to develop the domestic provincial procurement by operators, non-operator markets and overseas markets; accelerate the overseas industrial deployment, expedite the internationalization of the brand, to achieve the transition from an "export" mode to an in-depth localization operation mode of "going global". The Company expects that its telecommunications business will continue to grow steadily in the future and contribute substantial revenue to the Company.

OUTLOOK FOR 2025

Looking ahead to 2025, despite the continuing uncertainties in the global economy, the fundamentals of long-term positive economic growth remain unchanged in China and the Company is confident in the long-term positive trend of China's economy. The Company will continue to uphold the concepts of innovation-driven, green development and win-win cooperation, and to deepen its efforts in the three core business areas including integrated circuits and digital technology, new energy and services, and telecommunications. The following initiatives will be prioritized:

1. Technology Innovation

Investments in research and development will be intensified to enhance the core competitiveness of the Company's three business segments, driving products towards high-end and intelligent development. The Company will continue to focus on cutting-edge technologies and promote the upgrading of its products and services to meet the ever-changing market demands.

2. *Market Exploration*

The Company will deepen its presence in the domestic market while actively exploring overseas markets in countries and regions along the "Belt and Road" to enhance its international operational capabilities.

3. *Green Development*

The Company will respond positively to the national "dual-carbon" targets and promote the large-scale development of its solar thermal power generation business to contribute to the transformation of energy structure.

4. *Talent Cultivation*

The Company will strengthen the construction of talent team, attract and cultivate more high-quality technical and managerial professionals, so as to provide a solid guarantee for the sustainable development of the Company.

The year 2025 will be full of challenges and opportunities. The Company will focus on strategic layout and efficient execution, remain vigilant and flexible in responding to challenges, ensure steady development, and realize a double increase in business scale and profitability. Looking ahead, the Company will continue to uphold the spirit of innovation, adhere to its corporate mission, and forge ahead in the new journey of development.

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

As at 31 December 2024, 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 C3 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(Note 1)	Deemed interest and interest in controlled corporation	108,868,662	23.38%
Ms. Zhang Zhong(Note 2)	Deemed interest and interest in controlled corporation	15,894,525	3.41%

Notes:

(1) Mr. Cui Wei beneficially owns the entire issued share capital of Kingever Enterprises Limited ("**Kingever**"), and Kingever in turn holds approximately 23.38% 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 3.41% 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 2024, 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	23.38%
Mr. Cui Wei *(Note)*	Deemed interest and interest in controlled corporation	108,868,662	23.38%

Note: Mr. Cui Wei beneficially owns the entire issued share capital of Kingever, and Kingever in turn holds approximately 23.38% 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 (i) the employee equity incentive scheme (the "**Incentive Scheme**") adopted by the Company at its extraordinary general meeting held on 26 April 2019; and (ii) the share award scheme (the "**Share Award Scheme**") adopted by the Company on 21 October 2024. 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. For details of the Share Award Scheme, please refer to the announcement of the Company dated 21 October 2024. During the Reporting Period, no Shares acquired during the Report Period according to the Share Award Scheme have been awarded to any Directors of the Company.

(XI) CHANGE IN THE COMPOSITION OF THE BOARD

Dr. Song Haiyan ("**Dr. Song**") and Mr. Du Xiping ("**Mr. Du**") have tendered their resignation as an executive Director and non-executive Director, respectively. Dr. Song and Mr. Du also resigned as a member of the remuneration committee and a member of the nominating committee of the Company, respectively, with effect from 24 August 2024 as they wanted to devote more time to pursue their other commitments. On 24 August 2024, Mr. Tao Shunxiao ("**Mr. Tao**") and Mr. Zeng Guowei ("**Mr. Zeng**") have been appointed as the non-executive Directors, and a member of the remuneration committee and a member of the nominating committee of the Company, respectively, with effect from 24 August 2024. In accordance with Articles 88 of the Constitution of the Company, Mr. Tao and Mr. Zeng shall hold office only until the next annual general meeting and shall then be eligible for re-election. Therefore, Mr. Tao and Mr. Zeng shall retire at the forthcoming annual general meeting and shall offer themselves 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 2024.

3. *Employees and Remuneration Policies*

As at 31 December 2024, there were 902 (31 December 2023: 1,095) 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.

The Group has also adopted the Share Award Scheme on 21 October 2024 to (i) provide incentives to any person who is a full-time employee of any member of the Group, including but not limited to director, senior management, key operation team member (collectively, the "**Eligible Participants**") and reward their contributions; (ii) to retain Eligible Participants to continuously serve the Group for operation and development of the Group; and (iii) attract suitable professional and experienced talents for further development of the Group.

4. *Material Litigation and Arbitration*

As at 31 December 2024, the Group was not involved in any material litigation or arbitration.

5. *Discloseable Transactions During the Reporting Period*

SUBSCRIPTION OF WEALTH MANAGEMENT PRODUCTS

(1) On 17 July, 18 July and 22 July 2024, Zhejiang Zhongguang New Energy Technology Co., Ltd.* (浙江中光新能源科技有限公司) ("**Zhejiang Zhongguang**"), an indirect non-wholly owned subsidiary of the Company, subscribed for Huaan Securities Exclusive Monthly Winning No. 2 Collective Asset Management Plan* (華安證券專享月月贏2號集合資產管理計劃) (the "**Product No. 2**"), Huaan Securities Exclusive Monthly Winning No. 3 Collective Asset Management Plan* (華安證券專享月月贏3號集合資產管理計劃) (the "**Product No. 3**") and Huaan Securities Exclusive Monthly Winning No. 4 Collective Asset Management Plan* (華安證券專享月月贏4號集合資產管理計劃) (the "**Product No. 4**"), offered and managed by Huaan Securities Co., Ltd. (華安證券股份有限公司), a company established under the PRC laws with limited liability, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600909) ("**Huaan Securities**"), the aggregate principal amount of such products was RMB15 million (collectively, the subscriptions of Product No. 2, Product No. 3 and Product No. 4 as the "**First Subscriptions**").

(2) On 23 July 2024, Zhejiang Zhongguang subscribed for the Huaan Securities Exclusive Monthly Winning No. 1 Collective Asset Management Plan* (華安證券專享月月贏1號集合資產管理計劃) ("**Product No. 1**") offered and managed by Huaan Securities for a subscription amount of RMB30 million (the "**Second Subscription**").

Product No. 1 is a fixed-income collective asset management plan with a term of 10 years and the funds so raised under Product No. 1 will be invested in bonds, notes and fixed-income assets as permitted by the China Securities Regulatory Commission. The major terms of the First Subscriptions are basically identical to that of the Second Subscription.

The funds for the First Subscriptions and Second Subscription are the internal funds of the Group that are not required immediately for operation or capital expenditure. The Group reasonably utilises the aforesaid funds to subscribe for wealth management products issued by the commercial banks and other financial institutions in the PRC and Hong Kong to earn additional income without affecting its normal operations or incurring additional risks to its liquid assets. Meanwhile, wealth management products offer a better potential return to the Group when compared to the deposit interest rates normally offered by commercial banks in the PRC and Hong Kong. Further, the Group has fully considered the funds needed for the Group's daily operation and capital operation when subscribing to Product No. 1, Product No. 2, Product No. 3 and Product No. 4 and determining the subscription amounts.

The First Subscriptions, on a standalone basis, do not constitute notifiable transactions of the Company as the applicable percentage ratio calculated pursuant to Rule 14.07 of the Listing Rules is below 5%. However, pursuant to Rule 14.22 of the Listing Rules, given that the First Subscriptions and Second Subscription were made within a 12-month period with the same parties to the transactions, they will be aggregated and treated as if there was one series of transactions for the purpose of calculating the relevant percentage ratios.

As the highest percentage ratio as set out in the Listing Rules in respect of the transactions contemplated under the First Subscriptions and Second Subscription is more than 5% but less than 25%, the First Subscriptions and Second Subscription and the transactions contemplated thereunder constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements.

For details of the First Subscriptions and Second Subscription, please refer to the announcement of the Company dated 23 July 2024.

(3) On 24 July 2024, 25 July and 29 July 2024, Zhejiang Zhongguang furthered subscribed for RMB25 million in Product No. 2, RMB18 million in Product No. 3 and RMB25 million in Product No. 4 offered and managed by Huaan Securities, the aggregate principal amount of the additional amounts subscribed by Zhejiang Zhongguang was RMB68 million (the "**Third Subscriptions**", together with the First Subscriptions and the Second Subscription, the "**Subscriptions**").

Pursuant to Rule 14.22 of the Listing Rules, given that the Subscriptions were made within a 12-month period with the same parties to the transactions, they will be aggregated and treated as if there was one series of transactions for the purpose of calculating the relevant percentage ratios.

As the highest percentage ratio as set out in the Listing Rules in respect of the transactions contemplated under the Subscriptions is more than 5% but less than 25%, the Subscriptions and the transactions contemplated thereunder constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements.

The funds for the Third Subscriptions are the internal funds of the Group that are not required immediately for operation or capital expenditure. The Group reasonably utilises the aforesaid funds to subscribe for wealth management products issued by the commercial banks and other financial institutions in the PRC and Hong Kong to earn additional income without affecting its normal operations and incurring additional risks to its liquid assets. Meanwhile, wealth management products offer a better potential return to the Group when compared to the deposit interest rates normally offered by commercial banks in the PRC and Hong Kong. Further, the Group has fully considered the funds needed for the Group's daily operation and capital operation when subscribing to the Product No. 1, Product No. 2, Product No. 3 and Product No. 4 and determining the subscription amounts.

For details of the Third Subscriptions, please refer to the announcement of the Company dated 29 July 2024.

(4) on 3 September 2024, Zhejiang Zhongguang, subscribed for the CICC Xinyuan No. 1 Collective Asset Management Plan* (中金信遠1號集合資產管理計劃) (the "**CICC Product**") offered and managed by China International Capital Corporation Limited 中國國際金融股份有限公司 a company established under the PRC laws with limited liability the shares of which are listed on the Main Board of the Stock Exchange (stock code: 03908) and Shanghai Stock Exchange (stock code: 601995) in the principal amount of RMB40 million (the "**CICC Subscription**").

The CICC Product is a fixed-income collective asset management plan. The funds so raised under CICC Product will be invested in standardized credit assets (標準化債權類資產), including deposits, bonds, notes and fixed-income assets as permitted by the China Securities Regulatory Commission.

The funds for the CICC Subscription are the internal funds of the Group that are not required immediately for operation or capital expenditure. The Group reasonably utilises the aforesaid funds to subscribe for wealth management product(s) issued by the commercial banks and other financial institutions in the PRC and Hong Kong to earn additional income without affecting its normal operations and incurring additional risks to its liquid assets. Meanwhile, wealth management products offer a better potential return to the Group when compared to the deposit interest rates normally offered by commercial banks in the PRC and Hong Kong. Further, the Group has fully considered the funds needed for the Group's daily operation and capital operation when subscribing to the CICC Product and determining the subscription amount.

As the highest percentage ratio as set out in the Listing Rules in respect of the transactions contemplated under the CICC Subscription is more than 5% but less than 25%, the CICC Subscription and the transaction as contemplated thereunder constitute discloseable transactions of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements.

For details of the CICC Subscription, please refer to the announcement of the Company dated 3 September 2024.

6. *Connected Transactions*

(a) During the year ended 31 December 2024, the Group had the following continuing connected transactions with Hengtong Group Co., Ltd. ("**Hengtong Group**") and Hengtong Optic-Electric Co., Ltd. ("**Hengtong Optic-Electric**"):

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sale of finished goods	**56,139**	44,556
Purchase of raw materials	**246,381**	198,393

Jiangsu Hengxin has been selling the Group's products to and purchasing materials from Suzhou Hengli Telecommunications Materials Co., Ltd. ("**Suzhou Hengli**") since December 2008 under relevant sales master agreements or purchases master agreements. The term of the sales master agreement and the purchases master agreement entered into between Jiangsu Hengxin and Suzhou Hengli on 10 October 2019 has expired on 31 December 2022.

On 3 January 2023, Jiangsu Hengxin, Hengtong Group and Hengtong Optic-Electric (the holding company of Suzhou Hengli) (together and collectively with their respective associates, the "**Connected Parties**") entered into (i) the new sales master agreement ("**New Sales Master Agreement**") to govern the terms of the sales of products by Jiangsu Hengxin to the Connected Parties; and (ii) the new purchases master agreement ("**New Purchases Master Agreement**") to govern the terms of the purchases of materials by Jiangsu Hengxin from the Connected Parties, for the periods up to 31 December 2025.

On 31 May 2023, Jiangsu Hengxin, Hengtong Group and Hengtong Optic-Electric entered into a supplemental agreement to the New Purchases Master Agreement to amend the entity of the purchaser from Jiangsu Hengxin to Jiangsu Hengxin and its subsidiaries. Other terms of the New Purchases Master Agreement remain unchanged.

Suzhou Hengli is wholly-owned by Hengtong Optic-Electric. Hengtong Optic-Electric is held as to approximately 23.77% by Hengtong Group, which is beneficially owned by Mr. Cui Genliang and Mr. Cui Wei as to 27% and 73% respectively. Mr. Cui Genliang is the father of Mr. Cui Wei (the chairman of the Board, a non-executive Director and a substantial shareholder of the Company via his wholly-owned entity, Kingever Enterprises Limited). Separately, Mr. Cui Genliang directly owns approximately 3.86% of the share capital of Hengtong Optic-Electric and can control the composition of a majority of the board of directors of Hengtong Optic-Electric. In this regard, each of Mr. Cui Wei, Mr. Cui Genliang, Hengtong Group, Hengtong Optic-Electric and Suzhou Hengli is considered as a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the transactions contemplated under the New Sales Master Agreement and New Purchases Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the highest proposed annual sales caps is higher than 0.1% but less than 5%, the New Sales Master Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The annual sales cap for the year ended 31 December 2024 is RMB57.4 million.

As the highest applicable percentage ratio in respect of the highest proposed annual purchases caps is higher than 5%, the New Purchases Master Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review, circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. At the extraordinary general meeting of the Company held on 27 February 2023 (the "**2023 February EGM**"), the ordinary resolution for passing and confirming the New Purchases Master Agreement has been duly approved by the independent shareholders of the Company. The annual purchases cap for the year ended 31 December 2024 is RMB253.0 million.

For details of the New Sales Master Agreement and the New Purchases Master Agreement, please refer to the announcement of the Company dated 3 January 2023, the circular of the Company dated 3 February 2023 and the poll results announcement of the Company for the 2023 February EGM dated 27 February 2023.

(b) During the Reporting Period, the Group had the following continuing connected transaction with Shanghai Zhangyu Information Technology Co., Ltd.:

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Gross income from leasing of servers	**4,456**	7,550

On 1 January 2023, Hengxin Metaverse Limited ("**Hengxin Metaverse**"), a wholly-owned subsidiary of the Company, as lessor entered into the server leasing agreement ("**Server Leasing Agreement**") with Shanghai Zhangyu Information Technology Co., Ltd. (上海掌御信息科技有限公司) ("**Shanghai Zhangyu**") as lessee in relation to the leasing of 90 high performance servers ("**Servers**") for a term of three years commencing from 1 January 2023 to 31 December 2025.

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

The terms of the Server Leasing Agreement is three years commencing from 1 January 2023 to 31 December 2025 with a monthly rent of HK$700,000, subject to an annual adjustment of not more than 5%. The annual cap for the leasing of Servers for the year ended 31 December 2024 is HK$8.82 million.

As the highest annual rent for leasing the Servers to Shanghai Zhangyu is less than HK$10,000,000, and each of the applicable percentage ratios calculated in accordance with Chapter 14A of the Listing Rules was less than 25%, the transactions contemplated under the Server Leasing Agreement were subject to the reporting and announcement requirements but were exempt from the circular, independent financial advice and shareholders' approval requirements.

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

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

On 17 July 2024, the Group completed acquisition of Shanghai Zhangyu and upon completion, the Company indirectly owns the entire equity interest of Shanghai Zhangyu. Therefore the transactions contemplated under the Server Leasing Agreement no longer constitute continuing connected transactions under Chapter 14A of the Listing Rules.

For details of the acquisition of Shanghai Zhangyu, please refer to the announcements of the Company dated 20 May 2024, the circular of the Company dated 25 June 2024, the poll results announcement of the Company dated 10 July 2024 and the completion announcement dated 17 July 2024.

(c) During the Reporting Period, the Group had the following continuing connected transaction with Cosin Solar Technology Co., Ltd. (浙江可勝技術股份有限公司) ("**Cosin Solar**"):

On 22 April 2024, Zhejiang Zhongguang New Energy Technology Co., Ltd. (浙江中光新能源科技有限公司) ("**Zhongguang New Energy**"), an indirect non-wholly-owned subsidiary of the Company, entered into the operation and maintenance technical service contract ("**Service Contract**") with Cosin Solar for a duration of (i) six months before the date of grid-connected power generation ("**Grid-connected Power Generation**") of the Jinta Zhong Guang Solar Power "100MW CSP + 600MW PV" project – 100MW CSP project, being a 100MW tower-type molten salt solar thermal power station supporting 8 hours of heat storage, located in the Baishuiquan Photovoltaic Industrial Zone, Jinta County, Jiuquan City, Gansu Province, China, with an expected operation period of 25 years (the "**Jinta Photo-thermal Project**") and (ii) five consecutive years after the date of Grid-connected Power Generation.

Pursuant to the Service Contract, Cosin Solar agrees to entrust Zhongguang New Energy and Zhongguang New Energy agrees to provide the following services to Cosin Solar: (i) be responsible for assisting the Jinta Photo-thermal Project in accomplishing the production tasks and carrying out the daily operations related to the production tasks under the supervision and management of Cosin Solar during the production and operation period of the Jinta Photo-thermal Project; and (ii) provide services related to the overhaul and maintenance of the equipment and systems of the Jinta Photo-thermal Project, responsible for carrying out the necessary monitoring, repair and maintenance of the equipment and systems, and keep the equipment in good condition through daily maintenance to ensure safe and stable operation.

The services are divided into two phases: (i) six (6) months before the Grid-connected Power Generation of the Jinta Photo-thermal Project (subject to the notice of Cosin Solar), Zhongguang New Energy shall enter into the site in advance according to the requirements of Cosin Solar to prepare for the project and familiarize itself with the equipment and systems; and (ii) after the date of Grid-connected Power Generation of the Jinta Photo-thermal Project, Zhongguang New Energy shall provide the operation and maintenance services to Cosin Solar for a period of five (5) consecutive years.

The total service price is RMB90,200,000 (inclusive of VAT at the rate of 6% and subject to adjustment according to the actual number of service personnel for on-site preparation, actual power generation and satisfaction of safety production indicators), which consists of two parts: (i) a service fee for the preparation period for entry into the site of RMB5,200,000 (inclusive of VAT at the rate of 6% and subject to adjustment according to the actual number of service personnel for on-site preparation), which will be paid by Cosin Solar in installments in accordance with the contract from the month when Cosin Solar notifies Zhongguang New Energy to enter the site for preparation; and (ii) an annual normal operation and maintenance service fee of RMB17,000,000 (inclusive of VAT at the rate of 6%, the installments are payable in each operation and maintenance quarter, of which the amount of ten percent (10%) of the annual normal operation and maintenance service fee shall be the assessment fee and will be settled based on the results of the annual appraisal and be paid by Cosin Solar to Zhongguang New Energy within one (1) month after the settlement). The annual caps on the maximum amounts of fees receivable from Cosin Solar for the year ended 31 December 2024 is RMB9,500,000. During the Reporting Period, the revenue recognized from the operation and maintenance service under the Service Contract was approximately RMB1,635,000.

Zhongguang New Energy is an indirect non-wholly-owned subsidiary of the Company. As the date of signing the Service Contract, (i) Hangzhou Longkong Zhongguang Enterprise Holding Enterprise Partnership (Limited Partnership) (杭州龍控中光企業控股合夥企業（有限合夥）("**Hangzhou Longkong**") was the holding company of Zhongguang New Energy, while approximately 12.33% equity interest of Hangzhou Longkong was held by Cosin Solar, and therefore Cosin Solar was a substantial shareholder of Hangzhou Longkong; and (ii) Cosin Solar also held 28.25% equity interest in Ningbo Fuju Zhongguang Venture Capital Enterprise Partnership (Limited Partnership) (寧波復聚中光創業投資合夥企業(有限合夥) ("**Fuju Zhongguang**"), while approximately 28.86% equity interest of Zhongguang New Energy was held by Fuju Zhongguang, and therefore Fuju Zhongguang was a substantial shareholder of Zhongguang New Energy. Therefore, Cosin Solar was regarded as a connected person at the subsidiary level of the Company. Accordingly, the transactions contemplated under the Service Contract constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As (i) Cosin Solar is a connected person at the subsidiary level of the Company and the Service Contract was entered into on normal commercial terms and has been approved by the Board, and (ii) the independent non-executive Directors are of the view that the transactions contemplated under the Service Contract were in the course of business of Zhongguang New Energy, on normal commercial terms, the terms of which are fair and reasonable and in the interest of the Company and its Shareholders as a whole, the continuing connected transactions contemplated thereunder are subject to the annual review, reporting and announcement requirements but exempt from the independent financial advice and independent shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules.

In addition, as the duration of the Service Contract exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed an independent financial adviser to explain why the Service Contract requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration.

For details of the Service Contract, please refer to the announcement of the Company dated 22 April 2024.

(d) During the Reporting Period, the Group had the following connected transaction with Nanjing Zhangyu Information Technology Co., Ltd.:

On 28 April 2023, Xin Ke Xin (Suzhou) Technology Co., Ltd. (鑫科芯（蘇州）科技有限公司) ("**Xin Ke Xin**"), an indirect wholly-owned subsidiary the Company (as lender), entered into a loan agreement (the "**First Loan Agreement**") with Nanjing Zhangyu Information Technology Co., Ltd. (南京掌御信息科技有限公司) ("**Nanjing Zhangyu**") (as borrower), pursuant to which Xin Ke Xin agreed to provide the first loan to Nanjing Zhangyu in the principal amount of RMB40,000,000 for a term of one year with an annual interest rate of 4.9% (the "**First Loan**") commencing from the date of the First Loan Agreement.

On 31 May 2023, Xin Ke Xin (as lender) entered into another loan agreement (the "**Second Loan Agreement**") with Nanjing Zhangyu (as borrower), pursuant to which Xin Ke Xin will provide a second loan to Nanjing Zhangyu in the principal amount of RMB210.0 million for a term of one year with an annual interest rate of 4.9% (the "**Second Loan**") commencing from the date of drawdown of the Second Loan for the purpose of settling the consideration under the possible acquisitions of the equity interest of Zhejiang Zhongguang New Energy Technology Co., Ltd. (浙江中光新能源科技有限公司), subject to certain conditions precedent.

Mr. Peng Yinan is an executive Director and a connected person of the Company at the issuer level under the Listing Rules. As at the date of the Second Loan Agreement, Nanjing Zhangyu was held as to 51% indirectly by the Company and 49% indirectly by Mr. Peng Yinan, Nanjing Zhangyu was a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules. Furthermore, as the Second Loan Agreement, subject to the conditions precedent set out therein, and the First Loan Agreement were a series of transactions entered into with the same party within a 12-month period, the Second Loan Agreement and the First Loan Agreement were aggregated as if they were one transaction pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) on an aggregate basis exceeds 5% and the total principal amount of the First Loan and the Second Loan exceeds HK$10,000,000, the transactions contemplated under the Second Loan Agreement and the First Loan Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules and were subject to the reporting, announcement, annual review and the independent shareholders' approval requirements.

The terms of the First Loan Agreement and Second Loan Agreement (including the interest rate) were negotiated on an arm's length basis between Xin Ke Xin and Nanjing Zhangyu having taken into account the prevailing market interest rates and practices. The Group finances the First Loan and Second Loan from its internal resources.

The Second Loan Agreement was approved, confirmed and ratified at the extraordinary general meeting of the Company held on 19 July 2023 (the "**2023 July EGM**") by an ordinary resolution.

For details of the First Loan Agreement and the Second Loan Agreement, please refer to the announcements of the Company dated 28 April 2023 and 31 May 2023, the circular of the Company dated 29 June 2023 and the 2023 July EGM poll results announcement of the Company dated 19 July 2023.

On 7 March 2024, Xin Ke Xin as the lender, entered into an extension agreement to the First Loan (the "**First Loan (Extension) Agreement**") and an extension agreement to the Second Loan (the "**Second Loan (Extension) Agreement**") with Nanjing Zhangyu (as borrower) (collectively, the "**Loan (Extension) Agreements**"), pursuant to which Xin Ke Xin agreed to subject to the conditions precedent set out therein, (i) extend the repayment date of the First Loan from 27 April 2024 to 27 April 2025; and (ii) extend the repayment date of the Second Loan from 18 July 2024 to 18 July 2025, respectively (collectively, the "**Extension**").

As the First Loan (Extension) Agreement and the Second Loan (Extension) Agreement constitute a series of transactions entered into between the same parties within a 12-month period, the First Loan (Extension) Agreement and the Second Loan (Extension) Agreement were aggregated as if they were one transaction pursuant to Rule 14A.81 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Extension and the transactions contemplated under the Loan (Extension) Agreements is higher than 25% and the total principal amount of the First Loan and Second Loan exceeds HK$10,000,000, the Loan (Extension) Agreements and the transactions contemplated thereunder shall be subject to the reporting, announcement, annual review, circular (including independent financial adviser's advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Extension and the transactions contemplated under the Loan (Extension) Agreements is higher than 25% but is less than 100%, the Loan (Extension) Agreements and the transactions contemplated thereunder also constitute a major transaction and therefore shall be subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As Nanjing Zhangyu is still in its development stage, the entering of the Loan (Extension) Agreements can allow Nanjing Zhangyu to reserve its working capital and financial resources for the development and operation of its business in the development, design and sale of integrated circuits, digital products, computer hardware, computer technology application and software. The Extension of the Loans will ensure Nanjing Zhangyu will be able to operate smoothly by reserving its working capital and financial resources and supporting the continuous diversification development strategy of the Group which will be beneficial to the Group's development in the long run.

The terms of the Loan (Extension) Agreements were negotiated on an arm's length basis between Xin Ke Xin and Nanjing Zhangyu having taken into account the prevailing market practices. The Directors (including the independent non-executive Directors) consider that the Loan (Extension) Agreements have been entered into on normal commercial terms, and the terms and conditions therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The First Loan (Extension) Agreement and Second Loan (Extension) Agreement were approved, confirmed and ratified at the extraordinary general meeting of the Company held on 26 April 2024 (the "**2024 April EGM**") by an ordinary resolution.

For details of the First Loan (Extension) Agreement and Second Loan (Extension) Agreement, please refer to the announcements of the Company dated 7 March 2024 and 27 March 2024, the circular of the Company dated 11 April 2024 and the 2024 April EGM poll results announcement of the Company dated 26 April 2024.

As Group completed the acquisition of Nanjing Zhangyu on 17 July 2024 and upon completion, the Company indirectly owns the entire equity interest of Nanjing Zhangyu. Therefore the transactions contemplated under the Loan (Extension) Agreements no longer constitute connected transactions under Chapter 14A of the Listing Rules.

For details of the acquisition of Nanjing Zhangyu, please refer to the announcements of the Company dated 20 May 2024, the circular of the Company dated 25 June 2024, the poll results announcement of the Company dated 10 July 2024 and the completion announcement dated 17 July 2024.

(e) During the course of the Company's management reporting preparation, it was noted that Jiangsu Hengxin, in its ordinary and usual course of business, procured the transportation services in relation to Jiangsu Hengxin's raw materials purchased and/or products sold in the PRC (the "**Logistic Services**") commencing from 2024 from Jiangsu Hengtong International Logistics Company Limited* (江蘇亨通國際物流有限公司) ("**Hengtong Logistics**") during the first half of the Reporting Period pursuant to a service agreement entered into between Jiangsu Hengxin and Hengtong Logistics on 15 December 2023 (the "**2023 Service Agreement**").

(i) Hengtong Logistics is beneficially owned by Hengtong Group, Suzhou Hengtong Yongsheng Venture Capital Enterprise (Limited Partnership)* (蘇州亨通永盛創業投資企業(有限合夥)) and Mr. Cui Wei (chairman and non-executive Director of the Company and a substantial shareholder) as to 51%, 30% and 19% respectively; (ii) Suzhou Hengtong Yongsheng Venture Capital Enterprise (Limited Partnership)* (蘇州亨通永盛創業投資企業(有限合夥)) is owned as to 99% by Suzhou Hengtong Investment Management Partnership (Limited Partnership)* (蘇州亨通投資管理合夥企業(有限合夥)) and 1% by Mr. Cui Wei respectively; (iii) Suzhou Hengtong Investment Management Partnership (Limited Partnership)* (蘇州亨通投資管理合夥企業(有限合夥)) is in turn owned by Hengtong Group, Mr. Cui Wei and Jiangsu Hengtong Venture Capital Co., Ltd.* (江蘇亨通創業投資有限公司) as to approximately 59.03%, 40.16% and 0.81% respectively; and (iv) Hengtong Group is beneficially owned by Mr. Cui Genliang and Mr. Cui Wei as to 27% and 73% respectively. Mr. Cui Genliang is the father of Mr. Cui Wei. Accordingly, the aforesaid transactions constituted continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

During the first half of the Reporting Period, the aggregate transaction amount of the Logistic Services procured by Jiangsu Hengxin from Hengtong Logistics was approximately RMB14.1 million (the "**Historical Transactions for 1H2024**"). For the avoidance of doubt, Jiangsu Hengxin did not procure the Logistic Services before January 2024 and after June 2024. The Company calculated the applicable percentage ratios under the Listing Rules based on the amount of the Historical Transactions for 1H2024. As all of the applicable percentage ratios exceeded 0.1% but were less than 5%, such transactions were subject to the reporting, announcement and annual review requirements, but exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Nevertheless, due to inadvertent oversight, the Company failed to comply with relevant requirements for continuing connected transactions under Chapter 14A of the Listing Rules. The major reason for the Company's oversight was that local finance staff of Jiangsu Hengxin failed to report the relevant transactions to the headquarters of the Company in a timely manner.

Immediately after the Company became aware of the aforesaid failure to comply with relevant requirements for continuing connected transaction under Chapter 14A of the Listing Rules, Jiangsu Hengxin halted its procurement of the Logistic Services from Hengtong Logistics.

Due to Jiangsu Hengxin's operational needs under its ordinary and usual course of business, on 1 August 2024, Jiangsu Hengxin and Hengtong Logistics entered into the conditional framework agreement (the "**Framework Agreement**") which supersedes the 2023 Service Agreement and governs the procurement of the Logistic Services by Jiangsu Hengxin from Hengtong Logistics for the three years ending 31 December 2026, subject to independent shareholders' approval. According to the Framework Agreement, Jiangsu Hengxin and Hengtong Logistics will enter into individual contract for provision of specific Logistic Services. The service fee payable by Jiangsu Hengxin to Hengtong Logistics will be set out in the individual contract and will be determined based on service content, including but not limited to, distance and weight of cargo to be transported. Prior to entering into an individual contract, purchasing department of Jiangsu Hengxin will obtain quotations from at least 3 suppliers who provide the Logistic Services (which may include Hengtong Logistics). The service fee payable by Jiangsu Hengxin to Hengtong Logistics shall be no less favourable to Jiangsu Hengxin than those payable to/quoted by independent third party suppliers. The annual caps for each of the three years ending 31 December 2026 are RMB30,000,000, RMB39,300,000 and RMB43,300,000 and were determined based on Jiangsu Hengxin's historical annual demand for the Logistics Services and its growing trend. During the Reporting Period, the Logistics Services provided by Hengtong Logistics to Jiangsu Hengxin amounted to approximately RMB17,561,000.

