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Howkingtech International Holding Limited

濠暎科技國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2440)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024

FINANCIAL HIGHLIGHTS	Six Months Ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue	31,050	176,744
Cost of Sales	(29,725)	(149,541)
Gross Profit	1,325	27,203
Net (Loss)/Profit	(30,742)	10,291
Adjusted Net (Loss)/ Profit (non-HKFRS measure) ⁽¹⁾	(25,933)	12,178

Note:

(1) Equity-settled share option expenses were not included in non-HKFRS measure.

INTERIM RESULTS FOR SIX MONTHS ENDED JUNE 30, 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Howkingtech International Holding Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) is pleased to announce the unaudited consolidated interim results of the Group for the six months ended June 30, 2024.

The financial information below is an extract of the unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2024:

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June	
		2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
REVENUE	5	31,050	176,744
Cost of sales		<u>(29,725)</u>	<u>(149,541)</u>
Gross profit		1,325	27,203
Other income and gains	5	1,505	2,372
Selling and distribution expenses		(978)	(1,346)
Administrative expenses		(25,990)	(13,909)
Impairment losses on financial assets, net		(6,481)	(1,746)
Other expenses		(2)	(400)
Finance costs		<u>(121)</u>	<u>(125)</u>
(LOSS)/PROFIT BEFORE TAX	6	(30,742)	12,049
Income tax expense	7	–	<u>(1,758)</u>
(LOSS)/PROFIT FOR THE PERIOD		<u>(30,742)</u>	<u>10,291</u>
Attributable to:			
Owners of the parent		<u>(30,742)</u>	<u>10,291</u>
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(614)</u>	<u>(494)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		<u>(614)</u>	<u>(494)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		<u>(31,356)</u>	<u>9,797</u>
Attributable to:			
Owners of the parent		<u>(31,356)</u>	<u>9,797</u>
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	9	<u>RMB(14.34) cents</u>	<u>RMB4.58 cents</u>
Diluted	9	<u>RMB(14.34) cents</u>	<u>RMB4.55 cents</u>

Interim Condensed Consolidated Statement of Financial Position
30 June 2024

		30 June 2024	31 December 2023
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,781	3,549
Equity investments designated at fair value through other comprehensive income		13,513	13,513
Right-of-use assets		1,401	1,886
Other intangible assets		59	98
Contract assets		5	32
Prepayments, other receivables and other assets		–	1,968
Deferred tax assets		7,101	7,101
		<hr/>	<hr/>
Total non-current assets		24,860	28,147
CURRENT ASSETS			
Inventories		1,237	1,503
Trade and notes receivables	<i>10</i>	263,357	279,831
Contract assets		1,609	1,950
Prepayments, other receivables and other assets		7,409	6,091
Time deposits		–	5,707
Cash and cash equivalents		14,098	27,540
		<hr/>	<hr/>
Total current assets		287,710	322,622
CURRENT LIABILITIES			
Trade payables	<i>11</i>	55,179	59,340
Other payables and accruals		7,428	9,944
Interest-bearing bank borrowings	<i>12</i>	5,010	5,010
Lease liabilities		914	999
Tax payable		1,743	6,172
		<hr/>	<hr/>
Total current liabilities		70,274	81,465
NET CURRENT ASSETS		<hr/> 217,436	<hr/> 241,157
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 242,296	<hr/> 269,304

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
<i>Notes</i>		
NON-CURRENT LIABILITIES		
Lease liabilities	452	913
Deferred tax liabilities	14	14
	<hr/>	<hr/>
Total non-current liabilities	466	927
	<hr/>	<hr/>
Net assets	241,830	268,377
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	15,646	15,646
Share premium	175,310	175,310
Treasury shares	(23,839)	(23,839)
Reserves	74,713	101,260
	<hr/>	<hr/>
Total equity	241,830	268,377
	<hr/>	<hr/>

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2024

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 25 August 2021. The registered office of the Company is located at the offices of Ogier Global (Cayman) Limited, 89 Nexus Way, Camana Bay, Grand Cayman KY1-9009, Cayman Islands.

The Company is an investment holding company. During the period, the Company's subsidiaries were principally involved in provision of data transmission and processing services for Internet of Thing (“IoT”) applications.

The shares of the company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 December 2022. Dr. Chen Ping, Ms. Wang Zheshi, Ms. Jin Yan and Howkingtech Holding Limited are the controlling shareholders of the Company. Howkingtech Holding Limited is a business company incorporated in the British Virgin Islands with limited liability on 11 August 2021, which is owned by Ms. Wang Zheshi and Ms. Jin Yan.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2024 have been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period's financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <i>(the “2020 Amendments”)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> <i>(the “2022 Amendments”)</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

(a) *Revenue from external customers*

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Mainland China	31,050	170,007
Other countries	–	6,737
	<u>31,050</u>	<u>176,744</u>

The revenue information above is based on the locations of the customers.

