HENGXIN TECHNOLOGY LTD.
亨鑫科技有限公司 *

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

INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

1. Revenue for the six months ended 30 June 2024 increased by approximately RMB46.7 million or 4.4% year-on-year to approximately RMB1,115.3 million

2. Gross profit for the six months ended 30 June 2024 increased by approximately RMB2.4 million or 1.2% year-on-year to approximately RMB210.2 million

3. Gross profit margin for the six months ended 30 June 2024 decreased by approximately 0.6 percentage point year-on-year to approximately 18.8%

4. Net profit attributable to equity shareholders of the Company for the six months ended 30 June 2024 decreased by approximately RMB23.5 million or 46.9% year-on-year to approximately RMB26.6 million

5. Basic earnings per share for the six months ended 30 June 2024 was approximately RMB0.065, representing a decrease of approximately RMB0.064 or 49.6% year-on-year

6. No payment of interim dividend for the six months ended 30 June 2024 has been recommended

* *For identification purposes only*

The board (the "**Board**") of directors (the "**Director(s)**") of Hengxin Technology Ltd. (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively hereinafter referred as the "**Group**") for the six months ended 30 June 2024 together with the comparative figures for the corresponding period in 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

*For the six months ended 30 June ("**1H**")*

	Notes	**1H2024** ***RMB'000*** **(unaudited)**	1H2023 *RMB'000* (unaudited)
Revenue	*3*	**1,115,320**	1,068,591
Cost of sales		**(905,107)**	(860,759)
Gross profit		**210,213**	207,832
Other operating income	*4*	**46,055**	24,774
Selling and distribution expenses		**(66,385)**	(55,005)
Administrative expenses		**(50,222)**	(28,418)
Other operating expenses		**(72,170)**	(93,690)
Profit from operations		**67,491**	55,493
Interest expense	*5*	**(23,891)**	(5,718)
Profit before taxation	*6*	**43,600**	49,775
Income tax	*7*	**(10,228)**	(9,049)
Profit for the period		**33,372**	40,726
Attributable to:			
Equity shareholders of the Company		**26,589**	50,134
Non-controlling interests		**6,783**	(9,408)
Profit for the period		**33,372**	40,726

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

(Continued)

For the six months ended 30 June

	Notes	**1H2024 *RMB'000* (unaudited)**	1H2023 RMB'000 (unaudited)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of			
– financial statements of entities with functional currencies other than RMB		**455**	891
Total comprehensive income for the period		**33,827**	41,617
Attributable to:			
Equity shareholders of the Company		**27,044**	51,025
Non-controlling interests		**6,783**	(9,408)
Total comprehensive income for the period		**33,827**	41,617
Earnings per share attributable to equity shareholders of the Company	*10*		
Basic and diluted *(RMB)*		**0.065**	0.129
Dividends per share *(RMB)*	*8*	**–**	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	*11*	**1,123,783**	1,154,766
Intangible assets		**233,209**	241,470
Goodwill		**201,589**	201,589
Interest in associates		**152**	4,178
Equity securities designated at fair value through other comprehensive income ("**FVOCI**")		**3,536**	3,536
Financial assets measured at fair value through profit or loss ("**FVPL**")		**24,768**	24,768
Time deposits		**25,000**	45,000
Pledged deposit		**35,000**	35,000
Deferred tax assets		**20,435**	19,800
		1,667,472	1,730,107
Current assets			
Inventories and other contract costs		**259,480**	194,854
Digital assets		**10,016**	10,016
Trade and other receivables	*12*	**1,190,462**	926,982
Time deposits		**225,519**	264,125
Cash		**886,551**	944,863
Pledged deposits		**247,095**	91,833
Financial asset measured at fair value through profit or loss ("**FVPL**")		**120,706**	2,950
Derivative financial assets		**12,825**	82,041
		2,952,654	2,517,664
Current liabilities			
Trade and other payables	*13*	**703,253**	453,042
Bank loans		**206,352**	176,543
Derivative financial liability		**13,955**	2,654
Lease liabilities		**6,811**	6,137
Income tax payable		**3,192**	10,455
		933,563	648,831
Net current assets		**2,019,091**	1,868,833
Total assets less current liabilities		**3,686,563**	3,598,940

