C O N N E C T   E V O L U T I O N

HENGXIN TECHNOLOGY LTD

(Stock Code: 1085)

ANNUAL REPORT **2023**

CONTENTS

02 Corporate Profile

03 Five-year Financial Summary

04 Financial Highlights

05 Financial Ratios and Performance

06 Chairman's Message

16 Management Discussion and Analysis

44 Connected and Continuing Connected Transactions

49 Board of Directors

51 Key Management

52 Corporate Information

53 Corporate Governance Report

73 Financial 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 ("**FY2022**"), 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. The Digital Technology and Digital Security 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 "**Reporting Period**" or "**FY2023**"), 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 whollly-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 Unicom, China Mobile, and China Telecom, as well as major telecommunications equipment manufacturers in the PRC. Outside the PRC, our products are exported to major markets in Europe and Asia. We continue to establish our foothold in the local Indian telecommunication operators through our wholly-owned subsidiary in India since 2010.

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

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

PRODUCT PORTFOLIO

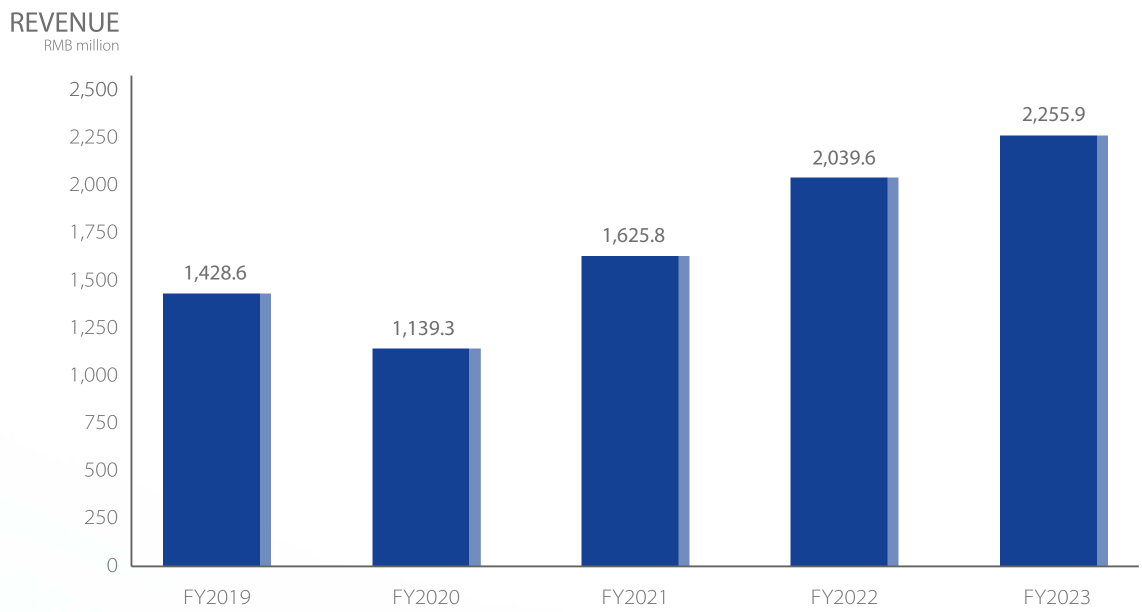
Digital technology and digital security ("**Digital Technology and Digital Security**")	New energy and services ("**New Energy and Services**")	Telecommunications ("**Telecommunications**")
– Chips research, design, sales and supply chain services, semiconductor intellectual property authorization business, 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

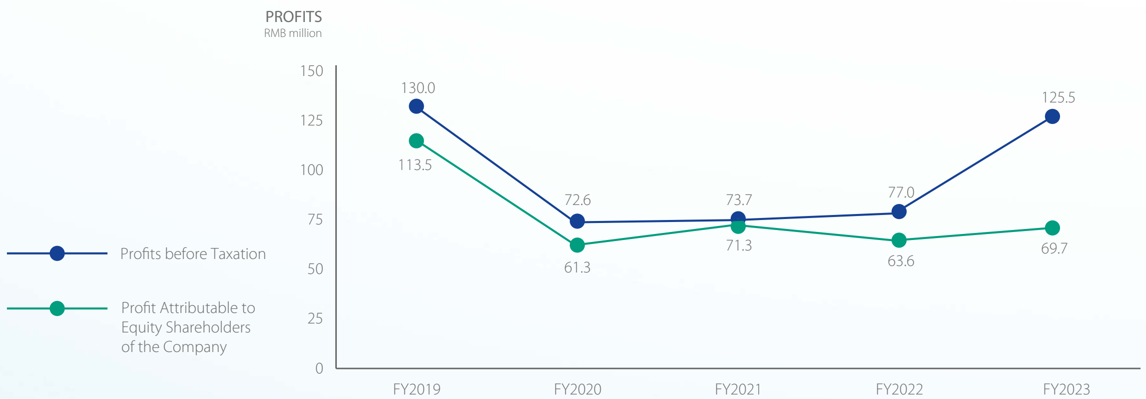
Five-year Financial Summary

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				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
RESULTS					
REVENUE	1,428,564	1,139,341	1,625,775	2,039,583	2,255,903
Cost of sales	(1,090,208)	(878,579)	(1,329,217)	(1,664,058)	(1,821,205)
Gross profit	338,356	260,762	296,558	375,525	434,698
Other operating income	35,476	58,186	37,927	48,023	54,117
Selling and distribution expenses	(114,708)	(93,405)	(103,736)	(118,387)	(107,756)
Administrative expenses	(45,389)	(39,215)	(46,829)	(60,610)	(72,458)
Impairment loss on trade and other receivables	(641)	–	(3,370)	–	(26,615)
Other operating expenses	(68,041)	(100,760)	(99,751)	(155,717)	(125,469)
Interest expense	(15,024)	(12,964)	(7,142)	(11,881)	(30,993)
Share of gain of an associate	–	–	–	–	8
Profit before taxation	130,029	72,604	73,657	76,953	125,532
Income tax	(16,558)	(12,177)	(10,733)	(8,871)	(21,357)
Profit for the year	113,471	60,427	62,924	68,082	104,175
Non-controlling interests	–	872	8,379	(4,480)	(34,473)
PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	113,471	61,299	71,303	63,602	69,702
ASSETS AND LIABILITIES					
TOTAL ASSETS	2,192,853	2,227,781	2,477,454	2,542,339	4,247,771
TOTAL LIABILITIES	(510,744)	(495,367)	(690,283)	(653,509)	(1,509,198)
	1,682,109	1,732,414	1,787,171	1,888,830	2,738,573
NON-CONTROLLING INTERESTS	–	(2,128)	6,251	(31,716)	(812,864)
NET ASSETS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	1,682,109	1,730,286	1,793,422	1,857,114	1,925,709

Financial Highlights





Financial Ratios and Performance

FINANCIAL PERFORMANCE	UNIT	FY2019	FY2020	FY2021	FY2022	FY2023
Revenue	RMB'000	1,428,564	1,139,341	1,625,775	2,039,583	2,255,903
Including: Revenue from regions outside of PRC	*RMB'000*	*199,853*	*205,650*	*194,082*	*167,855*	*115,094*
Proportion of revenue from other regions to total revenue	*%*	*14.0*	*18.0*	*11.9*	*8.2*	*5.1*
Gross profit margin	%	23.7	22.9	18.2	18.4	19.3
Profit before taxation	RMB'000	130,029	72,604	73,657	76,953	125,532
Non-controlling interests	RMB'000	–	872	8,379	(4,480)	(34,473)
Profit attributable to equity shareholders of the Company	RMB'000	113,471	61,299	71,303	63,602	69,702

FINANCIAL POSITION	UNIT	FY2019	FY2020	FY2021	FY2022	FY2023
Net assets attributable to equity shareholders of the Company	RMB'000	1,682,109	1,730,286	1,793,422	1,857,114	1,925,709

FINANCIAL RATIOS	NOTE	UNIT	FY2019	FY2020	FY2021	FY2022	FY2023
Earnings per share		RMB	0.292	0.158	0.184	0.164	0.180
Net asset per share attributable to equity shareholders of the Company		RMB	4.34	4.46	4.62	4.79	4.96
Return on total equity		%	6.7	3.5	3.5	3.6	3.8
Debt-to-assets ratio	a	%	23	22	28	26	36
Interest cover ratio	b	times	9.7	6.6	11.3	7.5	5.1
Current ratio	c	times	4.0	4.2	3.4	3.3	3.7

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

1. 2023 REVIEW

Following a major adjustment in the domestic policy on prevention and control of COVID-19 pandemic since the beginning of 2023 as well as the end of the pandemic, normalization has taken place at all levels of society and economy after three years of the initial outbreak of COVID-19 pandemic. Despite the complexity of the international situation and a series of risks and challenges in Chinese economy, the Chinese economy continued to rebound and improve in 2023, with high quality development and solid progress. The transformation and upgrading of the economic structure continued to accelerate and the economy became more resilient, presenting many bright spots. By implementing a series of proactive macroeconomic policies, including moderately expansionary fiscal policy and prudent monetary policy, the Chinese government has created an accommodating environment to promote stable and positive economic development. In terms of fiscal policy, governments at all levels have increased tax incentives for small and medium-sized enterprises (SMEs) and high-tech enterprises, and comprehensively maintained the stability of the supply chain and the industrial chain, so as to build a solid foundation for economic development. Through continuously increasing investment in technological transformation and innovation in the manufacturing industry, it has promoted the transformation and upgrading of traditional industries, while at the same time giving rise to emerging industries and new technologies, actively promoting the development of cutting-edge fields such as the digital economy, artificial intelligence, biotechnology, aviation and aerospace, which accelerates the construction of a modern industrial system.

According to the preliminary calculation by China's National Bureau of Statistics, the year-on-year GDP growth in 2023 was approximately 5.2%. On a quarterly basis, the GDP growth in the first quarter of 2023 was 4.5%, in the second quarter of 2023 was 6.3%, in the third quarter of 2023 was 4.9%, and in the fourth quarter of 2023 was 5.2%. On a period to period basis, GDP in the fourth quarter of 2023 grew by 1.0%. The added value of industrial enterprises above

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

designated size increased by 4.6% year-on-year in 2023, representing an increase of one percentage point over the 3.6% year-on-year increase in 2022; fixed-asset investment increased by 3.0% year-on-year in 2023, of which investment in computer, communication and other electronic equipment manufacturing industries increased by 9.3% year-on-year. By the end of 2023, a cumulative total of 3.377 million 5G base stations had been constructed and put into operation, representing an increase of 46.1% from 2.312 million at the end of 2022. The continuation of the Russian-Ukrainian war and the austerity policies triggered by the generally high inflation in developed countries have brought the economies of various countries back into a slump.

The telecommunications industry slightly outperformed the overall economy. According to the statistics of China's Ministry of Industry and Information Technology, the revenue of the telecommunications industry increased by 6.2% in 2023 as compared with that of the previous year, of which the revenue from fixed Internet broadband access business grew steadily and the revenue from mobile data traffic business dropped slightly; however, with the rapid development of data centers, cloud computing, big data, Internet of Things (IoT) and other emerging businesses, business revenue in 2023 increased by 19.1% as compared with that of the previous year, and its share in the revenue of the telecommunication industry increased from 19.4% in the previous year to 21.2%, driving the revenue of the telecommunications industry to increase by 3.6 percentage points. Among them, revenue from cloud computing and big data business both increased by 37.5% over the previous year, and revenue from IoT business increased by 20.3% over the previous year. The fixed assets investment in the three basic telecommunication enterprises in the telecommunications industry and China Tower Corporation Limited, which is closely related to the operating environment of the Group, increased by 0.3% in 2023 as compared to the previous year, among which the 5G investments increased by 5.7% year-on-year.

In 2023, under the unfavorable international situation, development opportunities for China always outweighed the challenges, while the favorable conditions outweighed the unfavorable factors, and the basic trend of the long-term improvement of China's economy remained unchanged, which supported the high-quality development of China's economy. All employees of the Group faced various challenges with courage and proactiveness. Taking advantage of their own favourable conditions, they managed to seize profitable opportunities successfully, and contributed to the growth of the Group. Throughout the year, the Group realized a revenue of approximately RMB2,255.9 million, representing a year-on-year increase of approximately 10.6%, and a profit for the year of approximately RMB104.2 million, representing an increase of approximately 53.0% over the corresponding period in the previous year, and reflecting the continued improvement of the Group's economic indicators of profitability and operational capacity under its business diversification development strategy in 2022 and 2023.

In 2022, the Group acquired each of 51% equity interests in 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 mainly engages in chips customisation services, semiconductor IP authorisation services and supply chain services as well as research and development, production and sales of IoT security chips. Shanghai Zhangyu mainly provides security solutions in the fields of blockchain security applications, digital security audit, data security governance and digital asset trading platforms. After completion of the acquisition of aforementioned two companies in mid-July 2022, the two companies contributed total revenue of RMB202.7 million in 2023, representing an increase of approximately 115.1% over the total revenue generated after the completion

Chairman's Message

of the acquisition in the previous year, and the segment profit before taxation of the the two companies (representing the digital technology and digital security business segment of the Company) reached approximately RMB78.7 million, representing an increase of approximately 73.7% over the segment profit before taxation generated after the completion of the acquisition in the previous year, and has successfully achieved the guaranteed profit targets for the acquisition of the two companies. This marks that the new digital technology security and integrated circuit supply chain services under the Group's business diversification strategy have entered the harvest period, and started to reap the benefits of its dedicated efforts on business transformation over the years.

In addition, with the completion of the acquisition of 51% equity interest in Zhejiang Zhongguang New Energy Technology Co., Ltd.* (浙江中光新能源科技有限公司) and its subsidiaries (collectively hereinafter referred as the "Zhongguang New Energy") on 21 July 2023 by 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)), which was established by the Group in 2023 and in which the Group holds an 87.67% equity interest, marking the further completion of the Group's development strategy to explore new businesses. As a newly developed new energy and services business segment of the Group, Zhongguang New Energy possesses two core technologies, including (i) the solar thermal power generation technology which uses heliostat to gather sunlight and heat up molten salt to produce high temperature and high pressure steam to drive the turbine generator to generate electricity; and (ii) the molten salt energy storage technology which is widely used in the concentrated solar power industry and is considered as one of the most mature and safest technologies for high temperature heat storage. Zhongguang New Energy owns and operates two solar thermal molten salt energy storage power stations in the city of Delingha of Qinghai Province, PRC, with operational scales of 10MW and 50MW, respectively. Since the completion of the acquisition of Zhongguang New Energy on 21 July 2023, Zhongguang New Energy (representing the new energy and services business segment of the Company) has contributed revenue of RMB77.1 million and segment profit before taxation of approximately RMB27.2 million for the Group in 2023. Solar thermal power generation, as a new energy power generation technology with stable and reliable output, has the dual functions of peaking power sources and energy storage, which can realize the use of new energy to support new energy, and is an indispensable technology in building a new type of electric power system and realizing the goal of energy transformation in China, with a broad market space in the future. With the commencement of the large-scale development of solar thermal power generation in China, it will bring stable and continuous growth to the Group in the future.

2. FOR MARKETING

Nanjing Zhangyu, a subsidiary of the Company, has kept abreast of the global economic trend on digital transformation, so as to firmly seize the opportunities brought by the rapid growth in demand for chips performance and output triggered by the development of application scenarios such as the IoT, new energy vehicles and the "stay-at-home" economy (「宅」經濟). By overcoming difficulties like the uncertain business environment and the lack of supply chains caused by the pandemic, continuously breaking through market and technological barriers in key fields such as the IoT, cloud security and industrial control as well as proactively expanding the market, it has successfully acquired a number of influential customers with sound development momentum, including military industry, State Grid Corporation, listed companies, national-level research institutes, universities and emerging unicorn enterprises. All these efforts made significant contributions to the development of the business for the year. In particular, a number of customers who have successfully completed the tape-out process are expected to become the customers who need mass production services, thereby bringing multiple order growth.

In 2023, Jiangsu Hengxin Technology Co., Ltd. ("Jiangsu Hengxin"), a wholly-owned subsidiary of the Group, successfully won bids in various projects, including China Mobile's 2023 feeder wire, feeder connectors and cluster jumper centralized procurement project, China Mobile's 2023 high-speed railway and special scenario antennas products centralized procurement project, China Mobile's 2023-2024 urban and rural base station antennas products centralized procurement project, China Mobile's 2023-2024 700M aesthetic antennas products centralized procurement project, China Tower's 2023 shot-light aesthetic antennas products centralized bidding project, China Tower's 2023 leaky cables and accessories products centralized procurement project. In particular, it won the first place in the bid for China Mobile's 2023 feeder wire centralized procurement project, with a bid amount of approximately RMB612.08 million. The production facilities of Jiangsu Hengxin have run close to full capacity for a considerable period of time during the Reporting Period owing to the above consecutive bids, laying a solid foundation for achieving the annual results targets.

In overseas markets, the business of the Company's subsidiary in India declined significantly due to India's attempts to support its own market and industry by raising tariffs, restricting imports, and implementing anti-dumping measures, which made it difficult for our subsidiaries in India to carry out their business, and caused delays of varying degrees in the construction of our subsidiaries' factories and the installation of equipment in India. Despite new projects in other overseas markets, overall overseas sales declined by approximately 20%.

3. FOR PRODUCTION AND SUPPLY

By adopting the Fabless business model, Nanjing Zhangyu has focused on the design, research and development and supply chain services of integrated circuits while entrusting wafer manufacturing, packaging and testing and other processes to professional wafer manufacturers and packaging and testing manufacturers. Therefore, the Company has always attached great importance to supply chain security issues by actively strengthening the management of upstream and downstream industrial chains and maintaining close communication and coordination with wafer manufacturers and packaging and testing manufacturers. During the Reporting Period, the Company established business cooperation relationships with 15 wafer foundries, featured by international mainstream and specialty process, as well as their service providers, and 13 packaging and testing service and reliability testing service providers, fully ensuring that the Company would achieve its production capacity targets for the year while at the same time laying the foundation for sustainable and reliable development in the future.

The 50 MW solar thermal molten salt energy storage power plant project of Zhongguang New Energy under new energy and services business segment operated steadily, with monthly power generation exceeding 17.00 million kWh and 18.18 million kWh in October and November 2023, respectively, setting new records for single-month power generation since its commencement of operation. In 2023, the cumulative power generation was 152.4 million kWh, representing a year-on-year increase of 4.1%. The amount of on-grid power generation exceeded 150.0 million kWh, the highest ever recorded. In terms of operation and maintenance services, Zhongguang New Energy completed the compilation of a publicity brochure on the operation and maintenance of solar thermal power plants in 2023, and at the same time established the calculation of operation and maintenance costs for solar thermal power plants of various scales, as well as the corresponding service content, scope and service standards to lay the foundation for the orderly promotion of the operation and maintenance service project.

In 2023, Jiangsu Hengxin accelerated the improvement of internal operation efficiency under the guidance of "Strengthening the foundation and innovating for development" (固本強基、創新發展). In terms of intellectualization (智慧化), it launched a total of 15 projects throughout the year and completed 13 projects, with a revenue of approximately RMB1,872,000; in terms of informatization (資訊化), it launched 6 projects and completed 6 projects; and in terms of lean development (精益化), the costs decreased by nearly RMB73.00 million through micro-operation and micro-innovation. In addition, the cost project revenue of RMB47.00 million was realized through breakthrough in cost management innovation. These efforts were carried out and implemented to further realize the Company's internal operation to explore potential and improve efficiency.

4. FOR RESEARCH AND DEVELOPMENT

Nanjing Zhangyu and Shanghai Zhangyu are asset-light companies with high dependence on research and development. Since their inception, both companies have always regarded research and development as a top priority. With the two companies joining the Group in 2022, the research and development work has reached new heights. During the Reporting Period, the total research and development investments of Nanjing Zhangyu and Shanghai Zhangyu amounted to approximately RMB13.6 million, which was mainly used in the research and development of blockchain underlying technology and application as well as the research and development of ultra-low power analog data conversion IP cores for IoT scenarios. In 2023, they made applications for a total of 9 software copyrights; obtained 18 authorized patents, including 3 invention patents, 15 software copyrights and 2 authorized software copyrights; and obtained 1 commercial cryptographic products certification.

The IoT identity authentication security chips PMSC 1.0 independently developed by Nanjing Zhangyu obtained the certification by the Commercial Password Testing Center of the National Cryptography Administration (國家密碼管理局商用密碼檢測中心). The function of the chips is to provide unique identity recognition for IoT intelligent devices, protect core data such as sensor data and the transmission process and resist common software vulnerabilities for stealing keys and key side-channel attacks. The chip is pre-set with a globally unique identifier and key, providing root trust and supporting national secret algorithms (SM3/4 algorithms) to provide financial-level security. Leveraging on sophisticated techniques, all IP are domestically controllable without potential production and property rights risks. It supports various MCU chips, with features of full compatibility, ultra-low dynamic power consumption, zero static power consumption and user customization. The successful development of such chips has filled in the national gaps, and its certification will provide an important guarantee for its scale entry into the market, laying a solid foundation for Nanjing Zhangyu's future development.

In 2023, Zhongguang New Energy invested RMB4.8 million in R&D, internally approved 1 research project, completed the inspection of 1 major technology special project in Qinghai Province, and obtained 1 scientific and technological achievement in Qinghai Province; applied for 3 patents, including 1 invention patent and 2 utility model patents; obtained 4 authorized patents, including 2 invention patents and 2 utility model patents; and obtained 4 approved projects with local standards. Since its establishment in 2012, Zhongguang New Energy has undertaken 1 national industrialization project, 1 national 863 science and technology plan project, 5 provincial science and technology plans and major technology special projects, 2 enterprise technology innovation projects in Qinghai Province and 6 municipal level scientific research projects. It has obtained a total of 21 authorized patents, including 12 invention patents and 9 utility model patents, participated in the completion of 1 local standard, 1 group standard and 1 National Energy Administration quality supervision and inspection outline, all of which have been released and implemented, and obtained 6 scientific and technological achievements, of which 5 were leading in China. Zhongguang New Energy currently has 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)", "Tower Solar Thermal Power Generation Engineering and Technology Research Center (approved by the Development and Reform Commission of Qinghai Province)", with all constructions completed and platform-related work carried out in a normal and orderly manner.