(b) *Non-current assets*

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
	Mainland China	<u>4,241</u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments, contract assets and deferred tax assets.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue during the period is set out below:

	For the six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Customer 1	12,849	–
Customer 2	9,236	–
Customer 3	4,915	–
Customer 4	–	51,770
Customer 5	–	50,708
Customer 6	–	21,061
	<u>–</u>	<u>21,061</u>

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	31,050	176,744

Revenue from contracts with customers

(a) Disaggregated revenue information

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Types of goods or services		
Data transmission and processing services for IoT applications	31,050	116,613
Sales of telecommunication equipment	–	58,524
Others	–	1,607
Total revenue from contracts with customers	31,050	176,744

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
Goods/services transferred at a point in time	31,050	176,063
Services transferred over time	–	681
Total revenue from contracts with customers	31,050	176,744

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	288	556
Government grants*	1,169	199
	<u>1,457</u>	<u>755</u>
Gains		
Foreign exchange gain	48	1,522
Gain on lease termination	–	95
	<u>48</u>	<u>1,617</u>
	<u>1,505</u>	<u>2,372</u>

* The government grants mainly represent incentives awarded by the local governments to support the Group's operation. The Group has some lease contracts with governments for office premises used in its operations, which are rent-free as non-monetary grants. These non-monetary grants are recorded at a nominal amount and the fair value is RMB639,000 (six months ended 30 June 2023: RMB575,000).

6. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	–	50,768
Cost of services provided	29,725	98,773
Depreciation of property, plant and equipment	768	683
Depreciation of right-of-use assets	485	816
Amortisation of other intangible assets	39	51
Research and development costs	12,536	4,538
Impairment of trade and notes receivables, net	6,494	1,768
Reversal of impairment of contract assets, net	(13)	(22)
	<u>(13)</u>	<u>(22)</u>

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and its subsidiaries are not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period. No provision for income tax has been made as the Group did not generate any assessable profits in Hong Kong during the period (2023: Nil).

The provision for current income tax in Mainland China is based on the statutory rate of 25% of the assessable profits of subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law, except for certain subsidiaries of the Group in Mainland China which are granted tax concession and are taxed at preferential tax rates.

Nanjing Howking Technology Co., Ltd. (“**Nanjing Howking**”) and Shenzhen M2Micro Electronics Co., Ltd. (“**Shenzhen M2M**”) were recognised as a High and New Technology Enterprise and are entitled to a preferential income tax rate of 15% from 2022 to 2024. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current	–	2,188
Deferred	–	(430)
	<hr/>	<hr/>
Total tax charge for the period	–	1,758

8. DIVIDENDS

No dividends have been paid or declared by the Company since its incorporation.

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 214,343,027 (six months ended 30 June 2023: 224,823,365) in issue during the period, as adjusted to reflect the treasury shares repurchased during the period.

The calculation of the diluted earnings per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of the basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	(30,742)	10,291
	Number of shares	
	2024	2023
Shares		
Weighted average number of ordinary shares in issue during the period	214,343,027	224,823,365
Effect of dilution – weighted average number of ordinary shares:		
Share options	–	1,385,750
	214,343,027	226,209,115

10. TRADE AND NOTES RECEIVABLES

	30 June	31 December
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables	312,636	321,254
Notes receivable measure at amortised cost	–	1,362
Impairment	(49,279)	(42,785)
	263,357	279,831

The Group's trading terms with its customers are mainly on credit. The credit period is generally 3 to 300 days, depending on the specific payment terms in each contract. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing except the trade receivables generated from a contract which contains a significant financing component with a five-year credit period.

An ageing analysis of the trade and notes receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 year	147,569	191,340
1 to 2 years	82,215	71,072
2 to 3 years	27,577	11,205
3 to 4 years	4,919	5,022
4 to 5 years	1,077	1,192
	<u>263,357</u>	<u>279,831</u>

The movements in the loss allowance for impairment of trade and notes receivables are as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
At beginning of period	42,785	34,157
Impairment losses, net (<i>note 6</i>)	6,494	10,030
Amount written off as uncollectible	–	(1,402)
At end of period	<u>49,279</u>	<u>42,785</u>

11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 year	45,708	47,034
1 to 2 years	7,175	9,971
2 to 3 years	70	1,658
Over 3 years	2,226	677
	55,179	59,340

The trade payables are non-interest-bearing and have no fixed terms of payment.

12. INTEREST-BEARING BANK BORROWINGS

30 June 2024

	Effective interest rate	Maturity	RMB'000
Bank loans – unsecured	3.45%	2024	10
Bank loans – unsecured	3.00%	2024	5,000
			5,010

31 December 2023

	Effective interest rate	Maturity	RMB'000
Bank loans – unsecured	3.45%	2024	10
Bank loans – unsecured	3.00%	2024	5,000
			5,010

13. EVENTS AFTER THE RELEVANT PERIOD

No significant events that require additional disclosure or adjustments occurred after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a PRC provider for (i) data transmission and processing services for IoT applications and (ii) telecommunication equipment, serving a broad range of industrial customers. The Group has been operating in the rapidly growing IoT market in the PRC since 2012, and commenced the provision of data transmission and processing services for IoT applications to customers in various industries in 2018. The Group set foot in the private 5G network market in the PRC in 2020 through upgrading its data transmission and processing services for IoT applications with the application of 5G technologies, and has since become one of the named providers in the explosively growing private 5G network market in the PRC. In 2022, the Company was successfully listed on the Stock Exchange and became one of the few IoT-focused listed companies on the Stock Exchange.