For details of the above continuing connected transaction contemplated under the Framework Agreement, please refer to the announcements of the Company dated 1 August 2024 and 5 September 2024, the circular of the Company dated 22 August 2024 and the extraordinary general meeting poll results announcement of the Company dated 9 September 2024.

7. *Major Transaction During the Reporting Period*

On 20 May 2024, Xin Ke Xin (the "**Purchaser**") and Xuzhou Jinkan Management Consulting Partnership (Limited Partnership)* (徐州錦瞰管理諮詢合夥企業(有限合夥) ("**Xuzhou Jinkan**") and Mr. Bai Yuanliao (collectively, the "**Vendors**") entered into an equity purchase agreement (the "**Equity Purchase Agreement**") pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell the remaining 49% equity interests (the "**Sale Equity**") in each of the Nanjing Zhangyu and Shanghai Zhangyu (collectively, the "**Target Companies**"), at the total consideration of RMB522.0 million in cash (the "**Consideration**").

The Consideration payable by the Purchaser is referenced to the pro rata shareholding of the Vendors in the Sale Equity and will be satisfied by internal resources of the Group and bank borrowings. The bank borrowings to be obtained by the Purchaser and guaranteed by the Company amounted to approximately RMB313.2 million, representing 60% of the Consideration, and will be fully utilised for the payment of the Consideration.

The Consideration was determined after arm's length negotiations between the parties to the Equity Purchase Agreement by taking into consideration of various factors, including but not limited to (i) the historical financial performance of the Target Companies; (ii) a preliminary valuation prepared by an independent valuer on the 100% equity interest of the Target Companies with aggregated market value of approximately RMB1,066.8 million as at 31 December 2023 under market approach, which is mainly based on Target Companies' financial performance for the year ended 31 December 2023 and the enterprise value-to-earnings before interest, taxes, depreciation and amortisation ("**EV/EBITDA**") ratios of the comparable companies; (iii) the business development opportunities and prospects of the group of companies of the Target Companies; and (iv) the benefits to be derived by the Group upon completion of the Equity Purchase Agreement.

As the highest applicable percentage ratio in respect of the acquisition of the Sale Equity is more than 100%, the Equity Purchase Agreement constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement, circular and shareholder's approval requirements under Chapter 14 of the Listing Rules.

Xuzhou Jinkan was ultimately owned as to approximately 99% by Mr. Peng Yinan, being an executive Director and a connected person of the Company under the Listing Rules. Accordingly, Xuzhou Jinkan was an associate of Mr. Peng Yinan and a connected person of the Company. As at 20 May 2024, Mr. Bai Yuanliao, being a then substantial shareholder of Shanghai Zhangyu, was a connected person of the Company at the subsidiary level. The acquisition of the Sale Equity therefore also constituted a connected transaction of the Company under Chapter 14A of the Listing Rules and was subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Upon completion of the Equity Purchase Agreement which took place on 17 July 2024, the Company holds the entire equity interests of the Target Companies indirectly through the Purchaser, and the financial statements of Target Companies and their subsidiaries will continue to be consolidated into the financial statements of the Group.

The Equity Purchase Agreement was approved, confirmed and ratified at the extraordinary general meeting of the Company held on 10 July 2024 (the "**2024 July EGM**") by an ordinary resolution.

For details of the Equity Purchase Agreement, please refer to the announcements of the Company dated 20 May 2024, 11 June 2024 and 21 June 2024, the circular of the Company dated 25 June 2024, the 2024 July EGM poll results announcement of the Company dated 10 July 2024 and the completion announcement of the Company dated 17 July 2024.

8. *Placing of New Shares Under the General Mandate During the Reporting Period*

On 23 April 2024 (after trading hours), the placing agreement ("**Placing Agreement**") was entered into between the Company and SBI China Capital Financial Services Limited (the "**Placing Agent**"), pursuant to which the Company has appointed the Placing Agent to procure altogether not less than six placees (the "**Placees**"), on a best effort basis, for subscribing up to an aggregate of 77,600,000 ordinary shares of the Company (the "**Placing Shares**") at HK$0.96 per Placing Share (the "**Placing Price**"). The Placing Price is exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee as may be payable. The Placing Shares were intended to be allotted and issued pursuant to the general mandate granted ("**General Mandate**") to the Board by the shareholders of the Company at the annual general meeting of the Company held on 28 April 2023 to allot, issue and deal with up to 77,600,000 new Shares (the "**Placing**").

The Placing Price was agreed after arm's length negotiations between the Company and the Placing Agent on the date of Placing Agreement with reference to the then market prices of the Shares. The Placing Price represented (i) a discount of approximately 17.24% to the closing price of HK$1.16 per Share as quoted on the Stock Exchange on 23 April 2024 (the "**Last Trading Day**"); and (ii) a discount of approximately 19.46% to the average closing price of HK$1.192 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to the Last Trading Day.

According to the Placing Agreement, the placing commission payable to the Placing Agent is 1.5% of the aggregate Placing Price multiplied by the number of Placing Shares actually placed by the Placing Agent. The placing commission was arrived at arm's length negotiation between the Company and the Placing Agent with reference to the prevailing market conditions, the size of the Placing and the prevailing market commission rate for similar transactions. Up to the Last Trading Day, no new Shares had been issued pursuant to the General Mandate. Accordingly, the allotment and issue of the Placing Shares was not subject to further Shareholders' approval.

Upon completion of the Placing the net proceeds, after deducting related Placing commission, professional fees and all related expenses, arising from the Placing were approximately HK$72.6 million ("**Net Proceeds**"). The Company intended to use such Net Proceeds from the Placing in the following manner:

(i) approximately 50%, or HK$36.3 million, will be used for further research and development of technological products and solutions adopting artificial intelligence module;

(ii) approximately 30%, or HK$21.8 million, will be used to develop and expand the integrated circuits and digital technology business and new energy and services business; and

(iii) approximately 20%, or HK$14.5 million, will be used for the business operation and general working capital of the Group.

The Board was of the view that the Placing would strengthen the financial position (in particular, the working capital and cash flow position) of the Group and broaden the Shareholder base of the Company. As the Company was actively exploring for business opportunities to diversify risk and broaden the sources of income of the Group, sufficient cash reserve was crucial for the development of the Company. The cash reserve is able to foster the on-going business development and operations.

The Directors (including the independent non-executive Directors) considered the Placing Agreement was entered into upon normal commercial terms following arm's length negotiations between the Company and the Placing Agent, and the terms of the Placing Agreement (including the Placing Price and the placing commission) to be fair and reasonable and the Placing was in the interests of the Company and the Shareholders as a whole.

The Company had not conducted any equity fund raising activities in the past twelve months immediately prior to the Last Trading Day.

As all the conditions to the completion of the Placing have been fulfilled on 8 May 2024 and completion of the Placing took place on 13 May 2024 ("**Completion**"). A total of 77,600,000 Placing Shares have been successfully placed by the Placing Agent to not less than six Placees at the Placing Price of HK$0.96 per Placing Share pursuant to the terms and conditions of the Placing Agreement, representing approximately 16.67% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares immediately upon Completion of the Placing.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placees and their respective ultimate beneficial owners are third parties who are independent of and not connected with or acting in concert with the Company, its connected persons (as defined under the Listing Rules) and their respective associates (as defined under the Listing Rules). None of the Placees and their ultimate beneficial owners have become a substantial shareholder (as defined under the Listing Rules) of the Company immediately upon Completion of the Placing.

As at the end of the Reporting Period, the usage of the Net Proceeds were as follows:

Usage	Allocation of Net Proceeds HK$ million	Utilized Net Proceeds HK$ million	Unutilized Net Proceeds HK$ million	Expected Year for the Application of the Unutilized Net Proceeds
Research and development of technological products and solutions adopting artificial intelligence module	36.3	7.3	29.0	2025
Development and expansion of the integrated circuits and digital technology business and new energy and services business	21.8	21.8	–	–
General working capital of the Group	14.5	11.6	2.9	2025
Total	72.6	40.7	31.9	

The shareholding structures of the Company (i) immediately before the Completion of the Placing; and (ii) immediately after Completion of the Placing are as follows:

Name of Shareholder	Shareholding immediately before the Completion of Placing		Shareholding immediately after the Completion of Placing	
	Number of Shares	% (Approximately)	Number of Shares	% (Approximately)
Kingever Enterprises Limited Note 1	108,868,662	28.06	108,868,662	23.38
Wellahead Holdings Limited Note 2	15,894,525	4.10	15,894,525	3.41
Mr. Du Xiping Note 3	11,468,000	2.96	11,468,000	2.46
Public Shareholders				
Placees Note 4	0	0.00	77,600,000	16.67
Other public Shareholders	251,768,813	64.89	251,768,813	54.07
Total	388,000,000	100.00	465,600,000	100.00

Notes:

1. Mr. Cui Wei (a non-executive director of the Company and Chairman of the Board) beneficially owns the entire issued share capital of Kingever Enterprises Limited.

2. Ms. Zhang Zhong (a non-executive director of the Company) beneficially owns the entire issued share capital of Wellahead Holdings Limited.

3. Mr. Du Xiping resigned as a non-executive director of the Company on 24 August 2024.

4. The Placees are independent investors.

As disclosed in the above shareholding table, immediately after the Completion of the Placing, over 25% of the issued share capital of the Company was in the public hands (including the Placees).

For details of the Placing, please refer to the announcements of the Company dated 23 April 2024 and 13 May 2024 and the next day disclosure return of the Company submitted on 13 May 2024.

9. *Share Award Scheme*

On 21 October 2024 (the "**Adoption Date**"), the Board has adopted the share award scheme (the "**Share Award Scheme**") for the purpose of the Company's grant of the award shares of the Company (the "**Award Shares**") to an eligible participant(s) (the "**Selected Participant**") selected by the Board or a committee delegated with the power and authority by the Board to administer the Share Award Scheme, person(s) or sub-committee of the Board as authorized by the Board to administer the Share Award Scheme in accordance with the terms of, and is/are entitled to receive an award under the Share Award Scheme; or any other person(s) who is/are entitled to receive an award under the rules of the Share Award Scheme (the "**Rules**") after the passing of the original Selected Participant from time to time pursuant to the Rules.

The purposes of the Share Award Scheme are (1) to provide incentives to eligible participants ("**Eligible Participants**") who are (a) any person who is a full-time employee of any member of the Group, including but not limited to director, senior management, key operation team member (excluding such person who is (i) resident in a place where the grant, acceptance or vesting of the award pursuant to the Share Award Scheme is not permitted under, or contrary to, the laws and regulations of such place; or (ii) where, in the view of the Board or the management committee, person(s) or sub-committee of the Board as authorized by the Board to administer the Share Award Scheme, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such person); or (b) service providers (the "**Service Providers**") to the Group on a continuing or recurring basis in their ordinary and usual course of business which are in the interests of the long-term growth of the Group (excluding placing agents, financial advisers, professional service providers such as auditors and valuers); (2) to retain Eligible Participants to continuously serve the Group for operation and development of the Group; and (3) to attract suitable professional and experienced talents for further development of the Group.

The Share Award Scheme will purchase existing Shares through the trustee (the "**Trustee**") appointed by the Company from time to time for administration of the Share Award Scheme on the market. The Share Award Scheme was contemplated and adopted to be funded solely by existing Shares. The Share Award Scheme constitutes a share scheme under Chapter 17 of the Listing Rules and shall be subject to the applicable disclosure requirements under Rule 17.12 of the Listing Rules. However, it does not constitute a scheme involving the issue of new Shares as referred to in Chapter 17 of the Listing Rules. Therefore, no Shareholders' approval is required to adopt the Share Award Scheme.

The Share Award Scheme shall remain valid and effective for the period commencing from the Adoption Date and ending on the trading day immediately before the 10th anniversary of the Adoption Date. The Board has the authority and is responsible for the administration of the Share Award Scheme in accordance with the Rules and, where applicable, the trust deed to be entered into between the Company and the Trustee (as restated, supplemented and amended from time to time) in respect of the appointment of the Trustee for the administration of the Share Award Scheme (the "**Trust Deed**"). The trust constituted under the Trust Deed or other trust(s) from which the Award Shares may be granted to a Selected Participant pursuant to the Share Award Scheme (the "**Trust**") is established to serve the Share Award Scheme and subject to the relevant provisions of the Trust Deed and the instructions from the Company, the Trustee shall utilize funds transferred by the Company for the purpose of acquiring existing Shares through on-market transactions. The maximum number of Award Shares under the Share Award Scheme shall be the maximum number of Shares to be purchased by the Trustee on the market from time to time at the prevailing market price with funds transferred by the Company (the "**Scheme Cap**"). As at the Adoption Date, the Company had 465,600,000 issued Shares. Under any circumstances, the maximum number of all Award Shares, stock options and share awards which may be awarded under the Share Award Scheme or any other share scheme of the Company, shall not exceed 10% of the issued shares of the Company as at the Adoption Date (i.e. 46,560,000 Shares). The maximum number of all Award Shares, stock options and share awards which may be awarded to Service Providers shall not in aggregate exceed the sublimit of 5% of the issued Shares as at the Adoption Date (i.e. 23,280,000 Shares). The maximum number of Award Shares or any share awards or share options which may be granted to a Selected Participant under the Share Award Scheme, or any other share scheme of the Company, in any twelve-month period shall not exceed 1% of the issued share capital of the Company from time to time.

During the Reporting Period and subsequent to the Adoption Date and up to 31 December 2024, the Trustee has acquired 2,326,000 Shares (representing 0.500% of the issued shares as at the date of this annual report) through on-market transactions and no Shares have been awarded to any Eligible Participants or Service Providers up to 31 December 2024.

The total number of (i) awards available for grant under the scheme mandate limit of the Share Award Scheme; and (ii) options available for grant under the scheme mandate limit of the other share option scheme, was 38,800,000 Shares as at 1 January 2024, and 46,560,000 Shares as at 31 December 2024. The Company Service Providers sublimit under the Share Award Scheme is 23,280,000 Shares. As the Company has no other share option scheme in force during the Reporting Period and as at 31 December 2024, therefore, there is no Service Providers sublimit for other share option scheme.

The number of Shares that may be issued in respect of options and awards granted under all share schemes of the Company during the Reporting Period was: nil.

For details regarding administration, scheme limit, grant of award, dealing in Shares by the Trustee, vesting of Award Shares, unvested Shares and returned Award Shares, restrictions, voting rights of the Share Award Scheme, please refer to the announcement of the Company dated 21 October 2024.

The following table sets out the principal risks which the Group faces, and the mitigating actions being done by the Group to manage and/or reduce such risks during FY2024:

No.	RISK	BUSINESS SEGMENT	DESCRIPTION	MITIGATING ACTIONS/MEASURES
1	Business and industry risk	Integrated Circuits and Digital Technology	(a) The integrated circuits industry is a strongly cyclical industry, with weakening demand, falling prices and increased competition during its downward cycle.	(i) Diversify product lines; and sources for suppliers channel; (ii) Develop platform-based integrated circuit business systems; (iii) Build close relationships with major customers; and (iv) Increase coverage of downstream industries.
			(b) Under the support of industrial policies in the PRC and stimulated by market demand, the number of domestic chip design companies has grown with increasingly sophisticated technologies, resulting in intensified homogeneous competition among some chip products. The industry in which the Company operates has been confronted with the risk of falling product prices and shrinking profit margins.	(i) Strengthen the promotion and application of self-developed chips; (ii) Increase new application scenarios of industrial grade products, new energy, the IoT and Internet of Vehicles, etc.; (iii) Increase technology investment and micro-innovation; and (iv) Product differentiation.
		New Energy and Services	(a) Reputational risk Risk of production accidents due to operation errors in production operation and maintenance, violation of operating procedures or related requirements.	Strengthen the training and cultivation of professional operation and maintenance personnel to avoid frequent replacement of personnel in key positions; optimize the production operation with relevant interlocking protection to improve automatic operation capability, reduce human operation risks and avoid accidents.
			(b) Market competition risk As more and more solar thermal energy storage power plants are constructed and operated, the market competitiveness will increase significantly, while the competitors' operation level continues to improve, the market competitiveness will be gradually narrowed.	Strengthen long-term cooperation with partners to improve service quality; maximize the market share of services.
		Telecommunications	(a) The overall economic development and the scale of network construction by telecom operators have a significant impact on the Group's operations. The construction scale and investment progress of telecom operators determine the strength and speed of their equipment procurement, which is the most significant business and industry risk to the Group's operations.	(i) Continue to build on the Group's momentum in overseas expansion; (ii) Introduce new product offerings to reduce reliance on a few product models; (iii) The Group has also strengthened the development with enterprise level customers; (iv) Focus on product quality checks to ensure no defective products are sent to customers to maintain the Group's reputation; (v) Build and extend close relationships with large customers to understand their purchasing trends; (vi) Continue to build relationships with local and overseas partners in tendering for projects; and (vii) Actively seek appropriate acquisition targets to form positive synergies or to complement the Group's growth.
			(b) The internal competition in the telecommunications sector is fierce, especially the price competition.	(i) Strengthen the effort on research and development and market exploration for high profit margin products like 5G antennas, leaky cables and accessories and by securing more approvals as a qualified supplier for the Group's major customers and entering into new geographic markets; and (ii) Continue to improve production and logistical efficiencies with continuous internal micro-innovation and gradually achieve the replacement of self-produced raw materials for outsourcing to lower costs and to stay competitive.

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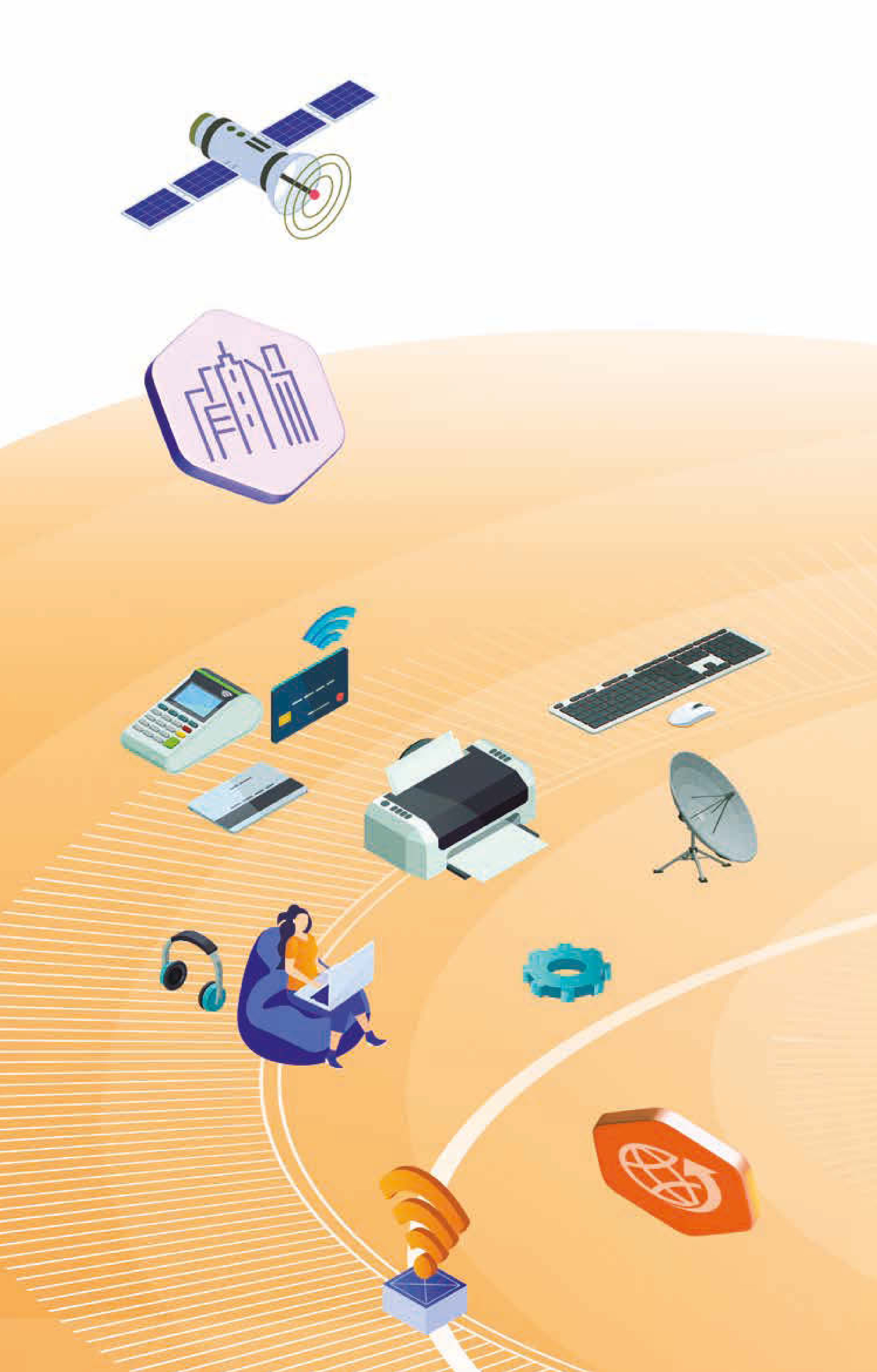
No.	RISK	BUSINESS SEGMENT	DESCRIPTION	MITIGATING ACTIONS/MEASURES
2	Technology risk	Integrated Circuits and Digital Technology	The integrated circuit design industry in which the Company operates is a typical technology-intensive industry with technology upgrades and product iterations at a high speed. Meanwhile, chip products have higher technical barriers, and first-mover companies enjoy significant advantages. If the Company makes mistakes in its judgment of market demand or slow development progress in the follow-up Research and development process, it will face the risk of being grabbed for market share by competitors.	(i) Adhere to independent research and development, and continue to invest in the advantageous fields of the IoT to maintain a leading position; and (ii) Adopt cooperative research and development and commissioned development to reduce development risks.
		New Energy and Services	(a) Proprietary technology providers will no longer provide technical services (control system or control software related technical services). Professional technology providers will no longer provide free technical services, and will charge higher operation and maintenance service fees, or discontinue technical services.	According to the operation of the equipment, properly purchase corresponding spare parts for post-maintenance; develop the replacement equipment for the corresponding proprietary equipment and calculate the engineering application in advance; evaluate and inspect other updated proprietary equipment.
			(b) Proprietary equipment suppliers will no longer manufacture relevant equipment and spare parts, and the corresponding equipment needs to be upgraded or new replacement equipment needs to be developed.	Maintain the technical service contracts of specialized equipment suppliers and negotiate and sign corresponding cooperation agreements with them to ensure that the operational requirements can be met during the life cycle of the equipment.
		Telecommunications	In the development of 5G technology, the leaders and technology route for investment and construction are different from before. In the process of commercialization of 5G technology, product forms and 5G application models are constantly being explored, and there are many uncertainties, which may increase the risk of research and development and large-scale production.	(i) In order to maintain the leading position and market share of our Group, we develop new technologies and products independently through our Research and development team and, on the other hand, staying close to our customers (mainly telecom operators and equipment manufacturers) to understand the changing trends and their needs, so as to enhance the direction of our Research and development; (ii) We also actively introduce our 4G smart antennas and other ancillary accessories to overseas customers as there is still demand for 4G technology in overseas markets; and (iii) At present, the Company has stopped the research and development of micro base stations and turned to the research and development of repeaters (直放站), because the current market capacity of this business is much larger than that of micro base stations.
3	Credit risk	Integrated Circuits and Digital Technology	Bad debt risk generating from untimely collection of customer receivables.	(i) Establish customer files and strict credit approval; and (ii) Improve the management system for collection of customer receivables, and incorporate the collection index into the performance assessment.
		New Energy and Services	Bad debt risk generating from untimely collection of customer receivables.	The single customer for new energy and services is the State Grid Corporation, which also enjoys special subsidy funds for renewable energy from the Ministry of Finance, and has a strong guarantee of payment ability. The Company will complete all pre-requisite procedures for customers payback in a timely manner after each billing cycle to shorten the cycle.
		Telecommunications	Credit risk is the risk arising from the possibility of an obligor's inability to perform its contractual obligations. Credit risk may stem from both on-balance and off-balance sheet transactions. The potential risk associated with the non- performance of the contractual obligations by the borrower or transaction counter-party will increase the credit risk.	(i) Adopt the policy of only dealing with credit worthy counterparties and where appropriate, obtain sufficient collateral as a means of mitigating the risk of financial loss from defaults; (ii) Regularly review the publicly available financial information of the Group's largest customers, who are mainly telecom operators and major equipment manufacturers, which are basically large-scale domestic and overseas listed companies with sound reputation; (iii) Set credit limits for all other customers and regularly evaluate the credit limits on the basis of publicly available financial and non-financial information of them, and for existing customers, also their sales orders and repayment records; and (iv) Regularly monitor the Group's exposure and the credit ratings to prevent excessive credit exposure to a single customer.

No.	RISK	BUSINESS SEGMENT	DESCRIPTION	MITIGATING ACTIONS/MEASURES
4	Foreign currency risk	Integrated Circuits and Digital Technology	Increased uncertainty in the international trading environment, further spread of counter-globalisation trade protectionism and exchange risks arising from overseas operations.	(i) Mainly adopt the RMB settlement mode, with the effect of exchange rate fluctuations borne by customers; and (ii) Use the forward exchange settlement to avoid exchange risk for foreign currency settlement businesses.
		New Energy and Services	No overseas operations are involved for the time being.	-
		Telecommunications	The drastic changes in China's foreign trade environment have caused significant fluctuations in the RMB exchange rate, which poses significant exchange risks for the Group's expanding overseas business.	(i) Denominate the Group's sales in RMB, except in currency controlled countries such as India, so as to maximise the advantage brought by the internationalisation of RMB; and (ii) Monitor the foreign currency exposure and continue implementing the policy in using foreign exchange forward contracts ("Forex Forwards") to strike a balance between the uncertainty and the risk of opportunity loss in light of the growing significance of the Group's exposure to fluctuations in foreign currency. As Forex Forwards also have risks, the Group will only consider hedging the foreign currency risk using Forex Forwards should the need arise.
5	Commodity price risk	Integrated Circuits and Digital Technology	Product prices have faced a certain risk of volatility due to factors such as increased competition in the industry, faster technological iterations and boom cycles in the downstream demand market.	(i) Develop new customers to reduce the risk of heavy dependence on large customers; and (ii) Adopt a sales-based production approach and select suppliers carefully when customer orders are placed.
		New Energy and Services	Risk of tariff uncertainty in the electricity market.	(i) Attention is required to be paid to the uncertain impact of the power market on the on-grid tariffs of new energy and services. (ii) The project of new energy and services is the first batch of demonstration projects of solar thermal power plants in Mainland China, with a fixed on-grid tariff of RMB1.2/kWh for a 10MW unit and a fixed on-grid tariff of RMB1.15/kWh for a 50MW unit. Meanwhile, in the power market, solar thermal power plants have excellent regulation speed and regulation range of power generation output, and are also a type of long-term energy storage power plant with strong grid regulation capability, able to provide the grid with a wide range of auxiliary services such as peak regulation, voltage modulation, backup, black start and momentum of inertia, and therefore are expected to gain stronger bargaining power in the power market in the future.
		Telecommunications	As the main raw material of RF Coaxial Cables, copper accounts for a higher proportion of the costs of production, and its price is high and fluctuating. In addition, the price fluctuations of petrochemical raw materials have a significant impact on costs of production due to their high usage. The price of non-ferrous and petrochemical raw materials fluctuated significantly in 2024, making it more difficult to control costs of production. The framework agreements entered into with the Group's major customers allow for a linkage mechanism between the selling price of RF Coaxial Cables and the price of copper, whereby the selling prices shall be adjusted should copper price movement exceed a certain adjustment level. If copper price increases for a protracted duration but does not reach the adjustment level, the selling price will not be able to trigger the linkage mechanism, resulting in an increase in costs of production and thus lowering the Group's gross profit margin. There is no such linkage mechanism for the Group's other products that require copper as raw material.	(i) Procure appropriate measures to control copper prices based on existing orders and market conditions; and (ii) Continue to explore reduction of costs of materials and manufacturing. We have successfully researched and developed some of our own raw materials to replace purchased products.
6	Interest rate risk	Integrated Circuits and Digital Technology	The external loans and borrowings bear fixed interest rate.	Fixed interest rate liabilities not subject to interest rate risk before maturity.
		New Energy and Services	The business segment has long-term and fixed interest-bearing liabilities, therefore is not sensitive to interest rate fluctuation.	Fixed interest rate liabilities not subject to interest rate risk before maturity.
		Telecommunications	The major interest rate risk that the Group is exposed to includes the Group's short-term debt obligations which may be subject to variable interest rates.	The Group's debt obligation arising from bank borrowings bears fixed interest rate. No variable rate debt obligations were held by the Group at the end of FY2024.




5G

Connected and Continuing Connected Transactions

(a) During the year ended 31 December 2024, the Group had the following continuing connected transactions with Hengtong Group Co., Ltd. ("**Hengtong Group**") and Hengtong Optic-Electric Co., Ltd. ("**Hengtong Optic-Electric**"):

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sale of finished goods	**56,139**	44,556
Purchase of raw materials	**246,380**	198,393

Jiangsu Hengxin has been selling the Group's products to and purchasing materials from Suzhou Hengli Telecommunications Materials Co., Ltd. ("**Suzhou Hengli**") since December 2008 under relevant sales master agreements or purchases master agreements. The term of the sales master agreement and the purchases master agreement entered into between Jiangsu Hengxin and Suzhou Hengli on 10 October 2019 has expired on 31 December 2022.

On 3 January 2023, Jiangsu Hengxin, Hengtong Group and Hengtong Optic-Electric (the holding company of Suzhou Hengli) (together and collectively with their respective associates, the "**Connected Parties**") entered into (i) the new sales master agreement ("**New Sales Master Agreement**") to govern the terms of the sales of products by Jiangsu Hengxin to the Connected Parties; and (ii) the new purchases master agreement ("**New Purchases Master Agreement**") to govern the terms of the purchases of materials by Jiangsu Hengxin from the Connected Parties, for the periods up to 31 December 2025.

On 31 May 2023, Jiangsu Hengxin, Hengtong Group and Hengtong Optic-Electric entered into a supplemental agreement to the New Purchases Master Agreement to amend the entity of the purchaser from Jiangsu Hengxin to Jiangsu Hengxin and its subsidiaries. Other terms of the New Purchases Master Agreement remain unchanged.