In 2023, through Jiangsu Hengxin, the Company continued to invest in research and development ("R&D") of new products and technologies in light of the market demand and the future development direction of the industry, and achieved 28 invention patent authorizations and 1 international patent for the whole year, and was awarded the Jiangsu Intellectual Property Model Enterprise, and 1 Wuxi City Patent Invention Gold Award. In the field of wireless access product, 33 R&D projects were completed, and the annual sales revenue of new products amounted to approximately RMB795 million; a relatively large performance growth was achieved in the 5G smart antennas series, special scenario antennas, 5G leaky cables products, and new-generation device components products.

5. EXPANSION OF A NEW BUSINESS MODEL

In view of the fact that the Web 3.0 technology is still at an early stage of development and there is a lack of computing service solution providers in the market that specialise in providing hardware leasing and customised software for the Web 3.0 field, the Group has established a cloud computing center with 90 high-performance computing servers in Hong Kong through its wholly-owned subsidiary, Hengxin Metaverse Limited by introducing the unique technical advantages accumulated by Shanghai Zhangyu over the years in the underlying security architecture of the operation system, cloud computing resource scheduling and high-performance distributed storage. It has taken cloud computing and encrypted computing businesses from customers and created its unique business model of "computing power service + hardware certification" (算力服務+硬體認證). The establishment of this cloud computing center is an important move taken by the Group to achieve the strategic goal of "becoming an internationally competitive enterprise in the field of the Web3.0 cloud computing infrastructure".

In respect of the new energy and services business segment, the Qinghai Zhongkong Delingha Industrial Tourism Experience Project launched since May 2023 onwards under the premise of ensuring production safety in the Qinghai Zhongkong Project has significantly increased the Company's exposure, and further expand the Company's industry influence. In addition, substantial breakthroughs were achieved in the operation and maintenance of solar thermal power plant, with a 100MW solar thermal power generation project of general contracting operation and maintenance in Xinjiang Province entering the preliminary investigation and plan formulation stage.

6. WORK PLAN FOR 2024

The Central Economic Work Conference pointed out the spirit of"persisting in stable yet progressive growth, promoting stability through progress, creating a new model before abandoning the old one, implementing more policies conducive to stabilizing expectations, growth and employment" and "focusing on supporting scientific and technological innovation" for 2024. As a result, it is expected that the Group's new digital technology and digital security and new energy and services business segments will be able to gain favorable development opportunities from the national policies.

Under the backdrop of global economic digitisation transformation, emerging digital services focusing on data centers, cloud computing, big data and the IoT, etc. are expected to maintain rapid development. The "Guideline on the Global Layout for Digital China Construction" (數字中國建設整體佈局規劃) issued by the Central

Chairman's Message

Committee of the Communist Party of China and the State Council has made the work on the construction of Digital China as reference points in the assessment and evaluation of relevant Party and government leaders, which is the most substantial promotion of digital construction under the system with Chinese characteristics. The application of 5G in various industries will continue to move forward, along with increasing new demands arising from the integrated circuit industry and steady progress in domestic alternatives. The Ministry of Industry and Information Technology of the PRC has made it clear that it will fully promote the technological research and development of 6G. These favourable factors promote all business entities of the Group to ride on the momentum of industrial development.

In 2024, the Group will continue to improve the quality and efficiency of traditional products and consolidate its leading position in the industry under the guidance of "seizing market opportunities to strive for industry leadership, enhancing R&D and innovation to promote high-quality development". At the same time, we will further promote research and development changes, PLM implementation, and accelerate the introduction and promotion of new products as well as breakthrough in new technologies and new material applications, to stabilize the continuous growth of RF series products. We will focus on the research and development of key wireless products such as 5G antennas, special scenario application antennas, green antennas, and repeater stations, start the pre-study of millimeter wave phased array and satellite communications antenna project for technology reserve and market development of the next generation of mobile communication technology 5G-A and 6G; promote market diversification, strengthen the development of domestic operators' non-collection and non-communications operators market; strengthen the development of overseas markets, accelerate the improvement of overseas industrial layout and export product structure, build international brands, and boost overseas business development.

In terms of integrated circuit design and supply chain services, the Group will step up efforts to secure and develop new customers and strive to provide mass production services for some customers who have successfully completed the tape-out process, thereby achieving a significant increase in order amounts. By developing a generic software driver SDK for the complete adaptation of the PMSC 1.0 intelligent IoT identity authentication security chips and supporting upper-layer applications on encrypted chips, the Group anticipates completing the software and hardware docking with pilot customers so as to put into practical applications as early as possible. Meanwhile, it has developed a business system to provide support for the integrated circuit supply chain, which is currently under internal testing, with a view to opening up the service to external customers by the end of 2024.

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

In terms of digital technology security, the Group will endeavour to implement the Intelligent IoT Data Privacy Computing Project Plan and develop a recommendation system based on differential privacy. Through analyses on user data with privacy protection, the Group is committed to realising specific information recommendations and thereby achieving models for cooperation in the fields of electricity, energy, medical and industrial IoT.

In terms of the new energy and services business, Zhongguang New Energy will continue to ensure that the continuous and stable operation of the 50 MW solar thermal molten salt energy storage power plant project, and the 10 MW solar thermal molten salt energy storage power plant project reached production early after technical transformation. Meanwhile, the Company will expand its market influence by combining the industrial tourism experience project and carry out new technical reforms to increase new revenue sources, explore opportunities for project development of large energy bases in Qinghai and Gansu, and actively create opportunities for capital acquisition and cooperation for the first batch of solar thermal demonstration projects. The operation and maintenance service business and energy storage business will be steadily promoted. At the same time, the Company will try to improve customers' differentiated demand response capabilities by jointly developing single-tank molten salt related products, and explore new business revenue engines.

What matters is that the ice has been broken, the route opened and the toughest time for China's macro economy is over. Leveraging on the solid foundation laid out by the diligent works in the previous year and the improved macroeconomic and industry background, the Group is expected to make progress in 2024 with the efforts of all our employees.

* for identification purposes only

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 2023 ("**FY2023**" or the "**Reporting Period**") increased by approximately RMB216.3 million, or approximately 10.6% from approximately RMB2,039.6 million in the previous financial year ended 31 December 2022 ("**FY2022**") to approximately RMB2,255.9 million in FY2023.

Part of the increase in revenue for FY2023 comparing FY2022 is due to the completion of the acquisition of Nanjing Zhangyu Information Technology Co., Ltd. ("**Nanjing Zhangyu**") and Shanghai Zhangyu Information Technology Co., Ltd. ("**Shanghai Zhangyu**") (collectively, the "**Zhangyu Companies**") in July 2022. The revenue of Zhangyu Companies formed the Digital Technology and Digital Security business segment of the Group. The Zhangyu Companies have contributed approximately RMB94.2 million in revenue in the second half of FY2022. During the full year of FY2023, the Zhangyu Companies contributed approximately RMB202.7 million of revenue, representing an increase of approximately RMB108.5 million or 115.1% from revenue during the previous year.

The other reason contributing to the increase in revenue for FY2023 comparing FY2022 is due to the completion of the acquisition of Zhejiang Zhongguang New Energy Co., Ltd. and its subsidiaries ("**Zhongguang New Energy**") in August 2023. The revenue of Zhongguang New Energy formed the New Energy and Services business segment of the Group. Zhongguang New Energy have contributed approximately RMB77.1 million in revenue in the second half of FY2023.

By separating the revenue contribution by the Zhangyu Companies in the full year of FY2023 and Zhongguang New Energy in the second half of FY2023, the Telecommunications business segment recorded a small increase in revenue of approximately RMB30.8 million or 1.6% from FY2022's approximately RMB1,945.4 million to FY2023's approximately RMB1,976.2 million. Below is an analysis of revenue according to the categories of business segments.

Digital Technology and Digital Security

With the completion of the acquisition of the Zhangyu Companies in July 2022, a new business segment of Digital Technology and Digital Security comprising the Zhangyu Companies was formed. During the full year of FY2023, Zhangyu Companies have recorded revenue of approximately RMB202.7 million (representing an increase of approximately RMB108.5 million or 115.1% from approximately RMB94.2 million for the second half of FY2022), of which revenue from (i) design services was approximately RMB44.4 million; (ii) tape-out service was approximately RMB63.9 million; and (iii) digital technology, cloud computing and services were 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. Since the completion of the acquisition in July 2023, Zhongguang New Energy have recorded revenue of approximately RMB77.1 million from the sales of solar power from the business segment's 50MW and 10MW power generating facilities. 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.

Management Discussion and Analysis

Telecommunications

Due to continuous fierce market competition during FY2023, Telecommunications business segment only recorded a slight increase in revenue of RMB30.8 million or 1.6% from the previous year despite 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 19.3% for FY2023 compared to approximately 18.4% for FY2022, representing an increase of approximately 0.9 percentage point year-on-year. By separating the Digital Technology and Digital Security business segment and New Energy and Service business segment, the rest of the Telecommunications business segment achieved a combined gross profit margin of approximately 15.3%, representing a decrease of approximately 1.8 percentage points from the previous year's 17.1%. The Digital Technology and Digital Security business segment has achieved a gross profit margin of 41.7% during the year of FY2023 (gross profit margin of 45.7% during the second half of FY2022), representing a decrease of 4.0 percentage points year-on-year. The New Energy and Service business segment has achieved a gross profit margin of 61.8% after the completion of the acquisition in July 2023.

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. Gross profit contribution for the Telecommunications business segment in FY2023 has recorded a year-on-year decrease of RMB29.1 million or 8.8% from FY2022's RMB331.6 million to FY2023's RMB302.5 million.

For the Digital Technology and Digital Security business segment, overall gross profit margin for the full year of FY2023 was approximately 41.7% (gross profit margin of approximately 45.7% during the second half of FY2022), representing a decrease of approximately 4.0 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 FY2023 comparing FY2022, the Digital Technology and Digital Security business segment has recorded a slight decrease in gross profit margin and gross profit contribution in FY2023 was RMB84.5 million, representing an increase of RMB41.4 million or 96.1% from FY2022's RMB43.1 million.

For the New Energy and Services business segment, overall gross profit margin for the second half of FY2023 was approximately 61.8% and gross profit contribution to the Group was RMB47.6 million since the completion of the acquisition in July 2023.

As the Digital Technology and Digital Security and New Energy and Services business segments have higher gross profit margin than the Telecommunications business segment, the Group recorded an increase in the combined gross profit margin year-on-year.

On the one hand, the Group will enhance product profitability by increasing investment in new product research and development and the application of new technologies. On the other hand, the Group will continue to promote intelligent, information-based and lean development. In addition to micro-innovation and micro operating activities, the Group will also 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. As the New Energy and Services business segment further develops and contributes to the Group on a full year basis after FY2023, the Group will be able to achieve higher overall gross profit margin and gross profit contribution.

Other operating income

Other operating income increased by approximately RMB6.1 million or approximately 12.7% from approximately RMB48.0 million in FY2022 to approximately RMB54.1 million in FY2023. The increase is primarily due to:

(i) an increase in interest income by approximately RMB8.1 million;

(ii) an increase in government grants and subsidies of approximately RMB3.2 million;

(iii) a decrease in net foreign gain of RMB6.3 million; and

(iv) a net increase in other items of approximately RMB1.1 million.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RMB10.6 million or approximately 9.0% from approximately RMB118.4 million in FY2022 to approximately RMB107.8 million in FY2023. This was due to a combination of various factors including the decrease in salary expenses under selling and distribution expenses, the decrease in transportation costs, and the decrease in marketing expenses due to the stringent policy to control the costs of the Group during FY2023.

Administrative expenses

Administrative expenses increased by approximately RMB11.9 million or approximately 19.6% from approximately RMB60.6 million in FY2022 to approximately RMB72.5 million in FY2023. The increase was mainly due to the full year consolidation of the Zhangyu Companies and the administrative expenses from Zhongguang New Energy after the completion of the acquisition in July 2023 and the legal and profession fees related to the acquisition of Zhongguang New Energy during FY2023.

Impairment loss on trade receivables

Additional impairment loss on trade receivables amounting to approximately RMB26.6 million was provided in FY2023 (2022: Nil).

Other operating expenses

Other operating expenses decreased by approximately RMB30.2 million or approximately 19.4% from approximately RMB155.7 million in FY2022 to approximately RMB125.5 million in FY2023. Such change is mainly due to:

(i) a slight increase in research and development ("**R&D**") expenses by approximately RMB0.1 million year-on-year from FY2022's approximately RMB114.6 million to approximately RMB114.7 million in FY2023. During FY2023, approximately RMB96.3 million (representing a decrease of approximately RMB8.0 million or 7.7% 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 FY2023; approximately RMB13.6 million is due to the R&D undertaken by the Zhangyu Companies during the full year FY2023; and approximately RMB4.8 million is due to the R&D undertaken by Zhongguang New Energy during the second half of FY2023; and

(ii) a decrease in the net loss on financial assets measured at FVPL of approximately RMB29.8 million in FY2023.

Interest expense

Interest expense increased by approximately RMB19.1 million or approximately 160.5% from approximately

RMB11.9 million in FY2022 to approximately RMB31.0 million in FY2023, mainly because of the interest expenses amounting to approximately RMB20.8 million relating to the bank borrowings for the acquisition of Zhongguang New Energy during FY2023 and the interest expenses relating to Zhongguang New Energy's bank loans.

Profit before taxation

Profit before taxation increased by approximately RMB48.5 million or approximately 63.0% from approximately RMB77.0 million in FY2022 to approximately RMB125.5 million in FY2023. During the second half of FY2023, Zhongguang New Energy have made positive profit contribution to the Group, forming a new driver for the Group's growth in addition to the Digital Technology and Digital Security business segment formed in FY2022. Therefore, profit before taxation increased due to the new profit centers from Zhangyu Companies and Zhongguang New Energy.

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 FY2023 as they qualify as a high-tech enterprise in the PRC. Income tax expense increased by approximately RMB12.5 million or approximately 140.4% from approximately RMB8.9 million in FY2022 to approximately RMB21.4 million in FY2023. The increase is mainly due to (i) the increase in profit from operations during FY2023 due to the new profit centers after the acquisition of the Zhangyu Companies in the second half of FY2022; (ii) the increase in profit from operations and the new profit center after the acquisition of Zhongguang New Energy in the second half of FY2023; and (iii) decrease in the deferred tax expense reversal arising from the origination of temporary difference mainly from contingent consideration and put option and intangible assets identified in business combination in FY2022.

Profit Attributable to Equity Shareholders of the Company

In view of the above, after taking into account of the effect of non-controlling interests, profit attributable to equity shareholders of the Company increased by approximately RMB6.1 million or approximately 9.6% from approximately RMB63.6 million in FY2022 to approximately RMB69.7 million in FY2023.

Consolidated Statement of Financial Position

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

Property, plant and equipment

As at 31 December 2023, property, plant and equipment amounted to approximately RMB1,154.8 million, representing an increase of approximately RMB942.4 million or approximately 443.7% from approximately RMB212.4 million as at 31 December 2022. The increase is mainly due to the first time consolidation of Zhongguang New Energy as at 31 December 2023 and the increase mainly include RMB953.5 million of electric generating facilities, rights-of-use assets, land use rights and others.

Intangible assets

Intangible assets amounted to approximately RMB241.5 million as at 31 December 2023 (as at 31 December 2022: RMB56.4 million), representing an increase of approximately RMB185.1 million or approximately 30.5% and mainly represent customer relationship, patents, intellectual property resources and licence. The increase is mainly due to the business combination of the value for the patents and licence relating to the solar power generation of Zhongguang New Energy on the completion of the acquisition of in July 2023. The Group has engaged an external valuation firm to perform fair value assessments on these intangible assets of customer relationship, patents and licence in accordance with IAS 38 Intangible Assets and IFRS 3 Business Combination.

Goodwill

As at 31 December 2023, goodwill amounted to approximately RMB201.6 million (as at 31 December 2022: RMB155.1 million), of which RMB155.1 million was due to the acquisition of the Zhangyu Companies during FY2022 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 FY2023.

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 RMB43.3 million or approximately 28.6% from approximately RMB151.6 million as at 31 December 2022 to approximately RMB194.9 million as at 31 December 2023. The increase was mainly due to the increase in raw materials and finished goods due to the anticipation of the increase in raw materials costs to stock up raw materials and goods in transit as at the year end of FY2023.

Trade and other receivables

(i) Net trade and bills receivables increased by approximately RMB164.2 million or approximately 24.7% from approximately RMB666.1 million as at 31 December 2022 to approximately RMB830.3 million as at 31 December 2023. The increase in trade and bills receivables is mainly due to the first time consolidation of the trade receivables relating to Zhongguang New Energy as at 31 December 2023.

If the gross trade receivables and bills receivables relating to Zhongguang New Energy were taken out from the 31 December 2023 balance, the adjusted gross trade receivables and bills receivables relating to Telecommunications and Digital Technology and Digital Security business segments have recorded a decrease of approximately RMB66.0 million or approximately 9.7% from the FY2022's year end balance of approximately RMB679.1 million to the adjusted 31 December 2023 year end balance of approximately RMB613.1 million. Such decrease in gross trade and bills receivables during FY2023 was because customers have speeded up their settlement arrangement as the Group has imposed stricter credit control and collection policy on outstanding trade and bills receivables.

As at 31 December 2023, based on the invoice date and net of allowance for impairment, approximately 70.8% of the net trade and bills receivables are within 6 months as compared with that of approximately 73.4% as at 31 December 2022. For long aged net trade and bills receivables, as at 31 December 2023, approximately 7.3% were over two years (as compared with 1.9% as at 31 December 2022). The long aged net trade and bills receivables were mostly relating to non-operator customers of the Telecommunications business segment. The Group does not foresee any significant difficulty in the collection of these receivables. The Group will continue to endeavour in its collection efforts on the outstanding balances.

(ii) Net prepayments and non-trade receivables increased by approximately RMB19.0 million or approximately 24.5% from approximately RMB77.6 million as at

31 December 2022 to approximately RMB99.6 million as at 31 December 2023. The increase was mainly due to the (i) increase in prepayments by approximately RMB19.7 million; (ii) increase in refundable deposits by approximately RMB10.9 million; and (iii) decrease in tax recoverable of approximately RMB10.9 million.

Trade and other payables

(i) Trade and bills payables increased by approximately RMB67.7 million or approximately 31.2% from approximately RMB217.2 million as at 31 December 2022 to approximately RMB284.9 million as at 31 December 2023. The increase is mainly due to the first time consolidation of the trade and bills payable of Zhongguang New Energy as at 31 December 2023 amounting to RMB49.7 million. If the trade and bills payable of Zhongguang New Energy were taken out, the adjusted trade and bills payable of the Telecommunications and Digital Technology and Digital Security business segments have recorded an increase of RMB18.0 million or 8.3% from RMB217.2 million as at 31 December 2022 to the adjusted balance of RMB235.2 million as at 31 December 2023. Such increase is in line with the increase in inventories of raw materials in response to the Group's purchases in anticipation of increase in raw materials costs.

(ii) Other payables recorded a slight decrease of approximately RMB2.6 million or approximately 1.5% from approximately RMB170.8 million as at 31 December 2022 to approximately RMB168.2 million as at 31 December 2023. The decrease is mainly due to (i) the increase in contract liabilities by approximately RMB21.8 million; (ii) the increase in tender deposits of approximately RMB8.9 million; (iii) the increase in accrued operating expenses by approximately RMB6.9 million; and (iv) as at 31 December 2023, there was no contingent consideration payables relating to the second (last) payment for the acquisition of the Zhangyu Companies in FY2022 of approximately RMB45.0 million.

Current bank loans and non-current bank loans

The current and non-current bank loans as at 31 December 2023 amounted to approximately RMB1,012.9 million. Of which approximately RMB496.9 million was related to the bank loans of Qinghai Zhongkong Solar Power Co., Ltd. having maturity dates from 2025 to 2034 and carry fixed interest rates from 3.5% to 4.7% per annum. The rest of the current and non-current bank loans amounted to approximately RMB516.0 million, the loans were mainly used to enhance the working capital position of the Group and finance the acquisition of Zhongguang New Energy and carry fixed interest rates. The current bank loans as at 31 December 2022 amounting to approximately RMB228.6 million were all related to short term bank loans for general working capital use with fixed interest rates.

(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 Communications Technology Co., Ltd., Hengxin Metaverse Limited, Yixing Tianyue Enterprise Management Consulting Partnership (Limited Partnership), Nanjing Zhangyu Information Technology Co., Ltd., Shanghai Zhangyu Information Technology Co., Ltd., Wuxi Sihai Technology Co., Ltd., Shanghai Zhangyu Semi-conductor Co., Ltd., Hangzhou Longkong Zhongguang Enterprise Holding Enterprise Partnership (Limited Partnership), Zhejiang

Zhongguang New Energy Technology Co., Ltd., Gansu Yumen Zhongkong Solar Energy Generation Co., Ltd. and Qinghai Zhongkong Solar Energy Generation Co., Ltd.

(III) FOREIGN CURRENCY EXPOSURE

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

(IV) DONATION AND CAPITAL COMMITMENTS

As at 31 December 2023, the capital commitments of the Group in respect of the purchase of property, plant and equipment were approximately RMB10,577,000 (31 December 2022: approximately RMB189,000).

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 2023, the donation commitment was approximately RMB1,500,000 (31 December 2022: approximately RMB2,000,000).