Highlights in the first half of 2024

	Six Months Ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue	31,050	176,744
Cost of Sales	(29,725)	(149,541)
Gross Profit	1,325	27,203
Net (Loss)/Profit	(30,742)	10,291
Adjusted Net (Loss)/Profit (non-HKFRS measure) ⁽¹⁾	(25,933)	12,178

Note:

(1) Equity-settled share option expenses were not included in non-HKFRS measure.

Entering 2024, the global operating environment remained uncertain. The Group's revenue decreased by approximately 82.4% from approximately RMB176.7 million for the six months ended June 30, 2023 to approximately RMB31.1 million for the same period in 2024. Such decrease in revenue during the six months ended June 30, 2024 was mainly attributable to: (i) a decrease in revenue from data transmission and processing services because the Group's clients in the IoT industry have delayed their projects taking into consideration of their concerns in cash flows and uncertainty in macroeconomic condition; and (ii) a decrease in revenue from sales of equipment due to the absence of sales of telecommunication equipment during the Reporting Period because of the lack of customer demand. While the results in the first half of 2024 may paint a challenging picture, it is essential to look beyond the numbers and focus on the opportunities that lie ahead. Despite the setbacks the Group has faced, we are confident that the Group is well-positioned to overcome these challenges and emerge stronger in the coming future.

The Group continues to focus on the non-5G business and tap into the more promising private 5G network market. Due to economic uncertainty, many of our clients preferred to build a non-5G network during the first stage to satisfy their needs and upgrade to a 5G network during the second phase. As a result, the Group's revenue in the first half of 2024 was concentrated in non-5G businesses. The Group's non-5G business revenue decreased by approximately 70.1% from approximately RMB103.9 million for the six months ended June 30, 2023 to approximately RMB31.1 million for the same period in 2024. In the meantime, the Group's 5G business revenue decreased from approximately RMB72.8 million in the first half of 2023 to nil for the same period in 2024.

The Group's gross profit decreased by 95.1% from approximately RMB27.2 million for the six months ended June 30, 2023 to approximately RMB1.3 million for the same period in 2024. The Group recorded a net loss of approximately RMB30.7 million for the six months ended June 30, 2024 as compared to a net profit of approximately RMB10.3 million for the same period in 2023, resulting from the decrease in revenue and the intensified market competition.

Outlook for 2024

In 2024, it is expected that the more complex and volatile external macro environment, rising competition in the information and telecommunication industry and the accelerating changes of technology will present opportunities and challenges to the industry and the Group. The PRC government has recently launched a series of measures to create a more business-friendly environment so as to stimulate economic growth, which the Company believes will further enhance the overall growth momentum in the PRC IoT market. Given this opportunity, the Group will take the following measures to ensure a sustainable business development in 2024.

First of all, the Group will diversify the industrial customers in the 5G private network industry, such as advanced manufacturing industry, transportation industry, environmental protection industry and energy industry. The Group will improve its overall marketing capabilities and seek to reach more customers in the industrial IoT industry so as to diversify its customer base and grasp the increasing industrial IoT market opportunities.

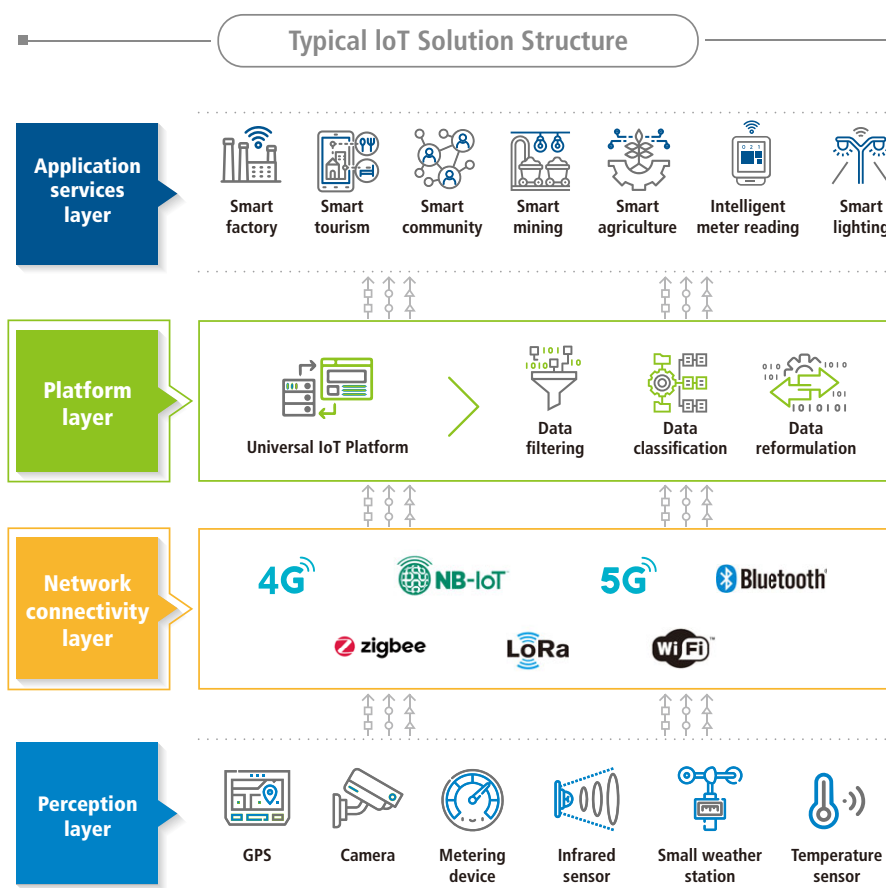
Secondly, the Group will further upgrade its industry data platform to embrace artificial intelligence and big data. In addition to consolidating its operational results, the Group will refactor its centralized data platform, namely Universal IoT Platform, and extend its functions to cover industrial IoT applications so that Universal IoT Platform can become a real common digitalization foundation to facilitate the Group's different applications.