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Note	As at 30 June 2024 RMB'000 (unaudited)	As at 31 December 2023 RMB'000 (audited)
Non-current liabilities			
Bank loans		**805,025**	836,366
Deferred income		**–**	882
Lease liabilities		**–**	3,917
Deferred tax liabilities		**21,689**	19,202
		826,714	860,367
NET ASSETS		**2,859,849**	2,738,573
CAPITAL AND RESERVES			
Share capital	*9*	**362,849**	295,000
General reserves		**315,149**	315,149
Special reserve		**(6,017)**	(6,017)
Fair value reserve		**(5,494)**	(5,494)
Translation reserves		**(1,100)**	(1,555)
Retained profits		**1,355,215**	1,328,626
Total equity attributable to equity shareholders of the Company		**2,020,602**	1,925,709
Non-controlling interests		**839,247**	812,864
TOTAL EQUITY		**2,859,849**	2,738,573

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024 (unaudited)

GROUP – *RMB'000*	Share capital	General reserves	Special reserve	Fair value reserve	Translation reserves	Retained profits	Total	Non-controlling interests	Total
Balance at 1 January 2024	**295,000**	**315,149**	**(6,017)**	**(5,494)**	**(1,555)**	**1,328,626**	**1,925,709**	**812,864**	**2,738,573**
Changes in equity for the period:									
Issue of shares during the period	**67,849**	**–**	**–**	**–**	**–**	**–**	**67,849**	**19,600**	**87,449**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**26,589**	**26,589**	**6,783**	**33,372**
Other comprehensive income for the period	**–**	**–**	**–**	**–**	**455**	**–**	**455**	**–**	**455**
Total comprehensive income	**–**	**–**	**–**	**–**	**455**	**26,589**	**27,044**	**6,783**	**33,827**
Balance at 30 June 2024	**362,849**	**315,149**	**(6,017)**	**(5,494)**	**(1,100)**	**1,355,215**	**2,020,602**	**839,247**	**2,859,849**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the six months ended 30 June 2023 (unaudited)

GROUP – *RMB'000*	Share capital	General reserves	Special reserve	Fair value reserve	Translation reserves	Retained profits	Total	Non-controlling interests	Total
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 the period:									
Profit for the period	–	–	–	–	–	50,134	50,134	(9,408)	40,726
Other comprehensive income for the period	–	–	–	–	891	–	891	–	891
Total comprehensive income	–	–	–	–	891	50,134	51,025	(9,408)	41,617
Balance at 30 June 2023	295,000	293,265	(6,017)	(4,271)	(968)	1,331,130	1,908,139	22,308	1,930,447

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Republic of Singapore on 18 November 2004 under the Singapore Companies Act and its shares are listed on Main Board of The Stock Exchange of Hong Kong Limited. The address of the Company's principal place of business is 5 Tampines Central 1, #06-05 Tampines Plaza 2, Singapore 529541. The registered office of the Company is located at 5 Tampines Central 1, #06-05 Tampines Plaza 2, Singapore 529541, Singapore.

The Company is an investment holding company, and the principal activities of the subsidiaries are (i) digital technology and digital security: chips research, design, sales and supply chain services, semiconductor intellectual property authorization business, and digital security products and services; (ii) 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; and (iii) 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. The Group's operations are principally conducted in the People's Republic of China ("**PRC**" or "**China**").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements for the six months ended 30 June 2024 (the "**Financial Statements**") have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("**IASB**") that are effective for annual reporting periods beginning on or after 1 January 2024.

	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 the above 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.

The consolidated financial statements for the six months ended 30 June 2024 comprise the Group and the Group's interest in an associate.

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

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are (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.

Disaggregation of revenue

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Digital technology and digital security	**78,037**	75,765
New energy and services	**68,032**	–
Telecommunications	**969,251**	992,826
	1,115,320	1,068,591

(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 ("**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 ("**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 ("**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.

The Group completed a business acquisition of Zhejiang Zhongguang New Energy Technology Co., Ltd. ("**Zhongguang New Energy**") 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 six months ended 30 June 2023 has been represented to conform to the revised presentation.

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.

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 six months ended 30 June 2024 and 2023 is set out below:

	Reportable segments			
	Digital Technology and Digital Security *RMB'000*	**New Energy and Services** *RMB'000*	**Telecommunications** *RMB'000*	**Total reportable segments** *RMB'000*
2024				
Disaggregated by timing of revenue recognition				
Point in time	**55,307**	**68,032**	**969,251**	**1,092,590**
Over time	**22,730**	**–**	**–**	**22,730**
Revenue from external customers	**78,037**	**68,032**	**969,251**	**1,115,320**
Segment profit before taxation	**6,293**	**21,339**	**3,714**	**31,346**
Interest income	**14**	**2,541**	**24,518**	**27,073**
Finance cost	**(14,662)**	**(9,842)**	**(10,366)**	**(34,870)**
Depreciation and amortisation expense	**(17,517)**	**(4,140)**	**(12,764)**	**(34,421)**