(V) CHARGE OR PLEDGE OF ASSETS

As at 31 December 2023, deposits amounting to approximately RMB30,164,000 (2022: RMB39,671,000) 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 1.3933% (2022: 1.0878%) per annum and for a tenure of approximately 4 to 60 months (2022: 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 2023, deposit amounting to approximately RMB35,000,000 (2022: Nil), electric generating facilities amounting to approximately RMB824,517,000 (2022: Nil) and trade and bills receivables amounting to approximately RMB256,940,000 (2022: Nil) were pledged to banks for secured bank loans and banking facilities at an interest rate of 4.35 - 4.90% per annum. Pledged bank deposits bear interest at an average effective interest rates at 2.9770% (2022: Nil) 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 2023, the Group's total assets were approximately RMB4,247,771,000 (2022: RMB2,542,339,000) (of which current assets were approximately RMB2,517,664,000 (2022: approximately RMB2,077,261,000) and non-current assets were approximately RMB1,730,107,000 (2022: approximately RMB465,078,000)), the total liabilities were approximately RMB1,509,198,000 (2022: approximately RMB653,509,000) (of which current liabilities were approximately RMB648,831,000 (2022: approximately RMB632,498,000) and non-current liabilities were approximately RMB860,367,000 (2022: approximately RMB21,011,000)), and shareholder's equity attributable to equity shareholders of the Company reached

Management Discussion and Analysis

approximately RMB1,925,709,000 (2022: approximately RMB1,857,114,000). As at 31 December 2023, the Group's total cash, time deposits and pledged deposits were approximately RMB1,380,821,000 (31 December 2022: approximately RMB1,181,561,000). As at 31 December 2023, the Group has current bank loans due within one year of approximately RMB176,543,000 (2022: approximately RMB228,634,000) carrying fixed interest rates and non-current bank loans of approximately RMB836,366,000 carrying fixed interest rates. At 31 December 2023, the Group had approximately RMB3,251,000,000 (2022: approximately RMB2,454,000,000) 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	
	2023	2022
	RMB'000	RMB'000
Total liabilities	**1,509,198**	653,509
Total assets	**4,247,771**	2,542,339
Debt-to-assets ratio	**36%**	26%

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

		Contractual cash flows					
	Note	Within 1 year or on demand 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
2023							
Non-derivative financial liabilities							
Bank loans	28	215,645	78,942	358,114	579,448	1,232,149	1,012,909
Trade and other payables #	27	383,154	–	–	–	383,154	383,154
Lease liabilities	30	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

Management Discussion and Analysis

	Contractual undiscounted cash (outflow)/inflow			
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000
2023				
Derivatives settled gross:				
Forward foreign exchange contracts				
– outflow	(67,293)	–	–	(67,293)
– inflow	64,639	–	–	64,639

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

	Contractual undiscounted cash (outflow)/inflow			
	Within 1 year or on demand 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
2022				
Derivatives settled gross:				
Forward foreign exchange contracts				
– outflow	(89,868)	–	–	(89,868)
– inflow	87,200	–	–	87,200

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

(VII) PROSPECTS (A COMMENTARY AT THE DATE OF THIS ANNUAL REPORT 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 Central Economic Work Conference pointed out the spirit of "persisting in stable yet progressive growth, promoting stability through progress, creating a new model before abandoning the old one, implementing more policies conducive to stabilizing expectations, growth and employment" and "focusing on supporting scientific and technological innovation" for 2024. As a result, it is expected that the Group's new digital technology and digital security and new energy and services business segments will be able to gain favorable development opportunities from the national policies.

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

In 2024, the Group will continue to improve the quality and efficiency of traditional products and consolidate its leading position in the industry under the guidance of "seizing market opportunities to strive for industry leadership, enhancing R&D and innovation to promote high-quality development". At the same time, the Group will further promote research and development changes, PLM implementation, and accelerate the introduction and promotion of new products as well as breakthrough in new technologies and new material applications, to stabilize the continuous growth of RF series products. The Group will focus on the research and development of key wireless products such as 5G antennas, special scenario application antennas, green antennas, and repeater stations, start the pre-study of millimeter wave phased array and satellite communications antenna project for technology reserve and market development of the next generation of mobile communication technology 5G-A and 6G; promote market diversification, strengthen the development of domestic operators' non-collection and non-communications operators market; strengthen the development of overseas markets, accelerate the improvement of overseas industrial layout and export product structure, build international brands, and boost overseas business development.

In terms of integrated circuit design and supply chain services, the Group will step up efforts to secure and develop new customers and strive to provide mass production services for some customers who have successfully completed the tape-out process, thereby achieving a significant increase in order amounts. By developing a generic software driver SDK for the complete adaptation of the PMSC 1.0 intelligent IoT identity authentication security chips and supporting upper-layer applications on encrypted chips, the Group anticipates completing the software and hardware docking with pilot customers so as to put into practical applications as early as possible. Meanwhile, it has developed a business system to provide support for the integrated circuit supply chain, which is currently under internal testing, with a view to opening up the service to external customers by the end of 2024.

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

In terms of digital technology security, the Group will endeavour to implement the Intelligent IoT Data Privacy Computing Project Plan and develop a recommendation system based on differential privacy. Through analyses on user data with privacy protection, the Group is committed to realising specific information recommendations and thereby achieving models for cooperation in the fields of electricity, energy, medical and industrial IoT.

In terms of the new energy and services business, Zhongguang New Energy will continue to ensure that the continuous and stable operation of the 50

MW solar thermal molten salt energy storage power plant project, and the 10 MW solar thermal molten salt energy storage power plant project reached production early after technical transformation. Meanwhile, the Company will expand its market influence by combining the industrial tourism experience project and carry out new technical reforms to increase new revenue sources, explore opportunities for project development of large energy bases in Qinghai and Gansu, and actively create opportunities for capital acquisition and cooperation for the first batch of solar thermal demonstration projects. The operation and maintenance service business and energy storage business will be steadily promoted. At the same time, the Company will try to improve customers' differentiated demand response capabilities by jointly developing single-tank molten salt related products, and explore new business revenue engines.

What matters is that the ice has been broken, the route opened and the toughest time for China's macro economy is over. Leveraging on the solid foundation laid out by the diligent works in the previous year and the improved macroeconomic and industry background, the Group is expected to make progress in 2024 with the efforts of all employees of the Group.

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

As at 31 December 2023, the interests and short positions of the Directors and chief executives of the Company in shares and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), which are required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which are required to be entered into, as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Company:

Name of Directors	Capacity and nature of interests	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Mr. Cui Wei(1)	Deemed interest and interest in controlled corporation	108,868,662	28.06%
Ms. Zhang Zhong(2)	Deemed interest and interest in controlled corporation	15,894,525	4.10%
Mr. Du Xiping	Beneficial owner	11,468,000	2.96%

Notes:

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

(2) Ms. Zhang Zhong beneficially owns the entire issued share capital of Wellahead Holdings Limited ("**Wellahead**"), and Wellahead in turn holds approximately 4.10% 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 2023, in so far as is known to the Directors, the following shareholders having interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long positions in the Company:

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

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

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

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

(XI) CHANGE IN THE COMPOSITION OF THE BOARD

Mr. Tam Chi Kwan Michael ("**Mr. Tam**") has tendered his resignation as an independent non-executive Director, the chairman of the audit committee, a member of the remuneration committee and a member of the nominating committee of the Company with effect from 17 November 2023 as he wants to devote more time to pursue his other commitments. Following the resignation of Mr. Tam, Mr. Qian Ziyan ("**Mr. Qian**") has been appointed as an independent non-executive Director, the chairman of the audit committee, a member of the remuneration committee and a member of the nominating committee of the Company with effect from 17 November 2023. In accordance with Articles 88 of the Constitution of the Company, Mr. Qian shall hold office only until the next annual general meeting and shall then be eligible for re-election. Therefore, Mr. Qian shall retire at the forthcoming annual general meeting and shall offer himself for re-election.

(XII) SUPPLEMENTARY INFORMATION

1. Operational and Financial Risk Management

(i) Market risk

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

(ii) Commodity price risk

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

(iii) Interest rate risk

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

(iv) Foreign currency risk

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

2. Contingent liabilities

There were no material contingent liabilities as at 31 December 2023.

3. Employees and Remuneration Policies

As at 31 December 2023, there were 1,095 (31 December 2022: 936) 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.

Management Discussion and Analysis

4. *Material Litigation and Arbitration*

As at 31 December 2023, the Group was not involved in any material litigation or arbitration.

5. *Amendments to the Constitution During the Reporting Period*

With effect from 1 January 2022, the Listing Rules were amended by, among others, adopting a uniform set of 14 core standards for shareholder protections for issuers regardless of their place of incorporation as set out in Appendix 3 to the Listing Rules.

As such, the Board has proposed to make certain amendments to the Constitution for the purposes of, among others, (i) conforming to the said core standards for shareholder protections; (ii) allowing general meetings of the Company to be held as an electronic meeting or a hybrid meeting; and (iii) incorporating certain housekeeping changes (collectively, the "**Proposed Amendments**"). The Board also proposed to adopt the new Constitution in substitution for, and to the exclusion of, the Constitution at that time.

The Proposed Amendments were approved and adopted by the passing of a special resolution by the shareholders of the Company at the annual general meeting of the Company convened on 28 April 2023 (the "**2022 AGM**"). The new Constitution came into effect on the conclusion of the 2022 AGM. For details of the new Constitution, please refer to the announcement of the Company dated 28 February 2023, the circular of the Company dated 27 March 2023 and the 2022 AGM poll results announcement of the Company dated 28 April 2023. The approved and adopted new 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).

6. *Connected Transactions*

(a) During the year ended 31 December 2023, the Group had the following continuing connected transactions with Hengtong Group Co., Ltd. and Hengtong Optic-Electric Co., Ltd.:

	For the year ended 31 December	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sale of finished goods	**44,556**	9,116
Purchase of raw materials	**198,393**	37,377

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 Co., Ltd. (亨通集團有限公司) ("**Hengtong Group**") and Hengtong Optic-Electric Co., Ltd. (江蘇亨通光電股份有限公司) ("**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 2023 is RMB46.0 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 2023 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.

Management Discussion and Analysis

(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 2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Gross income from leasing of servers	**7,550**	N/A

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. ("**Shanghai Zhangyu**") (上海掌御信息科技有限公司) 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.

Shanghai Zhangyu is 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 holds more than 30% interest in Shanghai Zhangyu, it is an associate of Mr. Peng Yinan and a connected person of the Company. Therefore, the transaction contemplated under the Server Leasing Agreement constitute 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 2023 is HK$8.4 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.

(c) During the Reporting Period, the Group had the following connected transaction with Jiangsu Hengtong Energy Storage Technology Company Limited and Beijing Hengtong Intelligent Technology Company Limited:

Management Discussion and Analysis

On 30 March 2023, Jiangsu Hengxin Wireless Technology Co., Ltd. ("**Hengxin Wireless**") (江蘇亨鑫無線技術有限公司), an indirect wholly-owned subsidiary of the Company, entered into (i) the photovoltaic power station engineering procurement and construction (EPC) agreement ("**EPC Agreement**") with Jiangsu Hengtong Energy Storage Technology Company Limited ("**Hengtong Energy Storage**") and Beijing Hengtong Intelligent Technology Company Limited ("**Hengtong Intelligent Technology**") (collectively, the "**Photovoltaic Connected Parties**"); and (ii) the Hengxin photovoltaic project service agreement ("**Service Agreement**") with Hengtong Intelligent Technology, in respect of the construction project of the photovoltaic power station of Hengxin Wireless (the "**Project**") for an aggregate contract sum of not more than RMB7.5 million.

Each of Hengtong Energy Storage (an indirect wholly-owned subsidiary of Hengtong Group) and Hengtong Intelligent Technology (wholly-owned by Hengtong Optic-Electric) is considered as a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the transactions contemplated under the EPC Agreement and Service Agreement (collectively, the "**Agreements**") constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Since the transactions contemplated under the Agreements were entered into with the same party or parties who are connected with one another on the same day and for the Project, the transactions contemplated thereunder are required to be aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio in respect of the aggregate contract sum under the Agreements is higher than 0.1% but less than 5%, the Agreements 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.

In the summers of the past few years, Hengxin Wireless was subject to a quite number of temporary suspensions of electricity supply, which interrupted its production plans and caused serious wastage of its manpower. Also, summer is the peak season for Hengxin Wireless's business, suspensions of electricity supply substantially increase the risk of delay in production to meet the demand of its customers.

It is thus necessary for Hengxin Wireless to have the photovoltaic power station to commence operation as soon as possible and in any event before the summer this year so that it can mitigate the risk of suspension of electricity supply and can catch the best season in the year for photovoltaic electricity generation. The photovoltaic power station will enable Hengxin Wireless to lower its production cost and improve its electricity supply structure. The use of solar energy for Hengxin Wireless's production will also be beneficial to the Group in meeting carbon footprint targets and attracting green investment.

Hengtong Intelligent Technology has good reputation in the photovoltaic industry, with the strong technical and project management support from Hengtong Optic-Electric and has proven track record in similar photovoltaic power station projects. Hengtong Energy Storage has expertise for providing green, clean and recyclable energy and energy storage services and has obtained relevant qualifications on electricity project construction and a number of industry awards relating to integrated solar storage-charging solution (光儲充一體化解決方案), EPC projects and intelligent recyclable photovoltaic enterprise (可再生能源優秀光伏智慧運維企業). Therefore, it is considered fair and reasonable to enter into the EPC Agreement with the Connected Parties and the Service Agreement with Hengtong Intelligent Technology.

The Directors (including the independent non-executive Directors) consider that the Agreements have been entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms and conditions therein are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

Management Discussion and Analysis

For details of the Agreements, please refer to the announcements of the Company dated 30 March 2023 and 3 April 2023.

(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. ("**Xin Ke Xin**") (鑫科芯（蘇州）科技有限公司), 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. ("**Nanjing Zhangyu**") (南京掌御信息科技有限公司) (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 Nanjing Zhangyu is held as to 51% indirectly by the Company and 49% indirectly by Mr. Peng Yinan, Nanjing Zhangyu is 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 exceeds HK$10,000,000, the transactions contemplated under the Second Loan Agreement and the First Loan Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and is 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.

(e) During the Reporting Period, the Group had the following connected transaction with Jiangsu Hengtong Venture Capital Co., Ltd.:

On 19 May 2023 (after trading hours), Jiangsu Hengxin, as a limited partner, entered into a partnership agreement ("**Suzhou Hengtong Partnership Agreement**") with Jiangsu Hengtong Venture Capital Co., Ltd. (江蘇亨通創業有限公司) ("**Hengtong VC**") (as a general partner) in relation to the formation of Suzhou Hengtong Yongshun Venture Capital Partnership Enterprise (Limited Partnership) (the "**Suzhou Hengtong Partnership**") (蘇州亨通永順創業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC.

According to the Suzhou Hengtong Partnership Agreement, the total capital contribution by all partners to the Suzhou Hengtong Partnership shall be RMB63,100,000 of which each of Jiangsu Hengxin and Hengtong VC shall make capital commitments of RMB39,000,000 and RMB24,100,000 respectively.

Hengtong VC is held as to 20% by Jiangsu Hengtong Investment Holding Co., Ltd. ("**Jiangsu Hengtong**") (江蘇亨通投資控股有限公司) and 80% by Hengtong Group. Jiangsu Hengtong is a wholly-owned subsidiary of 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). Therefore, Hengtong VC is considered as a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the transaction contemplated under the Suzhou Hengtong Partnership Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the capital contribution by Jiangsu Hengxin contemplated under the Suzhou Hengtong Partnership Agreement is higher than 0.1% but less than 5%, the Suzhou Hengtong Partnership Agreement and the transaction 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 Directors believe that the formation of the Suzhou Hengtong Partnership brings good investment opportunities for the Group to invest in emerging industries and promote industry upgrade, and it is in line with PRC's national "dual carbon" targets as well as the development strategy of the Group. By entering into the Suzhou Hengtong Partnership, the Group can leverage on the resources to effectively explore opportunities in hydrogen energy, energy storage, intelligent manufacturing, new materials and other industrial sectors and expand the source channels for potential projects, as well as generate investment income for the Group.

The terms of the Suzhou Hengtong Partnership Agreement are negotiated on an arm's length basis between Jiangsu Hengxin and Hengtong VC having taken into account the capital needs of the Suzhou Hengtong Partnership. The capital contribution to be made by Jiangsu Hengxin will be funded by the Group's internal resources.

The Directors (including the independent non-executive Directors) consider that the terms of the Suzhou Hengtong Partnership Agreement and the transaction contemplated thereunder are made on normal commercial terms and in the ordinary and usual course of business of the Group, the terms and conditions therein are fair and reasonable and in the interests of the Company and the shareholders as a whole.

For details of the Suzhou Hengtong Partnership Agreement, please refer to the announcement of the Company dated 19 May 2023.

7. *Major Transaction During the Reporting Period*

On 31 May 2023, (i) the Board has resolved to seek approval from the shareholders of the Company a general mandate proposed to be granted in advance by the shareholders of the Company at the 2023 July EGM to the Directors ("**Proposed Mandate**") to enter into and complete the equity transfer agreement ("**Standard Agreement**") to be entered between 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)) ("**Longkong Partnership**") and Hangzhou Heda Financial Services Co., Ltd. (杭州和達金融服務有限公司), upon successful winning of the bid submitted by Longkong Partnership at the public tender through Hangzhou Equity Exchange (the "**Bid**"), in relation to the transfer of approximately 44.46% equity interest of Zhejiang Zhongguang New Energy Technology Co., Ltd. (浙江中光新能源科技有限公司) (the "**Target Company**") and to issue the capital contribution notice by Nanjing Zhangyu and commit Nanjing Zhangyu's capital contribution related to formation of the Longkong Partnership under the partnership agreement and its supplemental agreement both dated 21 April 2023 ("**Partnership Agreement**") and entered into between Nanjing Zhangyu as the general partner and Cosin Solar Technology Co., Ltd. (浙江可勝技術股份有限公司), as the limited partner; (ii) Longkong Partnership and Gongqing City Shengmei Investment Management Enterprise Partnership (Limited Partnership) ("**Gongqing City**") (共青城盛美投資管理合夥企業(有限合夥)), entered into a conditional equity transfer agreement ("**Equity Transfer Agreement I**"), pursuant to which Longkong Partnership has conditionally agreed to acquire, and Gongqing City has conditionally agreed to sell approximately 4.45% equity interest of the Target Company at the consideration of approximately RMB63.6 million; and (iii) Longkong Partnership and Hangzhou Jingneng Huichu Enterprise Management Enterprise Partnership (Limited Partnership) ("**Hangzhou Jingneng**") (杭州淨能慧儲企業管理合夥企業(有限合夥)), entered into a conditional equity transfer agreement ("**Equity Transfer Agreement II**"), pursuant to which Longkong Partnership has conditionally agreed to acquire, and Hangzhou Jingneng has conditionally agreed to sell approximately 2.09% equity interest of the Target Company at the consideration of approximately RMB29.9 million. Both of the Equity Transfer Agreement I and Equity Transfer Agreement II are inter-conditional and subject to successful winning of the Bid. The possible acquisitions of the equity interest of the Target Company contemplated under the Standard Agreement, Equity Transfer Agreement I and Equity Transfer Agreement II is collectively referred to as the "**Possible Acquisitions**". The Group holds 51% of the Target Company upon completions of the Possible Acquisitions.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) on an aggregate basis exceeds 25% but is less than 100%, the Possible Acquisitions constitute a major transaction of the Company under Chapter 14 of the Listing Rules and are subject to the reporting, announcement, circular and Shareholders' approval requirements.

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the possible capital contribution of RMB640.0 million by Nanjing Zhangyu under the Partnership Agreement exceeds 25% but is less than 100%, such possible capital contribution under the Partnership Agreement when committed by Nanjing Zhangyu related to formation of Longkong Partnership constitute a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements.

The Possible Acquisitions and the Proposed Mandate were approved, confirmed and ratified at the 2023 July EGM by an ordinary resolution. For the transaction details and reasons for and benefits of the Proposed Mandate and the Possible Acquisitions, please refer to the announcements of the Company dated 31 May 2023 and 2 July 2023, the circular of the Company dated 29 June 2023, the 2023 July EGM poll results announcement of the Company dated 19 July 2023 and the completion announcement dated 24 July 2023.

On 30 June 2023, Longkong Partnership received a notification letter from the Hangzhou Equity Exchange which informed Longkong Partnership that it had won the Bid. The Possible Acquisitions were completed on 21 July 2023.

8. *Profit Guarantee Relating to the Acquisition of Zhangyu Companies*

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

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

Based on the audited financial statements of the Zhangyu Companies for the two years ended 31 December 2022 and 31 December 2023, the aggregate adjusted audited net profit after tax (excluding non-recurring income) of the Zhangyu Companies was not less than RMB115 million. Subject to the finalization of the audited financial statements of the Zhangyu Companies on or before the release of the annual report of the Company for the year ended 31 December 2023 on around 28 March 2024, it is expected that (i) no compensation will be required for the Vendor regarding the 2022 and 2023 Profit Guarantee as the requirement for the 2022 and 2023 Profit Guarantee is expected to be met; and (ii) both the Purchaser and the Vendor have confirmed the 2022 and 2023 Profit Guarantee has been achieved.

9. Events After the Reporting Period

(a) Major and Connected Transaction – Extension of Repayment Dates of Loans Nanjing Zhangyu

In contemplation of the approaching repayment dates as set out in the First Loan Agreement and the Second Loan Agreement on 7 March2024, Xin Ke Xin entered into the First Loan (Extension) Agreement and the Second Loan (Extension) Agreement (collectively the "Loan (Extension) Agreements") with Nanjing Zhangyu (as borrower), 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.