Lastly, the Group will continue to forge ahead in the challenging economic environment in China, strengthening risk management and control. The Group will enhance efforts to collect trade receivables and control credit risk to ensure sufficient cash flow for operations. In the meantime, the Group will implement prudent and solid development strategy, effective operational management policies and cost control measures to promote the sustainable and healthy development of the group's business.

Business Performance

The Industry and the Group's Strengths

The IoT industry where the Group operates possesses great growth potential, driven by growing adoption of advanced technology, rapid development of industrial IoT, increasing demand for private 5G network as well as strong government support. According to Frost & Sullivan, the IoT market in the PRC experienced a rapid growth with a CAGR of approximately 26.2% from 2016 to 2021, and is expected to further grow at a CAGR of approximately 13.3% from 2021 to 2026, reaching approximately RMB5,466.0 billion in 2026, of which the 5G-based IoT market is expected to grow at a CAGR of approximately 62.2% from 2021 to 2026, reaching approximately RMB491.9 billion in 2026. More specifically, the private 5G network market in the PRC is expected to reach approximately RMB236.1 billion in 2026, with a CAGR of approximately 108.2% from 2021 to 2026.



However, the IoT market in the PRC is also competitive and fragmented with more than 30,000 participants competing with each other in each layer of the IoT market from perception layer, network connectivity layer, platform layer to application services layer. Nevertheless, the Company believes that the Group, as an IoT solution provider focusing on network connectivity layer and platform layer, is well positioned to capture the growing demand for IoT solutions and telecommunication equipment in the PRC given its years of industry experience, in-depth market knowledge and insight as well as a proven track record in providing data transmission and processing services and telecommunication equipment. The Company also believes that the Group's one-stop solution, diversified product portfolio, short service delivery capabilities, strong innovation and research capabilities as well as experienced and visionary management will help the Group stand out from its competitors in the future.

Data Transmission and Processing Services

The Group offers data transmission and processing services for IoT applications to its customers in manufacturing, municipal services and other industries in the PRC to assist them to realize and optimize their digitalization. The Group classifies its data transmission and processing services as non-5G network services and private 5G network services depending on the network connection mode the Group adopts in the services. Non-5G network services help customers connect terminal devices with the Group's proprietary Universal IoT Platform via various telecommunication networks or gateways, such as 4G, LORA, Zigbee, NB-IoT or Bluetooth, and the Group provides tailored non-5G network services based on customers' demands and their application scenarios. The Group has started to provide data transmission and processing services with private 5G network since 2020, and has successfully improved the efficiency and cost-effectiveness of the Group's services by offering turnkey solutions with hardware and software integration for its customers.

	Six Months Ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Non-5G Network Services Revenue	31,050	95,552
Private 5G Network Services Revenue	–	21,061
	<hr/>	<hr/>
Data Transmission and Processing Services for IoT Applications	<u>31,050</u>	<u>116,613</u>

Revenue from data transmission and processing services decreased by approximately 73.4% from approximately RMB116.6 million for the six months ended June 30, 2023 to approximately RMB31.1 million for the same period in 2024. Due to the overall poor market conditions in the PRC, many of our clients preferred to build a non-5G network during the first stage to satisfy the basic needs and upgrade to a 5G network during the second phase. As a result, the Group's revenue in the first half of 2024 was mainly concentrated in non-5G businesses. The Group's non-5G network services revenue decreased by approximately 67.5% from approximately RMB95.6 million for the six months ended June 30, 2023 to approximately RMB31.1 million for the same period in 2024. In the meantime, the Group's private 5G network services revenue decreased from approximately RMB21.1 million in the first half of 2023 to nil for the same period in 2024.

Sales of Telecommunication Equipment

In addition to data transmission and processing services for IoT applications, the Group also researches, develops and sells telecommunication equipment in the PRC. The Group provides its customers with 5G telecommunication equipment, including 5G pRRU, various types of 5G antennas and 5G communication modules, which were designed to cater to preferences of different consumer groups. The Group also provides other telecommunication equipment, which primarily includes 4G telecommunication equipment and other IT devices, to its customers.