	Reportable segments			
	Digital Technology and Digital Security *RMB'000*	New Energy and Services *RMB'000*	Telecommunications *RMB'000*	Total reportable segments *RMB'000*
2023 (restated)				
Disaggregated by timing of revenue recognition				
Point in time	65,718	–	992,522	1,058,240
Over time	10,047	–	304	10,351
Revenue from external customers	75,765	–	992,826	1,068,591
Segment profit before taxation	11,536	–	36,455	47,991
Interest income	–	–	7,026	7,026
Finance cost	(533)	–	(5,185)	(5,718)
Depreciation and amortisation expense	(90)	–	(12,342)	(12,432)

Reconciliation of reportable segment profit

	Group For the six months ended 30 June **2024** ***RMB'000*** **(unaudited)**	 2023 *RMB'000* (unaudited)
Profit before tax		
Total profit before tax for reportable segments	**31,346**	47,991
Unallocated amounts:		
– Other operating income	**18,982**	19,056
– Other operating gains/(expenses), net	**14**	(9,040)
– Other unallocated amounts	**(6,742)**	(8,232)
Consolidated profit before tax	**43,600**	49,775

Other material items

	Reportable and all other segment totals *RMB'000*	Unallocated amounts *RMB'000*	Consolidated totals *RMB'000*
For the six months ended 30 June 2024 (unaudited)			
Depreciation and amortisation expenses	**(34,421)**	**(168)**	**(34,589)**
For the six months ended 30 June 2023 (unaudited)			
Depreciation and amortisation expenses	(12,432)	(161)	(12,593)

Geographical segment

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

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

	Revenue from external customer For the six months ended 30 June		**Specified non-current assets* As at**	
	2024	2023	**30 June 2024**	31 December 2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(audited)
PRC	**1,034,005**	1,010,263	**1,611,840**	1,601,249
Others	**81,315**	58,328	**294**	754
Total	**1,115,320**	1,068,591	**1,612,134**	1,602,003

* *excludes other investments and deferred tax assets*

4. OTHER OPERATING INCOME

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Government grants	**21,641**	4,521
Interest income	**16,325**	7,026
Compensation claims received	**118**	214
Service fee income	**38**	1,551
Net gain on commodity future contracts	**7,241**	2,597
Net foreign exchange gains	**–**	8,123
Others	**692**	742
Total	**46,055**	24,774

5. INTEREST EXPENSE

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expense on short term bank loans	**23,799**	5,708
Interest on lease liabilities	**92**	10
	23,891	5,718

6. PROFIT BEFORE TAXATION

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of inventories recognised as expense	**905,107**	860,759
Depreciation of property, plant and equipment and amortisation expenses	**34,589**	12,593
Salaries and bonus	**99,401**	82,233
Contributions to defined contribution plans	**4,320**	4,509
Executive directors' remuneration	**594**	814
Non-executive directors' fees	**959**	899
Total staff costs	**105,274**	88,455
Research and development expenses (included in other operating expenses)	**72,184**	54,455
Impairment losses on trade and other receivable	**–**	30,195
Net foreign exchange losses (included in other operating expenses)	**394**	–
Net foreign exchange gains (included in other operating income)	**–**	(8,123)
(Reversal of) / provision for stock obsolescence	**(2,603)**	5,970
Net losses on write-off of property, plant and equipment	**56**	95

7. INCOME TAX

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current tax expense		
Current year	**4,560**	17,848
Over provision in prior years	**-**	(5,755)
	4,560	12,093
Deferred tax expense		
Origination and reversal of temporary differences	**5,668**	(3,044)
	10,228	9,049

(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% (2023: 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 (2023: 15%).

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

(iii) Hong Kong Profits Tax has been provided for Hengxin Technology International Co., Ltd. at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2024.

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 six months ended 30 June 2024.

8. DIVIDENDS

The Company did not recommend or declare any interim dividend for the six months ended 30 June 2024 and 30 June 2023.