Mr. Peng Yinan is an executive Director and a connected person of the Company at the issuer level under the Listing Rules. As Nanjing Zhangyu is held as to 51% indirectly by the Company and 49% indirectly by Mr. Peng Yinan, Nanjing Zhangyu is a connected subsidiary of the CompanyunderRule14A.16of the Listing Rules. Therefore, the transactions contemplated under the Loan (Extension) Agreements constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

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 will be 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 than25% and the total principal amount of the First Loan and the 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 Chapter14A 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 than100%, 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 Chapter14 of the Listing Rules.

An extraordinary general meeting of the Company will be convened for the Shareholders to consider and, if thought fit, approve the Loan (Extension) Agreements and the transactions contemplated thereunder.

Nanjing Zhangyu is principally engaged in the development, design and sale of integrated circuits, digital products, computer hardware, computer technology application and software, as well as technology consultation and technology services. As Nanjing Zhangyu is still in its development stage, the extension of the First Loan and the Second Loan will 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 First Loan and the Second Loan 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.

For details of the Loan (Extension) Agreements, please refer to the announcement of the Company dated 7 March 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 FY2023:

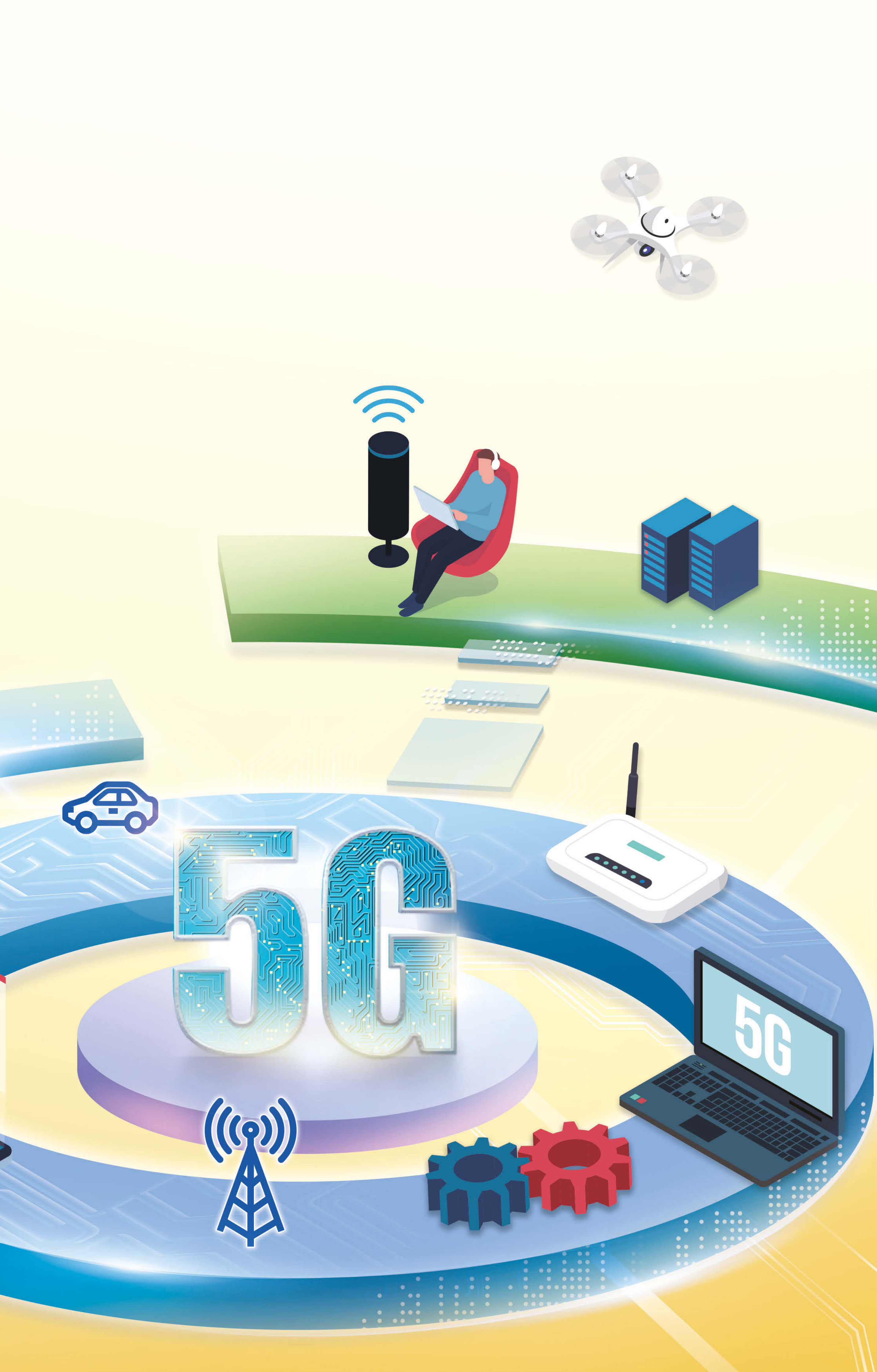
Management Discussion and Analysis

No.	RISK	BUSINESS SEGMENT	DESCRIPTION	MITIGATING ACTIONS/MEASURES
1	Business and industry risk	Digital Technology and Digital Security	(a) The integrated circuit 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) To strengthen the effort on research and development and market exploration for high profit margin products like 5G antennas, leaky cables and accessories and by securing more approvals as a qualified supplier for the Group's major customers and entering into new geographic markets; and (ii) Continue to improve production and logistical efficiencies with continuous internal micro-innovation and gradually achieve the replacement of self-produced raw materials for outsourcing to lower costs and to stay competitive.

No.	RISK	BUSINESS SEGMENT	DESCRIPTION	MITIGATING ACTIONS/MEASURES
2	Technology risk	Digital Technology and Digital Security	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 the relevant equipment and spare parts 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	Digital Technology and Digital Security	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.

Management Discussion and Analysis

No.	RISK	BUSINESS SEGMENT	DESCRIPTION	MITIGATING ACTIONS/MEASURES
4	Foreign currency risk	Digital Technology and Digital Security	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	Digital Technology and Digital Security	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 2023, 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	Digital Technology and Digital Security	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 FY2023.


5G
5G

Connected and Continuing Connected Transactions

(a) During the year ended 31 December 2023, the Group had continuing connected transactions with Hengtong Group Co., Ltd. and Hengtong Optic-Electric Co., Ltd.

Jiangsu Hengxin Technology Co., Ltd. ("**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 Co., Ltd. (亨通集團有限公司) ("**Hengtong Group**") and Hengtong Optic-Electric Co., Ltd. (江蘇亨通光電股份有限公司) ("**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 caps for each of the years ended and ending 31 December 2023, 2024 and 2025 are RMB46.0 million, RMB57.4 million and RMB71.9 million, respectively. During the year ended 31 December 2023, the aggregate net amount received by the Group for the sales of its products under the New Sales Master Agreement amounted to approximately RMB44,556,000 (excluding VAT payable to the State Administration of Taxation of the PRC).

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 "**Feb EGM**"), the ordinary resolution for approving and confirming the New Purchases Master Agreement has been duly approved by the independent shareholders of the Company. The annual purchases caps for each of the years ended and ending 31 December 2023, 2024 and 2025 is RMB253.0 million. During the year ended 31 December 2023, the aggregate net amount paid by the Group for the purchase of the raw materials under the New Purchases Master Agreement amounted to approximately RMB198,392,000 (excluding VAT payable to the State Administration of Taxation of the PRC).

The price and the terms of the New Sales Master Agreement and the New Purchases Master Agreement have been determined in accordance with the pricing policies and guideline set out in the announcement and circular of the Company dated 3 January 2023 and 3 February 2023, respectively.

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 Feb EGM dated 27 February 2023.

(b) During the year ended 31 December 2023, the Group had the following connected transaction with Jiangsu Hengtong Energy Storage Technology Company Limited and Beijing Hengtong Intelligent Technology Company Limited:

On 30 March 2023, Jiangsu Hengxin Wireless Technology Co., Ltd. ("**Hengxin Wireless**") (江蘇亨鑫無線技術有限公司), an indirect wholly-owned subsidiary of the Company, entered into (i) the photovoltaic power station engineering procurement and construction (EPC) agreement ("**EPC Agreement**") with Jiangsu Hengtong Energy Storage Technology Company Limited ("**Hengtong Energy Storage**") and Beijing Hengtong Intelligent Technology Company Limited ("**Hengtong Intelligent Technology**") (collectively, the "**Photovoltaic Connected Parties**"); and (ii) the Hengxin photovoltaic project service agreement ("**Service Agreement**") with Hengtong Intelligent Technology, in respect of the construction project of the photovoltaic power station of Hengxin Wireless (the "**Project**") for an aggregate contract sum of not more than RMB7.5 million.

Each of Hengtong Energy Storage (an indirect wholly-owned subsidiary of Hengtong Group) and Hengtong Intelligent Technology (wholly-owned by Hengtong Optic-Electric) is considered as a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the transactions contemplated under the EPC Agreement and Service Agreement (collectively, the "**Agreements**") constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Since the transactions contemplated under the Agreements were entered into with the same party or parties who are connected with one another on the same day and for the Project, the transactions contemplated thereunder are required to be aggregated pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio in respect of the aggregate contract sum under the Agreements is higher than 0.1% but less than 5%, the Agreements 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.

During the year ended 31 December 2023, the aggregate contract sum paid by the Group for the Agreements amounted to approximately RMB6,456,310.65 (RMB5,256,310.65 for the EPC Agreement and RMB1,200,000.00 for

Connected and Continuing Connected Transactions

the Service Agreement) (including VAT payable to the State Administration of Taxation of the PRC).

In the summers of the past few years, Hengxin Wireless was subject to quite a number of temporary suspensions of electricity supply, which interrupted its production plans and caused serious wastage of its manpower. Also, summer is the peak season for Hengxin Wireless's business, suspensions of electricity supply substantially increase the risk of delay in production to meet the demand of its customers.

It is thus necessary for Hengxin Wireless to have the photovoltaic power station to commence operation as soon as possible and in any event before the summer this year so that it can mitigate the risk of suspension of electricity supply and can catch the best season in the year for photovoltaic electricity generation. The photovoltaic power station will enable Hengxin Wireless to lower its production cost and improve its electricity supply structure. The use of solar energy for Hengxin Wireless's production will also be beneficial to the Group in meeting carbon footprint targets and attracting green investment.

Hengtong Intelligent Technology has good reputation in the photovoltaic industry, with the strong technical and project management support from Hengtong Optic-Electric and has proven track record in similar photovoltaic power station projects. Hengtong Energy Storage has expertise for providing green, clean and recyclable energy and energy storage services and has obtained relevant qualifications on electricity project construction and a number of industry awards relating to integrated solar storage-charging solution (光儲充一體化解決方案), EPC projects and intelligent recyclable photovoltaic enterprise (可再生能源優秀光伏智慧運維企業). Therefore, it is considered fair and reasonable to enter into the EPC Agreement with the Connected Parties and the Service Agreement with Hengtong Intelligent Technology.

The Directors (including the independent non-executive Directors) consider that the Agreements have been entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms and conditions therein are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

For details of the Agreements, please refer to the announcements of the Company dated 30 March 2023 and 3 April 2023.

(c) During the year ended 31 December 2023, 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. ("**Xin Ke Xin**") (鑫科芯（蘇州）科技有限公司), 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. ("**Nanjing Zhangyu**") (南京掌御信息科技有限公司) (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 Nanjing

Connected and Continuing Connected Transactions

Zhangyu is held as to 51% indirectly by the Company and 49% indirectly by Mr. Peng Yinan, Nanjing Zhangyu is 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 exceeds HK$10,000,000, the transactions contemplated under the Second Loan Agreement and the First Loan Agreement constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and is 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 "**July EGM**") by an ordinary resolution.

As at 31 December 2023, the aggregate outstanding principal for the First Loan and Second Loan amounted to RMB250,000,000.00 and the aggregate accrued interests receivable relating to the First Loan and Second Loan amounted to RMB5,963,232.88.

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 July EGM poll results announcement of the Company dated 19 July 2023.

(d) During the year ended 31 December 2023, the Group had the following connected transaction with Jiangsu Hengtong Venture Capital Co., Ltd.:

On 19 May 2023 (after trading hours), Jiangsu Hengxin, as a limited partner, entered into a partnership agreement ("**Suzhou Hengtong Partnership Agreement**") with Jiangsu Hengtong Venture Capital Co., Ltd. (江蘇亨通創業有限公司) ("**Hengtong VC**") (as a general partner) in relation to the formation of Suzhou Hengtong Yongshun Venture Capital Partnership Enterprise (Limited Partnership) (the "**Suzhou Hengtong Partnership**") (蘇州亨通永順創業投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC.

According to the Suzhou Hengtong Partnership Agreement, the total capital contribution by all partners to the Suzhou Hengtong Partnership shall be RMB63,100,000 of which each of Jiangsu Hengxin and Hengtong VC shall make capital commitments of RMB39,000,000 and RMB24,100,000 respectively.

Hengtong VC is held as to 20% by Jiangsu Hengtong Investment Holding Co., Ltd. ("**Jiangsu Hengtong**") (江蘇亨通投資控股有限公司) and 80% by Hengtong Group. Jiangsu Hengtong is a wholly-owned subsidiary of 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). Therefore, Hengtong VC is considered as a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the transaction contemplated under the Suzhou Hengtong Partnership Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio in respect of the capital contribution by Jiangsu

Connected and Continuing Connected Transactions

Hengxin contemplated under the Suzhou Hengtong Partnership Agreement is higher than 0.1% but less than 5%, the Suzhou Hengtong Partnership Agreement and the transaction 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 Directors believe that the formation of the Suzhou Hengtong Partnership brings good investment opportunities for the Group to invest in emerging industries and promote industry upgrade, and it is in line with PRC's national "dual carbon" targets as well as the development strategy of the Group. By entering into the Suzhou Hengtong Partnership, the Group can leverage on the resources to effectively explore opportunities in hydrogen energy, energy storage, intelligent manufacturing, new materials and other industrial sectors and expand the source channels for potential projects, as well as generate investment income for the Group.

The terms of the Suzhou Hengtong Partnership Agreement are negotiated on an arm's length basis between Jiangsu Hengxin and Hengtong VC having taken into account the capital needs of the Suzhou Hengtong Partnership. The capital contribution to be made by Jiangsu Hengxin will be funded by the Group's internal resources.

The Directors (including the independent non-executive Directors) consider that the terms of the Suzhou Hengtong Partnership Agreement and the transaction contemplated thereunder are made on normal commercial terms and in the ordinary and usual course of business of the Group, the terms and conditions therein are fair and reasonable and in the interests of the Company and the shareholders as a whole.

For details of the Suzhou Hengtong Partnership Agreement, please refer to the announcement of the Company dated 19 May 2023.

During the year ended 31 December 2023, the actual capital contributions made by Jiangsu Hengxin and Hengtong VC were RMB19,000,000.00 and RMB1,100,000.00 respectively and the reduced committed capital contributions amounting to RMB43,000,000.00 were taken up by two independent third parties.

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

Board of Directors

CUI WEI

Chairman and Non-Executive Director

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

Mr. Cui holds a bachelor's degree in Mechanical Engineering from Saint Louis University and a master degree in Engineering Management from University of Southern California. Mr. Cui has extensive experience in direct investment, management of equity interests and debentures. Currently, Mr. Cui is also the chairman of Hengtong Optic-Electric Co., Ltd., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600487).

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).

Upon completion of acquisition of equity interests in Zhangyu Companies by the Company in July 2022 and up to the date of this annual report, Mr. Peng holds 99% equity interest in Xuzhou Jinkan Management Consulting Partnership (Limited Liability Partnership)* (徐州錦瞰管理諮詢合夥企業(有限合夥)) through Shanghai Gaolai Management Consulting Partnership (Limited Partnership)* (上海皋萊管理諮詢合夥企業(有限合夥)) in which he holds 99% equity interest and Xuzhou Jinkan Management Consulting Partnership (Limited Liability Partnership)* (徐州錦瞰管理諮詢合夥企業(有限合夥)) holds 49% equity interests in Nanjing Zhangyu and 39% equity interests in Shanghai Zhangyu.

SONG HAIYAN

Executive Director

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

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

DU XIPING

Non-Executive Director

Mr. Du Xiping (杜西平), born in 1962, is our non-executive Director (redesignated from executive director to non-executive director on 22 March 2023) and was appointed on 31 December 2015 as an executive director. Mr. Du holds a Bachelor of Science degree from the Department of Astronomy in Nanjing University and a master's Degree in Economics from the Graduate School of Chinese Academy of Social Science.

Board of Directors

Mr. Du possesses a wide range of experience over the years covering economics research, trade, finance and investment.

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

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

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.

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 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 DIRECTORS

Executive directors
Mr. Peng Yinan
Dr. Song Haiyan

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

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
Dr. Song Haiyan
Mr. Qian Ziyan
Mr. Pu Hong

NOMINATING COMMITTEE

Mr. Cui Wei (Chairman)
Mr. Du Xiping
Mr. Qian Ziyan
Dr. Li Jun
Mr. Pu Hong

AUTHORISED REPRESENTATIVES

Mr. Du Xiping
Mr. Chan Ting

JOINT COMPANY SECRETARIES

Mr. Chua Kern (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
KPMG LLP
Certified Public Accountants
12 Marina View, #15-01
Asia Square Tower 2
Singapore, 018961
(Appointed since 6 December 2016)

As for Hong Kong Reporting
KPMG
Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance
8th Floor, Prince's Building
Central, Hong Kong
(Appointed since 17 December 2019)

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 FY2023, 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 2023, the Board comprises of two Executive Directors, three Non-Executive Directors, and three Independent Non-Executive Directors. During FY2023, 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.

Corporate Governance Report (cont'd)

During FY2023, the number of general meetings (including the annual general meeting held on 28 April 2023 (the "**2023 AGM**"), the extraodrinary general meeting held on 27 February 2023 (the "**Feb EGM**") and the extraordinary general meeting held on 19 July 2023 (the "**July 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		Feb EGM		July 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 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	5	5	4	4	2	2	2	2
Mr. Peng Yinan	1	1	1	1	1	1	5	5	NA	NA	NA	NA	NA	NA
Dr. Song Haiyan	1	1	1	1	1	1	5	5	NA	NA	2	2	NA	NA
Mr. Du Xiping	1	1	1	1	1	1	5	5	NA	NA	NA	NA	2	2
Ms. Zhang Zhong	1	1	1	1	1	1	5	5	4	4	NA	NA	NA	NA
Mr. Qian Ziyan (appointed on 17 November 2023)	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Dr. Li Jun	1	1	1	1	1	1	5	5	4	4	2	2	2	2
Mr. Pu Hong	1	1	1	1	1	1	5	5	4	4	2	2	2	2
Mr. Tam Chi Kwan Michael (resigned on 17 November 2023)	1	1	1	1	1	1	5	5	4	4	2	2	2	2

(NA: Not applicable)

Matters Reserved for Board Approval

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

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

Training of Directors

The Directors are responsible for their own training needs. Each newly appointed Director shall receive appropriate induction, training and coaching in order to develop individual skills as required for the discharge of their duties and responsibilities as Directors of the Company. During FY2023, 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 FY2023 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 FY2023 is summarized below:

Names of Directors	Attending or participating in seminars/training courses relevant to the business/directors' duties
Mr. Peng Yinan	✔
Dr. Song Haiyan	✔
Mr. Cui Wei	✔
Mr. Du Xiping	✔
Ms. Zhang Zhong	✔
Mr. Qian Ziyan (appointed on 17 November 2023)	✔
Dr. Li Jun	✔
Mr. Pu Hong	✔
Mr. Tam Chi Kwan Michael (resigned on 17 November 2023)	✔

Board Composition and Guidance

During FY2023, 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
Dr. Song Haiyan	Executive Director	19 November 2021	27 April 2022	Yes
Mr. Du Xiping	Non-Executive Director (redesignated from Executive Director to Non-Executive Director on 22 March 2023)	31 December 2015	27 April 2022	Yes
Ms. Zhang Zhong	Non-Executive Director	23 June 2005	28 April 2023	NA
Mr. Qian Ziyan (appointed on 17 November 2023)	Independent Non-Executive Director	17 November 2023	NA	Yes
Mr. Pu Hong	Independent Non-Executive Director	6 March 2015	27 April 2021	Yes
Dr. Li Jun	Independent Non-Executive Director	6 March 2015	28 April 2023	NA
Mr. Tam Chi Kwan Michael (resigned on 17 November 2023)	Former Independent Non-Executive Director	10 December 2010	27 April 2022	NA

(NA: Not applicable)

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

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

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

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

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

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

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

The composition of the Board will be reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate size, 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

Mr. Tam Chi Kwan Michael has tendered his resignation as an independent nonexecutive Director, the chairman of the Audit Committee, a member of the Remuneration Committee and a member of the Nominating Committee of the Company with effect from 17 November 2023 as he wants to devote more time to pursue his other commitments. Following the resignation of Tam Chi Kwan Michael, Mr. Qian Ziyan has been appointed as an independent non-executive Director, the chairman of the Audit Committee, a member of the Remuneration Committee and a member of the Nominating Committee of the Company with effect from 17 November 2023.

In accordance with Articles 88 of the Constitution, Mr. Qian Ziyan shall hold office only until the next annual general meeting and shall then be eligible for re-election. Therefore, Mr. Qian Ziyan shall retire at the forthcoming annual general meeting and shall offer himself 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 promote 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 49 to 50 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 FY2023, 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 FY2023 and has no intention to appoint a chief executive officer in the near future.