	Six Months Ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Sales of 5G Telecommunication Equipment	–	51,770
Sale of Antennas	–	6,737
Sales of Other Telecommunication Equipment	–	17
	<hr/>	<hr/>
Sales of Telecommunication Equipment	–	58,524
	<hr/>	<hr/>

Revenue from sales of telecommunication equipment decreased from approximately RMB58.5 million for the six months ended June 30, 2023 to nil for the same period in 2024, mainly due to the lack of customer demand.

Customers and Contracts

The Group's main customers include (i) state-owned or private project owners, (ii) main contractors for data transmission and processing services for IoT applications, who subcontract a pre-defined section of the project to the Group, and (iii) overseas end customers. The Group has strived to broaden and diversify its customer base. The number of new customers accounted for approximately 66.7% of the total number of customers in the first half of 2024. Revenue generated from the Group's five largest customers amounted to approximately RMB30.2 million for the six months ended June 30, 2024, accounting for approximately 97.2% of total revenue, while such ratio was approximately 85.2% in for the same period in 2023. The high customer concentration is a common occurrence in the market where the Group operates since IoT solution projects are relatively large in size as compared with most of the service providers in the market. Therefore, service providers have to allocate a majority of their resources, capacity and manpower to such projects to ensure the delivery of projects. The Group believes that its customer concentration will gradually decrease over time with continuous business expansion in the future.

Benefiting from its in-depth industry knowledge, years of experience and considerate customer services, the Group has been awarded an increasing number of new contracts by its customers on an annual basis. The Group was awarded 12 new contracts in the first half of 2024, with an average contract value of approximately RMB2.5 million.

Research and Development

The Group believes that its competitiveness and success depends critically on its continuous commitment to research and development and its ability to improve the functionality of, and add new features to, its services and products. Thus, the Group devotes significant resources to research and development and develops core features of its services and products in-house.

The Group's continuous research and development efforts have enhanced the competitiveness in its services and products. The Group self-developed its centralized data platform, namely Universal IoT Platform, for its data processing services. Universal IoT Platform adopted a series of in-house developed technologies in areas of terminal data protocol unification, device shadow, data flow, data aggregation and integration, and data purification and processing, which have greatly differentiated Universal IoT Platform from traditional data platforms and turned Universal IoT Platform into one of the Group's core business capabilities and competitive edges. In addition, as of June 30, 2024, the Group had successfully registered 38 utility model patents, 21 patents for invention, one international PCT and 90 copyrights in the PRC, indicating the Group's strong innovation and research capabilities.

Employees and Remuneration Policy

As of June 30, 2024, the Group had a total number of 33 employees (as of December 31, 2023: 65). For the six months ended June 30, 2024, the Group recognized staff costs (including equity-settled share option expenses) of approximately RMB11.6 million, representing an increase of approximately 5.6% as compared to the same period in 2023.

The Group's success depends on its ability to attract, retain and motivate qualified personnel, and the Group believes that the high-quality talent pool is one of its core strengths. The Group recruits employees mainly through campus recruitment, online recruitment, internal referral and hunting firms or agents, to satisfy its demands for different types of talents.

The Group provides trainings to its employees. In addition to the trainings provided to employees, they can also improve their skills through the Group's development of services and mutual learning among colleagues.

The Group offers competitive compensation for its employees. In addition, the Group regularly evaluates the performance of employees and reward those who perform well with higher compensation or promotion.

The Group enters into standard contracts and agreements regarding confidentiality, intellectual property, employment, commercial ethics and non-competition with executive officers and full-time employees. These contracts typically include a non-competition provision effective during and up to two years after their employment with the Group and a confidentiality provision effective during and after their employment with the Group.

In addition, to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of the Group, the Company has adopted the Share Option Scheme and the Share Award Scheme on November 11, 2022 and May 16, 2023, respectively. The objectives of the Share Award Scheme are: (i) to recognize the contributions by certain eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

Financial Review

Revenue

	Six Months Ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue	31,050	176,744
Data Transmission and Processing Services	31,050	116,613
Sales of Equipment	–	58,524
Others	–	1,607
or:		
5G Business	–	72,830
Non-5G Business	31,050	103,914
or:		
PRC	31,050	170,007
The United States	–	6,737

The Group's revenue decreased by approximately 82.4% from approximately RMB176.7 million for the six months ended June 30, 2023 to approximately RMB31.1 million for the same period in 2024. Revenue from data transmission and processing services decreased by approximately 73.4% from approximately RMB116.6 million for the six months ended June 30, 2023 to approximately RMB31.1 million for the same period in 2024, mainly attributable to the Group's clients in the IoT industry having delayed their projects taking into consideration of their concerns in cash flows and uncertainty in macroeconomic condition. Revenue from sales of equipment decreased by from approximately RMB58.5 million for the six months ended June 30, 2023 to nil for the same period in 2024 due to the lack of customer demand.

Due to the overall poor market conditions in the PRC, many of our clients preferred to build a non-5G network during the first stage to satisfy the basic needs and upgrade to a 5G network during the second phase. As a result, the Group's revenue in the first half of 2024 was concentrated in non-5G businesses. The Group's non-5G business revenue decreased by approximately 70.1% from approximately RMB103.9 million for the six months ended June 30, 2023 to approximately RMB31.1 million for the same period in 2024. In the meantime, the Group's 5G business revenue decreased from approximately RMB72.8 million in the first half of 2023 to nil for the same period in 2024.