Suzhou Hengli is wholly-owned by Hengtong Optic-Electric. Hengtong Optic-Electric is held as to approximately 23.77% by Hengtong Group, which is beneficially owned by Mr. Cui Genliang and Mr. Cui Wei as to 27% and 73% respectively. Mr. Cui Genliang is the father of Mr. Cui Wei (the chairman of the Board, a non-executive Director and a substantial shareholder of the Company via his wholly-owned entity, Kingever Enterprises Limited). Separately, Mr. Cui Genliang directly owns approximately 3.86% of the share capital of Hengtong Optic-Electric and can control the composition of a majority of the board of directors of Hengtong Optic-Electric. In this regard, each of Mr. Cui Wei, Mr. Cui Genliang, Hengtong Group, Hengtong Optic-Electric and Suzhou Hengli is considered as a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the transactions contemplated under the New Sales Master Agreement and New Purchases Master Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the highest proposed annual sales caps is higher than 0.1% but less than 5%, the New Sales Master Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The annual sales cap for the year ended 31 December 2024 is RMB57.4 million.

Connected and Continuing Connected Transactions

As the highest applicable percentage ratio in respect of the highest proposed annual purchases caps is higher than 5%, the New Purchases Master Agreement and the transactions contemplated thereunder are subject to the reporting, announcement, annual review, circular (including independent financial advice) and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. At the extraordinary general meeting of the Company held on 27 February 2023 (the "**2023 February EGM**"), the ordinary resolution for passing and confirming the New Purchases Master Agreement has been duly approved by the independent shareholders of the Company. The annual purchases cap for the year ended 31 December 2024 is RMB253.0 million.

For details of the New Sales Master Agreement and the New Purchases Master Agreement, please refer to the announcement of the Company dated 3 January 2023, the circular of the Company dated 3 February 2023 and the poll results announcement of the Company for the 2023 February EGM dated 27 February 2023.

(b) During the Reporting Period, the Group had the following continuing connected transaction with Shanghai Zhangyu Information Technology Co., Ltd.:

	For the year ended 31 December	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Gross income from leasing of servers	**4,456**	7,550

On 1 January 2023, Hengxin Metaverse Limited ("**Hengxin Metaverse**"), a wholly-owned subsidiary of the Company, as lessor entered into the server leasing agreement ("**Server Leasing Agreement**") with Shanghai Zhangyu Information Technology Co., Ltd. (上海掌御信息科技有限公司) ("**Shanghai Zhangyu**") as lessee in relation to the leasing of 90 high performance servers ("**Servers**") for a term of three years commencing from 1 January 2023 to 31 December 2025.

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

The term of the Server Leasing Agreement is three years commencing from 1 January 2023 to 31 December 2025 with a monthly rent of HK$700,000, subject to an annual adjustment of not more than 5%. The annual cap for the leasing of Servers for the year ended 31 December 2024 is HK$8.82 million.

As the highest annual rent for leasing the Servers to Shanghai Zhangyu is less than HK$10,000,000, and each of the applicable percentage ratios calculated in accordance with Chapter 14A of the Listing Rules was less than 25%, the transactions contemplated under the Server Leasing Agreement were subject to the reporting and announcement requirements but were exempt from the circular, independent financial advice and shareholders' approval requirements.

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

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

On 17 July 2024, the Group completed acquisition of Shanghai Zhangyu and upon completion, the Company indirectly owns the entire equity interest of Shanghai Zhangyu. Therefore the transactions contemplated under the Server Leasing Agreement no longer constitute continuous connected transactions under Chapter 14A of the Listing Rules.

For details of the acquisition of Shanghai Zhangyu, please refer to the announcement of the Company dated 20 May 2024, the circular of the Company dated 25 June 2024, the poll results announcement of the Company dated 10 July 2024 and the completion announcement dated 17 July 2024.

(c) During the Reporting Period, the Group had the following continuing connected transaction with Cosin Solar Technology Co., Ltd. (浙江可勝技術股份有限公司) ("**Cosin Solar**"):

On 22 April 2024, Zhejiang Zhongguang New Energy Technology Co., Ltd. (浙江中光新能源科技有限公司) ("**Zhongguang New Energy**"), an indirect non-wholly-owned subsidiary of the Company, entered into the operation and maintenance technical service contract ("**Service Contract**") with Cosin Solar for a duration of (i) six months before the date of grid-connected power generation ("**Grid-connected Power Generation**") of the Jinta Zhong Guang Solar Power "100MW CSP + 600MW PV" project – 100MW CSP project, being a 100MW tower-type molten salt solar thermal power station supporting 8 hours of heat storage, located in the Baishuiquan Photovoltaic Industrial Zone, Jinta County, Jiuquan City, Gansu Province, China, with an expected operation period of 25 years (the "**Jinta Photo-thermal Project**") and (ii) five consecutive years after the date of Grid-connected Power Generation.

Pursuant to the Service Contract, Cosin Solar agrees to entrust Zhongguang New Energy and Zhongguang New Energy agrees to provide the following services to Cosin Solar: (i) be responsible for assisting the Jinta Photo-thermal Project in accomplishing the production tasks and carrying out the daily operations related to the production tasks under the supervision and management of Cosin Solar during the production and operation period of the Jinta Photo-thermal Project; and (ii) provide services related to the overhaul and maintenance of the equipment and systems of the Jinta Photo-thermal Project, responsible for carrying out the necessary monitoring, repair and maintenance of the equipment and systems, and keep the equipment in good condition through daily maintenance to ensure safe and stable operation.

The services are divided into two phases: (i) six (6) months before the Grid-connected Power Generation of the Jinta Photo-thermal Project (subject to the notice of Cosin Solar), Zhongguang New Energy shall enter into the site in advance according to the requirements of Cosin Solar to prepare for the project and familiarize itself with the equipment and systems; and (ii) after the date of Grid-connected Power Generation of the Jinta Photo-thermal Project, Zhongguang New Energy shall provide the operation and maintenance services to Cosin Solar for a period of five (5) consecutive years.

Connected and Continuing Connected Transactions

The total service price is RMB90,200,000 (inclusive of VAT at the rate of 6% and subject to adjustment according to the actual number of service personnel for on-site preparation, actual power generation and satisfaction of safety production indicators), which consists of two parts: (i) a service fee for the preparation period for entry into the site of RMB5,200,000 (inclusive of VAT at the rate of 6% and subject to adjustment according to the actual number of service personnel for on-site preparation), which will be paid by Cosin Solar in installments in accordance with the contract from the month when Cosin Solar notifies Zhongguang New Energy to enter the site for preparation; and (ii) an annual normal operation and maintenance service fee of RMB17,000,000 (inclusive of VAT at the rate of 6%, the installments are payable in each operation and maintenance quarter, of which the amount of ten percent (10%) of the annual normal operation and maintenance service fee shall be the assessment fee and will be settled based on the results of the annual appraisal and be paid by Cosin Solar to Zhongguang New Energy within one (1) month after the settlement). The annual caps on the maximum amounts of fees receivable from Cosin Solar for the year ended 31 December 2024 is RMB9,500,000. During the Reporting Period, the revenue recognized from the operation and maintenance service under the Service Contract was approximately RMB1,635,000.

Zhongguang New Energy is an indirect non-wholly-owned subsidiary of the Company. As the date of signing the Service Contract, (i) Hangzhou Longkong Zhongguang Enterprise Holding Enterprise Partnership (Limited Partnership) (杭州龍控中光企業控股合夥企業(有限合夥) ("**Hangzhou Longkong**") was the holding company of Zhongguang New Energy, while approximately 12.33% equity interest of Hangzhou Longkong was held by Cosin Solar, and therefore Cosin Solar was a substantial shareholder of Hangzhou Longkong; and (ii) Cosin Solar also held 28.25% equity interest in Ningbo Fuju Zhongguang Venture Capital Enterprise Partnership (Limited Partnership) (寧波復聚中光創業投資合夥企業(有限合夥) ("**Fuju Zhongguang**"), while approximately 28.86% equity interest of Zhongguang New Energy was held by Fuju Zhongguang, and therefore Fuju Zhongguang was a substantial shareholder of Zhongguang New Energy. Therefore, Cosin Solar was regarded as a connected person at the subsidiary level of the Company. Accordingly, the transactions contemplated under the Service Contract constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As (i) Cosin Solar is a connected person at the subsidiary level of the Company and the Service Contract was entered into on normal commercial terms and has been approved by the Board, and (ii) the independent non-executive Directors are of the view that the transactions contemplated under the Service Contract were in the course of business of Zhongguang New Energy, on normal commercial terms, the terms of which are fair and reasonable and in the interest of the Company and its Shareholders as a whole, the continuing connected transactions contemplated thereunder are subject to the annual review, reporting and announcement requirements but exempt from the independent financial advice and independent shareholders' approval requirement pursuant to Rule 14A.101 of the Listing Rules.

In addition, as the duration of the Service Contract exceeds three years, pursuant to Rule 14A.52 of the Listing Rules, the Company has appointed an independent financial adviser to explain why the Service Contract requires a longer period and to confirm that it is normal business practice for agreements of this type to be of such duration.

For details of the Service Contract, please refer to the announcement of the Company dated 22 April 2024.

(d) During the Reporting Period, the Group had the following connected transaction with Nanjing Zhangyu Information Technology Co., Ltd.:

On 28 April 2023, Xin Ke Xin (Suzhou) Technology Co., Ltd. (鑫科芯(蘇州)科技有限公司) ("**Xin Ke Xin**"), an indirect wholly-owned subsidiary the Company (as lender), entered into a loan agreement (the "**First Loan Agreement**") with Nanjing Zhangyu Information Technology Co., Ltd. (南京掌御信息科技有限公司) ("**Nanjing Zhangyu**") (as borrower), pursuant to which Xin Ke Xin agreed to provide the first loan to Nanjing Zhangyu in the principal amount of RMB40,000,000 for a term of one year with an annual interest rate of 4.9% (the "**First Loan**") commencing from the date of the First Loan Agreement.

On 31 May 2023, Xin Ke Xin (as lender) entered into another loan agreement (the "**Second Loan Agreement**") with Nanjing Zhangyu (as borrower), pursuant to which Xin Ke Xin will provide a second loan to Nanjing Zhangyu in the principal amount of RMB210.0 million for a term of one year with an annual interest rate of 4.9% (the "**Second Loan**") commencing from the date of drawdown of the Second Loan for the purpose of settling the consideration under the possible acquisitions of the equity interest of Zhejiang Zhongguang New Energy Technology Co., Ltd. (浙江中光新能源科技有限公司), subject to certain conditions precedent.

Mr. Peng Yinan is an executive Director and a connected person of the Company at the issuer level under the Listing Rules. As at the date of the Second Loan Agreement, Nanjing Zhangyu was held as to 51% indirectly by the Company and 49% indirectly by Mr. Peng Yinan, Nanjing Zhangyu was a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules. Furthermore, as the Second Loan Agreement, subject to the conditions precedent set out therein, and the First Loan Agreement were a series of transactions entered into with the same party within a 12-month period, the Second Loan Agreement and the First Loan Agreement were aggregated as if they were one transaction pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) on an aggregate basis exceeds 5% and the total principal amount of the First Loan and Second Loan exceeds HK$10,000,000, the transactions contemplated under the Second Loan Agreement and the First Loan Agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules and were subject to the reporting, announcement, annual review and the independent shareholders' approval requirements.

The terms of the First Loan Agreement and Second Loan Agreement (including the interest rate) were negotiated on an arm's length basis between Xin Ke Xin and Nanjing Zhangyu having taken into account the prevailing market interest rates and practices. The Group finances the First Loan and Second Loan from its internal resources.

The Second Loan Agreement was approved, confirmed and ratified at the extraordinary general meeting of the Company held on 19 July 2023 (the "**2023 July EGM**") by an ordinary resolution.

For details of the First Loan Agreement and the Second Loan Agreement, please refer to the announcements of the Company dated 28 April 2023 and 31 May 2023, the circular of the Company dated 29 June 2023 and the 2023 July EGM poll results announcement of the Company dated 19 July 2023.

Connected and Continuing Connected Transactions

On 7 March 2024, Xin Ke Xin as the lender, entered into an extension agreement to the First Loan (the "**First Loan (Extension) Agreement**") and an extension agreement to the Second Loan (the "**Second Loan (Extension) Agreement**") with Nanjing Zhangyu (as borrower) (collectively, the "**Loan (Extension) Agreements**"), pursuant to which Xin Ke Xin agreed to subject to the conditions precedent set out therein, (i) extend the repayment date of the First Loan from 27 April 2024 to 27 April 2025; and (ii) extend the repayment date of the Second Loan from 18 July 2024 to 18 July 2025, respectively (collectively, the "**Extension**").

As the First Loan (Extension) Agreement and the Second Loan (Extension) Agreement constitute a series of transactions entered into between the same parties within a 12-month period, the First Loan (Extension) Agreement and the Second Loan (Extension) Agreement were aggregated as if they were one transaction pursuant to Rule 14A.81 of the Listing Rules.

As the highest applicable percentage ratio in respect of the Extension and the transactions contemplated under the Loan (Extension) Agreements is higher than 25% and the total principal amount of the First Loan and Second Loan exceeds HK$10,000,000, the Loan (Extension) Agreements and the transactions contemplated thereunder shall be subject to the reporting, announcement, annual review, circular (including independent financial adviser's advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Extension and the transactions contemplated under the Loan (Extension) Agreements is higher than 25% but is less than 100%, the Loan (Extension) Agreements and the transactions contemplated thereunder also constitute a major transaction and therefore shall be subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As Nanjing Zhangyu is still in its development stage, the entering of the Loan (Extension) Agreements can allow Nanjing Zhangyu to reserve its working capital and financial resources for the development and operation of its business in the development, design and sale of integrated circuits, digital products, computer hardware, computer technology application and software. The Extension of the Loans will ensure Nanjing Zhangyu will be able to operate smoothly by reserving its working capital and financial resources and supporting the continuous diversification development strategy of the Group which will be beneficial to the Group's development in the long run.

The terms of the Loan (Extension) Agreements were negotiated on an arm's length basis between Xin Ke Xin and Nanjing Zhangyu having taken into account the prevailing market practices. The Directors (including the independent non-executive Directors) consider that the Loan (Extension) Agreements have been entered into on normal commercial terms, and the terms and conditions therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The First Loan (Extension) Agreement and Second Loan (Extension) Agreement were approved, confirmed and ratified at the extraordinary general meeting of the Company held on 26 April 2024 (the "**2024 April EGM**") by an ordinary resolution.

For details of the First Loan (Extension) Agreement and Second Loan (Extension) Agreement, please refer to the announcements of the Company dated 7 March 2024 and 27 March 2024, the circular of the Company dated 11 April 2024 and the 2024 April EGM poll results announcement of the Company dated 26 April 2024.

As Group completed the acquisition of Nanjing Zhangyu on 17 July 2024 and upon completion, the Company indirectly owns the entire equity interest of Nanjing Zhangyu. Therefore the transactions contemplated under the Loan (Extension) Agreements no longer constitute connected transactions under Chapter 14A of the Listing Rules.

For details of the acquisition of Nanjing Zhangyu, please refer to the announcements of the Company dated 20 May 2024, the circular of the Company dated 25 June 2024, the poll results announcement of the Company dated 10 July 2024 and the completion announcement dated 17 July 2024.

(e) During the course of the Company's management reporting preparation, it was noted that Jiangsu Hengxin, in its ordinary and usual course of business, procured the transportation services in relation to Jiangsu Hengxin's raw materials purchased and/or products sold in the PRC (the "**Logistic Services**") commencing from 2024 from Jiangsu Hengtong International Logistics Company Limited* (江蘇亨通國際物流有限公司) ("**Hengtong Logistics**") during the first half of the Reporting Period pursuant to a service agreement entered into between Jiangsu Hengxin and Hengtong Logistics on 15 December 2023 (the "**2023 Service Agreement**").

(i) Hengtong Logistics is beneficially owned by Hengtong Group, Suzhou Hengtong Yongsheng Venture Capital Enterprise (Limited Partnership)* (蘇州亨通永盛創業投資企業(有限合夥)) and Mr. Cui Wei (chairman and non-executive Director of the Company and a substantial shareholder) as to 51%, 30% and 19% respectively; (ii) Suzhou Hengtong Yongsheng Venture Capital Enterprise (Limited Partnership)* (蘇州亨通永盛創業投資企業(有限合夥)) is owned as to 99% by Suzhou Hengtong Investment Management Partnership (Limited Partnership)* (蘇州亨通投資管理合夥企業(有限合夥)) and 1% by Mr. Cui Wei respectively; (iii) Suzhou Hengtong Investment Management Partnership (Limited Partnership)* (蘇州亨通投資管理合夥企業(有限合夥)) is in turn owned by Hengtong Group, Mr. Cui Wei and Jiangsu Hengtong Venture Capital Co., Ltd.* (江蘇亨通創業投資有限公司) as to approximately 59.03%, 40.16% and 0.81% respectively; and (iv) Hengtong Group is beneficially owned by Mr. Cui Genliang and Mr. Cui Wei as to 27% and 73% respectively. Mr. Cui Genliang is the father of Mr. Cui Wei. Accordingly, the aforesaid transactions constituted continuing connected transaction of the Company.

During the first half of the Reporting Period, the aggregate transaction amount of the Logistic Services procured by Jiangsu Hengxin from Hengtong Logistics was approximately RMB14.1 million (the "**Historical Transactions for 1H2024**"). For the avoidance of doubt, Jiangsu Hengxin did not procure the Logistic Services before January 2024 and after June 2024. The Company calculated the applicable percentage ratios under the Listing Rules based on the amount of the Historical Transactions for 1H2024. As all of the applicable percentage ratios exceeded 0.1% but were less than 5%, such transactions were subject to the reporting, announcement and annual review requirements, but exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules. Nevertheless, due to inadvertent oversight, the Company failed to comply with relevant requirements for continuing connected transactions under Chapter 14A of the Listing Rules. The major reason for the Company's oversight was that local finance staff of Jiangsu Hengxin failed to report the relevant transactions to the headquarters of the Company in a timely manner.

Immediately after the Company became aware of the aforesaid failure to comply with relevant requirements for continuing connected transaction under Chapter 14A of the Listing Rules, Jiangsu Hengxin halted its procurement of the Logistic Services from Hengtong Logistics.

Due to Jiangsu Hengxin's operational needs under its ordinary and usual course of business, on 1 August 2024, Jiangsu Hengxin and Hengtong Logistics entered into the conditional framework agreement (the "**Framework Agreement**") which supersedes the 2023 Service Agreement and governs the procurement of the Logistic Services by Jiangsu Hengxin from Hengtong Logistics for the three years ending 31 December 2026, subject to independent shareholders' approval. According to the Framework Agreement, Jiangsu Hengxin and Hengtong Logistics will enter into individual contract for provision of specific Logistic Services. The service fee payable by Jiangsu Hengxin to Hengtong Logistics will be set out in the individual contract and will be determined based on service content, including but not limited to, distance and weight of cargo to be transported. Prior to entering into an individual contract, purchasing department of Jiangsu Hengxin will obtain quotations from at least 3 suppliers who provide the Logistic Services (which may include Hengtong Logistics). The service fee payable by Jiangsu Hengxin to Hengtong Logistics shall be no less favourable to Jiangsu Hengxin than those payable to/quoted by independent third party suppliers. The annual caps for each of the three years ending 31 December 2026 are RMB30,000,000, RMB39,300,000 and RMB43,300,000 and were determined based on Jiangsu Hengxin's historical annual demand for the Logistics Services and its growing trend. During the Reporting Period, the Logistics Services provided by Hengtong Logistics to Jiangsu Hengxin amounted to approximately RMB17,561,000.

At the extraordinary general meeting of the Company held on 9 September 2024, the ordinary resolution for approving and confirming the Framework Agreement has been duly passed by the independent shareholders of the Company.

For details of the above continuing connected transaction contemplated under the Framework Agreement, please refer to the announcements of the Company dated 1 August 2024 and 5 September 2024, the circular of the Company dated 22 August 2024 and the extraordinary general meeting poll results announcement of the Company dated 9 September 2024.

The Directors confirm that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Annual Review

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

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

(2) on normal commercial terms or better; and

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

The Company's auditor, CL Partners CPA Limited, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board has received a letter from the auditors which has confirmed the matters required under Rule 14A.56 of the Listing Rules. The auditors of the Company, CL Partners CPA Limited have confirmed in the letter to the Board that, with respect to the aforesaid continuing connected transactions carried out during the year ended 31 December 2024, nothing has come to their attention which causes them to believe that: (a) the disclosed continuing connected transactions have not been approved by the Board; (b) the disclosed continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (c) the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (d) the disclosed continuing connected transactions have exceeded their respective caps as set by the Company.

Board of Directors

CUI WEI

Chairman and Non-Executive Director

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

Mr. Cui holds a bachelor's degree in Mechanical Engineering from Saint Louis University and a master degree in Engineering Management from University of Southern California. Mr. Cui has extensive experience in direct investment, management of equity interests and debentures. Currently, Mr. Cui is (i) the chairman and director of Hengtong Optic-Electric Co., Ltd. (江蘇亨通光電股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600487); (ii) the chairman and director of Zhejiang Hengtong Holding Co.,Ltd. (浙江亨通控股股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600226); and (iii) the director of Tianjin Guoan Mengguli New Materials Science & Technology Co., Ltd. (天津國安盟固利新材料科技股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 301487).

PENG YINAN

Executive Director

Mr. Peng Yinan (彭一楠), born in 1982, has been appointed as an executive Director of the Company since 20 August 2022. Mr. Peng has served as the general manager of both Shanghai Zhangyu and Nanjing Zhangyu since September 2018 and June 2020 respectively. Mr. Peng participated and played an important role in the network security work for the 2008 Beijing Olympic Games and the Expo 2010 Shanghai. From December 2013 to December 2021, Mr. Peng served as the chairman of the board and general manager of Shanghai Weiling Information Technology Co., Ltd. (上海微令信息科技有限公司). From June 2018 to June 2021, Mr. Peng served as the director of the Blockchain Security Research Centre jointed established by Telecommunication Technology labs of the China Academy of Information and Communications Technology of the Ministry of Industry and Information Technology of China, School of Cyber Science and Engineering of Shanghai Jiao Tong University, and Zhangyu Technology (掌御科技). Mr. Peng has served as a member of the Chinese Institute of Electronics Blockchain Branch and the executive director of the Hengyang Yancheng Blockchain Research Institute since November 2018 and April 2022, respectively.

Mr. Peng graduated from the Department of Computer Science and Engineering of Shanghai Jiao Tong University in 2003 with a bachelor's degree. Mr. Peng subsequently obtained a master's degree in cryptography from the School of Cyber Science and Engineering of Shanghai Jiao Tong University in 2008. Mr. Peng was the Certified Information System Security Professional (CISSP) and Certified Information System Auditor (CISA).

ZHANG ZHONG

Non-Executive Director

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

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

Board of Directors

TAO SHUNXIAO
Non-Executive Director

Mr. Tao Shunxiao (陶舜曉), born in 1976, was appointed as the Non-Executive Director of the Company on 24 August 2024. Mr. Tao Shunxiao graduated from University of Technology Sydney with a degree of MBA, majoring in finance and international management in 2005. Mr. Tao Shunxiao worked at Zhejiang Jiuli Hi-tech Metals Co., Ltd. from 2005 to 2007 as the head of office; worked at CITIC Securities Company Limited from 2007 to 2014, successively serving as marketing director, head of investment advisory, head of financing department, assistant to the general manager, etc.; and worked at Zhejiang Hugeleaf Co., Ltd. from 2014 to 2020, successively serving as assistant to the general manager, secretary of the board of directors, deputy general manager and director, in charge of the investment and financing department and the external public relations department. Mr. Tao Shunxiao is currently serving as the deputy general manager of Zhejiang Zhongguang New Energy Technology Co., Ltd.* (浙江中光新能源科技有限公司), an indirect non-wholly owned subsidiary of the Company.

ZENG GUOWEI
Non-Executive Director

Mr. Zeng Guowei (曾國偉), born in 1982, was appointed as the Non-Executive Director of the Company on 24 August 2024. Mr. Zeng Guowei graduated from the Department of Economics of Nankai University, and has been pursuing a doctorate of business administration at the global campus of the University of Arizona, the United States since 2023. Mr. Zeng Guowei has served as the chairman of Shanghai Chuncui Enterprise Development Group Co., Ltd.* (上海淳粹企業發展集團有限公司) since 2006; as a partner of Shanghai Zimi Investment Development Co., Ltd.* (上海子米投資發展有限公司) since 2022; and as a director of Zhejiang Caiyunjian Tea Co., Ltd.* (浙江采雲間茶業有限公司) (wholly state-owned) since 2024. Mr. Zeng Guowei was selected into the talent pool of part-time external directors of state-owned enterprises affiliated to the Yangpu District State-owned Assets Supervision and Administration Commission of Shanghai in 2021, and has been employed as a think tank expert in the "Tianjun Service Plan"* (天駿服務計劃) of the Inner Mongolia Autonomous Region which was designed to promote the listing of enterprises since 2023.

QIAN ZIYAN
Independent Non-Executive Director

Mr. Qian Ziyan (錢自嚴), born in 1967, was appointed as the Independent Non-Executive Director of the Company on 17 November 2023. Mr. Qian Ziyan is currently the Chief Financial Officer of Multi-Fineline Electronix, Inc. (a company listed on NASDAQ with stock code MFLX.US prior to July 2016, currently a wholly-owned subsidiary of Suzhou Dongshan Precision Manufacturing Co., Ltd. (a company listed on the Shenzhen Stock Exchange with stock code 002384)) since May 2009 and a part-time teacher of the MBA programme operated by the School of Management of Zhejiang University since March 2012. From 1999 to 2009, Mr. Qian has served as the Chief Financial Officer and senior finance positions of various technology and multinational corporations in China, Singapore and Europe. Mr. Qian had been an independent director of RIGOL Technologies, Co. Ltd. (a company listed on the Sci-tech Innovation Board of the Shanghai Stock Exchange with stock code 688337) between September 2020 and December 2022. Mr. Qian obtained a Bachelor of Arts degree in English of Science & Technology from Xi'an Jiaotong University in 1989 and obtained a Degree of Master of Business Administration (Accountancy) from Nanyang Technological University in 1999. Mr. Qian is currently a Chartered Accountant of Singapore admitted by the Institute of Singapore Chartered Accountants (ISCA) and a Fellow Charted Management Accountant (FCMA) and Chartered Global Management Accountant (CGMA) of the Chartered Institute of Management Accountants (CIMA).

DR. LI JUN

Independent Non-Executive Director

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

PU HONG

Independent Non-Executive Director

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

Key Management

LAU FAI LAWRENCE

Financial Controller

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

Mr. Lau holds a bachelor degree in business administration from The University of Hong Kong and a master degree in corporate finance (distinction) from The Hong Kong Polytechnic University. Mr. Lau is the company secretary of BBMG Corporation, a company listed on the main board of SEHK. Before joining BBMG Corporation, Mr. Lau has served as the group financial controller and qualified accountant of Founder Holdings Limited and Peking University Resources (Holdings) Company Limited, both companies are listed on the main board of SEHK. From 1994 to 1998, Mr. Lau worked for Price Waterhouse as a senior accountant. Mr. Lau is currently an independent non- executive director of China Energine International (Holdings) Limited (Stock Code: 1185) and Renco Holdings Group Limited (Stock Code: 2323), both companies are listed on the main board of SEHK. Mr. Lau is also the independent non-executive director of Sinopharm Tech Holdings Limited (Stock Code: 8156, a company listed on the GEM of SEHK).

JIN HUIYI

Deputy General Manager – Overseas Marketing

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

HUA YANPING

Executive Vice President and CTO

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

Corporate Information

REGISTERED OFFICE
5 Tampines Central 1
#06-05 Tampines Plaza 2
Singapore 529541

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE
5 Tampines Central 1
#06-05 Tampines Plaza 2
Singapore 529541

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

BOARD OF DIRECTOR
Executive director
Mr. Peng Yinan

Non-executive directors
Mr. Cui Wei (Chairman)
Ms. Zhang Zhong
Mr. Tao Shunxiao
Mr. Zeng Guowei

Independent non-executive directors
Mr. Qian Ziyan
Dr. Li Jun
Mr. Pu Hong

AUDIT COMMITTEE
Mr. Qian Ziyan (Chairman)
Mr. Cui Wei
Ms. Zhang Zhong
Dr. Li Jun
Mr. Pu Hong

REMUNERATION COMMITTEE
Dr. Li Jun (Chairman)
Mr. Cui Wei
Mr. Tao Shunxiao
Mr. Qian Ziyan
Mr. Pu Hong

NOMINATING COMMITTEE
Mr. Cui Wei (Chairman)
Mr. Zeng Guowei
Mr. Qian Ziyan
Dr. Li Jun
Mr. Pu Hong

AUTHORISED REPRESENTATIVES
Mr. Peng Yinan
Mr. Chan Ting

JOINT COMPANY SECRETARIES
Ms. Lin Yubin, Esther (Singapore)
Mr. Chan Ting (Hong Kong)

LEGAL ADVISORS
Keith Lam Lau & Chan
6th Floor
The Chinese Club Building
21-22 Connaught Road Central
Hong Kong

AUDITORS
As for Singapore Statutory Reporting
Nexia Singapore PAC
Chartered Accountants of Singapore
36 Robinson Road
#11-01 City House
Singapore 068877
(Appointed since 25 November 2024)

As for Hong Kong Reporting
CL Partners CPA Limited
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
3203A-05 Tower 2, Lippo Centre
Admiralty, Hong Kong
(Appointed since 25 November 2024)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Boardroom Corporate & Advisory Services Pte. Ltd.
1 Harbourfront Avenue
Keppel Bay Tower #14-07
Singapore 098632

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F
148 Electric Road
North Point
Hong Kong

PRINCIPAL BANKERS
China Construction Bank Corporation, Yixing Branch
No. 158 Renminzhong Road
Yicheng Town, Yixing City
Jiangsu Province, The PRC

Agricultural Bank of China, Yixing Branch
No. 160 Renminzhong Road
Yicheng Town, Yixing City
Jiangsu Province, The PRC

SEHK STOCK CODE
1085

WEBSITE OF THE COMPANY
www.hengxin.com.sg

Corporate Governance Report

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

The Company was listed on the Main Board of the SEHK. Throughout the year ended 31 December 2024 (the "**Reporting Period**" or "**FY2024**"), the Company had adopted, for corporate governance purposes, the code provisions as set out in the Corporate Governance Code in Appendix C1 of the Listing Rules (the "**Hong Kong Code**"), and has complied with the code provisions as set out in the Hong Kong Code.

(A) BOARD MATTERS

The Board's Conduct of Affairs

As at 31 December 2024, the Board comprises of one Executive Director, four Non-Executive Directors, and three Independent Non-Executive Directors. During FY2024, all the Executive Directors, Non-Executive Directors and Independent Non-Executive Directors displayed diversity and competency in their skill sets, knowledge, experience and perspectives which enabled them to contribute effectively to the Company.