Joint Company Secretaries

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

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:

Cui Wei	Chairman, Non-Executive Director
Du Xiping	Member, Non-Executive Director
Qian Ziyan	Member, Independent Non-Executive Director
Dr. Li Jun	Member, Independent Non-Executive Director
Pu Hong	Member, Independent Non-Executive Director

The Nominating Committee holds at least one meeting each year. The Nominating Committee has convened two meetings during FY2023 to review the independence of the Independent Non-Executive Directors as well as the composition of the Board and review the proposed appointment of Mr. Qian Ziyan as an Independent Non-Executive Director.

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

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

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

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

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

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

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

The Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three years. The Non-Executive Directors are appointed for a term of three years, subject to retirement by rotation at the 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. Qian Ziyan was appointed by the Directors on 17 November 2023 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. Qian Ziyan shall retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election at the forthcoming annual general meeting. The profile of Mr. Qian Ziyan is shown on page 50 of this annual report.

Pursuant to Article 89 of the Constitution, Dr. Song Haiyan, Mr. Du Xiping and Mr. Pu Hong 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 49 to 50 of this annual report.

The Nominating Committee has considered the level of commitment of each Director serving on multiple boards. For FY2023, 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 promote 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 FY2023.

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 FY2023 are based on the Directors' attendance at meetings held during FY2023 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 FY2023 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
Cui Wei	Member, Non-Executive Director
Dr. Song Haiyan	Member, Executive Director
Qian Ziyan	Member, Independent Non-Executive Director
Pu Hong	Member, Independent Non-Executive Director

The Remuneration Committee holds at least one meeting each year.

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

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

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

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

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

The members of the Remuneration Committee shall not participate in any decision concerning their own remuneration. No Director will be involved in determining his or her own remuneration. During FY2023, 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. Qian Ziyan upon his appointment as an Independent Non-Executive Director and has performed its functions in accordance with its Terms of Reference and the Hong Kong Code.

Level and Mix of Remuneration

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

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

(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 FY2023, 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 FY2023, 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:

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

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

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

The Audit Committee holds regular meetings at quarterly intervals each year. The Audit Committee has convened four regular meetings during FY2023 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 2022, 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 FY2023 and the proposed appointment of Messrs KPMG LLP as the auditor of the Company in Singapore for FY2023;

- to discuss with KPMG and Messrs KPMG LLP on the audit planning for FY2023;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Audit Committee is satisfied with the independence and objectivity of KPMG and Messrs KPMG LLP as the external auditors of the Company during FY2023 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 28 April 2023.

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

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

During FY2023, the Audit Committee has convened four regular meetings and has performed its functions in accordance with its Terms of Reference and the Hong Kong Code.

Directors' and Auditors' Responsibilities for Financial Statements

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

In preparing the financial statements for FY2023, 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 82 to 88 of this annual report.

Auditors' Remuneration

KPMG and Messrs KPMG LLP, the external auditors of the Company for Hong Kong reporting and Singapore statutory reporting respectively, are responsible for providing services in connection with the audit of the financial statements of the Group for FY2023.

During FY2023, the total remuneration in respect of the audit services provided by KPMG and Messrs KPMG LLP for the Group amounted to approximately RMB3,816,000.

During FY2023, 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, Messrs KPMG LLP was not involved in the provision of other non-audit services to the Group and KPMG was involved in the provision of non-audit services to the Group amounting to approximately RMB2,000,000. 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 FY2023.

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, Feb EGM and July EGM held during FY2023 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 Company's Constitution, as well as all applicable laws.

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

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

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

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

(G) DEALING IN SECURITIES

The Company has adopted its own code of best practices on securities transactions by the Company and its officers with respect to dealings in securities by the Directors and the senior management of the Group (the "**Best Practices Code**"). The Best Practices Code is no less exacting than the required standard in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 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 FY2023.

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 FY2023.

Details of the connected and continuing connected transactions for FY2023 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

With effect from 1 January 2022, the Listing Rules were amended by, among others, adopting a uniform set of 14 core standards for shareholder protections for issuers regardless of their place of incorporation as set out in Appendix 3 to the Listing Rules.

As such, the Board has proposed to make certain amendments to the Constitution for the purposes of, among others, (i) conforming to the said core standards for shareholder protections; (ii) allowing general meetings of the Company to be held as an electronic meeting or a hybrid meeting; and (iii) incorporating certain housekeeping changes (collectively, the "**Proposed Amendments**"). The Board also proposed to adopt the new Constitution in substitution for, and to the exclusion of, the then existing Constitution.

The Proposed Amendments were subject to the passing of a special resolution by the shareholders of the Company at the 2023 AGM. The special resolution relating to the Proposed Amendments was duly passed at the 2023 AGM and the new Constitution came into effect on the conclusion of the 2023 AGM. For details of the new Constitution, please refer to the announcement of the Company dated 28 February 2023, the circular of the Company dated 27 March 2023 and the 2023 AGM poll results announcement of the Company dated 28 April 2023. The approved and adopted 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 2023, the gender ratio of the Group's workforce (including directors, senior management and other staff) was 75.1% male to 24.9% 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

73	Directors' Report
82	Independent Auditors' Report
89	Consolidated Statement of Profit or Loss
90	Consolidated Statement of Profit or Loss and Other Comprehensive Income
91	Consolidated Statement of Financial Position
94	Consolidated Statement of Changes in Equity
95	Consolidated Statement of Cash Flows
97	Notes to the Financial Statements

Directors' Report

The directors submit herewith their annual report together with the audited financial statements for the year ended 31 December 2023.

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 41 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	33%	
Five largest customers in aggregate	66%	
The largest supplier		3%
Five largest suppliers in aggregate		11%

Save as disclosed set out in Note 37 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 2023 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 89 and 90 of this annual report.

The financial position of the Group as at 31 December 2023 is set out in the consolidated statement of financial position of the Group on pages 91 to 93 of this annual report. The financial position of the Company as at 31 December 2023 is set out in Note 38 to the financial statement on page 179 of this annual report.

The cash flows of the Group for the year ended 31 December 2023 are set out in the consolidated statement of cash flows on pages 95 to 96 of this annual report.

RECOMMENDED DIVIDEND

Nil final dividend in respect of the year ended 31 December 2022 was paid during the year ended 31 December 2023 (2022: Nil). No final dividend has been recommended in respect of the year ended 31 December 2023 (2022: Nil).

CHARITABLE DONATIONS

The Group had made donations amounting approximately RMB816,000 during the year (2022: approximately RMB700,000).

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 33(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 33 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABILITY OF RESERVES

At 31 December 2023, the aggregate amount of reserves available for distribution to equity shareholders of the Company was RMB186,899,000 (2022: RMB202,370,000).

PRE-EMPTIVE RIGHTS

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

DIRECTORS

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

Non-executive directors

Cui Wei (Chairman)
Du Xiping (redesignated from executive director to non-executive director on 22 March 2023)
Zhang Zhong

Executive directors

Dr. Song Haiyan
Peng Yinan

Independent non-executive directors

Qian Ziyan (appointed on 17 November 2023)
Dr. Li Jun
Pu Hong
Tam Chi Kwan Michael (resigned on 17 November 2023)

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

In accordance with article 89 of the Company's Constitution, Dr. Song Haiyan, Mr. Du Xiping and Mr. Pu Hong 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. Qian Ziyan was appointed by the Board as an independent non-executive director on 17 November 2023, Mr. Qian Ziyan shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Thus, Mr. Qian Ziyan shall retire at the forthcoming annual general meeting and, being eligible will offer himself for re-election.

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

As at 31 December 2023, the interests and short positions of the Directors and chief executives of the Company in shares and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), which are required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which are required to be entered into, as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Company:

Name of Directors	Capacity and nature of interests	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Mr. Cui Wei[(1)]	Deemed interest and interest in controlled corporation	108,868,662	28.06%
Ms. Zhang Zhong[(2)]	Deemed interest and interest in controlled corporation	15,894,525	4.10%
Mr. Du Xiping	Beneficial owner	11,468,000	2.96%

Notes:

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

(2) Ms. Zhang Zhong beneficially owns the entire issued share capital of Wellahead Holdings Limited ("**Wellahead**"), and Wellahead in turn holds approximately 4.10% of the total issued share capital in the Company.

Save as disclosed above, as at 31 December 2023, 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 2023, in so far as is known to the Directors, the following shareholders having interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long positions in the Company:

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

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

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

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

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 37 to the financial statements.

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

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, Dr. Song Haiyan and Mr. Peng Yinan, entered into a service contract with the Company for an initial term of three years commencing on 19 November 2021 and 20 August 2022 respectively, renewable automatically for any successive terms upon the date of expiry of each three-year period, unless terminated in accordance with the provisions of the service contract by either contractual party giving to the other not less than three months' prior notice in writing at the end of the initial term or at any time thereafter.

Mr. Du Xiping has signed a letter of appointment with the Company on redesignation from Executive director to Non-executive director on 22 March 2023. According to the letter of appointment, the appointment of Mr. Du Xiping is for an initial term of three years commencing from 22 March 2023, which is subject to automatic renewal for successive terms of three years upon expiry, and may be terminated by either party giving not less than three months' prior written notice to the other or in accordance with other terms thereof, and subject to retirement by rotation and re-election at an annual general meeting of the Company in accordance with the Company's 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. Mr. Qian will retire at the next annual general meeting of the Company to be held in 2024 and will be eligible for re-election at such annual general meeting in accordance with article 88 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 2023 are set out in Note 29 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.

PURCHASE, SALES OR REDEMPTION OF SHARES

During the year ended 31 December 2023 neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares.

EMPLOYEES

As at 31 December 2023, the Group employed 1,095 (2022: 936) 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(b) to the financial statements.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

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

Qian Ziyan (appointed on 17 November 2023)	Chairman, Independent Non-executive Director
Cui Wei	Member, Non-executive Director
Zhang Zhong	Member, Non-executive Director
Dr. Li Jun	Member, Independent Non-executive Director
Pu Hong	Member, Independent Non-executive Director
Tam Chi Kwan Michael (resigned on 17 November 2023)	Former Chairman, former Independent Non-executive Director

During the financial year ended 31 December 2023, 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 appointment and re-appointment of the external auditors of the Company;

– interested person transactions;

– all non-audit services provided by the Group's external auditors; and

– the financial reporting system, risk management and internal control systems of the Company.

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

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

AUDITORS

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

By order of the board

Cui Wei
Chairman and Non-executive Director

Date: 25 March 2024

Independent Auditors' Report

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

OPINION

We have audited the consolidated financial statements of Hengxin Technology Ltd. (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 89 to 180, which comprise the consolidated statement of financial position as at 31 December 2023, 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, comprising 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 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Accounting For Business Combination

Refer to Note 36 to the consolidated financial statements and the accounting policies on pages 98 to 99.

The Key Audit Matter	How the matter was addressed in our audit
During the year ended 31 December 2023, the Group acquired 51% equity interest in Zhejiang Zhongguang New Energy Technology Co., Ltd. ("**Zhejiang Zhongguang**") at a total consideration of RMB729 million. Upon completion of the acquisition, Zhejiang Zhongguang became a non-wholly owned subsidiary of the Group. Zhejiang Zhongguang and its subsidiaries are principally engaged in new energy and services. Goodwill arising from this acquisition amounted to RMB46 million, which represented the excess of the consideration paid over the Group's share of the fair value of the identifiable net assets of Zhejiang Zhongguang, including intangible assets amounting to RMB188 million, of the acquired business. The Group engaged an external valuation firm to assist with the determination of the fair values of the acquired identifiable assets and liabilities, which required the exercise of significant judgement and estimation, particularly in relation to the discount rate, forecast gross profit margin and sales growth rate. We identified the accounting for business combination as a key audit matter because of the significant impact the acquisition has on the consolidated financial statements and because the valuation of the identifiable assets and liabilities acquired can be inherently subjective and requires significant judgement and estimation which increases the risk of error or potential management bias.	Our audit procedures to accounting for business combination included the following: • inspecting the equity purchase agreement and evaluating management's accounting for the acquisition with reference to the terms set out in the equity purchase agreement and the requirements of the prevailing accounting standards; • evaluating the competence, capabilities and objectivity of the external valuation firm; • obtaining an understanding of and assessing the design and implementation of management's internal control over the process of purchase price allocation for the business combination; • involving our internal valuation specialists to assess the appropriateness of the methodologies adopted by the external valuation firm in assessing the fair values of the assets and liabilities acquired with reference to the requirements of the prevailing accounting standards; • challenging the reasonableness of the forecast sales growth rate with future operating plans and our understanding of the related industry and forecast gross profit margin with market data and the Group's business plan; • assessing, with the assistance of our internal valuation specialists, the reasonableness of the discount rate by benchmarking against those of other comparable companies; • evaluating the mathematical accuracy of management's allocation of consideration for the identifiable assets and liabilities acquired; • performing sensitivity analyses on forecast sales growth rate, forecast gross profit margin and discount rate, and considering the resulting impact of changes in the key assumptions and whether there were any indicators of management bias; and • assessing the reasonableness of the disclosures in relation to the business combination with reference to the requirements of the prevailing accounting standards.

Assessing Potential Impairment of Goodwill and Other Intangible Assets

Refer to Note 17 to the consolidated financial statements and the accounting policies on pages 100 and 101 to 102.

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2023, the Group held goodwill of 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 digital technology and digital security segment and CGU in new energy and service segment. The CGUs in digital technology and digital security 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 external valuation firm to perform 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 2023. 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 to assess potential impairment of goodwill and other intangible assets included the following: • assessing the design and implementation of management's internal control over the process of impairment tests of goodwill and other intangible assets; • 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 internal 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 internal 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 103 to 107.

The Key Audit Matter

As at 31 December 2023, the Group's gross carrying amount of trade receivables from customers other than provincial grid companies amounted to RMB554 million, against which an allowance of RMB40 million for expected credit losses (ECL) was recorded.

Management 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 receivable 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.

How the matter was addressed in our audit

Our audit procedures to assess the ECL allowance for trade receivables from customers other than provincial grid companies included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to credit control, segmentation of trade receivables, estimation and recording of the ECL allowance;
- 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
- re-performing the calculation of the ECL allowance as at 31 December 2023 based on the Group's ECL policy and method.

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

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Independent Auditors' Report (cont'd)

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

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

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

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

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

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

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

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

Independent Auditors' Report (cont'd)

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

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

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

Certified Public Accountants

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

25 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

(Expressed in Renminbi ("RMB"))

	Note	2023 RMB'000	2022 RMB'000
Revenue	6	2,255,903	2,039,583
Cost of sales		(1,821,205)	(1,664,058)
Gross profit		434,698	375,525
Other operating income	7	54,117	48,023
Selling and distribution expenses		(107,756)	(118,387)
Administrative expenses		(72,458)	(60,610)
Impairment loss on trade receivables	34(a)	(26,615)	–
Other operating expenses	8	(125,469)	(155,717)
Profit from operations		156,517	88,834
Interest expense	9(a)	(30,993)	(11,881)
Share of gain of an associate		8	–
Profit before taxation	9	125,532	76,953
Income tax	10	(21,357)	(8,871)
Profit for the year		104,175	68,082
Attributable to:			
Equity shareholders of the Company		69,702	63,602
Non-controlling interest		34,473	4,480
Profit for the year		104,175	68,082
Earnings per share (RMB)	14		
Basic		0.180	0.164
Diluted		0.180	0.164

The notes on pages 97 to 180 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2023

(Expressed in Renminbi ("RMB"))

	Note	2023 RMB'000	2022 RMB'000
Profit for the year		104,175	68,082
Other comprehensive income for the year (after tax and reclassification adjustments)			
Item that will not be reclassified to profit or loss:			
Equity investments at fair value through other comprehensive income – net movement in fair value reserves (non-recycling)	13	(1,411)	(1,071)
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	304	1,161
Other comprehensive income for the year		(1,107)	90
Total comprehensive income for the year		103,068	68,172
Attributable to:			
Equity shareholders of the Company		68,595	63,692
Non-controlling interest		34,473	4,480
Total comprehensive income for the year		103,068	68,172

The notes on pages 97 to 180 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2023

(Expressed in Renminbi ("RMB"))

	Note	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment	15	1,154,766	212,359
Intangible assets	16	241,470	56,416
Goodwill	17	201,589	155,116
Interests in associates	19	4,178	–
Equity securities designated at fair value through other comprehensive income ("FVOCI")	20(a)	3,536	5,622
Financial assets measured at fair value through profit or loss ("FVPL")	20(b)	24,768	15,321
Time deposits	25	45,000	–
Pledged deposit	27	35,000	–
Deferred tax assets	32(b)	19,800	20,244
		1,730,107	465,078
Current assets			
Inventories and other contract costs	22	194,854	151,587
Digital assets	23	10,016	–
Trade and other receivables	24	926,982	743,657
Time deposits	25	264,125	301,210
Cash	26	944,863	825,594
Pledged deposits	27	91,833	54,757
Financial asset measured at fair value through profit or loss ("FVPL")	20(b)	2,950	–
Derivative financial assets	21	82,041	456
		2,517,664	2,077,261

The notes on pages 97 to 180 form part of these financial statements.

Consolidated Statement of Financial Position (cont'd)

At 31 December 2023
*(Expressed in Renminbi ("**RMB**"))*

	Note	31 December 2023 RMB'000	31 December 2022 RMB'000
Current liabilities			
Trade and other payables	28	453,042	387,960
Bank loans	29	176,543	228,634
Derivative financial liability	21	2,654	2,781
Lease liabilities	31	6,137	3,709
Income tax payable	32(a)	10,455	9,414
		648,831	632,498
Net current assets		1,868,833	1,444,763
Total assets less current liabilities		3,598,940	1,909,841
Non-current liabilities			
Bank loans	29	836,366	–
Deferred income	30	882	2,460
Lease liabilities	31	3,917	2,906
Deferred tax liabilities	32(b)	19,202	15,645
		860,367	21,011
NET ASSETS		2,738,573	1,888,830

The notes on pages 97 to 180 form part of these financial statements.

Consolidated Statement of Financial Position (cont'd)

At 31 December 2023
*(Expressed in Renminbi ("**RMB**"))*

	Note	31 December 2023 RMB'000	31 December 2022 RMB'000
CAPITAL AND RESERVES			
Share capital	33(c)	295,000	295,000
General reserves	33(d)	315,149	293,265
Special reserve	33(d)	(6,017)	(6,017)
Fair value reserve	33(d)	(5,494)	(4,271)
Translation reserves	33(d)	(1,555)	(1,859)
Retained profits		1,328,626	1,280,996
Total equity attributable to equity shareholders of the Company		1,925,709	1,857,114
Non-controlling interest		812,864	31,716
TOTAL EQUITY		2,738,573	1,888,830

Approved and authorised for issue by the board of directors on 25 March 2024.

Cui Wei	)	
	)	Directors
Song Haiyan	)	

The notes on pages 97 to 180 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

*(Expressed in Renminbi ("**RMB**"))*

	Note	Share capital RMB'000	General reserves RMB'000	Special reserve RMB'000	Fair value reserve RMB'000	Translation reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total RMB'000
		Attributable to equity shareholders of the Company								
Balance at 1 January 2022		295,000	278,893	(6,017)	(3,200)	(3,020)	1,231,766	1,793,422	(6,251)	1,787,171
Changes in equity for 2022:										
Profit for the year		–	–	–	–	–	63,602	63,602	4,480	68,082
Other comprehensive income for the year	13	–	–	–	(1,071)	1,161	–	90	–	90
Total comprehensive income		–	–	–	(1,071)	1,161	63,602	63,692	4,480	68,172
Transfer to general reserves	33(d)	–	14,372	–	–	–	(14,372)	–	–	–
Acquisition of subsidiaries		–	–	–	–	–	–	–	33,487	33,487
Balance at 31 December 2022		295,000	293,265	(6,017)	(4,271)	(1,859)	1,280,996	1,857,114	31,716	1,888,830

The notes on pages 97 to 180 form part of these financial statements.

	Note	Share capital RMB'000	General reserves RMB'000	Special reserve RMB'000	Fair value reserve RMB'000	Translation reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total RMB'000
		Attributable to equity shareholders of the Company								
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 income for the year	13	–	–	–	(1,411)	304	–	(1,107)	–	(1,107)
Total comprehensive income		–	–	–	(1,411)	304	69,702	68,595	34,473	103,068
Transfer to general reserves	33(d)	–	21,884	–	–	–	(21,884)	–	–	–
Capital contribution received from NCI 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	36	–	–	–	–	–	–	–	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

The notes on pages 97 to 180 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

(Expressed in Renminbi ("RMB"))

	Note	2023 RMB'000	2022 RMB'000
Operating activities			
Profit before taxation		125,532	76,953
Adjustments for:			
Impairment loss on trade receivables	9(c)	26,615	–
Amortisation of deferred income		(1,578)	(2,326)
Depreciation of property, plant and equipment	9(c)	54,566	21,514
Amortisation of intangible assets	9(c)	32,091	13,565
Interest expense	9(a)	30,993	11,881
Interest income	7	(22,510)	(14,415)
Share of gain of an associate		(8)	–
Net foreign exchange gain		–	(5,491)
Net loss on derivative financial instruments		6,674	6,459
Net loss on financial assets measured at FVPL		2,529	32,357
Net loss on disposal of property, plant and equipment	8	209	801
Reversal of stock obsolescence	9(c)	(65)	(786)
		255,048	140,512
Changes in working capital:			
(Increase)/decrease in inventories		(43,262)	104,504
Increase in digital assets		(10,016)	–
Decrease in trade and other receivables		87,906	265,331
Increase/(decrease) in trade and other payables		44,726	(31,957)
Cash generated from operations		334,402	478,390
Interest received		8,050	3,959
Income taxes paid	32(a)	(20,620)	(18,172)
Withholding tax paid	32(a)	(694)	(3,018)
Net cash generated from operating activities		321,138	461,159

The notes on pages 97 to 180 form part of these financial statements.