The Group generates most of its revenue from the PRC market and 100.0% of the Group's revenue was generated from the PRC market in the first half of 2024, while such ratio was approximately 96.2% for the same period in 2023.

Costs and Expenses

	Six Months Ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of Sales	29,725	149,541
Material Costs	29,624	108,601
OEM Expenses	–	39,212
Administrative Expenses	25,990	13,909
R&D Expenses	12,536	4,538
Staff Costs	8,609	3,959
Professional Expenses	1,192	1,873
Selling and Distribution Expenses	978	1,346
Staff Costs	789	1,052
Impairment Losses on Financial Assets	6,481	1,746
Trade and Notes Receivables	6,494	1,768

Cost of sales includes (i) material costs, (ii) OEM expenses and (iii) labor costs. The Group's cost of sales decreased by approximately 80.1% from approximately RMB149.5 million for the six months ended June 30, 2023 to approximately RMB29.7 million for the same period in 2024. The decrease was primarily due to a rapid decrease in revenue of the Group. Material costs decreased by approximately 72.7% for the six months ended June 30, 2024 as compared to for the same period in 2023, and its share of cost of sales rose to approximately 99.7% in the first half of 2024 from approximately 72.6% for the same period in 2023. This change was mainly due to the decrease in OEM expenses, which was attributable to the lack of sales of 5G telecommunication equipment.

Administrative expenses consist of (i) R&D expenses, (ii) staff costs, (iii) professional expenses, (iv) depreciation and amortization, (v) office expenses, and (vi) tax surcharges. The Group's administrative expenses increased by approximately 86.9% from approximately RMB13.9 million for the six months ended June 30, 2023 to approximately RMB26.0 million for the same period in 2024, mainly due to i) the R&D expenses increased from approximately RMB4.5 million for the six months ended June 30, 2023 to approximately RMB12.5 million for the same period in 2024; and ii) the equity-settled share option expenses incurred in administrative expenses increased approximately RMB2.3 million and the compensation for dismissal increased approximately RMB1.5 million, as a result, the staff costs increased from approximately RMB3.9 million for the six months ended June 30, 2023 to approximately RMB8.6 million for the same period in 2024.

Selling and distribution expenses consist of (i) staff costs, (ii) travelling expenses, (iii) depreciation, and (iv) entertainment expenses. The Group's selling and marketing expenses decreased by approximately 27.3% from approximately RMB1.3 million for the six months ended June 30, 2023 to approximately RMB1.0 million for the same period in 2024, resulting from the decrease in staff costs.

The Group recognizes an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss and use a provision matrix to calculate ECLs for trade receivables, notes receivable and contract assets based on historical expected credit loss rates of industry peers and aging for groupings of various customers with similar loss pattern. The Group’s impairment losses on financial assets increased from approximately RMB1.7 million for the six months ended June 30, 2023 to approximately RMB6.5 million for the same period in 2024 mainly due to the trade receivables aged over one years as of June 30, 2024 increased by approximately 33.5% as compared to that of December 31, 2023.

Gross Profit, (Loss)/Profit Before Tax and Net (Loss)/Profit

	Six Months Ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB’000	RMB’000
Gross Profit	1,325	27,203
Gross Margin	4.3%	15.4%
5G Business	N/A*	11.3%
Non-5G Business	4.3%	18.2%
(Loss)/Profit Before Tax	(30,742)	12,049
Net (Loss)/Profit	(30,742)	10,291

* The revenue from 5G business is nil.

The Group’s gross profit decreased by approximately 95.1% from approximately RMB27.2 million for the six months ended June 30, 2023 to approximately RMB1.3 million for the same period in 2024 resulting from the decrease in revenue and gross margin. The Group’s gross margin decreased from approximately 15.4% for the six months ended June 30, 2023 to approximately 4.3% for the same period in 2024. Such decrease in gross margin in the first half of 2024 was mainly attributable to (i) intensified market competition and uncertainty in macroeconomic conditions; (ii) a decrease in exports of IoT antennas to the United States, which had a high gross profit margin of approximately 34.9% in the first half of 2023; and (iii) a relatively lower cooperation price to develop new customers, the number of which accounted for approximately 66.7% of the total number of customers in the first half of 2024.

The Group recorded a loss before tax of approximately RMB30.7 million for the six months ended June 30, 2024 as compared to a profit before tax of approximately RMB12.0 million for the same period in 2023, resulting from the decrease in revenue and the intensified market competition. The Group’s net loss in the first half of 2024 was approximately RMB30.7 million, compared to a net profit of approximately RMB10.3 million for the same period in 2023. Without taking into account equity-settled share option expenses for the six months ended June 30, 2024 and 2023, the Group’s adjusted net loss in the first half of 2024 was approximately RMB25.9 million, compared to an adjusted net profit of approximately RMB12.2 million for the same period in 2023. Such change in adjusted net loss in the first half of 2024 was mainly attributable to the decrease in revenue and gross margin as a result of intensified market competition and uncertainty in macroeconomic conditions.