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

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

Board Processes

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

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

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

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

During FY2024, the number of general meetings (including the annual general meeting held on 29 April 2024 (the "**2023 AGM**"), the extraordinary general meeting held on 26 April 2024 (the "**April EGM**"), the extraordinary general meeting held on 10 July 2024 (the "**10 July EGM**"), the extraordinary general meeting held on 26 July 2024 (the "**26 July EGM**"), the extraordinary general meeting held on 9 September 2024 (the "**Sept EGM**") and the extraordinary general meeting held on 25 November 2024 (the "**Nov EGM**")), Board meetings and Board Committee meetings held, and the attendance by each member of the Board at these meetings are set out below:

Name of Director	2023 AGM		April EGM		10 July EGM		26 July EGM		Sept EGM		Nov EGM		Board meetings		Audit Committee meetings		Remuneration Committee meetings		Nominating Committee meetings	
	No. of Meeting Held	No. of Meeting Attended	No. of Meeting Held	No. of Meeting Attended	No. of Meeting Held	No. of Meeting Attended	No. of Meeting Held	No. of Meeting Attended	No. of Meeting Held	No. of Meeting Attended	No. of Meeting Held	No. of Meeting Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Mr. Cui Wei	1	1	1	1	1	1	1	1	1	0	1	0	7	7	6	6	2	2	2	2
Mr. Peng Yinan	1	1	1	1	1	1	1	1	1	1	1	1	7	7	NA	NA	NA	NA	NA	NA
Ms. Zhang Zhong	1	1	1	1	1	1	1	1	1	1	1	1	7	7	6	6	NA	NA	NA	NA
Mr. Tao Shunxiao (appointed on 24 August 2024)	NA	NA	NA	NA	NA	NA	NA	NA	1	1	1	1	2	2	NA	NA	NA	NA	NA	NA
Mr. Zeng Guowei (appointed on 24 August 2024)	NA	NA	NA	NA	NA	NA	NA	NA	1	1	1	1	2	2	NA	NA	NA	NA	NA	NA
Mr. Qian Ziyan	1	1	1	1	1	1	1	1	1	1	1	0	NA	NA	6	6	2	2	2	2
Dr. Li Jun	1	1	1	1	1	1	1	1	1	1	1	1	7	7	6	6	2	2	2	2
Mr. Pu Hong	1	1	1	1	1	1	1	1	1	1	1	1	7	7	6	6	2	2	2	2
Dr. Song Haiyan (resigned on 24 August 2024)	1	1	1	1	1	1	1	1	NA	NA	NA	NA	5	5	NA	NA	2	2	NA	NA
Mr. Du Xiping (resigned on 24 August 2024)	1	1	1	1	1	1	1	1	NA	NA	NA	NA	5	5	NA	NA	NA	NA	2	2

(NA: Not applicable)

Matters Reserved for Board Approval

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

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

Training of Directors

The Directors are responsible for their own training needs. Each newly appointed Director shall receive appropriate induction, training and coaching in order to develop individual skills as required for the discharge of their duties and responsibilities as Directors of the Company. During FY2024, the Directors have participated in continuous professional development to develop and refresh their knowledge and skills, including the training course provided by the legal advisors of the Company. Some of the Directors have also attended external trainings during FY2024 covering topics on Corporate Governance Code on risk management and internal controls under the Listing Rules, the Companies Ordinance of Hong Kong and new Hong Kong Financial Reporting Standards and legal framework update.

The individual training record of each Director received for FY2024 is summarized below:

Names of Directors	Attending or participating in seminars/training courses relevant to the business/directors' duties
Mr. Peng Yinan	✔
Mr. Cui Wei	✔
Ms. Zhang Zhong	✔
Mr. Tao Shunxiao (appointed on 24 August 2024)	✔
Mr. Zeng Guowei (appointed on 24 August 2024)	✔
Mr. Qian Ziyan	✔
Dr. Li Jun	✔
Mr. Pu Hong	✔
Dr. Song Haiyan (resigned on 24 August 2024)	✔
Mr. Du Xiping (resigned on 24 August 2024)	✔

Board Composition and Guidance

During FY2024, the Board comprised the following Directors:

Name of Director	Designation	Date of first appointment	Date of last re-election	Due for re-election at forthcoming annual general meeting ("AGM")
Mr. Cui Wei	Chairman and Non-Executive Director	14 October 2014	28 April 2023	NA
Mr. Peng Yinan	Executive Director	20 August 2022	28 April 2023	NA
Ms. Zhang Zhong	Non-Executive Director	23 June 2005	28 April 2023	Yes
Mr. Tao Shunxiao (appointed on 24 August 2024	Non-Executive Director	24 August 2024	NA	Yes
Mr. Zeng Guowei (appointed on 24 August 2024)	Non-Executive Director	24 August 2024	NA	Yes
Mr. Qian Ziyan	Independent Non-Executive Director	17 November 2023	29 April 2024	NA
Mr. Pu Hong	Independent Non-Executive Director	6 March 2015	29 April 2024	NA
Dr. Li Jun	Independent Non-Executive Director	6 March 2015	28 April 2023	Yes
Dr. Song Haiyan (resigned on 24 August 2024)	Executive Director	19 November 2021	29 April 2024	NA
Mr. Du Xiping (resigned on 24 August 2024)	Non-Executive Director	31 December 2015	29 April 2024	NA

(NA: Not applicable)

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

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

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

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

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

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

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

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

Change in the Composition of the Board

Dr. Song Haiyan has tendered his resignation as an executive Director and a member of the Remuneration Committee of the Company with effect from 24 August 2024 as he wants to devote more time to pursue his other commitments. Mr. Du Xiping has tendered his resignation as a non-executive Director and a member of the Nominating Committee of the Company with effect from 24 August 2024 he wants to devote more time to pursue his other commitments. Following the resignation of Dr. Song Haiyan and Mr. Du Xiping, Mr. Tao Shunxiao has been appointed as a non-executive Director and a member of the Remuneration Committee of the Company with effect from 24 August 2024 and Mr. Zeng Guowei has been appointed as a non-executive Director and a member of the Nominating Committee of the Company with effect from 24 August 2024.

Both Mr. Tao Shunxiao and Mr. Zeng Guowei have obtained the legal advice referred to under Rule 3.09D of the Listing Rules as regards the requirements under the Listing Rules that are applicable to them as Directors and the possible consequences of making a false declaration or giving false information to the Stock Exchange on 23 August 2024. Each of Mr. Tao Shunxiao and Mr. Zeng Guowei has confirmed that he understood his obligations as a non-executive Director.

In accordance with Article 88 of the Constitution, Mr. Tao Shunxiao and Mr. Zeng Guowei shall hold office only until the next annual general meeting and shall then be eligible for re-election. Therefore, Mr. Tao Shunxiao and Mr. Zeng Guowei shall retire at the forthcoming annual general meeting and shall offer themselves for re-election.

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

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

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

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

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

As the Board currently has one female director, the Company is in full compliance with Listing Rule 13.92 that came into effect on 1 January 2022. The Company is committed to promoting gender diversity for its board composition. As at the date of this annual report, the Company has maintained a board gender diversity comprising a mix of 7 males (87.5%) and 1 female (12.5%). The Board is of the view that the existing gender diversity in respect of the Board is sufficient, and that the nomination policy of the Company can ensure that there will be a pipeline of potential successors to the Board which continues the existing gender diversity in the Board. The Board is mindful of the objectives for the factors for assessing the candidacy of the Board members, and will ensure that any successors to the Board shall follow the gender diversity policy. Similar considerations shall also be in place to assess the candidacy of the senior management team from time to time. The Group is determined to maintain gender diversity and equality in terms of the whole workforce, and to procure the senior management team to achieve gender equality in terms of the gender ratio within a medium-term time frame. The Company expects the above is achievable with suitable effort in promoting the gender diversity culture, which the Group has been advocating for so.

Other key information about the Directors is set out in pages 64 to 66 of this annual report. Their shareholdings in the Company are also disclosed in the Report of the Directors in this annual report. None of the Directors hold shares in any of the Company's subsidiaries.

Chairman and Chief Executive Officer

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

The Executive Directors are responsible for the daily operations of the Company while the Non-Executive Directors and Independent Non-Executive Directors exercise no management functions in the Group. Such division of responsibilities helps to reinforce their independence and ensure a balance of power and authority. During FY2024, the Chairman had a meeting with the Independent Non-Executive Directors, without the presence of the other Directors.

The Company did not appoint a chief executive officer in FY2024 and has no intention to appoint a chief executive officer in the near future.

Joint Company Secretaries

The Company's secretarial functions are outsourced to external services provider. Ms. Lin Yubin , Esther ("**Ms. Lin**") (appointed on 21 October 2024), Mr. Chua Kern (resigned on 21 October 2024) and Mr. Chan Ting ("**Mr. Chan**") (appointed on 10 November 2021) are the joint company secretaries of the Company (the "**Joint Company Secretaries**") during FY2024. Ms. Lin has extensive experience in advising and assisting public companies listed on the Singapore Exchange Securities Trading Limited and private companies on their corporate secretarial matters. Ms. Lin has over 10 years of experience in taking up senior roles in established corporate secretarial service firms in Singapore. Mr. Chan is qualified to practise as solicitor in Hong Kong. Ms. Lin and Mr. Chan have complied with the requirement under Rule 3.29 of the Listing Rules during the year.

For details of the change of joint companies secretaries during FY2024, please refer to the announcement of the Company dated 21 October 2024.

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

(B) NOMINATING COMMITTEE

Board Membership

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

As at the date of this annual report, the Nominating Committee comprises the following members:

Mr. Cui Wei	Chairman, Non-Executive Director
Mr. Zeng Guowei	Member, Non-Executive Director
Mr. Qian Ziyan	Member, Independent Non-Executive Director
Dr. Li Jun	Member, Independent Non-Executive Director
Mr. Pu Hong	Member, Independent Non-Executive Director

The Nominating Committee holds at least one meeting each year. The Nominating Committee has convened two meetings during FY2024 to review the independence of the Independent Non-Executive Directors as well as the composition of the Board and review the proposed appointments of Mr. Tao Shunxiao and Mr. Zeng Guowei as the Non-Executive Directors.

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

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

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

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

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

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

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

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

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

Pursuant to Article 88 of the Constitution, Mr. Tao Shunxiao and Mr. Zeng Guowei were appointed by the Directors on 24 August 2024 and shall hold office only until the next annual general meeting and shall then be eligible for re-election, but shall not be taken into account in determining the numbers of Directors who are to retire by rotation at such meeting. Therefore, Mr. Tao Shunxiao and Mr. Zeng Guowei shall retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The profiles of Mr. Tao Shunxiao and Mr. Zeng Guowei are shown on page 65 of this annual report.

Pursuant to Article 89 of the Constitution, Ms. Zhang Zhong and Dr. Li Jun shall retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. Their profiles are shown on pages 64 and 66, respectively, of this annual report.

The Nominating Committee has considered the level of commitment of each Director serving on multiple boards. For FY2024, the Board is satisfied that each Director has allocated sufficient time and resources to the affairs of the Company during their term of office with the Company.

The Nominating Committee will take into account whether a candidate has the qualifications, skills, experience and gender diversity that add to and complement the range of skills, experience and background of existing Directors by considering the highest personal and professional ethics and integrity of the Director candidates, proven achievement and competence in the nominee's field and the ability to exercise sound business judgment, skills that are complementary to those of the existing Board, the ability to assist and support management and make significant contributions to the Company's success and such other factors as it may deem are in the best interests of the Company and its shareholders. The Company shall review and reassess the nomination policy and its effectiveness on a regular basis or as required.

Board Diversity

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

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

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

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

As the Board currently has one female director, the Company is in compliance with Listing Rule 13.92 that came into effect on 1 January 2022 on promoting board gender diversity.

The Company is committed to promoting gender diversity for its board composition. As at the date of this annual report, the Company has maintained a board gender diversity comprising a mix of 7 males (87.5%) and 1 female (12.5%). The Board is of the view that the existing gender diversity in respect of the Board is sufficient, and that the nomination policy of the Company can ensure that there will be a pipeline of potential successors to the Board which continues the existing gender diversity in the Board.

Board Performance

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

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

The Nominating Committee has formulated a set of evaluation procedures and performance criteria for the assessment of the Board's performance as a whole. It had conducted an assessment of the performance of the Board for FY2024.

The Nominating Committee has established a set of procedures for assessing the effectiveness of the performance of the Board as a whole. Such performance criteria includes an evaluation of the Board's size, composition, access to information, accountability, processes and performance in relation to discharging its principal responsibilities in terms of the financial indicators. The factors taken into consideration for the re-nomination of the Directors for FY2024 are based on the Directors' attendance at meetings held during FY2024 and the contributions made by the Directors at the meetings.

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

Access to Information

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

All Directors have unrestricted access to the Company's records and information, and received regular detailed financial and operational reports from the senior management during FY2024 to enable them to carry out their duties. The Board also liaises with the Management as required, and may consult with other employees and seek additional information on request.

All Directors have separate and independent access to the Joint Company Secretaries at all times. The Joint Company Secretaries (or their representatives) administer, attend and prepare minutes of Board meetings, and assist the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and the rules and regulations applicable to the Company, including requirements under the Companies Act 1967 of Singapore (the "**Companies Act**") and under the Listing Rules, are complied with.

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

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

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

(C) REMUNERATION MATTERS

Remuneration Committee

Procedures for Developing Remuneration Policies

As at the date of this annual report, the Remuneration Committee comprises the following members:

Dr. Li Jun	Chairman, Independent Non-Executive Director
Mr. Cui Wei	Member, Non-Executive Director
Mr. Tao Shunxiao	Member, Non-Executive Director
Mr. Qian Ziyan	Member, Independent Non-Executive Director
Mr. Pu Hong	Member, Independent Non-Executive Director

The Remuneration Committee holds at least one meeting each year.

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

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

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

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

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

The members of the Remuneration Committee shall not participate in any decision concerning their own remuneration. No Director will be involved in determining his or her own remuneration. During FY2024, the Remuneration Committee has convened two meetings to review and recommend to the Board on the remuneration packages of the Executive Directors and senior management and the proposed remuneration of Mr. Tao Shunxiao and Mr. Zeng Guowei upon their appointment as the Non-Executive Directors and has performed its functions in accordance with its Terms of Reference and the Hong Kong Code.

Level and Mix of Remuneration

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

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

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

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

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

Share Award Scheme

On 21 October 2024, a share award scheme ("**Share Award Scheme**") was adopted by the Company. Pursuant to the Share Award Scheme, existing shares of the Company may be purchased from the market by the designated trustee out of cash contributed by the Company, and would be held on trust by the designated trustee for the relevant selected persons until such shares are vested with the relevant selected persons in accordance with the rules of the Share Award Scheme. No share award has been granted under the Share Award Scheme since its adoption up to 31 December 2024.

Please refer to the announcement of the Company dated 21 October 2024 and "Summary of Share Award Scheme" in the Directors' Report for further details on the Share Award Scheme.

(D) ACCOUNTABILITY AND AUDIT

Accountability

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

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

Risk Management and Internal Control

The Board recognises that it is responsible for the evaluation and management of risk and setting the tone and direction for the Group in such a way that risks are managed in the Group's businesses. The Board has ultimate responsibility for approving the internal control process of the Group in a manner which addresses stakeholders' expectations and does not expose the Group to an unacceptable level of operational, financial and compliance risks. The Board approves the key management policies and ensures a sound risk management framework and internal control system. In addition to determining the approach to risk management, the Board sets and establishes an appropriate risk culture throughout the Group for effective risk management. The Board has received a confirmation from the senior management that the risk management and internal control has remained effective and there is no significant area of concern.

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

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

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

The Board acknowledges that it is responsible for the Group's risk management framework and overall internal control system, but recognises that no risk management framework and internal control system will preclude all errors and irregularities because the system is designed to manage, rather than to eliminate, the risk of failure to achieve business objectives, and can therefore provide reasonable but not absolute assurance against material misstatement or loss. During FY2024, the Board has reviewed the effectiveness of the Group's internal control system and risk management framework and is satisfied with such system and framework and has adopted the recommendations suggested by its internal auditor for further improvements of the internal control system and risk management framework.

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

In order to ensure that the Group's internal control system and risk management framework are managed adequately and effectively, during FY2024, the Audit Committee:

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

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

Audit Committee

As at the date of this annual report, the Audit Committee comprises the following members:

Mr. Qian Ziyan	Chairman, Independent Non-Executive Director
Mr. Cui Wei	Member, Non-Executive Director
Ms. Zhang Zhong	Member, Non-Executive Director
Dr. Li Jun	Member, Independent Non-Executive Director
Mr. Pu Hong	Member, Independent Non-Executive Director

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

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

The Audit Committee holds regular meetings at quarterly intervals each year. The Audit Committee has convened four regular meetings and one ad-hoc meeting during FY2024 to discuss and review the following where applicable:

- to monitor the work conducted by KPMG and Messrs KPMG LLP as the external auditors of the Company, and in connection with the external audit of the financial statements of the Group for the year ended 31 December 2023, KPMG and Messrs KPMG LLP have not noted any material weaknesses in the Company's internal control system after reviewing aspects of the books and records and internal accounting controls of the Group;

- to recommend on the proposed appointment of KPMG as the auditor of the Company in Hong Kong for FY2024 and the proposed appointment of Messrs KPMG LLP as the auditor of the Company in Singapore for FY2024;

- to recommend on the proposed appointment of CL Partners CPA Limited as the auditors of the Company in Hong Kong for FY2024 and the proposed appointment of Nexia Singapore PAC as the auditors of the Company in Singapore for FY2024 after the resignation of KPMG and Messrs KPMG LLP on 8 October 2024;

- to discuss with CL Partners CPA Limited and Nexia Singapore PAC on the audit planning for FY2024;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Audit Committee is satisfied with the independence and objectivity of KPMG and Messrs KPMG LLP as the external auditors of the Company for the audit of the financial statements of the Group of FY2024 and has recommended to the Board the re-appointment of KPMG and Messrs KPMG LLP. KPMG and Messrs KPMG LLP have been re-appointed as the external auditors of the Company for Hong Kong reporting and Singapore statutory reporting respectively at the 2023 AGM held on 29 April 2024.

Upon the resignation tendered by KPMG and Messrs KPMG LLP on 8 October 2024, the Audit Committee has recommended to the Board the appointment of CL Partners CPA Limited and Nexia Singapore PAC as the external auditors of the Company for Hong Kong reporting and Singapore statutory reporting respectively and the proposed appointments were duly passed at the Nov EGM.

For details of the change of auditors during the Reporting Period, please refer to the announcements of the Company dated 8 October 2024, 24 October 2024 and 8 November 2024, the circulars of the Company dated 14 October 2024 and 8 November 2024 and the extraordinary general meeting poll results announcement dated 25 November 2024.

The financial statements of the Company to be audited by Nexia Singapore PAC are prepared in accordance with the Singapore Financial Reporting Standards (International) issued by the Accounting Standards Council and International Financial Reporting Standards issued by the International Accounting Standards Board while the financial statements of the Company to be audited by CL Partners CPA Limited are prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board. Such audit arrangement therefore fulfils the relevant requirements under the Companies Act and the Listing Rules.

During FY2024, the Audit Committee has convened four regular meetings and one ad-hoc meeting and has performed its functions in accordance with its Terms of Reference and the Hong Kong Code.

Directors' and Auditors' Responsibilities for Financial Statements

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

In preparing the financial statements for FY2024, the Directors have selected appropriate accounting policies and applied them consistently. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue its business as a going concern, and therefore the Directors have prepared the financial statements on a going concern basis.

The responsibilities of the external auditors are set out in the Independent Auditor's Report as set out in pages 101 to 106 of this annual report.

Auditors' Remuneration

CL Partners CPA Limited and Nexia Singapore PAC, the external auditors of the Company for Hong Kong reporting and Singapore statutory reporting respectively, are responsible for providing services in connection with the audit of the financial statements of the Group for FY2024.

The total remuneration in respect of the audit services to be provided by CL Partners CPA Limited and Nexia Singapore PAC to the Group relating to FY2024 amounts to approximately RMB2,680,000.

During FY2024, other than the provision of services in connection to the audit of the financial statements of the Group and the report on the Group's continuing connected transactions, CL Partners CPA Limited was involved in the provision of non-audit services to the Group amounting to approximately RMB1,000,000. The Audit Committee is satisfied that the independence of the external auditors was uphold.

Internal Audit

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

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

In accordance with their audit plan, the internal auditors have conducted an annual review of the effectiveness of the Company's system of internal controls. Weaknesses in internal controls and recommendations for areas of improvements (if any) have been reported to the Audit Committee. Following the receipt of such recommendations, the Company has fully implemented the recommendations to further strengthen the risk management framework and internal control system during FY2024.

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

(E) SHAREHOLDERS' RIGHTS AND RESPONSIBILITIES

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

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

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

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

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

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

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

In addition, shareholders are encouraged to attend the annual general meetings and other general meetings to ensure that the Company is held to a high level of accountability, and to stay informed of the Group's strategy and goals. Annual general meetings and extraordinary general meetings are the principal forum for dialogue with shareholders where the Board and the Company can solicit and understand the views of stakeholders and shareholders.

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

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

All resolutions in the 2023 AGM, April EGM, 10 July EGM, 26 July EGM, Sept EGM and Nov EGM held during FY2024 have been decided on a poll demanded and the detailed results showing the number of votes cast for and against each resolution and the respective percentages have been communicated to the shareholders accordingly.

The Board has reviewed the implementation and effectiveness of the shareholders' communication policy, and having considered the multiple channels of communication and engagement in place, it is satisfied that the shareholders' communication policy has been implemented during the Reporting Period and is effective.

(F) DIVIDEND POLICY

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

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

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

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

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

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

(G) DEALING IN SECURITIES

The Company has adopted its own code of best practices on securities transactions by the Company and its officers with respect to dealings in securities by the Directors and the senior management of the Group (the "**Best Practices Code**"). The Best Practices Code is no less exacting than the required standard in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 of the Listing Rules. Having made specific enquiries on all the Directors and the senior management of the Group, all Directors and the senior management of the Group have complied with the required standard set out in the Model Code and the Best Practices Code during FY2024.

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

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

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

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

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

(H) CONNECTED TRANSACTIONS

The Company has entered into connected and continuing connected transactions during FY2024.

Details of the connected and continuing connected transactions for FY2024 which fall under Chapter 14A of the Listing Rules are set out in the section headed "Connected and Continuing Connected Transactions" in this annual report.

(I) THE CONSTITUTION

There was no change in the Constitution of the Company during FY2024. The most updated version of the Constitution (in both English and Chinese) are available on both the website of SEHK (http://www.hkexnews.hk) and on the Company's website (http://www.hengxin.com.sg).

(J) DIVERSITY AT WORKFORCE

The Company believes creating a culture of diversity and inclusion helps the employees to unleash their potentials. The Company values staff diversity in the workplace, and therefore provide equal opportunities for all applicants and employees regardless of race, colour, national origin, religion, gender, marital status, age, sexual orientation, and disability. The Company is committed to treating all employees with fairness and respect. Employees are hired based on their abilities and merits. The Company treats everyone the same regardless of their background, religions, races and gender etc. The promotion within the Company is completely based on the performance of the individual but nothing else.

As at 31 December 2024, the gender ratio of the Group's workforce (including directors, senior management and other staff) was 78.33% male to 21.67% female. Therefore, there were more male workforce than female workforce. The Company will strive to maintain a balance between the number of male and female employees to narrow the gap between the workforce of the two genders. Due to the manufacturing nature of the telecommunications and new energy industries of the Company, the Company tends to hire more male employees than female employees. To cope with the male-tilted workforce, the Company will provide more training to attract female employees to work in the manufacturing industry in order to narrow the gap between the workforce of the two genders, taking into account the Group's overall development plan and strategies, and need of the Group's customers.

(K) ANTI-CORRUPTION AND WHISTLEBLOWING POLICIES

The Group has established the Anti-Bribery and Corruption Policy and Whistleblowing System for the Board members, management, employees and third parties who represent the Group, such as suppliers, contractors and business partners, to ensure the Group and the relevant stakeholders will uphold the highest standards of professional integrity. The Whistleblowing System not only can further strengthen the internal control environment of the Group, it also acts as a channel for the staff of the Group to report any illegal behaviours, and is dedicated to external stakeholders to report any suspected misconduct, malpractice or illegal acts.

FINANCIAL CONTENTS

Directors' Report

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2024.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Company and its subsidiaries (the "**Group**") are engaged in the (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; (ii) chips research, design, sales and supply chain services, semiconductor, intellectual property authorization business, and digital security products and services; and (iii) the supply of electricity with a focus on the production and sales of solar power as well as the provision of development consultation and technical services of the solar thermal power generation technology. Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Chairman's Message and Management Discussion and Analysis set out on pages 6 to 13 and pages 16 to 53 respectively of this annual report. This discussion forms part of this directors' report.

Major customers and suppliers

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

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	31%	
Five largest customers in aggregate	66%	
The largest supplier		8%
Five largest suppliers in aggregate		30%

Save as disclosed set out in Note 38 to the financial statements, at no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the number of issued shares of the Company) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2024 are set out in the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income on pages 107 and 108 of this annual report.

The financial position of the Group as at 31 December 2024 is set out in the consolidated statement of financial position of the Group on pages 109 to 112 of this annual report. The financial position of the Company as at 31 December 2024 is set out in Note 39 to the financial statement on pages 197 to 198 of this annual report.

The cash flows of the Group for the year ended 31 December 2024 are set out in the consolidated statement of cash flows on pages 113 to 114 of this annual report.

RECOMMENDED DIVIDEND

No final dividend has been recommended in respect of the year ended 31 December 2024 (2023: Nil).

CHARITABLE DONATIONS

The Group had made donations amounting approximately RMB603,000 during the year ended 31 December 2024 (2023: approximately RMB816,000).

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of the movements in share capital of the Company during the year are set out in Note 34(c) to the financial statements.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in Note 34 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABILITY OF RESERVES

At 31 December 2024, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB159,745,000 (2023: RMB186,899,000).

PRE-EMPTIVE RIGHTS

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

TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holdings of the Shares. If Shareholders are uncertain about the taxation implications of purchasing, holding, disposing of, dealing in, or exercising of any rights in relation to the Shares, they are advised to consult an expert.

USE OF PROCEEDS FROM PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 23 April 2024 (after trading hours), the placing agreement ("**Placing Agreement**") was entered into between the Company and SBI China Capital Financial Services Limited (the "**Placing Agent**"), pursuant to which the Company has appointed the Placing Agent to procure altogether not less than six placees (the "**Placees**"), on a best effort basis, for subscribing up to an aggregate of 77,600,000 shares of the Company (the "**Placing Shares**") at HK$0.96 per Placing Share (the "**Placing Price**"). The Placing Price is exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee as may be payable. The Placing Shares were intended to be allotted and issued pursuant to the general mandate granted ("**General Mandate**") to the Board by the shareholders of the Company at the annual general meeting of the Company held on 28 April 2023 to allot, issue and deal with up to 77,600,000 new Shares (the "**Placing**").

On 13 May 2024, the conditions of the Placing had been fulfilled and the Placing was completed. A total of 77,600,000 Placing Shares was placed by the Placing Agent and were allotted and issued to not less than six placees at the Placing Price of HK$0.96 per Placing Share pursuant to the terms and conditions of the Placing Agreement. The Company received net proceeds of approximately HK$72.6 million which are intended to be used for further research and development of technological products and solutions adopting artificial intelligence module, development and expansion of digital technology and digital security business and new energy and services business and business operation and general working capital of the Group.

As at the end of the Reporting Period, the usage of the net proceeds are as follows:

Usage	Allocation of Net Proceeds HK$ million	Utilized Net Proceeds HK$ million	Unutilized Net Proceeds HK$ million	Expected Year for the Application of Unutilized Net Proceeds
Research and development of technological products and solutions adopting artificial intelligence module	36.3	7.3	29.0	2025
Development and expansion of the integrated circuits and digital technology business and new energy and services business	21.8	21.8	–	–
General working capital of the Group	14.5	11.6	2.9	2025
Total	72.6	40.7	31.9	

For details of the Placing, please refer to the Company's announcements dated 23 April 2024 and 13 May 2024.

DIRECTORS

The directors of the Company (the "**Directors**") during the financial year and up to the date of this annual report were:

Non-executive directors

Mr. Cui Wei (Chairman)
Ms. Zhang Zhong
Mr. Tao Shunxiao (appointed on 24 August 2024)
Mr. Zeng Guoweo (appointed on 24 August 2024)
Mr. Du Xiping (resigned on 24 August 2024)

Executive directors

Mr. Peng Yinan
Dr. Song Haiyan (resigned on 24 August 2024)

Independent non-executive directors

Mr. Qian Ziyan
Dr. Li Jun
Mr. Pu Hong

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

In accordance with Articles 89 and 90 of the Constitution, Ms. Zhang Zhong and Dr. Li Jun shall retire from the board by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

In accordance with Article 88 of the Constitution, as Mr. Tao Shunxiao and Mr. Zeng Guowei were appointed by the Board as non-executive directors on 24 August 2024, Mr. Tao Shunxiao and Mr. Zeng Guowei shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Thus, Mr. Tao Shunxiao and Mr. Zeng Guowei shall retire at the forthcoming annual general meeting and, being eligible will offer themselves for re-election.

Directors and chief executives' interests in shares, underlying shares and debentures

As at 31 December 2024, 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 C3 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[Note 1]	Deemed interest and interest in controlled corporation	108,868,662	23.38%
Ms. Zhang Zhong[Note 2]	Deemed interest and interest in controlled corporation	15,894,525	3.41%

Notes:

(1) Mr. Cui Wei beneficially owns the entire issued share capital of Kingever Enterprises Limited ("**Kingever**"), and Kingever in turn holds approximately 23.38% 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 3.41% of the total issued share capital in the Company.

Save as disclosed above, as at 31 December 2024, none of the directors and chief executives of the Company nor their associates had or were deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which have been recorded in the register maintained by the Company pursuant to Section 352 of Part XV of the SFO or which have been notified to the Company and the SEHK pursuant to the Model Code.

Substantial shareholders' interests in shares and underlying shares and debentures

As at 31 December 2024, 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	23.38%
Mr. Cui Wei (Note)	Deemed interest and interest in controlled corporation	108,868,662	23.38%

Note: Mr. Cui Wei beneficially owns the entire issued share capital of Kingever, and Kingever in turn holds approximately 23.38% of the total issued share capital in the Company.

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 (i) the employee equity incentive scheme (the "**Incentive Scheme**") adopted by the Company at its extraordinary general meeting held on 26 April 2019; and (ii) the share award scheme (the "**Share Award Scheme**") adopted by the Company on 21 October 2024. 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. For details of the Share Award Scheme, please refer to the announcement of the Company dated 21 October 2024. During the Reporting Period, no Shares acquired during the Report Period according to the Share Award Scheme have been awarded to any Directors of the Company.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Details of the connected transactions and related party transactions are set out in the "Corporate Governance Report" and Note 38 to the financial statements.

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

DIRECTORS' SERVICE CONTRACTS

The executive Director, Mr. Peng Yinan, has entered into a service contract with the Company for an initial term of three years commencing on 20 August 2022, renewable automatically for any successive terms upon the date of expiry of each three-year period, unless terminated in accordance with the provisions of the service contract by either contractual party giving to the other not less than three months' prior notice in writing at the end of the initial term or at any time thereafter. On 23 August 2024, a revised service contract was signed between Mr. Peng Yinan and the Company to supplement the salary payable to Mr. Peng Yinan during his term of service as an executive Director of the Company.