Consolidated Statement of Cash Flows (cont'd)

For the year ended 31 December 2023
(Expressed in Renminbi ("RMB"))

	Note	2023 RMB'000	2022 RMB'000
Investing activities			
Payment for acquisition of property, plant and equipment		(23,782)	(57,247)
Payment for acquisition of intangible assets		(28,163)	(4,964)
Payment for acquisition of financial assets measured at FVPL		(12,000)	(12,000)
Proceeds from disposal of property, plant and equipment		934	204
Proceeds from disposal of equity security designated as FVOCI		459	–
Payment of derivative financial instruments		(174,532)	–
Proceeds from derivative financial instruments		86,146	–
Payment for 2023 acquisition of subsidiaries	36(iii)	(205,877)	–
Payment for 2022 acquisition of subsidiaries		(45,000)	(152,124)
Payment for acquisition of a subsidiary which does not constitute business	26(d)	(5,850)	–
Payment for liquidation of a subsidiary		(695)	–
Payment for time deposits		(1,103,221)	(691,800)
Proceeds from time deposits		1,095,306	897,800
Interest received from time deposits		14,460	11,221
Increase in pledged bank deposits		(37,076)	(29,154)
Net cash used in investing activities		(438,891)	(38,064)
Financing activities			
Capital injection from NCI of a subsidiary		90,000	–
Capital element of lease rentals paid	26(b)	(4,678)	(2,500)
Interest element of lease rentals paid	26(b)	(322)	(147)
Other interest expense paid	26(b)	(30,671)	(13,911)
Proceeds from bank loans	26(b)	737,060	373,634
Repayment of bank loans	26(b)	(555,082)	(475,293)
Net cash generated from/(used in) financing activities		236,307	(118,217)
Net increase in cash		118,554	304,878
Cash at 1 January		825,594	520,105
Effect of foreign exchange rate changes		715	611
Cash at 31 December	26	944,863	825,594

The notes on pages 97 to 180 form part of these financial statements.

Notes to the Financial Statements

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

1 REPORTING ENTITY

Hengxin Technology Ltd. ("**the Company**") was incorporated in Republic of Singapore. The address of the Company's registered office is 5 Tampines Central 1, #06-05 Tampines Plaza 2, Singapore 529541. The principal place of business of the Group is located 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 financial statements of the Group as at and for the year ended 31 December 2023 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 financial statements.

2 BASIS OF PREPARATION

(a) Statement of compliance

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 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)).

2 BASIS OF PREPARATION (cont'd)

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

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

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

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

(c) Functional and presentation currency

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

3 MATERIAL ACCOUNTING POLICIES

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

(a) Subsidiaries and non-controlling interest

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed 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.

For each business combination, the Group measure any non-controlling interests ("**NCI**") at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are 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 are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between 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 in accordance with Notes 3(o) or (v) depending on the nature of the liability.

3 MATERIAL ACCOUNTING POLICIES (cont'd)

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

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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 (see Note 3(i)), unless it is classified as held for sale (or included in a disposal group 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 (see Note 3(i)(i)).

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 (see Note 3(i)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

3 MATERIAL ACCOUNTING POLICIES (cont'd)

(c) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see Note 3(i)).

(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, see Note 34(f). 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 (see Note 3(t)(ii)(a)), 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 earnings 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 POLICIES (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 (see Note 3(i)).

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:

– 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

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

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 (see Note 3(i)).

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 POLICIES (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.

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

3 MATERIAL ACCOUNTING POLICIES (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 (see Notes 3(f) and 3(i)(iii)).

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 and contract assets

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

- financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, including loans to an associate that are held for the collection of contractual cash flows which represent solely payments of principal and interest);
- contract assets (see Note 3(l));
- non-equity securities measured at FVOCI (recycling) (see Note 3(d)(i)).

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

3 MATERIAL ACCOUNTING POLICIES (cont'd)

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

(i) Credit losses from financial instruments and contract assets (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 and contract assets 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.

3 MATERIAL ACCOUNTING POLICIES (cont'd)

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

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

Significant increases in credit risk (cont'd)

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 POLICIES (cont'd)

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

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

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset 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 POLICIES (cont'd)

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

(iii) Interim financial reporting and impairment

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

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(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 (see Note 3(j)(i)), property, plant and equipment (see Note 3(f)) or intangible assets (see Note 3(g)).

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 (see Note 3(t)(i)).

3 MATERIAL ACCOUNTING POLICIES (cont'd)

(k) Digital asset

Digital asset is held mainly for the purposes of trading in the ordinary course of the Group.

Digital asset mainly represents stablecoins held in a third party's digital assets trading platform (connect to the internet) (the "**Platform**").

Since the Group actively trades stablecoins, purchasing them with a view to their resale in the near future, and generating a profit from fluctuations in the price, the Group applies the guidance in IAS 2 for commodity broker-traders and measures the digital assets at fair value less costs to sell. The Group considers there are no significant "costs to sell" digital assets and hence measurement of digital assets is based on their fair values with changes in fair values recognised in profit or loss in the period of the changes.

(l) Contract assets and contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 3(t)(i)).

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 (see Note 3(m)).

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

(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 (see Note 3(i)(i)).

3 MATERIAL ACCOUNTING POLICIES (cont'd)

(n) Cash

Cash comprises cash at bank and on hand.

(o) Trade and other payables

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

(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. Interest expense is recognised in accordance with Note 3(v).

(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 POLICIES (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 POLICIES (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.

(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 30 to 90 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.

3 MATERIAL ACCOUNTING POLICIES (cont'd)

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

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

(b) *Sale of electricity and tariff income*

Revenue from the sale of electricity or steam and tariff income are recognized based upon output delivered. Under the transfer-of-control approach in IFRS 15, Revenue from Contracts with Customers ("**IFRS 15**"), revenue from sales of electricity and tariff income is generally recognized upon transmission of electricity to the customers, 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 POLICIES (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 POLICIES (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 POLICIES (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 CHANGES IN ACCOUNTING POLICIES

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

The IASB has issued the following new and amended IFRSs that are first effective for the current accounting period of the Group:

- IFRS 17, *Insurance contracts*
- Amendments to IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 1, *Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to IAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income taxes: International tax reform – Pillar Two model rules*

4 CHANGES IN ACCOUNTING POLICIES (cont'd)

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended IFRSs are discussed below:

IFRS 17, Insurance contracts

IFRS 17, which replaces IFRS 4, sets out the recognition, measurement, presentation and disclosure requirements applicable to issuers of insurance contracts. The standard does not have a material impact on these financial statements as the Group does not have contracts within the scope of IFRS 17.

Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Amendments to IAS 1, Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to IAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognized the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in Note 32(b), but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

5 ACCOUNTING JUDGEMENT AND ESTIMATES

Sources of estimation uncertainty

Notes 20, 21 and 34 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 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 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:

	2023 RMB'000	2022 RMB'000
Telecommunications	1,976,168	1,945,365
Digital technology and digital security	202,671	94,218
New energy and services	77,064	–
	2,255,903	2,039,583

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:

	2023 RMB'000	2022 RMB'000
Customer A	742,073	682,116
Customer B	421,518	300,943

The income receipts right in relation to the sales of electricity was pledged as securities for bank loans of the Group (see Note 29).

(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.

– Digital technology and digital security: chips research, design, sales and supply chain services, semiconductor intellectual property authorization business, and digital security products and services.

– 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 36 during the year ended 31 December 2023. CODM has revised the reportable segments and the Group's internal reporting according to the nature of business operations at each operating segment as shown above. The previous operating and reportable segment of "Radio frequency coaxial cables", "Telecommunication equipment and accessories", "Antennas" and "Others" segments have been assigned to the segments of "Telecommunications". As a result of the changes to reportable segments and segment presentation, the segment revenue and results and other segment information for the year ended 31 December 2022 has been represented to conform to the revised presentation.

(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 depreciation or amortisation of assets attributable to those segments.

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

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

Segment assets and liabilities are not regularly reported to the Group's 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 2023 and 2022 is set out below.

	Reportable segments			
	Digital technology and digital security RMB'000	New energy and services RMB'000	Tele-communications 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
Finance cost	(183)	(20,759)	(10,022)	(30,964)
Depreciation and amortisation expense	(37,588)	(21,310)	(27,430)	(86,328)
Share of gain of an associate	–	8	–	8
Provision of impairment loss on trade receivables	–	–	(26,615)	(26,615)
Reversal of provision of stock obsolescence	–	–	65	65

6 REVENUE AND SEGMENT REPORTING (cont'd)

(b) Segment reporting (cont'd)

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

	Reportable segments						
		Telecommunications					
	Digital technology and digital security RMB'000	Radio frequency coaxial cables RMB'000	Telecom-munication equipment and accessories RMB'000	Antennas RMB'000	All other segments RMB'000	Subtotal RMB'000	Total reportable segments RMB'000
2022 (restated)							
Disaggregated by timing of revenue recognition							
Point in time	80,796	984,846	427,949	450,982	81,007	1,944,784	2,025,580
Over time	13,422	–	–	–	581	581	14,003
Revenue from external customers	94,218	984,846	427,949	450,982	81,588	1,945,365	2,039,583
Segment profit/(loss) before taxation	(686)	28,976	31,919	10,383	16,266	87,544	86,858
Interest income	91	7,250	3,150	3,320	601	14,321	14,412
Finance cost	(125)	(5,946)	(2,584)	(2,723)	(493)	(11,746)	(11,871)
Depreciation and amortisation expense	(14,869)	(10,073)	(4,377)	(4,613)	(834)	(19,897)	(34,766)
Reversal of provision of stock obsolescence	-	-	-	786	-	786	786

(ii) Reconciliations of reportable segment profit

	2023 RMB'000	2022 RMB'000 *(restated)*
Profit before taxation		
Total profit before taxation for reportable segments	137,201	86,858
Unallocated amounts:		
– Other income	4,468	2,804
– Other expenses	–	(15)
– Other unallocated amounts	(16,137)	(12,694)
Consolidated profit before taxation	125,532	76,953

6 REVENUE AND SEGMENT REPORTING (cont'd)

(b) Segment reporting (cont'd)

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

Other material items

	Reportable and all other segment totals RMB'000	Unallocated amounts RMB'000	Consolidated totals RMB'000
2023			
Depreciation and amortisation expense	**(86,328)**	**(329)**	**(86,657)**
2022			
Depreciation and amortisation expense	(34,766)	(313)	(35,079)

(iii) Geographic information

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

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	
	2023 RMB'000	2022 RMB'000	**2023 RMB'000**	2022 RMB'000
PRC	**2,140,809**	1,871,728	**1,601,249**	421,221
Other countries	**115,094**	167,855	**754**	426
	2,255,903	2,039,583	**1,602,003**	421,647

7 OTHER OPERATING INCOME

	2023 RMB'000	2022 RMB'000
Interest income	22,510	14,415
Government grants	13,587	10,383
Net foreign exchange gain	10,676	16,999
Net gain on commodity future contracts	3,534	2,172
Compensation claims received	1,272	1,947
Others	2,538	2,107
	54,117	48,023

8 OTHER OPERATING EXPENSES

	2023 RMB'000	2022 RMB'000
Research and development expenses	114,650	114,592
Net loss on derivative financial instruments other than commodity future contracts	6,674	6,459
Net loss on financial assets measured at FVPL	2,529	32,357
Donations	816	700
Penalty expenses charged by customers	591	808
Net loss on write-off of property, plant and equipment	209	801
	125,469	155,717

These research and development expenses were not capitalised as the Group cannot demonstrate that an intangible asset exists that will generate probable future economic benefits.

Penalty expenses charged by customers mainly represents compensation to customer relating to product quality issue.

(a) Interest expense

	2023 RMB'000	2022 RMB'000
Interest expense on bank loans	23,005	10,739
Interest on lease liabilities	322	147
Other interest expense	7,666	995
	30,993	11,881

9 PROFIT BEFORE TAXATION

(b) Staff costs

	2023 RMB'000	2022 RMB'000
Salaries and bonus	164,955	132,623
Contributions to defined contribution plans	10,261	7,411
Executive directors' remuneration	1,332	2,512
Non-executive directors' fees	1,901	1,603
	178,449	144,149

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.

(c) Other items

	Note	2023 RMB'000	2022 RMB'000
Amortisation of intangible assets	16	32,091	13,565
Depreciation charge:	15		
– owned property, plant and equipment		46,854	17,842
– right-of-use assets		7,712	3,672
		54,566	21,514
Audit and related services fees paid to:			
– member firms of KPMG International		3,816	3,150
– other auditors		376	321
		4,192	3,471
Impairment loss/(reversal) recognised of:			
– trade receivables	34(a)	26,615	–
– inventories	22(b)	(65)	(786)
		26,550	(786)
Cost of inventories#	22(b)	1,821,205	1,664,058

Cost of inventories includes RMB135,066,000 (2022: RMB73,795,000) relating to staff costs, depreciation and amortisation expenses which amount is also included in the respective total amounts disclosed separately above or in Note 9(b) for each of these types of expenses.

10 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	Note	2023 RMB'000	2022 RMB'000
Current tax expense			
Current year		21,842	20,166
Under-provision in prior years		513	440
		22,355	20,606
Deferred tax expense			
Origination of temporary differences	32(b)	(998)	(11,735)
Income tax expense		21,357	8,871

Notes:

(i) Singapore, PRC and India income tax liabilities are calculated at the applicable rates in accordance with the relevant tax laws and regulation in respective countries.

(ii) The provision for PRC Income Tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

The statutory corporate income tax rate of the Group's operating subsidiaries in the PRC is 25% (2022: 25%).

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 2023 available to enterprises which qualify as a High and New Technology Enterprise (2022: 15%).

Qinghai Zhongkong is also entitled to preferential tax treatments including three years exemption followed by three years of a 50% tax reduction.

(iii) Hong Kong Profits Tax has been provided for Hengxin Technology International Co., Ltd. at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2023.

No provision for Hong Kong Profits Tax was made for Hengxin Metaverse Co., Ltd. as it does not have assessable profits subject to Hong Kong Profits Tax for the year ended 31 December 2023.

10 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (cont'd)

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

	2023 RMB'000	2022 RMB'000
Profit before taxation	125,532	76,953
Tax using the PRC statutory tax rate of 25% (2022: 25%)	31,383	19,238
Effect of concessionary tax rate	(15,445)	(10,829)
Effect of tax rates in other jurisdictions	194	872
Tax effect of non-deductible expenses	4,871	2,781
Tax effect of unused tax losses not recognised	23,021	11,082
Additional deduction for qualified research and development costs	(23,559)	(15,247)
Under-provision in prior years	513	440
Effect of withholding tax on dividends from PRC subsidiaries	379	534
Actual income tax expense	21,357	8,871

11 DIRECTORS' EMOLUMENTS

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

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
2023					
Executive directors					
Dr. Song Haiyan	–	462	180	99	741
Peng Yinan	–	152	–	40	192
Non-executive directors					
Cui Wei	431	–	–	–	431
Du Xiping (redesignated from executive director to non-executive director on 22 March 2023)	239	239	160	–	638
Zhang Zhong	340	–	–	–	340
Independent non-executive directors					
Dr. Li Jun	270	–	–	–	270
Pu Hong	270	–	–	–	270
Qian Ziyan (appointed on 17 November 2023)	34	–	–	–	34
Tam Chi Kwan Michael (resigned on 17 November 2023)	316	–	–	–	316
	1,900	853	340	139	3,232

11 DIRECTORS' EMOLUMENTS (cont'd)

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
2022					
Executive directors					
Du Xiping	–	864	215	–	1,079
Dr. Song Haiyan	–	550	700	73	1,323
Peng Yinan (appointed on 20 August 2022)	–	78	–	32	110
Non-executive directors					
Cui Wei	414	–	–	–	414
Zhang Zhong	326	–	–	–	326
Independent non-executive directors					
Tam Chi Kwan Michael	345	–	–	–	345
Dr. Li Jun	259	–	–	–	259
Pu Hong	259	–	–	–	259
	1,603	1,492	915	105	4,115

12 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2022: two) is director whose emolument is disclosed in Note 11. The aggregate of the emoluments in respect of the other four (2022: three) individuals are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	2,127	2,164
Performance related bonuses	630	740
Retirement scheme contributions	221	79
	2,978	2,983

The emoluments of the 4 (2022: three) individuals with the highest emoluments are within the following bands:

	2023	2022
HKDNil to HKD1,000,000	3	2
HKD1,000,001 to HKD1,500,000	1	–
HKD1,500,001 to HKD2,000,000	–	1
	4	3

13 OTHER COMPREHENSIVE INCOME

(a) *Tax effects relating to each component of other comprehensive income*

	2023			2022		
	Before tax RMB'000	Tax benefit 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)	**(1,627)**	**216**	**(1,411)**	(1,260)	189	(1,071)
Exchange differences on translation of financial statements of entities with functional currencies other than RMB	**304**	**–**	**304**	1,161	–	1,161
Other comprehensive income	**(1,323)**	**216**	**(1,107)**	(99)	189	90

(b) *Components of other comprehensive income, including reclassification adjustments*

	2023 RMB'000	*2022* RMB'000
Equity investments measured at FVOCI		
Changes in fair value recognised during the period	(1,627)	(1,260)
Net deferred tax credited to other comprehensive income	216	189
Disposal of Equity securities designated at FVOCI	188	–
Net movement in the fair value reserve (non-recycling) during the period recognised in other comprehensive income	(1,223)	(1,071)

14 EARNINGS PER SHARE

(a) *Basic earnings per share*

The calculation of basic earnings per share at 31 December 2023 was based on the profit attributable to equity shareholders of the Company amounting to RMB69,702,000 (2022: RMB63,602,000), and the weighted average number of ordinary shares outstanding of 388,000,000 (2022: 388,000,000 shares), calculated as follows:

Weighted average number of ordinary shares:

	2023 Share No'000	2022 Share No'000
Issued ordinary shares and weighted average number of ordinary shares at 1 January and 31 December	388,000	388,000

(b) *Diluted earnings per share*

There were no dilutive potential ordinary shares in existence for the years ended 31 December 2023 and 2022. The calculated diluted earnings per share equals the basic earnings per share at 31 December 2023 and 2022.

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:								
Balance at 1 January 2022	53,178	92,943	199,997	–	74,188	3,151	6,134	429,591
Additions	2,745	–	994	–	2,443	–	53,810	59,992
Acquisition of subsidiaries	5,499	–	–	–	514	795	–	6,808
Transfers from construction in process	–	–	41	–	1,614	–	(1,655)	–
Disposals	–	–	(4,009)	–	(386)	(210)	–	(4,605)
Exchange adjustments	–	–	(31)	–	(18)	–	–	(49)
Balance at 31 December 2022 and 1 January 2023	61,422	92,943	196,992	–	78,355	3,736	58,289	491,737
Additions	6,508	1,301	1,052	–	3,284	456	17,689	30,290
Acquisition of subsidiaries (Note 36)	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 process	–	–	66,417	–	145	–	(66,562)	–
Disposals	–	–	(685)	–	(2,209)	–	–	(2,894)
Written-off	(3,199)	–	–	(5,653)	–	–	–	(8,852)
Exchange adjustments	–	–	720	–	13	–	–	733
Balance at 31 December 2023	146,569	116,538	265,032	838,665	95,315	4,315	17,412	1,483,846
Accumulated depreciation:								
Balance at 1 January 2022	(7,096)	(51,447)	(151,081)	–	(50,475)	(1,303)	–	(261,402)
Charge for the year	(3,672)	(4,553)	(6,470)	–	(6,276)	(543)	–	(21,514)
Written back on disposals	–	–	3,047	–	364	189	–	3,600
Exchange adjustments	–	–	21	–	(83)	–	–	(62)
Balance at 31 December 2022 and 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)
Written back on disposals	–	–	499	–	1,252	–	–	1,751
Written-off	3,199	–	–	–	–	–	–	3,199
Exchange adjustments	–	–	(73)	–	(13)	–	–	(86)
Balance at 31 December 2023	(15,281)	(61,018)	(172,986)	(14,148)	(63,317)	(2,330)	–	(329,080)
Net book value:								
At 31 December 2023	131,288	55,520	92,046	824,517	31,998	1,985	17,412	1,154,766
At 31 December 2022	50,654	36,943	42,509	–	21,885	2,079	58,289	212,359

15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

(a) Reconciliation of carrying amount (cont'd)

As at 31 December 2023, property, plant and equipment with carrying amounts of RMB824,517,000 were pledged as securities for the Group's bank loans (see Note 29).

(b) Right-of-use assets

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

	Note	31 December 2023 RMB'000	31 December 2022 RMB'000
Ownership interests in leasehold land held for own use, carried at depreciated cost	(i)	121,225	43,922
Other properties leased for own use, carried at depreciated cost		10,063	6,732
		131,288	50,654

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

	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land	2,351	1,355
Other properties leased for own use	5,361	2,317
	7,712	3,672
Expense relating to short-term leases	1,770	142

During the year, additions to right-of-use assets were RMB6,508,000 (2022: RMB2,745,000). 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, 31 and 34(b), respectively.