Non-HKFRS Measure

To supplement the consolidated financial statements which are presented in accordance with HKFRS, the Group also presents the adjusted net (loss)/profit as a non-HKFRS measure, which is not required by, or presented in accordance with, HKFRS. The Group believes that this non-HKFRS measure facilitates comparison of operating performance from period to period by eliminating impacts of equity-settled share option expenses. In addition, the Group believes that this non-HKFRS measure provides useful information to investors and others in understanding and evaluating the results of operations in the same manner as the Group's management and in comparing financial results across the relevant periods. The use of this non-HKFRS measure has limitations as an analytical tool. As such, it should not be considered in isolation from, or as substitute for analysis of, the consolidated statements of profit or loss and other comprehensive income or financial condition as reported under HKFRS. In addition, the non-HKFRS financial measures may be defined differently from similar terms used by other companies and therefore, may not be comparable to similar measures presented by other companies.

The Group defines its adjusted net (loss)/profit (non-HKFRS measure) as the net (loss)/profit adding back the impacts of equity-settled share option expenses. The table below sets out the adjusted net (loss)/profit (non-HKFRS measure) for the period indicated:

	Six Months Ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
(Loss)/Profit for the Period	(30,742)	10,291
Adding: Equity-settled Share Option Expenses	4,809	1,887
Adjusted Net (Loss)/Profit for the Period	<u>(25,933)</u>	<u>12,178</u>

Cash and Cash Equivalents

Cash and cash equivalents decreased from approximately RMB33.2 million as of December 31, 2023 to approximately RMB14.1 million as of June 30, 2024, mainly due to the net cash used in operating activities of approximately RMB18.1 million. The net cash used for the six months ended June 30, 2024 is mainly due to the loss before tax of RMB30.7 million, which were partially offset by (i) impairment of trade and notes receivables of RMB6.5 million; and (ii) equity-settled share option expense of RMB4.8 million.

Trade and Notes Receivables

The following table sets forth trade receivables and notes receivable measured at amortized cost and impairment as of the dates indicated:

	As of June 30, 2024 (Unaudited) RMB'000	As of December 31, 2023 (Audited) RMB'000
Trade Receivables	312,636	321,254
Notes Receivable Measured at Amortized Cost	–	1,362
Impairment	(49,279)	(42,785)
	<u>263,357</u>	<u>279,831</u>

Both total trade receivables and net trade receivables experienced a slightly decrease as a result of the decrease in revenue in the first half of 2024, with total trade receivables decreasing by approximately 2.7% from approximately RMB321.3 million as of December 31, 2023 to approximately RMB312.6 million as of June 30, 2024 and notes receivables decreasing from approximately RMB1.4 million as of December 31, 2023 to nil as of June 30, 2024. The provision for impairment amount grew by approximately 15.2% from approximately RMB42.8 million as of December 31, 2023 to approximately RMB49.3 million as of June 30, 2024 and the percentage of provision for impairment on total trade and notes receivables maintained at approximately 15.8% as of June 30, 2024 as compared to approximately 13.3% as of December 31, 2023, mainly because both the absolute amount of trade and notes receivables aged over one years and its proportion in total trade and notes receivables as of June 30, 2024 increased as compared to those as of December 31, 2023.

The following table sets forth the aging analysis of net trade and notes receivables, based on the invoice date and net of loss allowance as of the dates indicated:

	As of June 30, 2024 (Unaudited) RMB'000	As of December 31, 2023 (Audited) RMB'000
Within 1 Year	147,569	191,340
1 to 2 Years	82,215	71,072
2 to 3 Years	27,577	11,205
3 to 4 Years	4,919	5,022
4 to 5 Years	1,077	1,192
Total	263,357	279,831

Borrowing

As of June 30, 2024, the Group had interest-bearing bank borrowings of approximately RMB5.0 million (December 31, 2023: RMB5.0 million), which were all denominated in RMB and with fixed interest rate. The Group's total authorized credit facilities remained at RMB30.0 million, among which approximately RMB25.0 million had not been utilized as of the same date.

Gearing Ratio

The Group's gearing ratio, calculated by total debt (including interest-bearing bank borrowings and lease liabilities) divided by total equity, remained stable at approximately 2.6% as of June 30, 2024 (December 31, 2023: 2.6%).

Cash Flow and Capital Expenditure

The Group generated net cash used in operating activities of approximately RMB18.1 million for the six months ended June 30, 2024, as compared to net cash flow used in operating activities of approximately RMB32.6 million for the same period in 2023. The net cash used for the six months ended June 30, 2024 is mainly due to the loss before tax of RMB30.7 million, which were partially offset by (i) impairment of trade and notes receivables of RMB6.5 million; and (ii) equity-settled share option expense of RMB4.8 million.

Net cash flows from investing activities amounted to approximately RMB5.9 million for the six months ended June 30, 2024, primarily due to the disposal of time deposits of approximately RMB5.7 million.

Net cash flows used in financing activities amounted to approximately RMB0.7 million for the six months ended June 30, 2024, mostly due to the lease payments of approximately RMB0.6 million.

Capital expenditure primarily consisted of purchases of property, plant and equipment and renovation expenses, which decreased from approximately RMB0.8 million for the six months ended June 30, 2023 to nil for the same period in 2024.