Each of Mr. Tao Shunxiao and Mr. Zeng Guowei has entered into a letter of appointment with the Company in respect of their appointment as the non-executive director of the Company commencing on 24 August 2024. Each of Mr. Tao Shunxiao's and Mr. Zeng Guowei's appointment is for a term of three years subject to retirement and re-election in accordance with the provision of the Constitution. Mr. Tao Shunxiao and Mr. Zeng Guowei will retire at the next annual general meeting of the Company to be held in 2025 and will be eligible for re-election at such annual general meeting in accordance with Article 88 of the Constitution.

Mr. Qian Ziyan has entered into a letter of appointment with the Company in respect of his appointment as an independent non-executive director of the Company commencing on 17 November 2023. Mr. Qian Ziyan's appointment is for a term of three years subject to retirement and re-election in accordance with the provision of the Company's Constitution.

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

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

EQUITY-LINKED AGREEMENTS

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

BANK LOANS

Particulars of bank loans of the Group as at 31 December 2024 are set out in Note 30 to the financial statements.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 3 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

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

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

INDEMNITY OF DIRECTORS

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

USE OF PROCEEDS FROM PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 23 April 2024 (after trading hours), the placing agreement ("**Placing Agreement**") was entered into between the Company and SBI China Capital Financial Services Limited (the "**Placing Agent**"), pursuant to which the Company has appointed the Placing Agent to procure altogether not less than six placees (the "**Placees**"), on a best effort basis, for subscribing up to an aggregate of 77,600,000 shares of the Company (the "**Placing Shares**") at HK$0.96 per Placing Share (the "**Placing Price**"). The Placing Price is exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee as may be payable. The Placing Shares were intended to be allotted and issued pursuant to the general mandate granted ("**General Mandate**") to the Board by the shareholders of the Company at the annual general meeting of the Company held on 28 April 2023 to allot, issue and deal with up to 77,600,000 new Shares (the "**Placing**").

On 13 May 2024, the conditions of the Placing had been fulfilled and the Placing was completed. A total of 77,600,000 Placing Shares was placed by the Placing Agent and were allotted and issued to not less than six placees at the Placing Price of HK$0.96 per Placing Share pursuant to the terms and conditions of the Placing Agreement. The Company received net proceeds of approximately HK$72.6 million which are intended to be used for further research and development of technological products and solutions adopting artificial intelligence module, development and expansion of digital technology and digital security business and new energy and services business and business operation and general working capital of the Group.

As at the end of the Reporting Period, the usage of the net proceeds are as follows:

Usage	Allocation of Net Proceeds HK$ million	Utilized Net Proceeds HK$ million	Unutilized Net Proceeds HK$ million	Expected Year for the Application of Unutilized Net Proceeds
Research and development of technological products and solutions adopting artificial intelligence module	36.3	7.3	29.0	2025
Development and expansion of the integrated circuits and digital technology business and new energy and services business	21.8	21.8	–	–
General working capital of the Group	14.5	11.6	2.9	2025
Total	72.6	40.7	31.9	

For details of the Placing, please refer to the Company's announcements dated 23 April 2024 and 13 May 2024.

PURCHASE, SALES OR REDEMPTION OF SHARES

Save for the acquisition of the Shares pursuant to the Share Award Scheme (as defined below) during the Reporting Period and Shares held as at 31 December 2024 by the Trustee of the Share Award Scheme, during the year ended 31 December 2024 neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

EMPLOYEES

As at 31 December 2024, the Group employed 1,209 (2023: 1,090) people on a full-time basis.

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

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

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

RETIREMENT SCHEMES

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

SUMMARY OF THE SHARE AWARD SCHEME

On 21 October 2024 (the "**Adoption Date**"), the Board has adopted the share award scheme (the "**Share Award Scheme**") for the purpose of the Company's grant of the award shares of the Company (the "**Award Shares**") to an eligible participant(s) (the "**Selected Participant**") selected by the Board or a committee delegated with the power and authority by the Board to administer the Share Award Scheme, person(s) or sub-committee of the Board as authorized by the Board to administer the Share Award Scheme in accordance with the terms of, and is/are entitled to receive an award under the Share Award Scheme; or any other person(s) who is/are entitled to receive an award under the rules of the Share Award Scheme (the "**Rules**") after the passing of the original Selected Participant from time to time pursuant to the Rules.

(a) Purpose and Participants

The purposes of the Share Award Scheme are to (1) provide incentives to eligible participants ("**Eligible Participants**") who are (a) any person who is a full-time employee of any member of the Group, including but not limited to director, senior management, key operation team member (excluding such person who is (i) resident in a place where the grant, acceptance or vesting of the award pursuant to the Share Award Scheme is not permitted under, or contrary to, the laws and regulations of such place; or (ii) where, in the view of the Board or the management committee, person(s) or sub-committee of the Board as authorized by the Board to administer the Share Award Scheme, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such person); or (b) service providers (the "**Service Providers**") to the Group on a continuing or recurring basis in their ordinary and usual course of business which are in the interests of the long-term growth of the Group (excluding placing agents, financial advisers, professional service providers such as auditors and valuers); (2) to retain Eligible Participants to continuously serve the Group for operation and development of the Group; and (3) attract suitable professional and experienced talents for further development of the Group.

(b) Listing Rules Implication

The Share Award Scheme will purchase existing Shares through the trustee (the "**Trustee**") appointed by the Company from time to time for administration of the Share Award Scheme on the market. The Share Award Scheme was contemplated and adopted to be funded solely by existing Shares. The Share Award Scheme constitutes a share scheme under Chapter 17 of the Listing Rules and shall be subject to the applicable disclosure requirements under Rule 17.12 of the Listing Rules. However, it does not constitute a scheme involving the issue of new Shares as referred to in Chapter 17 of the Listing Rules. Therefore, no Shareholders' approval is required to adopt the Share Award Scheme.

(c) Duration and termination

The Share Award Scheme shall remain valid and effective for the period commencing from the Adoption Date and ending on the trading day immediately before the 10th anniversary of the Adoption Date ("**Scheme Period**").

Upon expiration of the Scheme Period or termination of the Share Award Scheme, no further Award Shares shall be granted. The provision of the Share Award Scheme shall in all other respects remain in full force and effect and the Awards granted during the Scheme Period but unvested may continue to be valid in accordance with their respective terms of Award.

(d) Maximum number of Shares to be granted

The maximum number of Award Shares under the Share Award Scheme shall be the maximum number of Shares to be purchased by the Trustee on the market from time to time at the prevailing market price with funds transferred by the Company.

As at the Adoption Date, the Company had 465,600,000 issued Shares. Under any circumstances, the maximum number of all Award Shares, stock options and share awards which may be awarded under the Share Award Scheme or any other share scheme of the Company, shall not exceed 10% of the issued shares of the Company as at the Adoption Date (i.e. 46,560,000 Shares). The maximum number of all Award Shares, stock options and share awards which may be awarded to Service Providers shall not in aggregate exceed the sublimit of 5% of the issued Shares as at the Adoption Date (i.e. 23,280,000 Shares).

(e) Maximum entitlement of each grantee

The maximum number of Award Shares or any share awards or share options which may be granted to a Selected Participant under the Share Award Scheme, or any other share scheme of the Company, in any twelve-month period shall not exceed 1% of the issued share capital of the Company from time to time.

(f) Vesting period of Award

The Board or Authorized Person(s) may from time to time determine the vesting criteria and conditions, or the period of Awards to be vested in accordance with the Rules during the Scheme Period and subject to compliance with all applicable laws, rules and regulations.

If there are Award Shares that have been granted but not vested before end of the Scheme Period, vesting of Award Shares and other related matters specified in the Rules will remain in effect. If a Selected Participant fails to meet the vesting conditions, all relevant Award Shares shall not be vested and shall be forfeited. The Trustee shall be notified of such forfeiture and relevant forfeited Shares shall be held by the Trustee as returned shares.

(g) Grant price

The grant price of the Award Shares (if any) shall be such price as determined by the Board or Authorized Person(s) and set out in the grant letter.

During the Reporting Period and subsequent to the Adoption Date and up to 31 December 2024, the Trustee has acquired 2,326,000 Shares through on-market transactions and no Shares have been awarded to any Eligible Participants or Service Providers up to 31 December 2024.

The total number of (i) awards available for grant under the scheme mandate limit of the Share Award Scheme; and (ii) options available for grant under the scheme mandate limit of the other share option scheme, was 38,800,000 Shares as at 1 January 2024, and 46,560,000 Shares as at 31 December 2024. The Company Service Providers sublimit under the Share Award Scheme is 23,280,000 Shares. As the Company has no other share option scheme in force during the Reporting Period and as at 31 December 2024, therefore, there is no Service Providers sublimit for other share option scheme.

The number of Shares that may be issued in respect of options and awards granted under all share schemes of the Company during the Reporting Period divided by the weighted average number of shares of the relevant class in issue was: zero.

For details regarding administration, scheme limit, grant of award, dealing in Shares by the Trustee, vesting of Award Shares, unvested Shares and returned Award Shares, restrictions, voting rights of the Share Award Scheme, please refer to the announcement of the Company dated 21 October 2024.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

AUDIT COMMITTEE

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

During the Reporting Period and up to the date of this annual report, the Audit Committee comprises the following members:

Mr. Qian Ziyan	Chairman, Independent Non-executive Director
Mr. Cui Wei	Member, Non-executive Director
Ms. Zhang Zhong	Member, Non-executive Director
Dr. Li Jun	Member, Independent Non-executive Director
Mr. Pu Hong	Member, Independent Non-executive Director

During the financial year ended 31 December 2024, the Audit Committee has reviewed the following, where relevant, with the executive Directors and/or the external and internal auditors of the Company:

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

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

The Audit Committee has recommended to the Directors the nomination of CL Partners CPA Limited and Nexia Singapore PAC for the re-appointment as the external auditors of the Company for fulfilling the reporting and legal requirements of Hong Kong and Singapore respectively at the forthcoming annual general meeting of the Company.

AUDITORS

CL Partners CPA Limited and Nexia Singapore PAC will retire and, being eligible, offer themselves for re-appointment. Separate resolutions for the re-appointment of CL Partners CPA Limited and Nexia Singapore PAC as auditors of the Company are to be proposed at the forthcoming annual general meeting.

By order of the board

Mr. Cui Wei
Chairman and Non-executive Director

Date: 25 March 2025

Independent Auditor's Report

CCL Partners

To the shareholders of Hengxin Technology Ltd.
(Incorporated in Republic of Singapore with limited liability)

OPINION

We have audited the consolidated financial statements of Hengxin Technology Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 107 to 200, which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Impairment assessment of Goodwill and Other Intangible Assets

Refer to Note 17 to the consolidated financial statements and the accounting policies on pages 118 and 119 to 120.

The Key Audit Matter	How our audit addressed the key audit matter
At 31 December 2024, the Group held goodwill of approximately RMB155 million and RMB46 million, which arose from business combination of Nanjing Zhangyu Information Technology Co., Ltd. ("**Nanjing Zhangyu**") and Shanghai Zhangyu Information Technology Co., Ltd. ("**Shanghai Zhangyu**") in July 2022 and business combination of Zhejiang Zhongguang in July 2023, respectively. The Group allocated the goodwill to Cash Generating Units ("**CGU"**s) in integrated circuits and digital technology segment and CGU in new energy and service segment. The CGUs in integrated circuits and digital technology segment and new energy and service segment also include the intangible assets arising from the respective acquisitions including customer relationships and licenses (collectively "**other intangible assets**"). The Group engaged an independent professional valuer to assist in performing the impairment assessments of the goodwill and other intangible assets by comparing the carrying values of CGUs and the other CGU with their respective recoverable amounts using discounted cash flow forecasts. No impairment losses of goodwill were recognized during the year ended 31 December 2024. The preparation of discounted cash flow forecasts for the purpose of assessing recoverable amount of goodwill and other intangible assets involves significant estimation, including future revenue growth rates, future profit margins and the discount rates applied. We identified the assessments of potential impairment of goodwill and other intangible assets as a key audit matter because the impairment assessments performed by management is complicated and contain certain judgmental assumptions, which could be subject to management bias.	Our audit procedures in relation to impairment assessment of goodwill and other intangible assets included the following: • obtaining an understanding of the management's process and basis adopted in impairment assessment of goodwill and other intangible assets with the involvement of an independent professional valuer; • evaluating the expertise and independence of the independent professional valuer and obtaining understanding of its scope of work and terms of engagement; • performing a retrospective review by comparing the prior year's cash flow forecast with the actual performance of the businesses for the current year to assess whether the judgement made by management in the preparation of the cash flow forecast indicated possible management bias; • evaluating the reasonableness of management's identification of CGUs, the allocation of assets to each CGU with reference to the requirements of the prevailing accounting standards; • involving our valuation specialists to evaluate the appropriateness of the methodology adopted by management in its impairment assessments and challenge the reasonableness of the discount rates adopted by comparing them with comparable companies; • challenging, with the assistance of our valuation specialists, the reasonableness of forecast revenue growth rates and forecast gross profit margins adopted by comparing with historical performance and market data; and • considering the reasonableness of the disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Expected credit loss allowance for trade receivables from customers other than provincial grid companies

Refer to Note 24 to the consolidated financial statements and the accounting policies on pages 121 to 124.

The Key Audit Matter	How our audit addressed the key audit matter
As at 31 December 2024, the Group's gross carrying amount of trade receivables from customers other than provincial grid companies amounted to approximately RMB978 million, against which an allowance of approximately RMB46 million for expected credit losses ("**ECL**") was recorded. Management, with the involvement of an independent professional valuer; measures the ECL for trade receivables at an amount equal to lifetime ECL based on estimated loss rates for each category of trade receivables grouped according to the shared credit risk characteristics. The estimated loss rates take into account the ageing of trade receivables balances and the repayment history of the Group's customers. Such assessment involves significant management judgement. We identified the ECL allowance for trade receivables as a key audit matter because determining the level of the ECL allowance requires the exercise of significant management judgement which is inherently subjective.	Our audit procedures in relation to the ECL allowance for trade receivables from customers other than provincial grid companies included the following: • obtaining an understanding of the process and the management's key controls relating to credit control, segmentation of trade receivables, estimation and recording of the ECL allowance, with the involvement of an independent professional valuer; • evaluating the expertise and independence of the independent professional valuer and obtaining understanding of its scope of work and terms of engagement; • evaluating the Group's policy and method for estimating the ECL allowance with reference to the requirements of the applicable accounting standard; • obtaining an understanding of the key data and assumptions of the ECL model adopted by management, including the basis of segmentation of the trade receivables based on shared credit risk characteristics and the historical credit loss; • assessing the appropriateness of management's estimates of the ECL allowance by examining the information used by management to derive such estimates, including testing the accuracy of the historical credit loss data; • assessing, on a sample basis, whether items in the trade receivables ageing report were classified within the appropriate ageing category by comparing individual items with underlying sales invoices and other supporting documents; and • recalculating the ECL allowance as at 31 December 2024 based on the Group's ECL policy and method.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 25 March 2024.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Independent Auditor's Report (cont'd)

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

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

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

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

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

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

CL Partners CPA Limited
Certified Public Accountants

Lo Chi Kin
Practising Certificate Number: P08415
Hong Kong

25 March 2025

Consolidated Statement of Profit or Loss

For the year ended 31 December 2024
(Expressed in Renminbi ("RMB"))

	Notes	2024 RMB'000	2023 RMB'000
Revenue	6	2,519,987	2,255,903
Cost of sales		(2,052,682)	(1,821,205)
Gross profit		467,305	434,698
Interest income		34,017	22,510
Other operating income	7	36,048	31,607
Selling and distribution expenses		(131,161)	(107,756)
Administrative expenses		(99,840)	(72,458)
Impairment loss on trade and other receivables		(7,042)	(26,615)
Other operating expenses		(159,159)	(125,469)
Profit from operations		140,168	156,517
Interest expense	8	(51,470)	(30,993)
Share of result of an associate		24	8
Profit before taxation	9	88,722	125,532
Income tax	10	(15,399)	(21,357)
Profit for the year		73,323	104,175
Attributable to:			
Equity shareholders of the Company		42,189	69,702
Non-controlling interests		31,134	34,473
Profit for the year		73,323	104,175
Earnings per share (RMB)	14		
Basic		0.097	0.180
Diluted		0.097	0.180

The notes on pages 115 to 200 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

(Expressed in Renminbi ("RMB"))

	Notes	2024 RMB'000	2023 RMB'000
Profit for the year		73,323	104,175
Other comprehensive income/(expense) for the year (after tax and reclassification adjustments)			
Item that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net movement in fair value reserves (non-recycling)	13	165	(1,411)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of entities with functional currencies other than RMB	13	752	304
Other comprehensive income/(expense) for the year		917	(1,107)
Total comprehensive income for the year		74,240	103,068
Attributable to:			
Equity shareholders of the Company		43,106	68,595
Non-controlling interests		31,134	34,473
Total comprehensive income for the year		74,240	103,068

The notes on pages 115 to 200 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2024

(Expressed in Renminbi ("RMB"))

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000 (Re-presented)
Non-current assets			
Property, plant and equipment	15	1,095,044	1,154,766
Intangible assets	16	227,487	241,470
Goodwill	17	201,589	201,589
Interests in associates	19	152	4,178
Equity securities designated at fair value through other comprehensive income ("FVOCI")	20(a)	3,730	3,536
Financial assets measured at fair value through profit or loss ("FVPL")	20(b)	33,312	24,768
Time deposits	25	125,000	45,000
Pledged deposit	27	35,000	35,000
Deferred tax assets	33(b)	16,582	19,800
		1,737,896	1,730,107
Current assets			
Inventories and other contract costs	22	227,182	194,854
Digital assets	23	8,311	10,016
Trade and other receivables	24	1,397,586	926,982
Time deposits	25	29,649	264,125
Bank balances and cash	26	861,904	944,863
Pledged deposits	27	403,659	91,833
Financial asset measured at fair value through profit or loss ("FVPL")	20(b)	–	2,950
Derivative financial assets	21	–	82,041
		2,928,291	2,517,664

The notes on pages 115 to 200 form part of these financial statements.

Consolidated Statement of Financial Position (cont'd)

At 31 December 2024
(Expressed in Renminbi ("RMB"))

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000 (Re-presented)
Current liabilities			
Trade and other payables	28	740,065	390,823
Contract liabilities	29	55,946	62,219
Bank loans	30	424,602	176,543
Derivative financial liability	21	–	2,654
Lease liabilities	32	2,757	6,137
Income tax payable	33(a)	6,322	10,455
		1,229,692	648,831
Net current assets		1,698,599	1,868,833
Total assets less current liabilities		3,436,495	3,598,940
Non-current liabilities			
Bank loans	30	1,073,417	836,366
Deferred income	31	909	882
Lease liabilities	32	934	3,917
Deferred tax liabilities	33(b)	14,143	19,202
		1,089,403	860,367
NET ASSETS		2,347,092	2,738,573

The notes on pages 115 to 200 form part of these financial statements.

Consolidated Statement of Financial Position (cont'd)

At 31 December 2024
(Expressed in Renminbi ("RMB"))

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000 (Re-presented)
CAPITAL AND RESERVES			
Share capital	34(c)	362,849	295,000
General reserves	34(d)	327,378	315,149
Share award scheme reserve	34(d)	(2,778)	–
Special reserve	34(d)	(478,026)	(6,017)
Fair value reserve	34(d)	(5,329)	(5,494)
Translation reserves	34(d)	(803)	(1,555)
Retained profits		1,358,586	1,328,626
Total equity attributable to equity shareholders of the Company		1,561,877	1,925,709
Non-controlling interests		785,215	812,864
TOTAL EQUITY		2,347,092	2,738,573

The consolidated financial statements on pages 107 to 200 were approved and authorised for issue by the board of directors on 25 March 2025 and are signed on its behalf by:

Mr. Cui Wei
Director

Mr. Peng Yinan
Director

The notes on pages 115 to 200 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

(Expressed in Renminbi ("RMB"))

		Attributable to equity shareholders of the Company								
	Notes	Share capital RMB'000	General reserves RMB'000	Special reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Translation reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2023		295,000	293,265	(6,017)	(4,271)	(1,859)	1,280,996	1,857,114	31,716	1,888,830
Changes in equity for 2023										
Profit for the year		–	–	–	–	–	69,702	69,702	34,473	104,175
Other comprehensive (expense)/income for the year	13	–	–	–	(1,411)	304	–	(1,107)	–	(1,107)
Total comprehensive (expense)/income		–	–	–	(1,411)	304	69,702	68,595	34,473	103,068
Transfer to general reserves		–	21,884	–	–	–	(21,884)	–	–	–
Capital contribution received from non-controlling interest of a subsidiary		–	–	–	–	–	–	–	90,000	90,000
Liquidation of a subsidiary		–	–	–	–	–	–	–	(695)	(695)
Transfer of fair value reserve upon the disposal of equity securities designated at FVOCI		–	–	–	188	–	(188)	–	–	–
Acquisition of subsidiaries	37	–	–	–	–	–	–	–	657,370	657,370
Balance at 31 December 2023		295,000	315,149	(6,017)	(5,494)	(1,555)	1,328,626	1,925,709	812,864	2,738,573

		Attributable to equity shareholders of the Company									
	Notes	Share capital RMB'000	General reserves RMB'000	Share award scheme reserve RMB'000	Special reserve RMB'000	Fair value reserve (non-recycling) RMB'000	Translation reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at 1 January 2024		295,000	315,149	–	(6,017)	(5,494)	(1,555)	1,328,626	1,925,709	812,864	2,738,573
Changes in equity for 2024											
Profit for the year		–	–	–	–	–	–	42,189	42,189	31,134	73,323
Other comprehensive income for the year	13	–	–	–	–	165	752	–	917	–	917
Total comprehensive income		–	–	–	–	165	752	42,189	43,106	31,134	74,240
Transfer to general reserves		–	12,229	–	–	–	–	(12,229)	–	–	–
Acquisition of subsidiaries without change of control	18	–	–	–	(472,009)	–	–	–	(472,009)	(58,028)	(530,037)
Deregistration of subsidiaries	18	–	–	–	–	–	–	–	–	(755)	(755)
Allotment of shares	34(c)	67,849	–	–	–	–	–	–	67,849	–	67,849
Purchase of the Company's shares for share award scheme	34(d)	–	–	(2,778)	–	–	–	–	(2,778)	–	(2,778)
Balance at 31 December 2024		362,849	327,378	(2,778)	(478,026)	(5,329)	(803)	1,358,586	1,561,877	785,215	2,347,092

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

(Expressed in Renminbi ("RMB"))

	Notes	2024 RMB'000	2023 RMB'000
Operating activities			
Profit before taxation		88,722	125,532
Adjustments for:			
Impairment loss on trade and other receivables		7,042	26,615
Loss on deregistration of subsidiaries	9	720	–
Amortisation of deferred income	7	(882)	(1,578)
Depreciation of property, plant and equipment	9	68,966	54,566
Amortisation of intangible assets	9	20,492	32,091
Interest expense	8	51,470	30,993
Interest income		(34,017)	(22,510)
Share of result of an associate		(24)	(8)
Write-off of deposits		2,075	–
Net (gain)/loss on derivative financial instruments	7	(4,204)	6,674
Net (gain)/loss on financial assets measured at FVPL	7	(825)	2,529
Net loss on write-off/disposals of property, plant and equipment	9	9,116	5,862
Provision for/(reversal of) stock obsolescence	22(b)	7,146	(65)
		215,797	260,701
Changes in working capital:			
Increase in inventories		(39,474)	(43,262)
(Decrease)/increase in contract liabilities		(6,273)	21,788
Decrease/(increase) in digital assets		1,705	(10,016)
(Increase)/decrease in trade and other receivables		(480,447)	60,465
Increase in trade and other payables		349,330	44,726
Cash generated from operations		40,638	334,402
Interest received		1,990	8,050
Income taxes paid	33(a)	(21,402)	(21,314)
Net cash generated from operating activities		21,226	321,138

The notes on pages 115 to 200 form part of these financial statements.

Consolidated Statement of Cash Flows (cont'd)

For the year ended 31 December 2024
(Expressed in Renminbi ("RMB"))

	Notes	2024 RMB'000	2023 RMB'000
Investing activities			
Payment for acquisition of property, plant and equipment		(16,952)	(23,782)
Payment for acquisition of intangible assets		(6,509)	(28,163)
Payment for acquisition of financial assets measured at FVPL		(7,719)	(12,000)
Proceeds from financial assets measured at FVPL		2,950	–
Proceeds from disposal of property, plant and equipment		95	934
Proceeds from disposal of equity security designated as FVOCI		–	459
Payment of derivative financial instruments		–	(174,532)
Proceeds from derivative financial instruments		83,591	86,146
Payment for 2023 acquisition of subsidiaries	37(iii)	–	(205,877)
Payment for 2022 acquisition of subsidiaries		–	(45,000)
Payment for acquisition of a subsidiary which does not constitute business	26(d)	–	(5,850)
Payment for liquidation of a subsidiary		–	(695)
Return of capital of an associate		4,050	–
Payment for time deposits		(71,249)	(1,103,221)
Proceeds from time deposits		225,725	1,095,306
Interest received from time deposits		32,027	14,460
Increase in pledged bank deposits		(311,826)	(37,076)
Net cash used in investing activities		(65,817)	(438,891)
Financing activities			
Capital injection from NCI of a subsidiary		–	90,000
Capital element of lease rentals paid	26(b)	(7,069)	(4,678)
Acquisition of subsidiaries without change of control	18	(530,037)	–
Issue of shares		67,849	–
Purchase of the Company's shares for share award scheme		(2,778)	–
Interest element of lease rentals paid	26(b)	(470)	(322)
Other interest expense paid	26(b)	(51,000)	(30,671)
Proceeds from bank loans	26(b)	1,227,629	737,060
Repayment of bank loans	26(b)	(742,519)	(555,082)
Cash received from government grants		909	–
Net cash (used in)/generated from financing activities		(37,486)	236,307
Net (decrease)/increase in cash and cash equivalents		(82,077)	118,554
Bank balances and cash at 1 January		944,863	825,594
Effect of foreign exchange rate changes		(882)	715
Bank balances and cash at 31 December	26	861,904	944,863

The notes on pages 115 to 200 form part of these financial statements.

Notes to the Consolidated Financial Statements

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

1 GENERAL INFORMATION

Hengxin Technology Ltd. (the "**Company**") was incorporated in Republic of Singapore. The address of the Company's registered office is 5 Tampines Central 1, #06-05 Tampines Plaza 2, Singapore 529541. The principal place of business of the Group is located in the the People's Republic of China (the "**PRC**"). The Company is listed on the Main Board of the Stock Exchange of Hong Kong Limited ("**SEHK**").

The consolidated financial statements of the Group as at and for the year ended 31 December 2024 comprise the Company and its subsidiaries (together referred to as the "**Group**" and individually as "**Group entities**") and the Group's interest in equity-accounted investees.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 18 to the consolidated financial statements.

2 BASIS OF PREPARATION

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable IFRS Accounting Standards, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**"). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2024 comprise the Group and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- investments in debt and equity securities (see Note 3(d));
- derivative financial instruments (see Note 3(e)); and
- digital asset (see Note 3(k)).

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

2 BASIS OF PREPARATION (cont'd)

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

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

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

(c) Functional and presentation currency

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

3 MATERIAL ACCOUNTING POLICY INFORMATION

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

(a) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

With the exception of business combinations involving entities under common control, acquisitions of subsidiaries are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable asset is recorded as goodwill on the statement of financial position.

The Group applies the acquisition method to account for business combinations when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether an integrated set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create output. The Group has an option to apply a "fair value concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test can be applied on a transaction-by-transaction basis. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable assets or group of similar identifiable assets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. (Refer to Note 3(w)). If the test is not met, or if the Group elects not to apply the test, a detailed assessment must be performed applying the normal requirements in IFRS 3, Business Combinations.

3 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

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

Acquisition related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

For each business combination, the Group measures any non-controlling interest ("NCI") at the NCI's proportionate share of the subsidiary's net identifiable assets.

NCI is presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group is presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

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

(b) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies.

An interest in an associate is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence ceases.

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

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

(c) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment.

(d) Other investments in securities

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

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

(i) Non-equity investments

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

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method, foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

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

(ii) Equity investments

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

(e) Derivative financial instruments

The Group holds derivative financial instruments to manage its foreign currency risk exposure. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequently, they are measured at fair value with changes therein recognised in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation.

(f) Property, plant and equipment

Property, plant and equipment is stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses. Construction in progress is carried at cost, less any identified impairment losses. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write-off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

– Right-of-use asset	Over the term of the lease
– Building and leasehold improvement	20 – 30 years
– Plant and machinery	10 – 30 years
– Electric generating facilities	10 – 30 years
– Office equipment	3 – 10 years
– Motor vehicles	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Intangible assets (other than goodwill)

Intangible assets, including patents and intellectual property resources ("**IP resources**"), that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is calculated to write-off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

3 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

(g) Intangible assets (other than goodwill) (cont'd)

The estimated useful lives for the current and comparative periods are as follows:

– Customer relationship	1.5 – 5.5 years
– Patents	5 years
– IP resources	10 years
– License	25.4 years

Both the period and method of amortisation are reviewed annually.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(h) Leased assets

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

As a lessee

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

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

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

(h) Leased assets (cont'd)

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

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

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

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(i) Credit losses and impairment of assets

(i) Credit losses from financial instruments

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

- financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, including loans to an associate that are held for the collection of contractual cash flows which represent solely payments of principal and interest);
- non-equity securities measured at FVOCI (recycling) and financial guarantee contracts.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

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

- fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate.

3 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

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

(i) Credit losses from financial instruments (cont'd)

Measurement of ECLs (cont'd)

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

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and

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

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due if it pertains to a receivable from State-owned enterprises in the PRC. For the remaining financial assets, the Group assumes significant increase in credit risk if it is more than 90 days past due.

3 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

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

(i) Credit losses from financial instruments (cont'd)

Significant increases in credit risk (cont'd)

The Group considers a financial asset to be in default when:

– the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

– the financial asset is 540 days past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in the statement of financial position.

Credit-impaired financial assets

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

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default;

– the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;

– it is probable that the debtor will enter bankruptcy or other financial reorganisation; or

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

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

(i) Credit losses from financial instruments (cont'd)

Write-off policy

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

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

(ii) Impairment of other non-current assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and other contract costs and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

(j) Inventories and other contract costs

(i) Inventories

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

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

Net realisable value represents the estimated selling price less any estimated costs of completion and costs to be incurred in selling the property.

(ii) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory.

Incremental costs of obtaining a contract, e.g. sales commissions, are capitalised if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Otherwise, costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Amortisation of capitalised contract costs is recognised in profit or loss when the revenue to which the asset relates is recognised.

3 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

(k) Digital asset

Digital asset mainly represents stablecoins held in a third party's digital assets trading platform (connect to the internet) (the "**Platform**"). The stablecoins on hand at the end of the reporting period can be bought and sold, do not qualify for recognition as cash and cash equivalents or financial assets, and are similar to intangible assets in nature.