15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

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

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

The Group holds several leasehold land for its business, including the whole or part of undivided share in the land in the PRC, where its manufacturing facilities and solar thermal power facilities are primarily located. The leases run for periods ranging from 30 to 48 years. The Group is the registered owner of these property interests. Lump sum payments were made upfront to acquire these property interests from the PRC government authorities, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on rateable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

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. The potential exposure to these future lease payments as at the reporting date is summarised below:

	Lease liabilities recognised	
	2023	2022
	RMB'000	RMB'000
Warehouses – India	–	23
Office – Singapore	771	84
Office – PRC	9,283	6,508

16 INTANGIBLE ASSETS

	Customer relationship RMB'000	Patents RMB'000	IP resources RMB'000	License (Note) RMB'000	Total RMB'000
Cost:					
At 1 January 2022					
Addition	–	–	4,964	–	4,964
Acquisition of subsidiaries	50,864	14,153	–	–	65,017
At 31 December 2022	50,864	14,153	4,964	–	69,981
Addition	–	–	28,163	–	28,163
Acquisition of subsidiaries (Note 36)	–	15,616	–	173,366	188,982
At 31 December 2023	50,864	29,769	33,127	173,366	287,126
Accumulated amortisation:					
At 1 January 2022	–	–	–	–	–
Charge for the year	(11,868)	(1,490)	(207)	–	(13,565)
At 31 December 2022	(11,868)	(1,490)	(207)	–	(13,565)
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)
Net book value:					
At 31 December 2023	15,261	24,675	31,010	170,524	241,470
At 31 December 2022	38,996	12,663	4,757	–	56,416

Note: The license represents electric power business license granted to Qinghai Zhongkong by National Development and Reform Commission for the solar thermal project.

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 (2022: Nil).

17 GOODWILL

	RMB'000
Cost:	
At 1 January 2022	–
Acquisition of subsidiaries	155,116
At 31 December 2022	155,116
Acquisition of subsidiaries (Note 36)	46,473
At 31 December 2023	201,589
Accumulated impairment losses:	
At 1 January 2022, 31 December 2022 and 31 December 2023	–
Carrying amount:	
At 31 December 2023	201,589
At 31 December 2022	155,116

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's CGUs identified according to country of operation and operating segment as follows

	2023 RMB'000	2022 RMB'000
Digital technology and digital security business	155,116	155,116
New energy and services business	46,473	–
	201,589	155,116

Digital technology and digital security business

The recoverable amount of the CGU is determined based on value-in-use calculation. The Group engaged an independent professional valuer to assist with the calculation. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions used in estimating the recoverable amount are as follows:

	2023	2022
Average revenue growth rates	7.15% – 16.03%	21.43% – 41.33%
Average operating profit margin	38.58% – 73.86%	35.39% – 79.80%
Pre-tax discount rates	23.10% – 27.48%	23.49% – 28.73%

17 GOODWILL (cont'd)

Digital technology and digital security business (cont'd)

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 reports and generally in line with 2023 and 2022.

As at 31 December 2023, the recoverable amount of the CGU was RMB476,949,000 (2022: RMB448,304,000), which was higher than its carrying amount by RMB19,302,000 (2022: RMB56,728,000). No impairment loss was recognised in 2023 and 2022.

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:

Change required for recoverable amount to equal carrying amount (in percentage point)

	2023	2022
Decrease in average revenue growth rate	-1.43% – -1.24%	-3.10% – -2.98%
Decrease in average operating profit margin	-1.91% – -1.13%	-2.83% – -3.75%
Increase in pre-tax discount rate	1.40% – 1.96%	1.17% – 4.81%

New energy and services business

The recoverable amount of the CGU is determined based on value-in-use calculation. The Group engaged an independent professional valuer to assist with the calculation. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The key assumptions used in estimating the recoverable amount are as follows:

	2023
Average revenue growth rates	4.88%
Average operating profit margin	27.48%
Pre-tax discount rates	9.32%

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 reports and generally in line with 2023.

As at 31 December 2023, the recoverable amount of the CGU was RMB1,495,908,000, which was higher than its carrying amount by RMB43,752,000. No impairment loss was recognised in 2023.

17 GOODWILL (cont'd)

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:

Change required for recoverable amount to equal carrying amount (in percentage point)

	2023
Decrease in average revenue growth rate	0.12%
Decrease in average operating profit margin	1.03%
Increase in pre-tax discount rate	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.

				Proportion of ownership interest		
Name of company	Principal activities	Place and date of incorporation and business	Particulars of registered and paid-up capital	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, 7 January 2005	USD88,000,000/ USD88,000,000	100%	100%	–
Hengxin Technology (India) Pvt Ltd.	Marketing and trading of the Group's products to telecommunication operators in India	India, 10 June 2009	INR59,500,000.00/ INR59,500,000.00	100%	100%	–

Notes to the Financial Statements (cont'd)

18 INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of company	Principal activities	Place and date of incorporation and business	Particulars of registered and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary
Hengxin Metaverse Co., Ltd.	Investment holding	Hong Kong, 10 December 2021	HKD5,000,000.00/ HKD5,000,000.00	100%	100%	–
Hengxin Technology International Co., Ltd.	Trading and investment holding	Hong Kong, 17 September 2017	HKD1,170,000/ HKD1,170,000	100%	–	100%
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, 29 March 2013	RMB5,000,000/ RMB5,000,000	100%	–	100%
Jiangsu Hengxin Zhonglian Communication Technology Co., Ltd.* (江蘇亨鑫眾聯通信技術有限公司)	Research, design, development and manufacture sale and technical services of telecommunication products for mobile communications systems	PRC, 28 August 2020	RMB10,000,000/ RMB10,000,000	70%	–	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, 30 November 2021	RMB3,000,400/Nil	100%	–	100%
HODL PCC Ltd.	Investment holding	Isle of Man, 25 August 2021	GBP1,000/GBP1,000	80%	–	80%
Xinkexin (Suzhou) Technology Co., Ltd.* (鑫科芯(蘇州)科技有限公司)	Enterprise management consulting	PRC, 28 April 2022	RMB30,000,000/ RMB20,000,000	100%	–	100%
Nanjing Zhangyu Information Technology Co., Ltd.* (南京掌御信息科技有限公司)	Development, design and sale of integrated circuits, digital products, computer hardware, computer technology application and software; technology consultation and technology services	PRC, 30 June 2020	RMB30,000,000/ RMB20,000,000	51%	–	51%

18 INVESTMENTS IN SUBSIDIARIES (cont'd)

				Proportion of ownership interest		
Name of company	Principal activities	Place and date of incorporation and business	Particulars of registered and paid-up capital	Group's effective interest	Held by the Company	Held by a subsidiary
Shanghai Zhangyu Information Technology Co., Ltd.* (上海掌御信息科技有限公司)	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, 16 September 2013	RMB10,000,000/ RMB1,600,000	51%	–	51%
Wuxi Sihai Technology Co., Ltd.* (無錫思海科技有限公司)	Development, design and sale of integrated circuits, digital products, computer hardware, computer technology application and software; technology consultation and technology services	PRC, 26 March 2015	RMB5,000,000/ RMB4,000,000	41%	–	80%
Shanghai semiconductor Technology Co., Ltd.* (上海掌御半導體有限公司)	Development, consultation and technology service of semiconductor technology, computer technology, Internet of Things technology and new energy; design and sale of integrated circuits	PRC, 26 March 2019	RMB10,000,000/Nil	51%	–	51%
Zhejiang Zhongguang New Energy Technology Co., Ltd.* (浙江中光新能源科技有限公司)	Provision of related technical and consultancy services	PRC, 8 January 2018	RMB1,124,514,000/ RMB1,124,514,000	22%	–	51%
Qinghai Zhongkong Solar Power Co., Ltd.* (青海中控太陽能發電有限公司)	Generation of electricity and operation of solar thermal power stations	PRC, 24 May 2011	RMB370,000,000/ RMB370,000,000	22%	–	100%
Gansu Yumen Zhongkong Solar Power Co., Ltd.* (甘肅玉門眾控太陽能發電有限公司)	Generation of electricity and operation of solar thermal power stations	PRC, 1 November 2017	RMB4,000,000/ RMB4,000,000	17%	–	75%

18 INVESTMENTS IN SUBSIDIARIES (cont'd)

Name of company	Principal activities	Place and date of incorporation and business	Particulars of registered and paid-up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary
Qinghai Cosin Solar Power Co., Ltd.* (青海可勝太陽能發電有限公司)	Generation of electricity and operation of solar thermal power stations	PRC, 20 October 2021	RMB100,000,000/ RMB8,140,000	22%	–	100%
Qinghai Zhongkong Solar Power Co., Ltd.* (青海眾控太陽能發電有限公司)	Generation of electricity and operation of solar thermal power stations	PRC, 8 November 2019	RMB100,000,000/ RMB8,090,000	22%	–	100%
Zhongguang (Qinghai) New Energy Science Technology Co. Ltd.* (中光(青海)新能源技術有限公司)	Generation of electricity and operation of solar thermal power stations	PRC, 11 December 2023	RMB10,000,000/Nil	22%	–	100%
Hangzhou Longkong Zhongguang Enterprise Holding Partnership (Limited partnership)	Enterprise management consulting	PRC, 4 April 2023	RMB730,000,000/ RMB344,740,000	45%	–	88%

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

The following table lists out the information relating to the subsidiaries of the Group which has material non-controlling interests ("NCI").

Name of company	Place of incorporation and business	Operating segment	Proportion of effective interest held by NCI 2023	2022
Nanjing Zhangyu Information Technology Co., Ltd. ("**Nanjing Zhangyu**") (南京掌御信息科技有限公司)	PRC	Digital technology and digital security	49%	49%
Shanghai Zhangyu Information Technology Co., Ltd. ("**Shanghai Zhangyu**") (上海掌御信息科技有限公司)	PRC	Digital technology and digital security	49%	49%
Zhejiang Zhongguang New Energy Technology Co., Ltd. ("**Zhejiang Zhongguang**") (浙江中光新能源科技有限公司)	PRC	New energy and services	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	78%	–

18 INVESTMENTS IN SUBSIDIARIES (cont'd)

The summarised financial information presented below represents the amounts before any inter-company elimination.

2023	Shanghai Zhangyu RMB'000	Nanjing Zhangyu RMB'000	Zhejiang Zhongguang (Note i) RMB'000	Qinghai Zhongkong (Note i) 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	277,537	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	95,548	1,261,147	369,259			
Identified intangible assets acquired	5,918	12,009	4,478	212,562			
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	44,998	42,065	27,852			
Total comprehensive income	17,280	44,998	42,065	27,852			
Net effect on amortisation of identified intangible assets acquired	(3,131)	(15,224)	(218)	(5,078)			
Profit/(loss) and total comprehensive income 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			

18 INVESTMENTS IN SUBSIDIARIES (cont'd)

2022	Shanghai Zhangyu (Note ii) RMB'000	Nanjing Zhangyu (Note ii) RMB'000	Other individually immaterial subsidiaries RMB'000	Intra-group elimination RMB'000	Total RMB'000
NCI percentage	49%	49%			
Current assets	17,479	57,085			
Non-current assets	4,596	5,047			
Current liabilities	16,151	11,582			
Non-current liabilities	2,200	–			
Net assets	3,724	50,550			
Identified intangible assets acquired	9,049	27,232			
Carrying amount of NCI	6,259	38,114	(12,657)	–	31,716
Revenue	13,794	50,453			
Profit for the year	7,304	29,844			
Total comprehensive income	7,304	29,844			
Net effect on amortisation of identified intangible assets acquired	(1,565)	(7,614)			
Profit/(loss) and total comprehensive income allocated to NCI	2,812	10,893	(8,520)	(705)	4,480
Dividend paid to NCI	–	–	–	–	–
Cash flows from operating activities	1,363	25,689			
Cash flows from investing activities	(16)	(25,926)			
Cash flows from financing activities	15	–			

Notes:

i On 21 July 2023, the Group, through a non-wholly subsidiary, acquire 51% equity interest of Zhejiang Zhongguang. Zhejiang Zhongguang and its subsidiaries became non-wholly owned subsidiaries of the Group since then (See Note 36). Accordingly, the profit and loss and cash flow information relating to these subsidiaries is only for the period form 22 July 2023 to 31 December 2023.

ii On 19 July 2022, the Group acquire 51% equity interest of Shanghai Zhangyu and Nanjing Zhangyu. Shanghai Zhangyu and Nanjing Zhangyu became non-wholly owned subsidiaries of the Group since then ("**2022 acquisition**"). Accordingly, the profit and loss and cash flow information relating to these subsidiaries is only for the period form 20 July 2022 to 31 December 2022.

19 INTERESTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Cost of investment in associates	29,698	25,528
Share of post-acquisition losses	(9,754)	(9,762)
Less: provision for interest in an associate	(15,766)	(15,766)
	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 issued and paid-up capital	Proportion of ownership interest Held by the Company	Held by a subsidiary	Principal activities
Mianyang Xin Tong Industrial Co., Ltd. ("**Mianyang Xin Tong**") (綿陽鑫通實業有限公司)	Limited liability company	PRC	RMB106 million/ RMB106 million	–	24%	Manufacture and sale of communications equipment and related components, optical integrated circuits, precision zirconia ceramic instruments and equipment and electronic products
Zhejiang Zhongguang Electric Power Engineering Co., Ltd. ("**Zhongguang Electric**") (浙江中光電力工程有限公司)	Limited liability company	PRC	RMB100 million/ RMB30 million	–	15%	Generation of electricity and operation of solar thermal power stations

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

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

	Mianyang Xin Tong 2023 RMB'000	2022 RMB'000
Gross amounts of the associate's		
Current assets	7,128	7,128
Non-current assets	12,358	12,358
Current liabilities	64,076	64,076
Net deficit	(44,590)	(44,590)
Revenue	–	–
Loss from continuing operations	–	(9)
Total comprehensive income	–	(9)
Reconciled to the Group's interests in the associate		
Gross amounts of net liabilities of the associate	(44,590)	(44,590)
Group's effective interest	24%	24%
Group's share of net liabilities of the associate	(10,702)	(10,702)
Carrying amount in the consolidated financial statements (Note)	–	–

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

19 INTERESTS IN ASSOCIATES (cont'd)

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

	Zhongguang Electric 2023 RMB'000
Gross amounts of the associate's	
Current assets	27,909
Non-current assets	2
Current liabilities	58
Net assets	27,853
Revenue	–
Gain from continuing operations	53
Total comprehensive income	53
Reconciled to the Group's interests in the associate	
Gross amounts of net assets of the associate	27,853
Group's effective interest	15%
Group's share of net assets of the associate	4,178
Carrying amount in the consolidated financial statements	4,178

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.

The Group, through a non-wholly subsidiary, acquire 51% equity interest of Zhejiang Zhongguang. Zhejiang Zhongguang and its subsidiaries became non-wholly owned subsidiaries of the Group since then (See Note 36).

20 EQUITY AND DEBT INVESTMENT

(a) Equity securities designated at FVOCI

	2023 RMB'000	2022 RMB'000
Equity securities designated at FVOCI (non-recycling)		
– Unlisted equity securities	3,536	4,975
– Non-trading securities investment funds	–	647
	3,536	5,622

20 EQUITY AND DEBT INVESTMENT (cont'd)

(a) Equity securities designated at FVOCI (cont'd)

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 2023 RMB'000	Dividend income recognised during 2023 RMB'000
Investment in Anosi Telecom Technologies Co., Ltd.	3,536	–

	Fair value at 31 December 2022 RMB'000	Dividend income recognised during 2022 RMB'000
Investment in Anosi Telecom Technologies Co., Ltd.	4,975	–
Investment in Shanghai International Trust Corp., Ltd.	647	–
	5,622	–

The investment in Shanghai International Trust Corp., Ltd. was disposed of during 2023, and the cumulative loss amounting to RMB188,000 was transferred within equity relating to the investment.

(b) Financial assets measured at FVPL

	2023 RMB'000	2022 RMB'000
Non-current assets		
– Unlisted unit in investment funds	24,768	12,000
– Contingent acquisition consideration receivable	–	3,321
	24,768	15,321
Current asset		
– Wealth management product	2,950	–

The Group's non-current portion of financial assets 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 products represented the Group's investment in a wealth management product issued by commercial banks. The product has no specified maturity and is repayable on demand. As at 31 December 2023, The wealth management product was measured at fair values. The expected annual return rate is 1.88% as at 31 December 2023.

21 DERIVATIVE FINANCIAL INSTRUMENTS

	2023			2022		
		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						
Foreign currency forward contracts – not under hedge accounting	–	–	–	18,526	113	–
Price forward contracts – not under hedge accounting	–	82,041	–	–	–	–
Put option of acquired subsidiaries	–	–	–	–	343	–
	–	82,041	–	18,526	456	–
Derivative financial liability						
Foreign currency forward contracts – not under hedge accounting	67,283	–	(2,654)	66,006	–	(2,781)

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 34(f).

22 INVENTORIES AND OTHER CONTRACT COSTS

(a) *Inventories and other contract costs in the consolidated statement of financial position comprise:*

	2023 RMB'000	2022 RMB'000
Inventories		
Raw materials	69,465	44,835
Work-in-progress	7,475	7,339
Finished goods	115,556	99,623
	192,496	151,797
Provision for obsolescence	(463)	(528)
	192,033	151,269
Other contract costs	2,821	318
	194,854	151,587

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:

	2023 RMB'000	2022 RMB'000
Carrying amount of inventories sold	1,821,270	1,664,844
Reversal of provision of stock obsolescence	(65)	(786)
	1,821,205	1,664,058

All of the inventories and other contract costs are expected to be recovered within one year.

23 DIGITAL ASSETS

	2023 RMB'000	2022 RMB'000
Proprietary digital assets	10,016	–

Among the digital assets balance, the digital assets amounting to approximately USD1,410,000 (equivalent to approximately RMB10,016,000) held on the Platform are measured at fair value through profit or loss. They represent balance of blockchain-based stable cryptocurrency attributable to the Group held in shared wallets of the Platform.

Notes to the Financial Statements (cont'd)

24 TRADE AND OTHER RECEIVABLES

	Notes	2023 RMB'000	2022 RMB'000
Trade receivables		803,463	597,910
Bills receivables		66,573	81,232
Less: Loss allowance		(39,690)	(13,075)
Net trade and bills receivables		830,346	666,067
Loans to the associate	i	21,191	21,191
Non-trade amount due from the associate	ii	1,680	1,680
Less: Loss allowance		(22,871)	(22,871)
		–	–
Advances to staff	iii	939	1,454
Refundable deposits	iv	19,461	8,558
Tax recoverable	v	10,630	21,511
Prepayments			
– third parties		65,606	45,867
– affiliated corporation*		–	200
Net prepayments and non-trade receivables		96,636	77,590
		926,982	743,657

* 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.

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.

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 34(a).

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	2023 RMB'000	2022 RMB'000
Within 6 months	588,210	489,206
7 to 12 months	86,321	114,902
1 to 2 years	95,508	49,156
Over 2 years	60,307	12,803
	830,346	666,067

Among the trade and other receivables balance, the trade receivables amounting to RMB249,294,000, which includes solar energy electricity sales receivables amounting to RMB3,455,000 and tariff premium receivables amounting to 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 2023, all of the Group's operating projects have been approved for the tariff premium.

As at 31 December 2023, the trade receivables and bill receivables from provincial grid companies amounting to RMB249,294,000 and RMB7,646,000, respectively, were pledged as securities for the Group's bank loans (see Note 29).

Trade receivables from provincial grid companies that were neither past due nor impaired mainly represented the electricity sales receivable from local grid companies for whom there was no recent history of default. Other trade and bills receivables are due within 90-270 days from the date of billing. Further details on the Group's credit policy and credit risk arising for trade and bills receivable are set out in Note 34(a).

25 TIME DEPOSITS

	2023 RMB'000	2022 RMB'000
Non-current		
Time deposits	45,000	–
Current		
Time deposits	264,125	301,210

The Group's exposure to credit risk and interest rate risks are disclosed in Note 34.

26 CASH AND OTHER CASH FLOW INFORMATION

(a) Cash comprise:

	2023 RMB'000	2022 RMB'000
Cash at bank and on hand	944,863	825,594
Cash in the statements of financial position and statements of cash flows	944,863	825,594

26 CASH AND OTHER CASH FLOW INFORMATION (cont'd)

(b) Reconciliation of liabilities arising from financing activities:

	Bank loans RMB'000 (Note 29)	Interest payable RMB'000	Lease liabilities RMB'000 (Note 31)	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 36)	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

	Bank loans RMB'000 (Note 29)	Interest payable RMB'000	Lease liabilities RMB'000 (Note 31)	Total RMB'000
At 1 January 2022	330,293	2,177	810	333,280
Changes from financing cash flows:				
Proceeds from bank loans	373,634	–	–	373,634
Repayment of bank loans	(475,293)	–	–	(475,293)
Capital element of lease rentals paid	–	–	(2,500)	(2,500)
Interest element of lease rentals paid	–	–	(147)	(147)
Other interest expense paid	–	(13,911)	–	(13,911)
Total changes from financing cash flows	(101,659)	(13,911)	(2,647)	(118,217)
Other changes:				
Increase in lease liabilities from entering new leases during the year	–	–	2,745	2,745
Interest expense	–	11,734	147	11,881
Acquisition of subsidiaries	–	–	5,560	5,560
Total other changes	–	11,734	8,452	20,186
At 31 December 2022	228,634	–	6,615	235,249

26 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:

	2023 RMB'000	2022 RMB'000
Within operating cash flows	1,770	142
Within financing cash flows	5,000	2,647
	6,770	2,789

These amounts relate to the following:

	2023 RMB'000	2022 RMB'000
Lease rentals paid	6,770	2,789

(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)	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	2023 RMB'000	2022 RMB'000
Non-current			
Pledged deposit for bank facilities	(i)	35,000	–
Current			
Pledged deposits for bank facilities	(ii)	91,833	54,757

Notes:

i Non-current pledged deposit was pledged to banks as guarantees for issuance of banking facilities (see Note 29). Pledged bank deposits bear interest at an average effective interest rates at 2.9770% (2022: Nil) per annum and for 156 months. The pledged deposits will be released by the expiry of relevant banking facilities.

ii Current portion of pledged deposits amounting to RMB30,164,000 (2022: RMB39,671,000) 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 1.3933% (2022: 1.0878%) per annum and for a tenure of approximately 4 to 60 months (2022: 4 to 60 months). Remaining balance of current pledged deposits is pertaining to security deposit for commodity future contracts entered to hedge purchase of raw materials during the year.