Charges on Assets

As of June 30, 2024, the Group did not have any assets or rights pledged (December 31, 2023: Nil).

Contingent Liabilities

As of June 30, 2024, the Group did not have any material contingent liabilities (December 31, 2023: Nil).

Foreign Currency Risk

The Group has transactional currency exposures and are subject to foreign currency risk arising from fluctuations in exchange rates between RMB and foreign currencies. As of June 30, 2024, the Group had transactional currency exposures. Such exposures arose from changes in the fair value of monetary assets and liabilities and exchange differences resulting from translation of the financial statements of certain overseas subsidiaries.

As of June 30, 2024, the Group did not hedge or consider necessary to hedge any of these risks. The Group will constantly review the economic situation and the foreign exchange risk profile and consider appropriate hedging measures in the future, when necessary.

Significant Investments, Acquisitions and Disposals

The Group did not have any significant acquisitions or disposals of subsidiaries, associates or joint ventures for the six months ended June 30, 2024.

As of June 30, 2024, none of each individual investment held by the Group constituted 5% or above of the total assets of the Group and there was no future plans for material investments or capital assets.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares as defined in the Listing Rules) during the Reporting Period. As of June 30, 2024, the Company did not hold any treasury shares as defined in the Listing Rules.

INTERIM DIVIDEND

The Board resolved not to declare the payment of any interim dividend for the six months ended June 30, 2024.

COMPLIANCE WITH MODEL CODE REGARDING SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules, which applies to all Directors and relevant employees of the Company who are likely to possess inside information in relation to the Company or its securities due to his/her office or employment.

The Company has made specific enquiries with each Director, and each of them confirmed that he/she had complied with all required standards under the Model Code during the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintenance of good corporate governance practices and procedures. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operations are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all Shareholders. The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code.

Pursuant to code provision C.2.1 of part 2 of the CG Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and Dr. Chen Ping currently performs these two roles concurrently.

The Board believes that vesting the roles of both the chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group for more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority within the Group will not be impaired by the present arrangement and the current structure will enable the Company to make and implement decisions more promptly and effectively. The Board will from time to time review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company to ensure appropriate and timely arrangements are in place to meet changing circumstances.

Save for the deviation from code provision C.2.1 of part 2 of the CG Code as described above, the Company had complied with all applicable code provisions set out in part 2 of the CG Code during the Reporting Period.

AUDIT COMMITTEE

The Audit Committee, consisting of three independent non-executive Directors, namely Mr. Gu Jiong (Chairman), Mr. Fong Wo, Felix and Mr. Yang Hai, has reviewed the unaudited interim results of the Group for the six months ended June 30, 2024, including the accounting principles and practices adopted by the Group and confirmed that it has complied with all applicable accounting principles, standards and requirements and made full disclosure. The unaudited interim results of the Group were not reviewed by the external auditors of the Company.

PUBLICATION OF 2024 INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of HKEXnews (www.hkexnews.hk) and the Company (www.howkingtech.com). The interim report of the Company for the six months ended June 30, 2024 will be published on the same websites and despatched to the Shareholders (if required) in due course.

DEFINITIONS

“5G”	the 5th generation mobile network, a new global wireless standard after 1G, 2G, 3G and 4G networks
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“CAGR”	compound annual growth rate; the CAGR formula involves (i) dividing the ending value by the beginning value, (ii) making a radical of the amount by the number of years (e.g. 2019~2021=2 years) and (iii) subtracting one to make the rate a percentage
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“China” or “PRC”	the People’s Republic of China, but for the purpose of this announcement only and except where the context requires otherwise, references in this announcement to “China” or “PRC” do not include Hong Kong, Macau and Taiwan
“Company”	Howkingtech International Holding Limited, an exempted company with limited liability incorporated in Cayman Islands on August 25, 2021, and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on January 13, 2022
“Director(s)”	the director(s) of the Company

“Global Offering”	the Hong Kong public offering and international offering of the Shares
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Howkingtech” or “Group”	the Company and its subsidiaries
“IoT”	internet of things
“IT”	information technology
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LORA”	Long Range, a proprietary low-power wide-area network modulation technique
“Macau”	the Macau Special Administrative Region of the PRC
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“OEM”	original equipment manufacturer
“pRRU”	pico remote radio unit, which is used to the baseband unit
“R&D”	research and development
“Reporting Period”	the six months ended June 30, 2024
“RMB”	Renminbi, the lawful currency of China
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Share Award Scheme”	the Howkingtech Share Award Scheme adopted by the Company on May 16, 2023
“Share Option Scheme”	the share option scheme adopted by the Company on November 11, 2022
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“Universal IoT Platform”	the Group’s self-developed centralized data platform of IoT solutions, which provides the infrastructural functions for upper applications
“%”	per cent

By order of the Board
Howkingtech International Holding Limited
CHEN Ping
Chairman

Hong Kong, August 23, 2024

As of the date of this announcement, the Board comprises Dr. Chen Ping, Ms. Wang Zheshi, Mr. Feng Yijing and Mr. Wang Jun as executive Directors; and Mr. Gu Jiong, Mr. Fong Wo, Felix and Mr. Yang Hai as independent non-executive Directors.

** For identification purpose only*