Digital asset is held mainly for the purposes of trading in the ordinary course of the Group. Accordingly, the digital asset is accounted for as similar to inventories based on the requirements of IAS 2 Inventories.

Digital asset is stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs necessary to make the sale. The Group considers there are no significant costs to sell the digital asset.

(l) Contract assets and contract liabilities

A contract asset represent the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when invoices are billed to the customer.

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue.

A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(m) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost.

3 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL.

(o) Financial liabilities

The Group recognises financial liabilities on its statements of financial position when, and only when, the entity becomes a party to the contractual provisions of the instruments.

Financial liabilities are recognised initially at fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability. All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVPL.

A financial liability is classified as non-current if the Group has the right to defer settlement for at least twelve months after the reporting period. This right must exist and be substantive as of the reporting date.

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

(p) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these interest-bearing borrowings are stated at amortised cost using the effective interest method.

(q) Employee benefits

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

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

3 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

(r) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

- taxable temporary differences arising on the initial recognition of goodwill; or

- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

3 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

(s) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

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

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

(t) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods and the provision of services in the ordinary course of the Group's business.

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

(i) Revenue from contracts with customers

The Group is the principal for its revenue transactions and recognises revenue on a gross basis, including the sale of electronic products that are sourced externally. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products.

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

The Group engages in sales of goods, sales of electricity and tariff income and provision of technical and consultancy services. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good and services before it is transferred to the customer. When the Group satisfies the performance obligation, the Group recognises revenue in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts.

3 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

(t) Revenue and other income (cont'd)

(i) Revenue from contracts with customers (cont'd)

(a) Sale of goods

Revenue is recognised when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but the Group generally provides credit terms to customers within 90 to 180 days upon customer acceptance. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

(b) Sale of electricity and tariff income

Revenue from the sale of electricity or steam and tariff income are recognized based upon transmission of electricity to the power grid when the control of the electricity is transferred, which is the point of time when the customer has the ability to direct the use of the output and obtain substantially all of the remaining benefits of the output.

(c) Provision of technical and consultancy services

Revenue from provision of technical and consultancy services is recognised over time, using an output method to measure progress towards complete satisfaction of the service, because the customer of the Group simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs.

(ii) Revenue from other sources and other income

(a) Interest income

Interest income is recognised using the effective interest method. The "effective interest rate" is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(b) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are presented in the consolidated statements of financial position by setting up the grant as deferred income and consequently are effectively recognised in profit or loss on a systematic basis over the useful life of the asset.

3 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

(u) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of an investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss) is recognised in OCI.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Renminbi ("**RMB**") at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into RMB at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(v) Borrowing costs

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

3 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

(w) Asset acquisition

Groups of assets acquired and liabilities assumed are assessed to determine if they are business or asset acquisitions. On an acquisition-by-acquisition basis, the Group chooses to apply a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

When a group of assets acquired and liabilities assumed do not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. An exception is when the sum of the individual fair values of the identifiable assets and liabilities differs from the overall acquisition cost. In such case, any identifiable assets and liabilities that are initially measured at an amount other than cost in accordance with the Group's policies are measured accordingly, and the residual acquisition cost is allocated to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition.

(x) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

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

- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

3 MATERIAL ACCOUNTING POLICY INFORMATION (cont'd)

(x) Related parties (cont'd)

(b) (cont'd)

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

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

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

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

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

(y) Segment reporting

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

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

4 APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS

(a) Amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRS Accounting Standards issued by IASB for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2024 for preparation of the consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the amendments to IFRS Accounting Standards in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

4 APPLICATION OF NEW AND AMENDMENTS TO IFRS ACCOUNTING STANDARDS (cont'd)

(b) New and amendments to IFRS Accounting Standards in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IFRS 9 and IFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS Accounting Standards	Annual Improvements to IFRS Accounting Standards – Volume11[3]
Amendments to IAS 21	Lack of Exchangeability[2]
IFRS 18	Presentation and Disclosure in Financial Statements[4]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after 1 January 2026.
4 Effective for annual periods beginning on or after 1 January 2027.

Except for the new and amendments to IFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 18 – Presentation and Disclosure in Financial Statements

IFRS 18 sets out requirements on presentation and disclosures in financial statements and will replace IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. Minor amendments to IAS 7 "Statement of Cash Flows" and IAS 33 "Earnings per Share" are also made.

IFRS 18, and the consequential amendments to other IFRS Accounting Standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted.

The application of the IFRS 18 is not expected to have material impact on the financial position of the Group. The directors of the Company are in the process of making an assessment of the impact of IFRS 18, but is not yet in a position to state whether the adoption would have a material impact on the presentation and disclosures of consolidated financial statements of the Group.

5 ACCOUNTING JUDGEMENT AND ESTIMATES

Sources of estimation uncertainty

Notes 20, 21 and 35 contain information about the assumptions and their risk factors relating to financial instruments. Other significant sources of estimation uncertainty are as follows:

5 ACCOUNTING JUDGEMENT AND ESTIMATES (cont'd)

Sources of estimation uncertainty (cont'd)

(a) Net realisable value of inventories:

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

(b) Impairment of trade and other receivables:

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

(c) Impairment of goodwill:

As described in Note 3(i)(ii), the carrying amount of goodwill and intangible assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. Goodwill is tested annually for impairment. The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset or cash-generating units are discounted to their present value, which requires significant judgement relating to the level of revenue, the amount of operating costs, and timing of cash flows. The Group uses readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions with respect to customer demand, market conditions, projections of revenue and the amount of operating costs. Any change in the assumptions adopted in the cash flow forecast would increase or decrease the provision of impairment loss and affect the Group's net asset value.

6 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are engaged in (i) the provision of high-quality and reliable signal transmission products and services for global mobile communication operators, equipment vendors and rail transit builders, mainly covering RF coaxial cables, leakage coaxial cables, antennas, active transmission equipment, and related accessory products, as well as overall solution services for wireless communication; (ii) chips research, design, sales and supply chain services, semiconductor, intellectual property authorization business, and digital security products and services; and (iii) the supply of electricity with a focus on the production and sales of solar power as well as the provision of development consultation and technical services of the solar thermal power generation technology. Further details regarding the Group's principal activities are disclosed in Note 6(b).

6 REVENUE AND SEGMENT REPORTING (cont’d)

(a) Revenue (cont’d)

Disaggregation of revenue

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

	2024 RMB’000	2023 RMB’000
New energy and services	185,971	77,064
Integrated circuits and digital technology	238,345	202,671
Telecommunications	2,095,671	1,976,168
	2,519,987	2,255,903

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

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

	2024 RMB’000	2023 RMB’000
Customer A*	773,088	742,073
Customer B*	452,723	421,518

* Revenue from Telecommunications

The income receipts right in relation to the sales of electricity was pledged as securities for bank loans of the Group (see Note 30).

(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 chief operating decision maker (“**CODM**”) for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Integrated circuits and digital technology: chips research, design, sales and supply chain services, semiconductor, intellectual property authorization business, and digital security products and services. To better reflect the Group’s business operations and development, the integrated circuits and digital technology business segment was renamed from digital technology and digital security business segment during the current reporting period.

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

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

6 REVENUE AND SEGMENT REPORTING (cont'd)

(b) Segment reporting (cont'd)

The Group completed a business acquisition of Zhejiang Zhongguang New Energy Technology Co., Ltd. ("**Zhejiang Zhongguang**") as set out in Note 37 during the year ended 31 December 2023.

(i) Information about reportable segments

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the interest income, interest expense, depreciation and amortisation expenses, share of result of an associate, asset impairment losses, write-off of deposits and related reversals attributable to those segments.

The measure used for reporting segment profit before taxation, adjusted for items not specifically attributed to individual segments, such as certain other operating income including unallocated foreign exchange gains or losses and unallocated interest income, central interest expense and central administration costs, including independent directors' fees at corporate level. Segment profit before taxation 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 results, management is provided with segment information concerning interest income, interest expense, depreciation and amortization expenses, written-off of deposits, asset impairment losses and related reversals and share of result of an associate.

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

6 REVENUE AND SEGMENT REPORTING (cont'd)

(b) Segment reporting (cont'd)

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2024 and 2023 is set out below.

	Reportable segments			
	Integrated circuits and digital technology RMB'000	New energy and services RMB'000	Telecom-munications RMB'000	Total reportable segments RMB'000
2024				
Disaggregated by timing of revenue recognition				
Point in time	216,893	185,971	2,095,671	2,498,535
Over time	21,452	–	–	21,452
Revenue from external customers	238,345	185,971	2,095,671	2,519,987
Segment profit before taxation	20,561	12,332	72,988	105,881
Interest income	5,554	7,526	18,699	31,779
Interest expense	(20,332)	(19,362)	(11,750)	(51,444)
Depreciation and amortisation expenses	(18,546)	(34,992)	(35,584)	(89,122)
Share of result of an associate	–	24	–	24
Impairment loss on trade and other receivables	–	(1,881)	(5,161)	(7,042)
Provision of stock obsolescence	–	–	(7,146)	(7,146)
Write-off of deposits	–	–	(2,075)	(2,075)

6 REVENUE AND SEGMENT REPORTING (cont'd)

(b) Segment reporting (cont'd)

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

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

(ii) Reconciliations of information on reportable segments

	2024 RMB'000	2023 RMB'000
Profit before taxation		
Total profit before taxation for reportable segments	**105,881**	137,201
Unallocated amounts:		
– Other income	**261**	4,468
– Other expense	**(17,420)**	(16,137)
Consolidated profit before taxation	**88,722**	125,532

6 REVENUE AND SEGMENT REPORTING (cont'd)

(b) Segment reporting (cont'd)

(iii) Other material items

	Reportable and all other segment totals RMB'000	Unallocated amounts RMB'000	Consolidated totals RMB'000
For the year ended 31 December 2024			
Depreciation and amortisation expense	**(89,122)**	**(336)**	**(89,458)**
For the year ended 31 December 2023			
Depreciation and amortisation expense	(86,328)	(329)	(86,657)

(iv) Geographic information

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

The following table sets out the geographic information analyses (i) the Group's revenue and (ii) the Group's property, plant and equipment, goodwill, intangible assets and interest in associates ("specified non-current assets"). In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets have been based on the geographic location of the assets.

	Revenue from external customers		Specified non-current assets	
	2024 RMB'000	2023 RMB'000	**2024 RMB'000**	2023 RMB'000
PRC	**2,397,163**	2,140,809	**1,473,739**	1,552,399
Other countries	**122,824**	115,094	**50,533**	49,604
	2,519,987	2,255,903	**1,524,272**	1,602,003

7 OTHER OPERATING INCOME

	2024 RMB'000	2023 RMB'000
Government grants		
– Amortisation of deferred income for the year	882	1,578
– Government grants (Note)	23,914	12,009
Net foreign exchange gain	2,812	10,676
Net gain on commodity future contracts	4,204	3,534
Net gain on financial assets measured at FVPL	825	–
Compensation claims received	868	1,272
Others	2,543	2,538
	36,048	31,607

Note: The amounts represent unconditional grants from government for subsidising the operations of the subsidiaries in the PRC.

8 INTEREST EXPENSE

	2024 RMB'000	2023 RMB'000
Interest expense on bank loans	44,971	23,005
Interest on lease liabilities	470	322
Other interest expense	6,029	7,666
	51,470	30,993

9 PROFIT BEFORE TAXATION

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

	Notes	2024 RMB'000	2023 RMB'000
Research and development expenses (Note i)		148,317	114,650
Net loss on derivative financial instruments other than commodity future contracts		–	6,674
Net (gain)/loss on financial assets measured at FVPL		(825)	2,529
Loss on deregistration of a subsidiary		720	–
Net loss on write-off/disposals of property, plant and equipment		9,116	5,862
Write-off of deposits		2,075	–
Cost of inventories (Note ii)	22(b)	2,052,682	1,821,205
Amortisation of intangible assets	16	20,492	32,091
Depreciation charge:	15		
– owned property, plant and equipment		61,332	46,854
– right-of-use assets		7,634	7,712
		68,966	54,566

9 PROFIT BEFORE TAXATION (cont'd)

	2024 RMB'000	2023 RMB'000
Audit and related services fees paid to:		
– CL Partners CPA Limited	2,215	–
– member firms of KPMG International	–	3,816
– other auditors	1,087	376
	3,302	4,192
Other non-audit services fee paid to:		
– CL Partners CPA Limited	1,078	–
– member firms of KPMG International	1,180	2,117
– other auditors	25	–
	2,283	2,117
Staff costs:		
Salaries and bonus	201,873	164,955
Contributions to defined contribution plans (Note iii)	28,969	10,261
Executive directors' remuneration	973	1,332
Non-executive directors' fees	2,048	1,900
	233,863	178,448

Notes:

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

ii Cost of inventories includes RMB136,773,000 (2023: RMB135,066,000) relating to staff costs, depreciation and amortisation expenses which amount is also included in the respective total amounts disclosed separately above.

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

10 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Notes	2024 RMB'000	2023 RMB'000
Income tax			
Current year			
– PRC Corporate Income Tax		12,671	21,463
– PRC withholding Tax		5,859	379
		18,530	21,842
(Over)/under-provision in prior years			
– PRC Corporate Income Tax		(1,261)	513
		17,269	22,355
Deferred tax			
Origination of temporary differences	33(b)(i)	(1,870)	(998)
Income tax expense		15,399	21,357

Notes:

i Singapore and India income tax are calculated at the applicable rates in accordance with the relevant tax laws and regulation in respective countries.

No provision for Singapore and India income tax has been made in the consolidated financial statements since the Group do not have assessable profits subject to Singapore and India income tax for the years ended 31 December 2024 and 2023.

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% (2023: 25%) except for Jiangsu Hengxin Technology Co., Ltd., Jiangsu Hengxin Wireless Technology Co., Ltd., Nanjing Zhangyu Information Technology Co., Ltd.("**Nanjing Zhangyu**"), Shanghai Zhangyu Information Technology Co., Ltd. ("**Shanghai Zhangyu**") and Qinghai Zhongkong Solar Power Co., Ltd. ("**Qinghai Zhongkong**"), are subject to a preferential income tax rate of 15% in 2024 available to enterprises which qualify as a High and New Technology Enterprise (2023: 15%).

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

iii Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements since the Group do not have assessable profits subject to Hong Kong Profits Tax for the years ended 31 December 2024 and 2023.

10 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (cont'd)

(b) Reconciliation between income tax expense and profit before taxation per the consolidated statement of profit or loss:

	2024 RMB'000	2023 RMB'000
Profit before taxation	88,722	125,532
Tax using the PRC statutory tax rate of 25% (2023: 25%)	22,180	31,383
Effect of concessionary tax rate	(16,072)	(15,445)
Effect of tax rates in other jurisdictions	1,027	194
Tax effect of non-deductible expenses	4,686	4,873
Tax effect of tax losses not recognised	16,293	23,021
Additional deduction for qualified research and development costs (Note)	(14,209)	(23,559)
Utilisation of tax losses previously not recognised	(3,098)	–
(Over)/under-provision in prior years	(1,261)	513
Tax effect of share of result of an associate	(6)	(2)
Effect of withholding tax on income from PRC subsidiaries	5,859	379
Income tax expense	15,399	21,357

Note: According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC, enterprises engaging in research and development activities are entitled to claim 175% to 200% of their qualified research and development costs incurred as tax deductible expenses when determining their assessable profits for that year.

11 DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

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

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
2024					
Executive directors					
Dr. Song Haiyan (resigned on 24 August 2024)	–	305	174	40	519
Mr. Peng Yinan	–	363	46	45	454
Non-executive directors					
Mr. Cui Wei	438	–	–	–	438
Mr. Du Xiping (resigned on 24 August 2024)	209	–	–	–	209
Mr. Tao Shunxiao (appointed on 24 August 2024)	117	–	–	–	117
Mr. Zeng Guowei (appointed on 24 August 2024)	117	–	–	–	117
Ms. Zhang Zhong	345	–	–	–	345
Independent non-executive directors					
Dr. Li Jun	274	–	–	–	274
Mr. Pu Hong	274	–	–	–	274
Mr. Qian Ziyan (appointed on 17 November 2023)	274	–	–	–	274
	2,048	668	220	85	3,021

11 DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (cont'd)

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Retirement benefit scheme contributions RMB'000	Total RMB'000
2023					
Executive directors					
Dr. Song Haiyan (resigned on 24 August 2024)	–	462	180	99	741
Mr. Peng Yinan	–	152	–	40	192
Mr. Du Xiping (redesignated from executive director to non-executive director on 22 March 2023 and resigned on 24 August 2024)	–	239	160	–	399
Non-executive directors					
Mr. Cui Wei	431	–	–	–	431
Mr. Du Xiping (redesignated from executive director to non-executive director on 22 March 2023 and resigned on 24 August 2024)	239	–	–	–	239
Ms. Zhang Zhong	340	–	–	–	340
Independent non-executive directors					
Dr. Li Jun	270	–	–	–	270
Mr. Pu Hong	270	–	–	–	270
Mr. Qian Ziyan (appointed on 17 November 2023)	34	–	–	–	34
Mr. Tam Chi Kwan Michael (resigned on 17 November 2023)	316	–	–	–	316
	1,900	853	340	139	3,232

The chief executives of the Company are also the executive directors and the emoluments disclosed above include the services rendered by them as chief executives.

The executive directors' and chief executives' emoluments shown above were mainly for their services in connection with management of the affairs of the Group. The emoluments of non-executive directors and independent non-executive directors shown above were mainly for their services as directors of the Company.

None of the directors/chief executives received or will receive any termination benefits during the year (2023: Nil).

12 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, none (2023: one) of them is a director whose emolument is disclosed in Note 11. The aggregate of the emoluments in respect of the five (2023: four) individuals are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	3,808	2,127
Performance related bonuses	320	630
Retirement benefit scheme contributions	614	221
	4,742	2,978

The emoluments of the five (2023: four) individuals with the highest emoluments are within the following bands:

	2024	2023
Nil to HKD1,000,000	3	3
HKD1,000,001 to HKD1,500,000	2	1
	5	4

No remuneration was paid by the Group to the directors, chief executives and the five individuals with highest emoluments as an inducement to join or upon joining the Group or as compensation for loss of office for both years. None of the directors, chief executives and the five individuals with highest emoluments has waived any emoluments during both years.

13 OTHER COMPREHENSIVE INCOME/(EXPENSE)

(a) *Tax effects relating to each component of other comprehensive income/(expense)*

	2024			2023		
	Before tax RMB'000	Tax expense RMB'000	Net of tax RMB'000	Before tax RMB'000	Tax benefit RMB'000	Net of tax RMB'000
Equity investments at FVOCI – net change in fair value reserve (non-recycling)	**194**	**(29)**	**165**	(1,627)	216	(1,411)
Exchange differences on translation of financial statements of entities with functional currencies other than RMB	**752**	**–**	**752**	304	–	304
Other comprehensive (expense)/income	**946**	**(29)**	**917**	(1,323)	216	(1,107)

(b) *Net movement in the fair value reserve (non-recycling) during the year recognised in other comprehensive income/(expense) and reclassification adjustments*

	2024 RMB'000	2023 RMB'000
Equity investments measured at FVOCI		
Other comprehensive (expense)/income		
– Changes in fair value	194	(1,627)
– Deferred tax	(29)	216
	165	(1,411)
Disposal	–	188
	165	(1,223)

14 EARNINGS PER SHARE

(a) *Basic earnings per share*

	2024	2023
Profit attributable to equity shareholders of the Company (RMB'000)	42,189	69,702
Weighted average number of ordinary shares in issue less shares held for Share Award Scheme ('000)	436,833	388,000
Basic earnings per share (RMB)	0.097	0.180

(b) *Diluted earnings per share*

For the purpose of calculating diluted earnings per share, profit attributable to equity shareholders of the Company and the weighted average number of ordinary shares in issue, taking into consideration of the effect of the shares held for the Share Award Scheme, are adjusted for the effects of all potential dilutive ordinary shares. There are no potential dilutive ordinary shares during the years ended 31 December 2023 and 2024. Accordingly, the diluted earnings per share is computed to be the same as the basic earnings per share for the years ended 31 December 2023 and 2024.

15 PROPERTY, PLANT AND EQUIPMENT

(a) *Reconciliation of carrying amount*

	Right-of-use assets RMB'000	Building and leasehold improvement RMB'000	Plant and machinery RMB'000	Electric generating facilities RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:								
At 1 January 2023	57,039	119,821	170,114	–	78,355	3,736	62,672	491,737
Additions	6,508	1,301	1,052	–	3,284	456	17,689	30,290
Acquisition of subsidiaries (Note 37)	81,838	22,294	536	844,318	15,727	123	2,096	966,932
Acquisition of a subsidiary which does not constitute business (Note 26(d))	–	–	–	–	–	–	5,900	5,900
Transfers from construction in progress	–	–	66,417	–	145	–	(66,562)	–
Disposals/written-off	(3,199)	–	(685)	(5,653)	(2,209)	–	–	(11,746)
Exchange adjustments	–	–	720	–	13	–	–	733
At 31 December 2023 and 1 January 2024	142,186	143,416	238,154	838,665	95,315	4,315	21,795	1,483,846
Additions	706	–	–	–	5,542	1,905	9,505	17,658
Transfers from construction in progress	–	–	3,501	–	6,643	–	(10,144)	–
Disposals/written-off	–	–	(2,362)	–	(9,895)	(500)	–	(12,757)
Exchange adjustments	–	–	1,060	–	–	–	–	1,060
At 31 December 2024	142,892	143,416	240,353	838,665	97,605	5,720	21,156	1,489,807
Accumulated depreciation:								
At 1 January 2023	(10,768)	(56,000)	(154,483)	–	(56,470)	(1,657)	–	(279,378)
Charge for the year	(7,712)	(5,018)	(18,929)	(14,148)	(8,086)	(673)	–	(54,566)
Disposals/written-off	3,199	–	499	–	1,252	–	–	4,950
Exchange adjustments	–	–	(73)	–	(13)	–	–	(86)
At 31 December 2023 and 1 January 2024	(15,281)	(61,018)	(172,986)	(14,148)	(63,317)	(2,330)	–	(329,080)
Charge for the year	(7,634)	(4,752)	(18,004)	(33,955)	(3,868)	(753)	–	(68,966)
Disposals/written-off	–	–	1,758	–	1,511	277	–	3,546
Exchange adjustments	–	–	(263)	–	–	–	–	(263)
At 31 December 2024	(22,915)	(65,770)	(189,495)	(48,103)	(65,674)	(2,806)	–	(394,763)
Net book value:								
At 31 December 2024	119,977	77,646	50,858	790,562	31,931	2,914	21,156	1,095,044
At 31 December 2023	126,905	82,398	65,168	824,517	31,998	1,985	21,795	1,154,766

As at 31 December 2024, property, plant and equipment with carrying amounts of RMB790,562,000 (2023: RMB824,517,000) were pledged as securities for the Group's bank loans (see Note 30).

15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

(b) Right-of-use assets

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

	31 December 2024 RMB'000	31 December 2023 RMB'000
Ownership interests in leasehold land held for own use, carried at depreciated cost (Note)	116,122	116,842
Other properties leased for own use, carried at depreciated cost	3,855	10,063
	119,977	126,905

Note:

Ownership interests in leasehold land held for own use

The Group holds several leasehold land for its business, including the whole or part of undivided share in the land in the PRC, where its manufacturing facilities and solar thermal power facilities are primarily located. The leases run for 30 year. The Group is the registered owner of these property interests. Lump sum payments were made upfront to acquire these property interests from the PRC government authorities, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

The Group has obtained the right to use other properties as its warehouses and office through tenancy agreements. The leases typically run for an initial period of 2 to 5 years.

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

15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

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

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

	2024 RMB'000	2023 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land	2,109	2,351
Other properties leased for own use	5,525	5,361
	7,634	7,712
Expense relating to short-term leases	694	1,770

During the year ended 31 December 2024, additions to right-of-use assets were RMB706,000 (2023: RMB6,508,000). This amount is related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in Notes 26(c), 32 and 35(b), respectively.

16 INTANGIBLE ASSETS

	Customer relationship (Note i) RMB'000	Patents (Note i) RMB'000	IP resources (Note ii) RMB'000	License (Note iii) RMB'000	Total RMB'000
Cost:					
At 1 January 2023	50,864	14,153	4,964	–	69,981
Addition	–	–	28,163	–	28,163
Acquisition of subsidiaries (Note 37)	–	15,616	–	173,366	188,982
At 31 December 2023	50,864	29,769	33,127	173,366	287,126
Addition	–	–	6,509	–	6,509
At 31 December 2024	50,864	29,769	39,636	173,366	293,635
Accumulated amortisation:					
At 1 January 2023	(11,868)	(1,490)	(207)	–	(13,565)
Charge for the year	(23,735)	(3,604)	(1,910)	(2,842)	(32,091)
At 31 December 2023	(35,603)	(5,094)	(2,117)	(2,842)	(45,656)
Charge for the year	(4,534)	(5,676)	(3,461)	(6,821)	(20,492)
At 31 December 2024	(40,137)	(10,770)	(5,578)	(9,663)	(66,148)
Net book value:					
At 31 December 2024	10,727	18,999	34,058	163,703	227,487
At 31 December 2023	15,261	24,675	31,010	170,524	241,470

Note:

i All of the Group's customer relationship and patents were purchased as part of a business combination in prior years (Note 37).

ii IP resources was acquired from third parties.

iii The license represents 20 years electric power business license granted to Qinghai Zhongkong by National Development and Reform Commission for the solar thermal project was purchased as part of a business combination (Note 37).

The amortisation charge for the year is included in "cost of sales" and "other operating expense" in the consolidated statement of profit or loss. No impairment loss was recognised during the year (2023: Nil).

17 GOODWILL

	RMB'000
Cost:	
At 1 January 2023	155,116
Acquisition of subsidiaries (Note 37)	46,473
At 31 December 2023 and 31 December 2024	201,589
Accumulated impairment losses:	
At 1 January 2023, 31 December 2023 and 31 December 2024	–
Carrying amount:	
At 31 December 2024	201,589
At 31 December 2023	201,589

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's CGUs identified according to operating segments as follows:

	Notes	2024 RMB'000	2023 RMB'000
Integrated circuits and digital technology business	i	**155,116**	155,116
New energy and services business	ii	**46,473**	46,473
		201,589	201,589

Notes:

i Integrated circuits and digital technology business

The recoverable amount of the CGU is determined based on value-in-use calculation. The Group engaged an independent professional valuer to assist the management in ascertaining the recoverable amount of the respective CGUs based on value-in-use calculation. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate which is consistent with the forecasts included in industry researches and generally in line with 2023.

As at 31 December 2024 and 2023, the recoverable amount of the CGU was higher than the carrying amount and no impairment loss was recognised in 2024 and 2023.

The key assumptions used in estimating the recoverable amount are as follows:

	2024	2023
Average revenue growth rates	**7.00%-18.00%**	7.15%-16.03%
Average operating profit margin	**23.90%-48.70%**	38.58%-73.86%
Pre-tax discount rates	**18.91%-22.41%**	23.10%-27.48%

Management performed sensitivity analysis of three key assumptions that could significantly affect the recoverable amount. The following table shows the percentage by which these three assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

	2024	2023
Decrease in average revenue growth rate	**0.65%-2.30%**	1.24%-1.43%
Decrease in average operating profit margin	**0.46%-3.13%**	1.13%-1.91%
Increase in pre-tax discount rate	**0.42%-1.60%**	1.40%-1.96%

17 GOODWILL (cont'd)

Impairment tests for cash-generating units containing goodwill (cont'd)

Notes: (cont'd)

ii New energy and services business

The recoverable amount of the CGU has been determined from value-in-use calculations. The Group engaged an independent professional valuer to assist the management in ascertaining the recoverable amount of the respective CGUs based on value-in-use calculation. The cash flow projections cover the estimated useful lives of each respective completed solar power plant is in line with normal practice in the solar power industry. Therefore, the projections cover periods will be in excess of five years.

As at 31 December 2024 and 2023, the recoverable amount of the CGU was higher than the carrying amount and no impairment loss was recognised in 2024 and 2023.