28 TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables		
– third parties	263,602	72,172
– affiliated corporation*	21,281	–
Bills payable	–	145,000
Trade and bills payable	284,883	217,172
Accrued operating expenses	75,755	68,816
Contract liabilities	62,219	40,431
Contingent consideration payables	–	45,000
Tender deposits	19,715	10,823
Value added tax and other taxes payable	7,669	3,709
Other payables		
– third parties	2,001	2,009
– affiliated corporation*	800	–
	453,042	387,960

* An affiliated corporation is defined as one:

28 TRADE AND OTHER PAYABLES (cont'd)

(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.

Movements in contract liabilities during the year are as follows:

	2023 RMB'000	2022 RMB'000
Balance at 1 January	40,431	6,164
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	(40,431)	(6,164)
Increase in contract liabilities as a result of billing in advance of manufacturing activities	62,219	40,431
	62,219	40,431

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

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

	2023 RMB'000	2022 RMB'000
0 – 90 days	239,543	196,207
91 – 180 days	18,769	12,394
181 – 360 days	5,013	5,104
Over 360 days	21,558	3,467
	284,883	217,172

29 BANK LOANS

	Notes	2023 RMB'000	2022 RMB'000
Current			
Secured bank loans	(i)	125,803	–
Unsecured bank loans	(ii)	50,740	228,634
		176,543	228,634
Non-current			
Secured bank loans	(i)	482,413	–
Unsecured bank loans	(ii)	406,756	–
Less: Unsecured bank loans – current		(50,740)	–
Secured bank loans – current		(2,063)	–
		836,366	–
		1,012,909	228,634

Notes:

i The secured bank loans were secured by the income receipts right in relation to the sales of electricity and property, plant and equipment of the Group at an interest rate of 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 related to drawn down facilities were breached or no covenants are required. An analysis of the carrying value of these assets is as follows:

	2023 RMB'000	2022 RMB'000
Electric generating facilities (Note 15)	824,517	–
Trade and bills receivables (Note 24)	256,940	–
Pledged deposit (Note 27)	35,000	–
	1,116,457	–

ii The unsecured bank loans carried interest at annual rates within 1.26-4.00% (2022: 1.18-3.50%) per annum, and were all repayable within one year.

At 31 December 2023, the Group had RMB3,251,000,000 (2022: RMB2,454,000,000) of unutilised bank borrowing facilities.

30 DEFERRED INCOME

	2023 RMB'000	2022 RMB'000
Deferred income	882	2,460

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.

31 LEASE LIABILITIES

At 31 December 2023, the lease liabilities were repayable as follows:

	2023 RMB'000	2022 RMB'000
Current		
Within 1 year	6,137	3,709
Non-current		
After 1 year but within 2 years	3,040	2,906
After 2 years but within 5 years	877	–
	3,917	2,906
	10,054	6,615

32 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	2023 RMB'000	2022 RMB'000
At the beginning of the year	9,414	4,330
Provision for PRC Corporate Income Tax for the year	22,355	20,369
Provision for Hong Kong Profits Tax for the year	–	237
Effect of withholding tax on dividends	–	5,668
Income taxes paid	(20,620)	(18,172)
Withholding tax paid	(694)	(3,018)
At the end of the year	10,455	9,414

32 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 2023 RMB'000	Recognised in OCI RMB'000	Recognised in profit or loss RMB'000	Acquisition of subsidiaries (Note 36) 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 PPE	(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 PPE identified in business combination (Note 35)	(12,915)	–	6,802	(9,926)	(16,039)
Total	4,599	216	998	(5,215)	598

32 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 2022 RMB'000	Recognised in profit or loss RMB'000	Recognised in OCI RMB'000	Effect of withholding tax paid RMB'000	Acquisition of subsidiaries RMB'000	At 31 December 2022 RMB'000
Impairment loss for trade and other receivables	5,392	–	–	–	–	5,392
Equity investments at FVOCI	565	–	189	–	–	754
Deferred income	122	(122)	–	–	–	–
Net effect of right-of-use assets	–	98	–	–	–	98
Impairment loss on an associate	2,365	–	–	–	–	2,365
Unrealised exchange loss	14	–	–	–	–	14
Unrealised profits	150	272	–	–	–	422
Accrued expenses	1,684	933	–	–	–	2,617
Write down of inventories	197	(123)	–	–	–	74
Contingent consideration and put option	–	8,091	–	–	–	8,091
Derivative financial liability	634	(217)	–	–	–	417
Derivative financial asset	(186)	169	–	–	–	(17)
Dividend from subsidiaries	(7,676)	(534)	–	5,668	–	(2,542)
Depreciation on PPE	–	(171)	–	–	–	(171)
Amortisation and depreciation on intangible assets and PPE identified in business combination	–	3,339	–	–	(16,254)	(12,915)
Total	3,261	11,735	189	5,668	(16,254)	4,599

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

	2023 RMB'000	2022 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**19,800**	20,244
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(19,202)**	(15,645)
	598	4,599

32 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 RMB185,568,000 (2022: of RMB93,484,000) 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 RMB1,143,245,000 (2022: RMB878,562,000). No deferred tax liability has been recognised for undistributed profits of RMB1,084,829,000 (2022: RMB827,702,000) because the Group controls the dividend policy of its subsidiaries and is of the opinion that these reserves will not be remitted back to the holding company in the foreseeable future.

33 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

	Share capital RMB'000	Retained profits RMB'000	Total RMB'000
Company			
Balance at 1 January 2022	295,000	110,059	405,059
Change in equity for 2022:			
Total comprehensive income for the year	–	92,311	92,311
Balance at 31 December 2022 and 1 January 2023	295,000	202,370	497,370
Change in equity for 2023:			
Total comprehensive income for the year	–	(15,471)	(15,471)
Balance at 31 December 2023	295,000	186,899	481,899

33 CAPITAL, RESERVES AND DIVIDENDS (cont'd)

(b) Dividends

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

	2023 RMB'000	2022 RMB'000
Nil per qualifying ordinary share (2022: Nil)	–	–

After the reporting dates, the following exempt (one-tier) dividends were proposed by the Board of Directors. No dividends were proposed in respect of the year ended 31 December 2023 (2022: Nil). These exempted (one-tier) dividends have not been recognised as liabilities and there are no tax consequences.

	2023 RMB'000	2022 RMB'000
Nil per qualifying ordinary share (2022: Nil)	–	–

(c) Share capital

	2023 No. of shares ('000)	2023 RMB'000	2022 No. of shares ('000)	2022 RMB'000
Ordinary shares, issued and fully paid:				
At the beginning and the end of year	388,000	295,000	388,000	295,000

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

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

33 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) 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.

(iii) Fair value reserve (non-recycling)

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

(iv) Translation reserves

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

(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.

33 CAPITAL, RESERVES AND DIVIDENDS (cont'd)

(e) Capital management (cont'd)

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:

	2023 RMB'000	2022 RMB'000
Total liabilities	1,509,198	653,509
Total assets	4,247,771	2,542,339
Debt-to-assets ratio	36%	26%

34 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

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

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

(a) Credit risk

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

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

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 33% (2022: 24%) and 73% (2022: 45%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

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

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

(a) Credit risk (cont'd)

Trade receivables (cont'd)

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

	2023 RMB'000	2022 RMB'000
PRC	711,962	557,368
Other customers	51,811	27,467
	763,773	584,835

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

	2023 RMB'000	2022 RMB'000
State-owned telecommunication enterprises in the PRC	235,451	287,509
Provincial power grid companies in the PRC	249,294	–
Other customers	279,028	297,326
	763,773	584,835

At 31 December 2023, 5 largest customers accounted for 42% (2022: 55%) of gross trade receivables. There are no other customers who represent more than 5% of the total balance of trade receivables.

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

As at 31 December 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.

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

(a) Credit risk (cont'd)

Trade receivables (cont'd)

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:

	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)

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

(a) Credit risk (cont'd)

Trade receivables (cont'd)

	2022		
	Average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
State-owned telecommunication enterprises in the PRC			
Not past due	0.03%	244,321	(76)
Past due 1 – 180 days	0.63%	38,863	(244)
Past due 181 – 360 days	4.02%	2,042	(82)
Past due 361 – 540 days	10.19%	1,894	(193)
Past due over 540 days	37.60%	1,577	(593)
		288,697	(1,188)

	2022		
	Average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Other customers			
Not past due	1.25%	255,004	(3,188)
Past due 1 – 180 days	7.62%	29,336	(2,234)
Past due 181 – 360 days	16.22%	18,831	(3,054)
Past due 361 – 540 days	27.54%	3,631	(1,000)
Past due over 540 days	100.00%	2,411	(2,411)
		309,213	(11,887)

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

	2023 RMB'000	2022 RMB'000
Balance at 1 January	**(13,075)**	(13,075)
Impairment loss recognised during the year	**(26,615)**	–
	(39,690)	(13,075)

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

(a) Credit risk (cont'd)

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 2023 and 2022.

(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					
	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	Over 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
2023							
Non-derivative financial liabilities							
Bank loans	29	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	31	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

		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

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

(b) Liquidity risk (cont'd)

	Note	Contractual cash flows: Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
2022						
Non-derivative financial liabilities						
Bank loans	29	231,749	–	–	231,749	228,634
Trade and other payables#	28	343,820	–	–	343,820	343,820
Lease liabilities	31	3,775	2,912	–	6,687	6,615
At 31 December 2022		579,344	2,912	–	582,256	579,069

	Note	Contractual undiscounted cash (outflow)/inflow: Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Total RMB'000
2022					
Derivatives settled gross:					
Forward foreign exchange contracts	21				
– outflow		(89,868)	–	–	(89,868)
– inflow		87,200	–	–	87,200

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

(c) Interest rate risk

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

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

(c) Interest rate risk (cont'd)

(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:

	2023 RMB'000	2022 RMB'000
Fixed-rate instruments		
Time deposits	**309,125**	301,210
Pledged bank deposits	**126,833**	54,757
Short-term deposits	**4,125**	1,210
Bank loans	**(1,012,909)**	(228,634)
	(572,826)	128,543

(ii) Sensitivity analysis

Fair value sensitivity analysis for fixed-rate instruments

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

Cash flow sensitivity analysis for variable-rate instruments

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

(d) Currency risk

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

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

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

(d) Currency risk (cont'd)

(i) Exposure to currency risk

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

	USD RMB'000	SGD RMB'000	HKD RMB'000	EUR RMB'000
2023				
Cash	90,872	778	2,883	25,755
Digital assets	10,016	–	–	–
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	176,442	(815)	2,237	27,255
2022				
Cash	42,085	226	264	40,442
Trade and other receivables	43,452	15	–	4,030
Trade and other payables	(40)	(145)	(44,393)	(3)
Lease liabilities	–	(106)	–	–
Net exposure	85,497	(10)	(44,129)	44,469

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

(d) Currency risk (cont'd)

(ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after 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.

	2023		2022	
	Increase in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits RMB'000	Increase in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits RMB'000
USD	10%	14,979	10%	7,278
SGD	10%	(68)	10%	(1)
HKD	10%	686	10%	(4,413)
EUR	10%	2,317	10%	3,780

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

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2022.

(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.

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

(e) Equity price risk (cont'd)

At 31 December 2023, it is estimated that an increase of 5% (2022: 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:

	2023		2022	
		Effect on equity RMB'000		Effect on equity RMB'000
Changes in the relevant equity price risk variable:				
Increase	5%	150	5%	239
Decrease	5%	(150)	5%	(239)

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 2022.

(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.

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

(f) Fair value measurement (cont'd)

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

Fair value hierarchy (cont'd)

		Carrying amount					Fair value			
	Note	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										
Other investments	20(a)	3,536	–	–	–	3,536	–	–	3,536	3,536
Digital assets	23	–	10,016	–	–	10,016	10,016	–	–	10,016
Bills receivable	24	66,573	–	–	–	66,573	–	66,573	–	66,573
Unlisted unit in investment funds	20(b)	–	27,718	–	–	27,718	–	2,950	24,768	27,718
Derivative financial asset	21	–	82,041	–	–	82,041	–	82,041	–	82,041
		70,109	119,775	–	–	189,884	10,016	151,564	28,304	189,884
Financial assets not measured at fair value										
Trade and other receivables#	24	–	–	784,173	–	784,173				
Time deposits	25	–	–	309,125	–	309,125				
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	29	–	–	–	1,012,909	1,012,909				
Lease liabilities	31	–	–	–	10,054	10,054				
		–	–	–	1,406,117	1,406,117				

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

(f) Fair value measurement (cont'd)

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

Fair value hierarchy (cont'd)

		Carrying amount					Fair value			
	Note	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 2022										
Financial assets measured at fair value										
Other investments	20(a)	5,622	–	–	–	5,622	647	–	4,975	5,622
Bills receivable	24	81,232	–	–	–	81,232	–	81,232	–	81,232
Contingent acquisition consideration receivable	20(b)	–	3,321	–	–	3,321	–	–	3,321	3,321
Unlisted unit in investment funds	20(b)	–	12,000	–	–	12,000	–	–	12,000	12,000
Derivative financial assets	21	–	456	–	–	456	–	113	343	456
		86,854	15,777	–	–	102,631	647	81,345	20,639	102,631
Financial assets not measured at fair value										
Trade and other receivables#	24	–	–	594,847	–	594,847				
Time deposits	25	–	–	301,210	–	301,210				
Cash	26	–	–	825,594	–	825,594				
Pledged deposits	27	–	–	54,757	–	54,757				
		–	–	1,776,408	–	1,776,408				
Financial liability measured at fair value										
Derivative financial liability	21	–	(2,781)	–	–	(2,781)	–	(2,781)	–	(2,781)
Financial liabilities not measured at fair value										
Trade and other payables##	28	–	–	–	343,820	343,820				
Bank loans	29	–	–	–	228,634	228,634				
Lease liabilities	31	–	–	–	6,615	6,615				
		–	–	–	579,069	579,069				

Exclude bills receivables, prepayments and tax recoverable.

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

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

(f) Fair value measurement (cont'd)

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

Fair value hierarchy (cont'd)

The Group enters into commodity derivative contracts with a financial institution with good credit ratings. The fair value of the commodity derivative contracts represents the difference between the quoted market price of commodity derivative contracts at year end and the quoted price at inception of the contracts. The carrying amount of commodity derivative financial instruments was nil as the Group settled all commodity derivative financial instruments as at 31 December 2023 (2022: Nil).

During the years ended 31 December 2022 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 receivable in Level 2 have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts.

The fair value of forward 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	Weighted average
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.	Growth rate Discount rate	23% to 28% (2022: 20% to 27%)	19% (2022: 19%)
Unlisted unit in investment funds (Note ii)	Net asset value	Net asset value of underlying investments	–	–

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

(f) Fair value measurement (cont'd)

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

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

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.

	2023		2022	
	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%)	326	(315)	436	(419)
Discount rate (increase or decrease by 1%)	(296)	337	(364)	416

(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 2023, 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 RMB277,000 (2022: RMB120,000).

The movements during the period 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 2022	6,235	–	6,235
Net unrealised loss recognised in other comprehensive income during the year	(1,260)	–	(1,260)
Acquisition of subsidiaries			
– contingent acquisition consideration receivable	–	22,319	22,319
– put option on acquired subsidiaries	–	7,670	7,670
– contingent consideration payable	–	(38,968)	(38,968)
Purchase	–	12,000	12,000
Net realised and unrealised loss recognised in net profit during the year	–	(32,357)	(32,357)
Transferred into other financial liability	–	45,000	45,000
Balance at 31 December 2022 and 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	3,536	24,768	28,304

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

(f) Fair value measurement (cont'd)

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

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

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

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

All financial instruments measured at other than fair value are carried at cost or amortised cost that were not materially different from their fair values as at 31 December 2023 and 2022.

35 COMMITMENTS

Commitments outstanding at 31 December 2023 not provided for in the financial statements were as follows:

	2023 RMB'000	2022 RMB'000
Contracted for but not provided for property, plant and equipment	10,577	189
Donation commitment	1,500	2,000
	12,077	2,189

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.

36 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.

36 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:

	Note	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	36(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	32(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 the current year		726,390
– acquisition consideration payable		2,782
Total consideration		729,172
Less: fair value of net identifiable net assets acquired	36(i)	(1,340,069)
Add: non-controlling interests		657,370
Goodwill (Note 17)		46,473

36 BUSINESS COMBINATION (cont'd)

2023 Acquisition of Zhejiang Zhongguang (cont'd)

(iii) Net cash outflow arising on 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.

37 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:

	2023 RMB'000	2022 RMB'000
Short-term employee benefits	8,382	8,056
Retirement benefits scheme contributions	723	539
	9,105	8,595
Key management personnel compensation comprised amounts paid to:		
– directors of the Company	3,232	4,115
– other key management personnel	5,873	4,480
	9,105	8,595

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

37 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. (江蘇亨通數位智慧科技有限公司)	Controlled by ultimate controlling shareholder of the Group
Suzhou Hengli Telecommunications Materials Co., Ltd. (蘇州亨利通信材料有限公司)	Controlled by ultimate controlling shareholder of the Group
Guangde Hengtong Copper Co., Ltd. (廣德亨通銅業有限公司)	Controlled by ultimate controlling shareholder of the Group
Jiangsu Hengtong Cable Technology Co., Ltd. (江蘇亨通線纜科技有限公司)	Controlled by ultimate controlling shareholder of the Group
Jiangsu Hengtong International Logistics Co., Ltd. (江蘇亨通國際物流有限公司)	Controlled by ultimate controlling shareholder of the Group
Jiangsu Hengtong Precision Copper Co., Ltd. (江蘇亨通精密銅業有限公司)	Controlled by ultimate controlling shareholder of the Group
Hengtong Optic-electric Co., Ltd. (江蘇亨通光電股份有限公司)	Controlled by ultimate controlling shareholder of the Group
Jiangsu Hengtong Precision Metal Material Co., Ltd. (江蘇亨通精工金屬材料有限公司)	Controlled by ultimate controlling shareholder of the Group
Beijing Hengtong Intelligent Technology Co., Ltd. (北京亨通智慧科技有限公司)	Controlled by ultimate controlling shareholder of the Group

* 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 Cui Wei, the non-executive Chairman of the Company, is its substantial shareholder. Cui Wei is a substantial shareholder with shareholding of 28.06% of the total issued shares in the Company and has significant influence over the Company.

37 MATERIAL RELATED PARTY TRANSACTIONS (cont'd)

(c) *Transactions with related companies*

(i) Significant related party transactions

	2023 RMB'000	2022 RMB'000
Sale of finished goods to:		
Guangde Hengtong Copper Co., Ltd.	31,925	–
Jiangsu Hengtong Precision Metal Material Co., Ltd.	11,796	–
Suzhou Hengli Telecommunications Materials Co., Ltd.	817	9,116
Hengtong Optic-electric Co., Ltd.	19	–
	44,557	9,116
Purchase of goods and service from:		
Jiangsu Hengtong Precision Copper Co., Ltd.	180,279	–
Suzhou Hengli Telecommunications Materials Co., Ltd.	17,079	37,377
Beijing Hengtong Intelligent Technology Co., Ltd.	5,954	–
Jiangsu Hengtong Cable Technology Co., Ltd.	1,035	–
Jiangsu Hengtong Digital Intelligent Technology Co., Ltd.	167	–
Jiangsu Hengtong International Logistics Co., Ltd.	3	–
	204,517	37,377

	2023 RMB'000	2022 RMB'000
Payment of deposit to:		
Jiangsu Hengtong International Logistics Co., Ltd.	800	–

(ii) Significant related party balances

	2023 RMB'000	2022 RMB'000
Trade payable and other payable due to:		
Jiangsu Hengtong Precision Copper Co., Ltd.	18,467	–
Beijing Hengtong Intelligent Technology Co., Ltd.	1,314	–
Suzhou Hengli Telecommunications Materials Co., Ltd.	981	–
Jiangsu Hengtong International Logistics Co., Ltd.	800	–
Jiangsu Hengtong Cable Technology Co., Ltd.	519	–
	22,081	–

37 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 raw materials above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

38 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2023 RMB'000	31 December 2022 RMB'000
Non-current assets			
Property, plant and equipment		754	78
Investments in subsidiaries	18	393,013	393,013
		393,767	393,091
Current assets			
Trade and other receivables		85,924	98,880
Cash		7,794	8,585
		93,718	107,465
Current liabilities			
Trade and other payables		4,815	3,102
Lease liabilities		317	84
		5,132	3,186
Net current assets		88,586	104,279
Total assets less current liabilities		482,353	497,370
Non-current liability			
Lease liabilities		454	–
		454	–
NET ASSETS		481,899	497,370
CAPITAL AND RESERVE	33(a)		
Share capital		295,000	295,000
Retained profits		186,899	202,370
TOTAL EQUITY		481,899	497,370

Approved and authorised for issue by the board of directors on 25 March 2024.

Cui Wei	Song Haiyan
Director	Director

39 NON-ADJUSTMENT EVENTS AFTER THE REPORTING PERIOD

In January 2024, the Company's indirect subsidiary, Nanjing Zhangyu entered into an equity purchase agreement with the non-controlling shareholder of Wuxi Sihai to acquire 10% equity interest of Wuxi Sihai.

40 ULTIMATE CONTROLLING PARTY

At 31 December 2023, the directors consider the ultimate controlling party of the Group to be Mr. Cui Wei, Chairman of the Group.

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to date of issue of these financial statements, the IASB has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 7 and IFRS 7, *Supplier Finance Arrangements*	1 January 2024
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IAS 1, *Non-current Liabilities with Covenants*	1 January 2024
Amendments to IFRS 16, *Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IAS 21, *Lack of Exchangeability*	1 January 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

http://www.hengxin.com.sg/

HENGXIN TECHNOLOGY
亨鑫科技

5 Tampines Central 1
#06-05 Tampines Plaza 2
Singapore 529541
Tel:(65)62208766