9. SHARE CAPITAL

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

Share capital – Ordinary Shares	**No. of shares** *'000*	*RMB'000*
Balance as at 31 December 2023	388,000	295,000
Issue of ordinary shares on completion of placing on 13 May 2024	77,600	67,849
Balance as at 30 June 2024	465,600	362,849

10. EARNINGS PER SHARE

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

	Group For the six months ended	
	30 June 2024 (unaudited)	30 June 2023 (unaudited)
Earnings per share *(RMB)*		
– Basic	**0.065**	0.129
– Diluted	**0.065**	0.129
Weighted average no. of shares applicable to basic EPS *('000)*	**408,892**	388,000

There were no potential dilutive ordinary shares in existence during the six months ended 30 June 2024 and 2023.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group's capital expenditure was approximately RMB17.0 million (six months ended 30 June 2023: approximately RMB6.6 million).

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2024 *RMB'000* **(unaudited)**	As at 31 December 2023 *RMB'000* (audited)
Trade receivables	**921,132**	803,463
Bills receivables	**34,024**	66,573
Less: Loss allowance	**(39,678)**	(39,690)
Net trade and bills receivables	**915,478**	830,346
Loans to the associate	**21,191**	21,191
Non-trade amount due from the associate	**1,680**	1,680
Less: Loss allowance	**(22,871)**	(22,871)
	915,478	830,346
Other receivables	**274,984**	96,636
	1,190,462	926,982

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

	As at 30 June 2024 *RMB'000* **(unaudited)**	As at 31 December 2023 *RMB'000* (audited)
Within 6 months	**697,167**	588,210
7 to 12 months	**63,206**	86,321
1 to 2 years	**65,359**	95,508
Over 2 years	**89,746**	60,307
	915,478	830,346

13. TRADE AND OTHER PAYABLES

	As at 30 June 2024 *RMB'000* **(unaudited)**	As at 31 December 2023 *RMB'000* (audited)
Trade payables	**574,665**	284,883
Other payables	**128,588**	168,159
	703,253	453,042

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

	As at 30 June 2024 *RMB'000* **(unaudited)**	As at 31 December 2023 *RMB'000* (audited)
0 to 90 days	**301,809**	239,543
91 to 180 days	**251,080**	18,769
181 to 360 days	**8,320**	5,013
Over 360 days	**13,456**	21,558
	574,665	284,883

14. CONNECTED TRANSACTIONS

(a) During the six months ended 30 June 2024 (the "**Reporting Period**"), the Group had the following continuing connected transactions with Hengtong Group Co., Ltd. and Hengtong Optic-Electric Co., Ltd.:

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sale of finished goods	**34,399**	20,749
Purchase of raw materials	**251,665**	20,779

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 ending 31 December 2024 is RMB57.4 million.

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

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

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

	For the six months ended 30 June	
	2024	2023
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Gross income from leasing of servers	**4,200**	4,200

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.

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

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

Events after the Reporting Period

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

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

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

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

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

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

The total service price is RMB90,200,000 (inclusive of VAT at the rate of 6% and subject to adjustment according to the actual number of service personnel for on-site preparation, actual power generation and satisfaction of safety production indicators), which consists of two parts: (i) a service fee for the preparation period for entry into the site of RMB5,200,000 (inclusive of VAT at the rate of 6% and subject to adjustment according to the actual number of service personnel for on-site preparation), which will be paid by Cosin Solar in installments in accordance with the contract from the month when Cosin Solar notifies Zhongguang New Energy to enter the site for preparation; and (ii) an annual normal operation and maintenance service fee of RMB17,000,000 (inclusive of VAT at the rate of 6%, the installments are payable in each operation and maintenance quarter, of which the amount of ten percent (10%) of the annual normal operation and maintenance service fee shall be the assessment fee and will be settled based on the results of the annual appraisal and be paid by Cosin Solar to Zhongguang New Energy within one (1) month after the settlement). The annual caps on the maximum amounts of fees payable to Consin Solar for the year ending 31 December 2024 is RMB950,000. During the six months ended 30 June 2024, no revenue has been recognized from the operation and maintenance service in 1H2024.

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

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

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

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

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

On 28 April 2023, Xin Ke Xin (Suzhou) Technology Co., Ltd. ("**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 at the respective dates of the First Loan Agreement and the Second Loan Agreement, as Nanjing Zhangyu was held as to 51% indirectly by the Company and 49% indirectly by Mr. Peng Yinan, Nanjing Zhangyu was a connected subsidiary of the Company under Rule 14A.16 of the Listing Rules. Furthermore, as the Second Loan Agreement, subject to the conditions precedent set out therein, and the First Loan Agreement were a series of transactions entered into with the same party within a 12-month period, the Second Loan Agreement and the First Loan Agreement were aggregated as if they were one transaction pursuant to Rule 14A.81 of the Listing Rules. As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) on an aggregate basis exceeds 5% and 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 were subject to the reporting, announcement, annual review and the independent shareholders' approval requirements.