The key assumptions used in estimating the recoverable amount are as follows:

	2024	2023
Average revenue growth rate	4.30%	4.88%
Average operating profit margin	29.30%	27.48%
Pre-tax discount rate	9.81%	9.32%

Management performed sensitivity analysis of three key assumptions that could significantly affect the recoverable amount. The following table shows the percentage by which these three assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

	2024	2023
Decrease in average revenue growth rate	0.10%	0.12%
Decrease in average operating profit margin	0.15%	1.03%
Increase in pre-tax discount rate	0.29%	0.32%

18 INVESTMENTS IN SUBSIDIARIES

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

				2024 Proportion of ownership interest			2023 Proportion of ownership interest		
Name of company	Principal activities	Place of incorporation and business	Particulars of registered and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Group's effective interest	Held by the Company	Held by a subsidiary
Jiangsu Hengxin Technology Co., Ltd.* (江蘇亨鑫科技有限公司)	Research, design, development and manufacture of telecommunications and technological products, production of radio frequency coaxial cables for mobile communications and mobile communications systems exchange equipment	PRC	USD138,000,000/ USD138,000,000	100%	100%	–	100%	100%	–
Hengxin Technology (India) Pvt Ltd.	Marketing and trading of the Group's products to telecommunication operators in India	India	INR59,500,000/ INR59,500,000	100%	100%	–	100%	100%	–
Hengxin Metaverse Co., Ltd.	Investment holding	Hong Kong	HKD5,000,000/ HKD5,000,000	100%	100%	–	100%	100%	–
Hengxin Technology International Co., Ltd.	Trading and investment holding	Hong Kong	HKD1,170,000/ HKD1,170,000	100%	–	100%	100%	–	100%

18 INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of company	Principal activities	Place of incorporation and business	Particulars of registered and paid-up capital	2024 Proportion of ownership interest Group's effective interest	2024 Held by the Company	2024 Held by a subsidiary	2023 Proportion of ownership interest Group's effective interest	2023 Held by the Company	2023 Held by a subsidiary
Jiangsu Hengxin Wireless Technology Co., Ltd.* (江蘇亨鑫無線技術有限公司)	Research, design, development and manufacture sale and technical services of antennas and related telecommunications products for mobile communications systems	PRC	RMB30,000,000/ RMB5,000,000	100%	–	100%	100%	–	100%
Jiangsu Hengxin Zhonglian Communication Technology Co., Ltd.* ("**Zhonglian Technology**") (江蘇亨鑫眾聯通信技術有限公司) (Note v)	Research, design, development and manufacture sale and technical services of telecommunication products for mobile communications systems	PRC	RMB10,000,000/ RMB10,000,000	100%	–	100%	70%	–	70%
Yixing Tianyue Enterprise Management Consulting Partnership (Limited Partnership)* (宜興市天躍企業管理諮詢合夥企業)	Research, design, development and manufacture sale and technical services of telecommunication products for mobile communications systems	PRC	RMB3,000,400/Nil	100%	–	100%	100%	–	100%
HODL PCC Ltd.	Investment holding	Isle of Man	GBP1,000/GBP1,000	80%	–	80%	80%	–	80%
Xinkexin (Suzhou) Technology Co., Ltd.* (鑫科芯(蘇州)科技有限公司)	Enterprise management consulting	PRC	RMB65,000,000/ RMB65,000,000	100%	–	100%	100%	–	100%
Nanjing Zhangyu Information Technology Co., Ltd.* ("**Nanjing Zhangyu**") (南京掌御信息科技有限公司) (Note ii)	Development, design and sale of integrated circuits, digital products, computer hardware, computer technology application and software; technology consultation and technology services	PRC	RMB45,000,000/ RMB45,000,000	100%	–	100%	51%	–	51%
Zhangyu Energy Storage (Zanhuang) Co., Ltd.* 掌御儲能（贊皇）有限公司	Inactive	PRC	RMB10,000,000/ Nil	100% (incorporated on 20 November 2024)	–	100%	N/A	N/A	N/A
Hengxin Mining Company Limited 亨鑫礦業有限公司	Inactive	HK	HKD5,000,000/ HKD5,000,000	100% (incorporated on 20 December 2024)	–	100%	N/A	N/A	N/A
Hengxin New Energy Company Limited 亨鑫新能源有限公司	Inactive	HK	HKD5,000,000/ HKD5,000,000	100% (incorporated on 23 December 2024)	–	100%	N/A	N/A	N/A
Zhangyu Energy Storage Technology (Huanghua) Co., Ltd.* 掌御儲能技術（黃驊）有限公司	Inactive	PRC	RMB10,000,000/ Nil	100% (incorporated on 5 December 2024)	–	100%	N/A	N/A	N/A

18 INVESTMENTS IN SUBSIDIARIES (cont'd)

				2024 Proportion of ownership interest			2023 Proportion of ownership interest		
Name of company	Principal activities	Place of incorporation and business	Particulars of registered and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary	Group's effective interest	Held by the Company	Held by a subsidiary
Shanghai Zhangyu Information Technology Co., Ltd.* ("**Shanghai Zhangyu**") (上海掌御信息科技有限公司) (Note iii)	Development, design and sale of integrated circuits, digital products, computer hardware, computer technology application and software; technology consultation and technology services; import and export technology	PRC	RMB10,000,000/ RMB10,000,000	100%	–	100%	51%	–	51%
Wuxi Sihai Technology Co., Ltd.* ("**Wuxi Sihai**") (無錫思海科技有限公司) (Note vi)	Development, design and sale of integrated circuits, digital products, computer hardware, computer technology application and software; technology consultation and technology services	PRC	RMB5,000,000/ RMB5,000,000	90%	–	90%	41%	–	80%
Shanghai Zhangyu Semiconductor Technology Co., Ltd.* ("**Shanghai Zhangyu Semiconductor**") (上海掌御半導體有限公司) (Note vi)	Inactive	PRC	RMB10,000,000/Nil	– (deregistered on 28 August 2024)	–	–	51%	–	51%
Zhejiang Zhongguang* (Note i)	Provision of related technical and consultancy services	PRC	RMB1,124,513,500/ RMB1,124,513,500	45%	–	51%	22%	–	51%
Qinghai Zhongkong Solar Power Co., Ltd.* (青海中控太陽能發電有限公司) (Note ii)	Generation of electricity and operation of solar thermal power stations	PRC	RMB370,000,000/ RMB370,000,000	45%	–	100%	22%	–	100%
Gansu Yumen Zhongkong Solar Power Co., Ltd.* ("**Gansu Yumen**") (甘肅玉門眾控太陽能發電有限公司) (Note vi)	Generation of electricity and operation of solar thermal power stations	PRC	RMB4,000,000/ RMB4,000,000	– (deregistered on 28 May 2024)	–	–	17%	–	75%
Zhongguang (Qinghai) New Energy Science Technology Co. Ltd.* (formerly known as: Qinghai Cosin Solar Power Co., Ltd.) 中光（青海）新能源技術有限公司 (前稱：青海可勝太陽能發電有限公司) (Note ii)	Generation of electricity and operation of solar thermal power stations	PRC	RMB100,000,000/ RMB8,140,000	45%	–	100%	22%	–	100%
Qinghai Zhongkong Solar Power Co., Ltd.* (青海眾控太陽能發電有限公司) (Note ii)	Generation of electricity and operation of solar thermal power stations	PRC	RMB100,000,000/ RMB8,090,000	45%	–	100%	22%	–	100%

18 INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of company	Principal activities	Place of incorporation and business	Particulars of registered and paid-up capital	2024 Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary	2023 Proportion of ownership interest Group's effective interest	Held by the Company	Held by a subsidiary
Heli (Qinghai) Operation And Maintenance Technology Co., Ltd.* (formerly known as: Zhongguang (Qinghai) New Energy Science Technology Co. Ltd.) (和力(青海)運維技術有限公司) (前稱：中光(青海)新能源技術有限公司) (Note ii)	Generation of electricity and operation of solar thermal power stations	PRC	RMB10,000,000/ RMB3,000,000	45%	-	100%	22%	-	100%
Hangzhou Longkong Zhongguang Enterprise Holding Partnership (Limited partnership)* (Note ii) (杭州龍控中光企業控股合夥企業(有限合夥))	Enterprise management consulting	PRC	RMB730,000,000/ RMB409,175,643	88%	-	88%	45%	-	88%
Shanghai Longkong Tuofeng Mining Technology Co., Ltd.* (上海龍控拓豐礦業科技有限公司)	Inactive	PRC	RMB50,000,000/ Nil	66% (incorporated on 17 December 2024)	-	75%	N/A	N/A	N/A

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

Notes:

i On 21 July 2023, the Group, through a non-wholly owned subsidiary, acquire 51% equity interest of Zhejiang Zhongguang. Zhejiang Zhongguang ard its subsidiaries became non-wholly owned subsidiaries of the Group since then (See Note 37). Accordingly, the profit and loss and cash flow information relating to these subsidiaries is only for the period from 22 July 2023 to 31 December 2023.

ii During the year ended 31 December 2024, the Group acquired remaining 49% equity interest of Nanjing Zhangyu at a cash consideration of RMB395,000,000. The proportion of ownership interest in Nanjing Zhangyu held by the Group increased from 51% to 100% and Nanjing Zhangyu became a wholly-owned subsidiary of the Group.

iii During the year ended 31 December 2024, the Group acquired remaining 49% equity interest of Shanghai Zhangyu at a cash consideration of RMB127,000,000. The proportion of ownership interest in Shanghai Zhangyu held by the Group increased from 51% to 100% and Shanghai Zhangyu became a wholly-owned subsidiary of the Group.

iv During the year ended 31 December 2024, the Group further acquired 10% equity interest of Wuxi Shihai, a direct subsidiary of Nanjing Zhangyu, at a cash consideration of RMB8,037,000. The Group's effective interest in Wuxi Shihai increased from 41% to 90%.

v During the year ended 31 December 2024, the Group acquired remaining 30% equity interest of Zhonglian Technology at zero consideration. The Group's effective interest in Zhonglian Technology increased from 70% to 100% and became a wholly-owned subsidiary of the Group.

vi During the year ended 31 December 2024, Shanghai Zhangyu Semiconductor and Gansu Yumen, subsidiaries of the Group, have been deregistered. At date of deregistration, the aggregate net assets and non-controlling interest of the subsidiaries are RMB1,475,000 and RMB755,000 respectively. Upon the deregistration, a loss on deregistration of subsidiaries of RMB720,000 was recognised. There was no net inflow/outflow of cash and cash equivalents in respect of the deregistration of subsidiaries.

vii Subsequent to the end of the reporting period, the Company incorporated a wholly-owned subsidiary, Zhangyu Energy Storage Development (Zaozhuang) Co., Ltd.* 掌御儲能發展(棗莊)有限公司 on 9 January 2025, whose principal activity is provision of new energy products and services.

During the year ended 31 December 2024, the Group acquired the shares in subsidiaries as disclosed in notes ii, iii, iv and v above. The difference between the cash consideration of totalling RMB530,037,000 and the proportion interests of the subsidiaries' net assets being acquired of RMB58,028,000 attributable to the equity shareholders of the Company of RMB472,009,000 was recognised in special reserve.

18 INVESTMENTS IN SUBSIDIARIES (cont'd)

The following table lists out the information relating to the subsidiaries of the Company which has material NCI.

Name of company	Place of incorporation and business	Operating segment	Proportion of effective interest held by NCI 2024	2023
Nanjing Zhangyu	PRC	Integrated circuits and digital technology	–	49%
Shanghai Zhangyu	PRC	Integrated circuits and digital technology	–	49%
Zhejiang Zhongguang	PRC	New energy and services	55%	78%
Qinghai Zhongkong Solar Power Co., Ltd. (青海中控太陽能發電有限公司)	PRC	New energy and services	55%	78%

The summarised financial information presented below represents the amounts before any intra-group elimination.

2024	Zhejiang Zhongguang RMB'000	Qinghai Zhongkong RMB'000	Other individually immaterial subsidiaries RMB'000	Intra-group elimination RMB'000	Total RMB'000
NCI percentage	55%	55%			
Current assets	816,732	396,152			
Non-current assets	458,009	946,983			
Current liabilities	(17,269)	(370,340)			
Non-current liabilities	(794)	(563,682)			
Net assets	1,256,678	409,113			
Identified intangible assets acquired	4,004	199,832			
	1,260,682	608,945			
Carrying amount of NCI	693,375	334,920	54,306	(297,386)	785,215
Revenue	10,587	174,812			
(Loss)/profit for the year	(4,469)	39,854			
Total comprehensive (expense)/income	(4,469)	39,854			
Net effect on amortisation of identified intangible assets acquired	(474)	(12,730)			
	(4,943)	27,124			
(Loss)/profit and total comprehensive (expense)/income allocated to NCI	(2,719)	14,918	(1,697)	20,632	31,134
Dividend paid to NCI	–	–	–	–	–
Cash flows from operating activities	(17,698)	27,607			
Cash flows from investing activities	90,305	(16,902)			
Cash flows from financing activities	(76,649)	(251,045)			

18 INVESTMENTS IN SUBSIDIARIES (cont'd)

2023	Shanghai Zhangyu RMB'000	Nanjing Zhangyu RMB'000	Zhejiang Zhongguang RMB'000	Qinghai Zhongkong RMB'000	Other individually immaterial subsidiaries RMB'000	Intra-group elimination RMB'000	Total RMB'000
NCI percentage	49%	49%	78%	78%			
Current assets	44,988	88,464	816,628	571,001			
Non-current assets	18,147	267,021	462,764	995,359			
Current liabilities	(41,816)	(269,085)	(15,206)	(706,321)			
Non-current liabilities	(315)	(1,368)	(3,039)	(490,780)			
Net assets	21,004	85,032	1,261,147	369,259			
Identified intangible assets acquired	5,918	12,009	4,478	212,562			
	26,922	97,041	1,265,625	581,821			
Carrying amount of NCI	13,192	47,550	987,188	453,820	(8,166)	(680,720)	812,864
Revenue	43,750	94,958	10	77,054			
Profit for the year	17,280	34,481	42,065	27,852			
Total comprehensive income	17,280	34,481	42,065	27,852			
Net effect on amortisation of identified intangible assets acquired	(3,131)	(15,224)	(218)	(5,078)			
	14,149	19,257	41,847	22,774			
Profit/(loss) and total comprehensive income/(expense) allocated to NCI	6,933	9,436	32,641	17,764	(1,797)	(30,504)	34,473
Dividend paid to NCI	–	–	–	–	–	–	–
Cash flows from operating activities	26,919	16,412	(2,360)	84,316			
Cash flows from investing activities	(12,749)	(272,611)	(343,309)	(1,200)			
Cash flows from financing activities	–	(250,000)	–	139,148			

19 INTERESTS IN ASSOCIATES

	2024 RMB'000	2023 RMB'000
Cost of investment in associates	25,978	30,028
Share of post-acquisition losses	(25,826)	(25,850)
	152	4,178

19 INTERESTS IN ASSOCIATES (cont'd)

Details of the associates are as follows:

Name of associate	Form of business structure	Place of incorporation and business	Particulars of registered and paid-up capital	2024 Proportion of ownership interest Held by the Company	2024 Proportion of ownership interest Held by a subsidiary	2023 Proportion of ownership interest Held by the Company	2023 Proportion of ownership interest Held by a subsidiary	Principal activities
Mianyang Xin Tong Industrial Co., Ltd. ("**Mianyang**") (綿陽鑫通實業有限公司)	Limited liability company	PRC	RMB106 million/ RMB106 million	–	24%	–	24%	Inactive
Hangzhou Zhongguang Electric Power Engineering Co., Ltd. ("**Zhongguang Electric**") (formerly known as: Zhejiang Zhongguang New Energy Technology Co., Ltd.) (杭州中光電力工程有限公司) (前稱：浙江中光電力工程有限公司)	Limited liability company	PRC	RMB300 million/ RMB300 million	–	15%	–	15%	Inactive

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

In the opinion of the directors of the company, Mianyang is not material to the Group and no disclosure of Mianyang's financial information is considered necessary.

The summarised financial information in respect of each of the associates that is material to the Group and are accounted for using equity method are disclosed below:

Zhongguang Electric

	2024 RMB'000	2023 RMB'000
Current assets	1,015	27,909
Non-current assets	–	2
Current liabilities	–	(58)
Net assets	1,015	27,853
Revenue	–	–
Gain from continuing operations	162	53
Total comprehensive income	162	53
The reconciliation of the summarised financial information presented above to the carrying amount of the interest in the associate is set out below:		
Net assets of the associate	1,015	27,853
Group's effective interest	15%	15%
Group's share of net assets of the associate	152	4,178
Carrying amount of the Group's interests in Zhongguang Electric	152	4,178

19 INTERESTS IN ASSOCIATES (cont'd)

On 14 June 2018, Zhongguang Electric was established by Zhejiang Zhongguang and other five independent third parties, among which Zhejiang Zhongguang injected capital contribution of RMB4,500,000 and has a 15% equity interest. The Group is able to appoint a director in the board of directors of Zhongguang Electric and therefore the directors of the Group consider that Zhejiang Zhongguang significant influence over Zhongguang Electric.

During the year ended 31 December 2024, issued ordinary shares of Zhongguang Electric amounting to RMB27,000,000 had been cancelled and return of capital in cash of RMB4,050,000 was received by the Group.

There were no contingent liability recognised by the Group in respect of the associates.

The Group has stopped recognising its share of losses of an associate when applying the equity method. The unrecognised share of the associate, both for the year and cumulatively, are set out below:

	2024 RMB'000	2023 RMB'000
Unrecognised share of losses of an associate for the year	–	–
Accumulated unrecognised share of losses of an associate	(10,702)	(10,702)

20 EQUITY AND DEBT INVESTMENTS

(a) Equity securities designated at FVOCI

	2024 RMB'000	2023 RMB'000
Equity securities designated at FVOCI (non-recycling)		
– Unlisted equity securities	3,730	3,536

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

	Fair value at 31 December RMB'000	Dividend income recognised RMB'000
2024		
Investment in Anosi Telecom Technologies Co., Ltd.	3,730	–
2023		
Investment in Anosi Telecom Technologies Co., Ltd.	3,536	–

The investment in Shanghai International Trust Corp., Ltd. was disposed of during 2023, and the cumulative loss of RMB188,000 relating to the investment was transferred within equity.

(b) Financial assets measured at FVPL

	2024 RMB'000	2023 RMB'000
Non-current assets		
Equity securities at FVPL		
– Unlisted unit in investment funds	33,312	24,768
Current asset		
Equity securities at FVPL		
– Wealth management product	–	2,950

The Group's non-current portion of financial assets measured at FVPL represents unlisted unit in investment funds incorporated in the PRC. The investments are primarily further invested in the information technology and new energy resource sectors.

Wealth management product represented the Group's investment in a wealth management product issued by a commercial bank. The product had no specified maturity and was repayable on demand. As at 31 December 2023, the wealth management product was measured at fair value. The expected annual return rate was 1.88% as at 31 December 2023. During 2024, the wealth management product was disposed at a consideration of RMB2,950,000. No wealth management product was held by the Group as at 31 December 2024.

21 DERIVATIVE FINANCIAL INSTRUMENTS

	2024			2023		
		Fair value			Fair value	
	RMB'000 Nominal amount	RMB'000 Asset	RMB'000 Liability	RMB'000 Nominal amount	RMB'000 Asset	RMB'000 Liability
Derivative financial assets						
Price forward contracts – not under hedge accounting	–	–	–	–	82,041	–
Derivative financial liability						
Foreign currency forward contracts – not under hedge accounting	–	–	–	67,283	–	(2,654)

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

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

The analysis on the fair value measurement of the above financial instruments is disclosed in Note 35(f).

22 INVENTORIES AND OTHER CONTRACT COSTS

(a) *Inventories and other contract costs in the consolidated statement of financial position comprise:*

	2024 RMB'000	2023 RMB'000
Inventories		
Raw materials	58,327	69,465
Work-in-progress	9,670	7,475
Finished goods	165,946	115,556
	233,943	192,496
Provision for obsolescence	(7,609)	(463)
	226,334	192,033
Other contract costs	848	2,821
	227,182	194,854

22 INVENTORIES AND OTHER CONTRACT COSTS (cont'd)

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

	2024 RMB'000	2023 RMB'000
Carrying amount of inventories sold	2,045,536	1,821,270
Provision of/(reversal of) provision of stock obsolescence	7,146	(65)
	2,052,682	1,821,205

All of the inventories and other contract costs are expected to be recovered within one year.

23 DIGITAL ASSETS

	2024 RMB'000	2023 RMB'000
Proprietary digital assets	8,311	10,016
Less: Provision	–	–
	8,311	10,016

The digital assets amounting to approximately USD1,156,193 (equivalent to approximately RMB8,311,000) (2023: USD1,410,000 (equivalent to approximately RMB10,016,000)) held on the Platform are measured at the lower of cost or net realisable value. They represent balance of blockchain-based stable cryptocurrency attributable to the Group held in shared wallets of the Platform.

24 TRADE AND OTHER RECEIVABLES

	Notes	2024 RMB'000	2023 RMB'000
Trade receivables		1,255,487	803,463
Bills receivables		86,650	66,573
Trade and bills receivables		1,342,137	870,036
Less: Loss allowance		(46,369)	(39,690)
Net trade and bills receivables		1,295,768	830,346
Loans to the associate	i	21,191	21,191
Non-trade amount due from the associate	ii	1,680	1,680
		22,871	22,871
Less: Loss allowance		(22,871)	(22,871)
		–	–
Advances to staff	iii	1,308	939
Refundable deposits	iv	13,103	19,461
Tax recoverable	v	16,090	10,630
Other receivables	vi	15,347	–
		45,848	31,030
Less: Loss allowance		(363)	–
		45,485	31,030
Prepayments		56,333	65,606
Net other receivables		101,818	96,636
Total trade and other receivables		1,397,586	926,982

24 TRADE AND OTHER RECEIVABLES (cont'd)

Notes:

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

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

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

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

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

vi Other receivables related to recoverable project costs are interest-free, repayable on demand and pledged with the shares of a private company.

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

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

The Group's exposure to credit risk and foreign currency risks related to trade and other receivables are disclosed in Note 35(a).

Ageing analysis

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

	2024 RMB'000	2023 RMB'000
Within 6 months	958,010	588,210
7 – 12 months	124,060	86,321
1 – 2 years	139,072	95,508
Over 2 years	74,626	60,307
	1,295,768	830,346

As at 31 December 2023 and 2024, bill receivables are aged within one year.

As at 31 December 2024, among the trade and other receivables balance, the trade receivables amounting to RMB277,050,000 (2023: RMB249,294,000), which includes solar energy electricity sales receivables amounting to RMB14,208,000 (2023: RMB3,455,000) and tariff premium receivables amounting to RMB262,842,000 (2023: RMB245,839,000), respectively, from provincial grid companies. Generally, the receivables are due within 30 days to 60 days from the date of billing, except for the tariff premium. The collection of such tariff premium is subject to the allocation of funds by relevant government authorities to local grid companies, which therefore takes a relatively long time for settlement.

24 TRADE AND OTHER RECEIVABLES (cont'd)

Ageing analysis (cont'd)

Pursuant to CaiJian [2012] No.102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy (可再生能源電價附加補助資金管理暫行辦法) jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration in March 2012, a set of standardised procedures for the settlement of the tariff premium has come into force since 2012 and approvals on a project by project basis are required before the allocation of funds to local grid companies. As at 31 December 2024, all of the Group's operating projects have been approved for the tariff premium.

As at 31 December 2024, the trade receivables from provincial grid companies amounting to RMB289,906,000 (2023: RMB249,294,000) were pledged as securities for the Group's bank loans (see Note 30).

Trade receivables from provincial grid companies that were neither past due nor impaired mainly represented the electricity sales receivable and tariff receivables from local grid companies for whom there was no recent history of default. Other trade and bills receivables are due within 90 days to 270 days from the date of billing. Further details on the Group's credit policy and credit risk arising for trade and bills receivables are set out in Note 35(a).

25 TIME DEPOSITS

	2024 RMB'000	2023 RMB'000
Non-current		
Time deposits with original maturity more than 12 months	125,000	45,000
Current		
Time deposits with original maturity more than 3 months	29,649	264,125

Time deposits carried interest at 0.1% – 4.1% (2023: 1.5% – 4.1%) per annum.

26 BANK BALANCES AND CASH AND OTHER CASH FLOW INFORMATION

(a) Bank balances and cash comprise:

	2024 RMB'000	2023 RMB'000
Cash at bank and on hand	861,904	944,863
Cash in the consolidated statements of financial position and consolidated statements of cash flows	861,904	944,863

26 BANK BALANCES AND CASH AND OTHER CASH FLOW INFORMATION (cont'd)

(b) Reconciliation of liabilities arising from financing activities:

	Bank loans RMB'000 (Note 30)	Interest payable RMB'000	Lease liabilities RMB'000 (Note 32)	Total RMB'000
At 1 January 2024	1,012,909	–	10,054	1,022,963
Changes from financing cash flows:				
Proceeds from bank loans	1,227,629	–	–	1,227,629
Repayment of bank loans	(742,519)	–	–	(742,519)
Capital element of lease rentals paid	–	–	(7,069)	(7,069)
Interest element of lease rentals paid	–	–	(470)	(470)
Other interest expense paid	–	(51,000)	–	(51,000)
Total changes from financing cash flows	485,110	(51,000)	(7,539)	426,571
Other changes:				
Increase in lease liabilities from entering new leases during the year	–	–	706	706
Interest expense	–	51,000	470	51,470
Total other changes	–	51,000	1,176	52,176
At 31 December 2024	1,498,019	–	3,691	1,501,710

	Bank loans RMB'000 (Note 30)	Interest payable RMB'000	Lease liabilities RMB'000 (Note 32)	Total RMB'000
At 1 January 2023	228,634	–	6,615	235,249
Changes from financing cash flows:				
Proceeds from bank loans	737,060	–	–	737,060
Repayment of bank loans	(555,082)	–	–	(555,082)
Capital element of lease rentals paid	–	–	(4,678)	(4,678)
Interest element of lease rentals paid	–	–	(322)	(322)
Other interest expense paid	–	(30,671)	–	(30,671)
Total changes from financing cash flows	181,978	(30,671)	(5,000)	146,307
Other changes:				
Increase in lease liabilities from entering new leases during the year	–	–	6,508	6,508
Interest expense	–	30,671	322	30,993
Acquisition of subsidiaries (Note 37)	602,297	–	1,609	603,906
Total other changes	602,297	30,671	8,439	641,407
At 31 December 2023	1,012,909	–	10,054	1,022,963

26 BANK BALANCES AND CASH AND OTHER CASH FLOW INFORMATION (cont'd)

(c) *Total cash outflow for leases*

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

	2024 RMB'000	2023 RMB'000
Within operating cash flows	694	1,770
Within financing cash flows	7,539	5,000
	8,233	6,770

These amounts relate to the following:

	2024 RMB'000	2023 RMB'000
Lease rentals paid	8,233	6,770

(d) *Net cash outflow arising from the acquisition of a subsidiary which does not constitute business*

The recognised amounts of assets acquired and liabilities at the date of acquisition of the subsidiary which does not constitute business comprise the following:

	2023 RMB'000
Construction in progress (Note 15(a))	5,900
Cash	2,045
Other payables	(50)
Total consideration paid in cash	7,895
Less: cash of subsidiary acquired	(2,045)
	5,850

On 24 November 2023, the Group entered into an agreement to acquire 100% equity interest in Qinghai Cosin Solar Power Co., Ltd.(青海可勝太陽能發電有限公司) ("**Qinghai Cosin**") at a total consideration of RMB7,895,000. The principal activities of Qinghai Cosin and its subsidiary are solar thermal power electricity generation and the provision of related technical and consultancy services, and its identifiable assets are mainly construction in progress and cash. The transaction was completed in November 2023 and recognised as an acquisition of assets, rather than a business combination, given that Qinghai Cosin and its subsidiary do not constitute a business.

27 PLEDGED DEPOSITS

	Notes	2024 RMB'000	2023 RMB'000 (Re-presented)
Non-current			
Pledged deposit for bank facilities	i	35,000	35,000
Current			
Pledged deposits for bank facilities	ii	403,659	91,833

Notes:

i Non-current pledged deposit was pledged to banks as guarantees for issuance of banking facilities (see Note 30). Pledged bank deposits carried interest at an average effective interest rates at 3.00% (2023: 3.00%) per annum and for 25 months (2023: 37 months). The pledged deposits will be released by the expiry of relevant banking facilities.

ii Current portion of pledged deposits amounting to RMB403,659,000 (2023: RMB30,164,000) were pledged to banks as guarantees for bidding of customer contracts and issuing letter of guarantee. Pledged bank deposits carried interest at an average effective interest rates at 1.46% (2023: 1.39%) per annum and for a tenure of approximately 4 to 60 months (2023: 4 to 60 months). At 31 December 2023, the remaining balance of current pledged deposits is pertaining to security deposit for commodity future contracts entered to hedge purchase of raw materials during prior year.

28 TRADE AND OTHER PAYABLES

	2024 RMB'000	2023 RMB'000 (Re-presented)
Trade payables		
– third parties	629,226	263,602
– affiliated corporation*	4,740	21,281
	633,966	284,883
Accrued operating expenses	77,302	75,755
Tender deposits	12,785	19,715
Value added tax and other taxes payable	14,343	7,669
Other payables		
– third parties	869	2,001
– affiliated corporation*	800	800
	106,099	105,940
Total trade and other payables	740,065	390,823

* 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.

28 TRADE AND OTHER PAYABLES (cont'd)

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

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

	2024 RMB'000	2023 RMB'000
0 – 90 days	531,889	239,543
91 – 180 days	63,244	18,769
181 – 360 days	15,675	5,013
Over 360 days	23,158	21,558
	633,966	284,883

29 CONTRACT LIABILITIES

	2024 RMB'000	2023 RMB'000
Telecommunication	5,383	7,265
New energy and services	867	330
Integrated circuits and digital technology	49,696	54,624

Movements in contract liabilities during the year are as follows:

	2024 RMB'000	2023 RMB'000
Balance at 1 January	62,219	40,431
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(62,219)	(40,431)
Additions of contract liabilities due to receipts of customers' deposits during the year	55,946	62,219
Balance at 31 December	55,946	62,219

During the year ended 31 December 2024, the decrease (2023: increase) in contract liabilities resulted from more (2023: less) utilisation of customers' deposits than the amounts received during the year.

30 BANK LOANS

	Notes	2024 RMB'000	2023 RMB'000
Current			
Secured bank loans	i	376,838	125,803
Unsecured bank loans	ii	47,764	50,740
		424,602	176,543
Non-current			
Secured bank loans	i	1,073,417	480,350
Unsecured bank loans	ii	–	356,016
		1,073,417	836,366
		1,498,019	1,012,909

Carrying amounts repayable (based on scheduled repayment dates set out in the loan agreements):

	2024 RMB'000	2023 RMB'000
Within 1 year	424,602	176,543
More than 1 year but not more than 2 years	34,077	10,500
More than 2 years but not more than 5 years	–	–
More than 5 years	1,039,340	825,866
	1,498,019	1,012,909

Notes:

i The secured bank loans were secured by the income receipts right in relation to the sales of electricity and property, certain plant and equipment and certain pledged deposits of the Group at an interest rate of 2.40 – 4.25% (2023: 4.35 – 4.90%) per annum. The secured bank loans are subject to the fulfilment of covenants related to certain financial ratios of the Group, as are commonly found in lending arrangements with financial institutions. The Group regularly monitors its compliance with the covenants. None of the covenants, if any, related to drawn down facilities were breached or no covenants are required. An analysis of the carrying value of these pledged assets is as follows:

	2024 RMB'000	2023 RMB'000
Electric generating facilities (Note 15)	790,562	824,517
Trade and bills receivables (Note 24)	277,050	249,294
Pledged deposit (Note 27)	35,000	35,000
	1,102,612	1,108,811

ii The unsecured bank loans carried interest at 2.90% - 3.65% (2023: 1.26% - 4.00%) per annum, and were all repayable within one year.

31 DEFERRED INCOME

	2024 RMB'000	2023 RMB'000
Deferred income	909	882

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

32 LEASE LIABILITIES

At the end of the reporting periods, the lease liabilities were repayable as follows:

	2024 RMB'000	2023 RMB'000
Current		
Within 1 year	2,757	6,137
Non-current		
After 1 year but within 2 years	934	3,040
After 2 years but within 5 years	–	877
	934	3,917
	3,691	10,054

The weighted average incremental borrowing rates applied to lease liabilities range from 4.25% to 4.75% (2023: from 4.25% to 4.75%).

33 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2024 RMB'000	2023 RMB'000
At the beginning of the year	10,455	9,414
PRC Corporate Income Tax for the year	11,410	21,976
PRC withholding tax for the year	5,859	379
Income taxes paid	(15,397)	(20,620)
PRC withholding tax paid	(6,005)	(694)
At the end of the year	6,322	10,455

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

(b) Deferred tax assets and liabilities recognised:

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

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

	At 1 January 2024 RMB'000	Recognised in OCI RMB'000	Recognised in profit or loss RMB'000	At 31 December 2024 RMB'000
Impairment loss for trade and other receivables	9,062	–	2,010	11,072
Equity investments at FVOCI	970	(29)	–	941
Deferred income	–	–	6,586	6,586
Right-of-use assets	998	–	(275)	723
Impairment loss on an associate	2,365	–	–	2,365
Accumulated loss	3,747	–	(1,141)	2,606
Unrealised exchange loss	14	–	(14)	–
Unrealised profits	836	–	(75)	761
Accrued expenses	2,617	–	–	2,617
Write down of inventories	70	–	34	104
Derivative financial liability	398	–	(398)	–
Dividend from subsidiaries	(2,921)	–	2,921	–
Depreciation on property, plant and equipment	(502)	–	502	–
Accumulated share of loss on an associate	82	–	(82)	–
Lease Liabilities	(984)	–	236	(748)
Equity investments at FVPL	(115)	–	(126)	(241)
Amortisation and depreciation on intangible assets and property, plant and equipment identified in business combination (Note 37)	(16,039)	–	(8,308)	(24,347)
Total	598	(29)	1,870	2,439

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

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

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

	At 1 January 2023 RMB'000	Recognised in OCI RMB'000	Recognised in profit or loss RMB'000	Acquisition of subsidiaries (Note 37) RMB'000	At 31 December 2023 RMB'000
Impairment loss for trade and other receivables	5,392	–	3,670	–	9,062
Equity investments at FVOCI	754	216	–	–	970
Right-of-use assets	98	–	882	18	998
Impairment loss on an associate	2,365	–	–	–	2,365
Accumulated loss	–	–	(863)	4,610	3,747
Unrealised exchange loss	14	–	–	–	14
Unrealised profits	422	–	414	–	836
Accrued expenses	2,617	–	–	–	2,617
Write down of inventories	74	–	(4)	–	70
Contingent consideration and put option	8,091	–	(8,091)	–	–
Derivative financial liability	417	–	(19)	–	398
Derivative financial asset	(17)	–	17	–	–
Dividend from subsidiaries	(2,542)	–	(379)	–	(2,921)
Depreciation on property, plant and equipment	(171)	–	(331)	–	(502)
Accumulated share of loss on an associate	–	–	(1)	83	82
Lease Liabilities	–	–	(984)	–	(984)
Equity investments at FVPL	–	–	(115)	–	(115)
Amortisation and depreciation on intangible assets and property, plant and equipment identified in business combination (Note 37)	(12,915)	–	6,802	(9,926)	(16,039)
Total	4,599	216	998	(5,215)	598

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

(ii) Reconciliation to the consolidated statement of financial position

	2024 RMB'000	2023 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**16,582**	19,800
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(14,143)**	(19,202)
	2,439	598

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

(c) Deferred tax assets not recognised:

In accordance with the accounting policy set out in Note 3(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB250,078,000 (2023: of RMB185,568,000) mainly incurred by subsidiaries in the PRC, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses incurred by subsidiaries in the PRC and the subsidiary in India will expire within 5-10 years from the year when such losses were incurred under current tax legislation.

(d) Deferred tax liability not recognised:

The total undistributed profits of the PRC subsidiaries are RMB1,314,203,000 (2023: RMB1,143,245,000). No deferred tax liability has been recognised for undistributed profits of RMB1,167,698,000 (2023: RMB1,084,829,000) because the Group controls the dividend policy of its subsidiaries and is of the opinion that no material reserves will be remitted back to the holding company in the foreseeable future.

34 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity.

(b) Dividends

There are no exempt (one-tier) dividends declared and paid by the Company during the year. After the reporting dates, there are no dividends proposed in respect of the year ended 31 December 2024 (2023: Nil).

34 CAPITAL, RESERVES AND DIVIDENDS (cont'd)

(c) Share Capital

	2024 Number of shares '000	2024 RMB'000	2023 Number of shares '000	2023 RMB'000
Ordinary shares, issued and fully paid:				
At the beginning of year	388,000	295,000	388,000	295,000
Allotment of shares	77,600	67,849	–	–
At the end of year	465,600	362,849	388,000	295,000

During the year ended 31 December 2024, a total of 77,600,000 new ordinary shares amounting to RMB67,849,000 were issued as part of a placement exercise.

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

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

34 CAPITAL, RESERVES AND DIVIDENDS (cont'd)

(d) Nature and purpose of reserves

(i) General reserves

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

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

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

(ii) Share award scheme reserve

Share award scheme reserve represents the Company's ordinary shares purchased by the Group ("**treasury shares**") pursuant to the share award scheme as set out in note 40.

When any entity within the Group purchases the treasury shares, the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to an employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

(iii) Special reserve

The special reserve represents the difference between the acquisition cost and carrying amount of net assets of the PRC subsidiary arising from the acquisition of PRC subsidiary in 2004 and 2024.

(iv) Fair value reserve (non-recycling)

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

(v) Translation reserves

The translation reserves comprise all foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

34 CAPITAL, RESERVES AND DIVIDENDS (cont'd)

(e) Capital management

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

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

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

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

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

The debt-to-assets ratio at the end of the reporting period is as follows:

	2024 RMB'000	2023 RMB'000
Total liabilities	2,319,095	1,509,198
Total assets	4,666,187	4,247,771
Debt-to-assets ratio	50%	36%

35 FINANCIAL INSTRUMENTS

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

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

(a) Credit risk

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

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

35 FINANCIAL INSTRUMENTS(CONT'D)

(a) Credit risk (cont'd)

(i) Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 30% (2023: 33%) and 42% (2023: 73%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

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

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

	2024 RMB'000	2023 RMB'000
PRC	1,178,348	711,962
Other countries	30,770	51,811
	1,209,118	763,773

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

	2024 RMB'000	2023 RMB'000
State-owned telecommunication enterprises in the PRC	623,506	235,451
Provincial power grid companies in the PRC	277,050	249,294
Other customers	308,562	279,028
	1,209,118	763,773

At 31 December 2024, 5 largest customers accounted for 44% (2023: 42%) of gross trade receivables. There are no other individual customers who represent more than 5% of the total balance of trade receivables.

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

35 FINANCIAL INSTRUMENTS(CONT'D)

(a) Credit risk (cont'd)

(i) Trade receivables (cont'd)

As at 31 December 2024 and 2023, the directors of the Company are of the opinion that the amounts due from provincial power grid companies are fully recoverable considering that there are no loss experienced with the grid companies in the past and the tariff premium is funded by the PRC government.

The following table provides information about the Group's exposure to credit risk and ECLs by type of counterparty for trade receivables excluding the amounts due from provincial power grid companies as at the end of reporting periods:

	2024		
	Average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
State-owned telecommunication enterprises in the PRC			
Not past due	0.13%	541,133	(713)
Past due 1 – 180 days	2.20%	70,976	(1,280)
Past due 181 – 360 days	10.04%	7,222	(725)
Past due 361 – 540 days	22.13%	4,352	(963)
Past due over 540 days	50.30%	7,050	(3,546)
		630,733	(7,227)

	2024		
	Average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Other customers			
Not past due	1.61%	260,945	(4,194)
Past due 1 – 180 days	13.05%	40,244	(5,251)
Past due 181 – 360 days	33.08%	24,817	(8,210)
Past due 361 – 540 days	78.07%	963	(752)
Past due over 540 days	100.00%	20,735	(20,735)
		347,704	(39,142)

35 FINANCIAL INSTRUMENTS(CONT'D)

(a) Credit risk (cont'd)

(i) Trade receivables (cont'd)

	2023		
	Average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
State-owned telecommunication enterprises in the PRC			
Not past due	0.14%	198,615	(275)
Past due 1 – 180 days	1.17%	20,536	(241)
Past due 181 – 360 days	6.43%	9,266	(596)
Past due 361 – 540 days	16.37%	9,509	(1,557)
Past due over 540 days	89.74%	1,891	(1,697)
		239,817	(4,366)

	2023		
	Average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Other customers			
Not past due	2.64%	266,121	(7,030)
Past due 1 – 180 days	19.80%	7,843	(1,553)
Past due 181 – 360 days	37.07%	11,266	(4,176)
Past due 361 – 540 days	58.98%	15,986	(9,429)
Past due over 540 days	100.00%	13,136	(13,136)
		314,352	(35,324)

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

	2024 RMB'000	2023 RMB'000
Balance at 1 January	(39,690)	(13,075)
Net impairment loss recognised during the year	(6,679)	(26,615)
Balance at 31 December	(46,369)	(39,690)

35 FINANCIAL INSTRUMENTS(CONT'D)

(a) *Credit risk (cont'd)*

(ii) Loans to associate and non-trade amount due from the associate

The Group adopted the ECL approach to estimate credit losses over the expected life of these receivables. As the amounts are assessed to be not probable of recovery, the Group has fully impaired the loans to associate and non-trade receivables due from the associate as at 31 December 2024 and 2023.

(b) *Liquidity risk*

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

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					
	Notes	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
2024							
Non-derivative financial liabilities							
Bank loans	30	467,449	70,258	35,338	1,125,092	1,698,137	1,498,019
Trade and other payables#	28	725,722	–	–	–	725,722	725,722
Lease liabilities	32	2,892	929	–	–	3,821	3,691
At 31 December 2024		1,196,063	71,187	35,338	1,125,092	2,427,680	2,227,432
2023							
Non-derivative financial liabilities							
Bank loans	30	215,645	78,942	358,114	579,448	1,232,149	1,012,909
Trade and other payables#	28	383,154	–	–	–	383,154	383,154
Lease liabilities	32	6,539	3,022	891	–	10,452	10,054
At 31 December 2023		605,338	81,964	359,005	579,448	1,625,755	1,406,117

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

35 FINANCIAL INSTRUMENTS(CONT'D)

(b) *Liquidity risk (cont'd)*

		Contractual undiscounted cash (outflow)/inflow			
	Note	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000
2023					
Derivatives settled gross:					
Forward foreign exchange contracts	21				
– outflow		(67,293)	–	–	(67,293)
– inflow		64,639	–	–	64,639

(c) *Interest rate risk*

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

(i) Exposure to interest rate risk

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

	2024 RMB'000	2023 RMB'000
Fixed-rate financial instruments		
Time deposits	154,649	309,125
Pledged bank deposits	438,659	126,833
Short-term deposits	1,873	4,125
Bank loans	(1,498,019)	(1,012,909)
	(902,838)	(572,826)

35 FINANCIAL INSTRUMENTS(CONT'D)

(c) Interest rate risk (cont'd)

(ii) Sensitivity analysis

Fair value sensitivity analysis for fixed-rate financial instruments

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

Cash flow sensitivity analysis for variable-rate financial instruments

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

(d) Currency risk

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

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

35 FINANCIAL INSTRUMENTS(CONT'D)

(d) Currency risk (cont'd)

(i) Exposure to currency risk

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

	USD RMB'000	SGD RMB'000	HKD RMB'000	EUR RMB'000	AUD RMB'000
2024					
Bank balances and cash	29,425	885	8,166	1,614	2,567
Time deposits	–	–	–	–	–
Trade and other receivables	6,643	86	–	64	126
Trade and other payables	(16)	(224)	(5,441)	–	–
Lease liabilities	–	(427)	–	–	–
Net exposure	36,053	320	2,725	1,678	2,693

	USD RMB'000	SGD RMB'000	HKD RMB'000	EUR RMB'000
2023				
Bank balances and cash	90,872	778	2,883	25,755
Time deposits	42,496	–	–	–
Trade and other receivables	33,378	–	10	1,503
Trade and other payables	(320)	(822)	(656)	(3)
Lease liabilities	–	(771)	–	–
Net exposure	166,426	(815)	2,237	27,255

35 FINANCIAL INSTRUMENTS(CONT'D)

(d) Currency risk (cont'd)

(ii) Sensitivity analysis

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

	2024		2023	
	Increase in foreign exchange rates	Increase/ (decrease) in profit before tax and retained profits RMB'000	Increase in foreign exchange rates	Increase/ (decrease) in profit before tax and retained profits RMB'000
USD	10%	3,605	10%	16,643
SGD	10%	32	10%	(82)
HKD	10%	273	10%	224
EUR	10%	168	10%	2,726
AUD	10%	269	10%	–

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

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2023.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments held for non-trading purposes (see Note 20(a)).

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

35 FINANCIAL INSTRUMENTS(CONT'D)

(e) Equity price risk (cont'd)

At 31 December 2024, it is estimated that an increase of 5% (2023: 5%) in the relevant equity price as applicable, as applicable, with all other variables held constant, would have increased/(decreased) fair value reserve (non-recycling) of consolidated equity as follows:

	2024		2023	
	Changes in the relevant equity price risk variable	Effect on equity RMB'000	Changes in the relevant equity price risk variable	Effect on equity RMB'000
Increase	5%	159	5%	150
Decrease	5%	(159)	5%	(150)

The sensitivity analysis indicates the instantaneous change in the Group's fair value reserve (non-recycling) of consolidated equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2023.

(f) Fair value measurement

(i) Financial assets measured at fair value

Fair value hierarchy

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

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

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

35 FINANCIAL INSTRUMENTS(CONT'D)

(f) Fair value measurement (cont'd)

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

Fair value hierarchy (cont'd)

		Carrying amount					Fair value			
	Notes	FVOCI RMB'000	FVPL RMB'000	Amortised cost RMB'000	Other financial liabilities RMB'000	Total carrying amount RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
31 December 2024										
Financial assets measured at fair value										
Equity securities designated at FVOCI										
– Unlisted equity securities	20(a)	3,730	–	–	–	3,730	–	–	3,730	3,730
Bills receivables	24	86,650	–	–	–	86,650	–	86,650	–	86,650
Financial assets measured at FVPL										
– Unlisted unit in investment funds	20(b)	–	33,312	–	–	33,312	–	–	33,312	33,312
		90,380	33,312	–	–	123,692	–	86,650	37,042	123,692
Financial assets not measured at fair value										
Trade and other receivables#	24	–	–	1,238,513	–	1,238,513				
Time deposits	25	–	–	154,649	–	154,649				
Bank balances and cash	26	–	–	861,904	–	861,904				
Pledged deposits	27	–	–	438,659	–	438,659				
		–	–	2,693,725	–	2,693,725				
Financial liability measured at fair value										
Financial liabilities not measured at fair value										
Trade and other payables##	28	–	–	–	725,722	725,722				
Bank loans	30	–	–	–	1,498,019	1,498,019				
Lease liabilities	32	–	–	–	3,691	3,691				
		–	–	–	2,227,432	2,227,432				

Notes to the Consolidated Financial Statements (cont'd)

35 FINANCIAL INSTRUMENTS(CONT'D)

(f) Fair value measurement (cont'd)

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

Fair value hierarchy (cont'd)

		Carrying amount					Fair value			
	Notes	FVOCI RMB'000	FVPL RMB'000	Amortised cost RMB'000	Other financial liabilities RMB'000	Total carrying amount RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
31 December 2023										
Financial assets measured at fair value										
Equity securities designated at FVOCI										
– Unlisted equity securities	20(a)	3,536	–	–	–	3,536	–	–	3,536	3,536
Bills receivables	24	66,573	–	–	–	66,573	–	66,573	–	66,573
Financial assets measured at FVPL										
– Unlisted unit in investment funds	20(b)	–	24,768	–	–	24,768	–	–	24,768	24,768
– Wealth management product	20(b)	–	2,950	–	–	2,950	–	2,950	–	2,950
Derivative financial asset	21	–	82,041	–	–	82,041	–	82,041	–	82,041
		70,109	109,759	–	–	179,868	–	151,564	28,304	179,868
Financial assets not measured at fair value										
Trade and other receivables#	24	–	–	784,173	–	784,173				
Time deposits	25	–	–	309,125	–	309,125				
Bank balances and cash	26	–	–	944,863	–	944,863				
Pledged deposits	27	–	–	126,833	–	126,833				
		–	–	2,164,994	–	2,164,994				
Financial liability measured at fair value										
Derivative financial liability	21	–	(2,654)	–	–	(2,654)	–	(2,654)	–	(2,654)
Financial liabilities not measured at fair value										
Trade and other payables##	28	–	–	–	383,154	383,154				
Bank loans	30	–	–	–	1,012,909	1,012,909				
Lease liabilities	32	–	–	–	10,054	10,054				
		–	–	–	1,406,117	1,406,117				

Exclude bills receivables, prepayments and tax recoverable.
Exclude contract liabilities and value added tax and other taxes payable.

35 FINANCIAL INSTRUMENTS(CONT'D)

(f) Fair value measurement (cont'd)

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

Fair value hierarchy (cont'd)

The Group enters into commodity derivative contracts with a financial institution with good credit ratings. The fair value of the commodity derivative contracts represents the difference between the quoted market price of commodity derivative contracts at year end and the quoted price at inception of the contracts. The carrying amount of commodity derivative financial instruments was nil as the Group settled all commodity derivative financial instruments as at 31 December 2024 and 2023.

During the years ended 31 December 2024 and 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Valuation techniques and inputs used in Level 2 fair value measurements

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

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

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range	Relationship of significant unobservable inputs to fair value
Unlisted equity securities (Note i)	Discounted cash flow method: The valuation model considers the present value of net cash flows to be generated from the investment. The expected net cash flows are discounted using risk adjusted discount rates.	Revenue growth rate	23% to 28% (2023: 23% to 28%)	The higher the revenue growth rate, the higher the fair value
		Discount rate	17% (2023: 19%)	The higher the discount rate, the lower the fair value
Unlisted unit in investment funds (Note ii)	Net asset value	Net asset value of underlying investments	–	The higher the net asset value of underlying investments, the higher the fair value

35 FINANCIAL INSTRUMENTS(CONT'D)

(f) *Fair value measurement (cont'd)*

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

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

Notes:

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

	2024		2023	
	Effect on equity RMB'000	Effect on equity RMB'000	Effect on equity RMB'000	Effect on equity RMB'000
Revenue growth rate (increase or decrease by 1%)	281	(269)	326	(315)
Discount rate (increase or decrease by 1%)	(221)	233	(296)	337

(ii) The fair value of unlisted units in investment funds is determined with reference to fair value of underlying investments. The fair value measurement is positively correlated to net asset value of underlying investments. As at 31 December 2024, it is estimated that with all other variables held constant, an increase/decrease in net asset value of underlying investments by 1% would have increased/decreased the Group's profit for the year by RMB333,000 (2023: RMB277,000).

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

	Financial assets at FVOCI RMB'000	Financial assets at FVPL RMB'000	Total RMB'000
Balance at 1 January 2023	4,975	15,664	20,639
Net unrealised loss recognised in other comprehensive income during the year	(1,439)	–	(1,439)
Purchase	–	12,000	12,000
Net realised and unrealised gain recognised in net profit during the year	–	(2,896)	(2,896)
Balance at 31 December 2023 and 1 January 2024	3,536	24,768	28,304
Net unrealised loss recognised in other comprehensive income during the year	194	–	194
Purchase	–	7,719	7,719
Net realised and unrealised gain recognised in net profit during the year	–	825	825
Balance at 31 December 2024	3,730	33,312	37,042

35 FINANCIAL INSTRUMENTS(CONT'D)

(f) Fair value measurement (cont'd)

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

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

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

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

All financial instruments measured at other than fair value are carried at cost or amortised cost that were not materially different from their fair values as at 31 December 2024 and 2023.

36 COMMITMENTS

Commitments outstanding at 31 December 2024 and 2023 not provided for in the consolidated financial statements were as follows:

	2024 RMB'000	2023 RMB'000
Acquisition of property, plant and equipment	914	10,577
Donation (Note)	1,000	1,500
	1,914	12,077

Note: 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.

37 BUSINESS COMBINATION

2023 Acquisition of Zhejiang Zhongguang

On 21 July 2023, the Company's subsidiary, Hangzhou Longkong Zhongguang Enterprise Holding Partnership (Limited partnership) entered into an equity purchase agreement with shareholders of Zhejiang Zhongguang to acquire 51% equity interest of Zhejiang Zhongguang at a consideration of RMB729,172,000. Zhejiang Zhongguang and its subsidiaries are principally engaged in in solar thermal power electricity generation as well as the provision of related technical and consultancy services.

37 BUSINESS COMBINATION (cont'd)

2023 Acquisition of Zhejiang Zhongguang (cont'd)

(i) The major components of assets and liabilities arising from the acquisition of Zhejiang Zhongguang are as follows:

	Notes	Pre-acquisition carrying amount RMB'000	Fair value adjustment RMB'000	Recognised values on acquisition RMB'000
Property, plant and equipment	15	898,987	67,945	966,932
Intangible assets (Note)	16	516	188,466	188,982
Interest in an associate		4,170	–	4,170
Deferred tax assets		39,966	(35,255)	4,711
Financial assets measured at FVPL		2,926	–	2,926
Inventories and other contract costs		998	–	998
Trade and other receivables		297,846	–	297,846
Cash	37(iii)	520,513	–	520,513
Pledged deposit		35,000		35,000
Trade and other payables		(68,177)	–	(68,177)
Bank loans		(602,297)	–	(602,297)
Lease liabilities	26(b)	(1,609)	–	(1,609)
Deferred tax liabilities	33(b)	(169)	(9,757)	(9,926)
Deferred income		(46,959)	46,959	–
Net identifiable assets		1,081,711	258,358	1,340,069

Note:

Intangible assets arising from the acquisition mainly represent an electric power business license and patents. The Group has engaged an external valuation firm to perform fair value assessments on these intangible assets in accordance with IAS 38 Intangible Assets and IFRS 3 Business Combination. The valuation techniques used for measuring fair value are multi-period excess-earnings method and relief-from-royalty method. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the electric power business license, by excluding any cash flows related to contributory assets. The relief-from royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents being owned.

(ii) Set forth below is the calculation of goodwill:

	Note	RMB'000
Consideration		
– cash paid in 2023		726,390
– acquisition consideration payable		2,782
Total consideration		729,172
Less: fair value of net identifiable net assets acquired	37(i)	(1,340,069)
Add: non-controlling interests		657,370
Goodwill (Note 17)		46,473

37 BUSINESS COMBINATION (cont'd)

2023 Acquisition of Zhejiang Zhongguang (cont'd)

(iii) Net cash outflow arising from the acquisition:

	RMB'000
Consideration paid in cash during the year	726,390
Less: cash acquired	(520,513)
	205,877

(iv) Impact of acquisition on the results of the Group

From the date of acquisition to 31 December 2023, Zhejiang Zhongguang contributed revenue of RMB77,064,000 and net profit of RMB21,727,000 (including amortisation of identified intangible assets).

The consolidated revenue and net profit of the Group for the year ended 31 December 2023 would have been RMB2,411,651,000 and RMB145,651,000, respectively had the acquisition been completed as at 1 January 2023.

38 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

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

	2024 RMB'000	2023 RMB'000
Short-term employee benefits	9,614	8,382
Retirement benefit scheme contributions	1,253	723
	10,867	9,105
Key management personnel compensation comprised amounts paid to:		
– directors of the Company	3,021	3,232
– other key management personnel	7,846	5,873
	10,867	9,105

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

38 MATERIAL RELATED PARTY TRANSACTIONS (cont'd)

(b) Names and relationships of the related parties that had other material transactions with the Group

Name of related party	Relationship
Jiangsu Hengtong Digital Intelligent Technology Co., Ltd. (江蘇亨通數位智能科技有限公司)	Controlled by a substantial shareholder of the Company
Suzhou Hengli Telecommunications Materials Co., Ltd. (蘇州亨利通信材料有限公司)	Controlled by a substantial shareholder of the Company
Guangde Hengtong Copper Co., Ltd. (廣德亨通銅業有限公司)	Controlled by a substantial shareholder of the Company
Jiangsu Hengtong Cable Technology Co., Ltd. (江蘇亨通線纜科技有限公司)	Controlled by a substantial shareholder of the Company
Jiangsu Hengtong International Logistics Co., Ltd. (江蘇亨通國際物流有限公司)	Controlled by a substantial shareholder of the Company
Jiangsu Hengtong Precision Copper Co., Ltd. (江蘇亨通精密銅業有限公司)	Controlled by a substantial shareholder of the Company
Hengtong Optic-electric Co., Ltd. (江蘇亨通光電股份有限公司)	Controlled by a substantial shareholder of the Company
Jiangsu Hengtong Precision Metal Material Co., Ltd. (江蘇亨通精工金屬材料有限公司)	Controlled by a substantial shareholder of the Company
Beijing Hengtong Intelligent Technology Co., Ltd. (北京亨通智慧科技有限公司)	Controlled by a substantial shareholder of the Company

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

Note: The related parties are subsidiaries of Hengtong Group Co., Ltd., a company which the father of Mr. Cui Wei, the non-executive Director of the Company, is its substantial shareholder. Mr. Cui Wei is a substantial shareholder with shareholding of 23.38% of the total issued shares in the Company and has significant influence over the Company.

38 MATERIAL RELATED PARTY TRANSACTIONS (cont'd)

(c) *Transactions with related companies*

(i) Significant related party transactions

	2024 RMB'000	2023 RMB'000
Sales of goods and services to:		
Guangde Hengtong Copper Co., Ltd.	37,743	31,925
Jiangsu Hengtong Precision Metal Material Co., Ltd.	17,139	11,796
Suzhou Hengli Telecommunications Materials Co., Ltd.	–	817
Hengtong Optic-electric Co., Ltd.	1,257	19
Cosin Solar Technology Co., Ltd.	1,635	–
	57,774	44,557
Purchases of goods and services from:		
Jiangsu Hengtong Precision Copper Co., Ltd.	224,767	180,279
Suzhou Hengli Telecommunications Materials Co., Ltd.	20,343	17,079
Beijing Hengtong Intelligent Technology Co., Ltd.	–	5,954
Jiangsu Hengtong Cable Technology Co., Ltd.	733	1,035
Jiangsu Hengtong Digital Intelligent Technology Co., Ltd.	537	167
Jiangsu Hengtong International Logistics Co., Ltd.	17,561	3
	263,941	204,517

	2024 RMB'000	2023 RMB'000
Payment of deposit to:		
Jiangsu Hengtong International Logistics Co., Ltd.	–	800

(ii) Significant related party balances

	2024 RMB'000	2023 RMB'000
Trade and other payables due to:		
Jiangsu Hengtong Precision Copper Co., Ltd.	–	18,467
Beijing Hengtong Intelligent Technology Co., Ltd.	263	1,314
Suzhou Hengli Telecommunications Materials Co., Ltd.	44	981
Jiangsu Hengtong International Logistics Co., Ltd.	5,083	800
Jiangsu Hengtong Cable Technology Co., Ltd.	19	519
	5,409	22,081

38 MATERIAL RELATED PARTY TRANSACTIONS (cont'd)

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

The related party transactions in respect of sales of finished goods and purchases of goods and services above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

39 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
Non-current assets			
Property, plant and equipment		435	754
Investments in subsidiaries	18	393,013	393,013
		393,448	393,767
Current assets			
Trade and other receivables		115,147	85,924
Bank balances and cash		14,767	7,794
		129,914	93,718
Current liabilities			
Trade and other payables		3,119	4,815
Lease liabilities		335	317
		3,454	5,132
Net current assets		126,460	88,586
Total assets less current liabilities		519,908	482,353
Non-current liability			
Lease liabilities		92	454
NET ASSETS		519,816	481,899
CAPITAL AND RESERVE			
Share capital	34(c)	362,849	295,000
Share award scheme reserve (Note)	34(d)	(2,778)	–
Retained profits (Note)		159,745	186,899
TOTAL EQUITY		519,816	481,899

Approved and authorised for issue by the board of directors on 25 March 2025 and are signed on its behalf by:

Mr. Cui Wei	Mr. Peng Yinan
Director	*Director*

39 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (cont'd)

Note: Movement in reserves

	Share award scheme reserve RMB'000	Retained earnings RMB'000	Total reserves RMB'000
Balance at 1 January 2023	–	202,370	202,370
Loss for the year	–	(15,471)	(15,471)
Total comprehensive expense	–	(15,471)	(15,471)
Balance at 31 December 2023 and 1 January 2024	–	186,899	186,899
Loss for the year	–	(27,154)	(27,154)
Total comprehensive expense	–	(27,154)	(27,154)
Purchase of the Company's shares for share award scheme	(2,778)	–	(2,778)
Balance at 31 December 2024	(2,778)	159,745	156,967

40 SHARE-BASED PAYMENT TRANSACTIONS

One-off Share Award Plan

The Company adopted the share award scheme ("**Share Award Scheme**") on 21 October 2024 ("**Adoption Date**") for the purposes of:

(i) to provide incentives to eligible participants and reward their contributions;

(ii) to retain eligible participants to continuously serve the Group for operation and development of the Group; and

(iii) attract suitable professional and experienced talents for further development of the Group.

The Share Award Scheme is a one-off plan and is funded solely by existing shares of the Company ("**Shares**") purchased from the market. Eligible participants of the Share Award Scheme include, among others, any person who is a full-time employee of any member of the Group, including but not limited to director, senior management, key operation team member (excluding such person who is (i) resident in a place where the grant, acceptance or vesting of the award pursuant to the Share Award Scheme is not permitted under, or contrary to, the laws and regulations of such place; or (ii) where, in the view of the board of directors of the company or Authorized Person(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such person); or (b) Service providers, who are person(s) or entity(s) who provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long-term growth of the Group (excluding placing agents, financial advisers, professional service providers such as auditors and valuers).

40 SHARE-BASED PAYMENT TRANSACTIONS (cont'd)

One-off Share Award Plan (cont'd)

The Share Award Scheme shall remain valid and effective for the period commencing from the Adoption Date and ending on the trading day immediately before the 10th anniversary of the Adoption Date (the "**Scheme Period**"). Upon expiration of the Scheme Period or termination of the Share Award Scheme, no further award shares shall be granted. The provision of the Scheme shall in all other respects remain in full force and effect and the awards granted during the Scheme Period but unvested may continue to be valid in accordance with their respective terms of award.

As at the Adoption Date, the Company has 465,600,000 issued Shares.

Under any circumstances, the maximum number of all award shares, stock options and share awards which may be awarded under the Share Award Scheme or any other share scheme of the Company, shall not exceed 10% of the issued shares of the Company as at the Adoption Date (i.e. 46,560,000 Shares). The maximum number of all award shares, stock options and share awards which may be awarded to service providers shall not in aggregate exceed the sublimit of 5% of the issued Shares as at the Adoption Date (i.e. 23,280,000 Shares). The maximum number of award shares or any share awards or share options which may be granted to a Selected Participant under the Share Award Scheme, or any other share scheme of the Company, in any twelve-month period shall not exceed 1% of the issued share capital of the Company from time to time.

In October 2024, the Company appointed a trustee in connection with the Share Award Scheme (the "**Trustee**") to assist with the administration and vesting of awards under the Share Award Scheme and the trust deed executed in such connection.

No awards were granted by the Company under the Share Award Scheme since its adoption and up to the date of approval of this consolidated financial statements. Accordingly, during the year ended 31 December 2024, a total amount of 2,326,000 Shares (representing 0.50% of the issued shares as at the date of this annual report) were purchased by the Trustee, at an aggregate price of HKD1.29 on the Stock Exchange. No awards were vested under the Share Award Scheme.

41 MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2024, the Group entered into new lease agreements for use of leased properties for 2-3 years (2023: 2-3 years). On the lease commencement, the Group recognised right-of-use assets and lease liabilities of RMB706,000 (2023: RMB6,508,000) and RMB706,000 (2023: RMB6,508,000) respectively.

42 CHANGE IN PRESENTATION OF COMPARATIVES

Certain comparative figures of the consolidated financial statements were re-presented to conform with the current year's presentation.

	Notes	Before reclassification RMB'000	Reclassification RMB'000	After reclassification RMB'000
2023				
Consolidated statement of profit or loss				
Interest income	i	–	22,510	22,510
Other operating income	i	54,117	(22,510)	31,607
Consolidated statement of financial position				
Trade and other payables	ii	455,696	(62,219)	393,477
Contract liabilities	ii	–	62,219	62,219

Notes:

i Interest income has been reclassified and presented separately on the consolidated statement of profit or loss.

ii Contract liabilities have been reclassified and presented separately on the consolidated statement of financial position.

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