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

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

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

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

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

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

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

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

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

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

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

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

Events after the Reporting Period

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

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

(f) Compensation of key management personnel

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Short term benefits	**3,581**	3,491
Retirement benefits scheme contribution	**319**	342
Total	**3,900**	3,833

15. DONATIONS & CAPITAL COMMITMENTS

	As at 30 June 2024	As at 31 December 2023
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Contracted but not provided for property, plant and equipment	**–**	–
Donation commitment	**1,000**	1,500
	1,000	1,500

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

(I) MANAGEMENT DISCUSSION AND ANALYSIS

Consolidated Statement of Profit or Loss

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

Revenue

The Group's revenue for the six months ended 30 June 2024 ("**1H2024**" or the "**Reporting Period**") increased by approximately RMB46.7 million, or approximately 4.4% from approximately RMB1,068.6 million in the six months ended 30 June 2023 ("**1H2023**") to approximately RMB1,115.3 million in 1H2024.

Part of the increase in revenue for 1H2024 comparing 1H2023 is due to the completion of the acquisition of Zhejiang Zhongguang New Energy Technology Co., Ltd. and its subsidiaries ("**Zhongguang New Energy**") in July 2023.

The revenue of Zhongguang New Energy formed the New Energy and Services business segment of the Group. The New Energy and Services business segment has contributed approximately RMB68.0 million in revenue in 1H2024.

By separating the revenue contribution by the New Energy and Services business segment in 1H2024, (i) the Telecommunications business segment recorded a slight decrease in revenue of approximately RMB23.5 million or 2.4% from 1H2023's approximately RMB992.8 million to 1H2024's approximately RMB969.3 million and (ii) the Digital Technology and Digital Security business segment (comprising of Nanjing Zhangyu Information Technology Co., Ltd. ("**Nanjing Zhangyu**") and Shanghai Zhangyu Information Technology Co., Ltd. ("**Shanghai Zhangyu**") (collectively, the "**Zhangyu Companies**") but excluding Zhongguang New Energy) recorded a slight increase in revenue of approximately RMB2.2 million or 2.9% from 1H2023's approximately RMB75.8 million to 1H2024's approximately RMB78.0 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 1H2024, Zhangyu Companies have recorded revenue of approximately RMB78.0 million (representing an increase of approximately RMB2.2 million or 2.9% from approximately RMB75.8 million for 1H2023), of which revenue from (i) design services was approximately RMB11.1 million; (ii) tape-out service was approximately RMB38.6 million; (iii) IP authorization service was approximately RMB5.6 million; and (iv) digital technology, cloud computing and services were approximately RMB22.7 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.

During 1H2024, Zhongguang New Energy have recorded revenue of approximately RMB68.0 million from the sales of solar power from the business segment's 50MW and 10MW power generating facilities. In 1H2024, the 50MW power plant has operated 2,313 hours (representing an increase of approximately 5.6% year-on-year) and generated 67.77 MkWh of electricity (representing an increase of approximately 8.4% year-on-year), of which the grid-connected power generated was 66.44 MkWh (representing an increase of approximately 8.3% year-on-year). The New Energy and Services business segment will provide the Group with stable and consistent income stream and has marked the Group's successful leap into a new business diversification arena.

Telecommunications

Due to continuous fierce market competition during 1H2024, Telecommunications business segment recorded a slight decrease in revenue of RMB23.2 million or 2.3% from 1H2023 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 18.8% for 1H2024 compared to approximately 19.4% for 1H2023, representing a slight decrease of approximately 0.6 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 15.2%, representing a decrease of approximately 3.5 percentage points from the previous year's approximately 18.7%. The Digital Technology and Digital Security business segment has achieved a gross profit margin of approximately 35.3% during 1H2024 (gross profit margin of approximately 29.7% during 1H2023), representing an increase of approximately 5.6 percentage points year-on-year. The New Energy and Service business segment has achieved a gross profit margin of approximately 58.6% in 1H2024.

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. In particular, the gross profit margin for the RF coaxial cables products have faced approximately 33% decrease in gross profit margin and is the major culprit for the business segment's deterioration in gross profit margin.

Accordingly, gross profit contribution for the Telecommunications business segment in 1H2024 has recorded a year-on-year decrease of RMB38.2 million or 20.6% from 1H2023's RMB185.3 million to 1H2024's RMB147.1 million.

For the Digital Technology and Digital Security business segment, overall gross profit margin for 1H2024 was approximately 35.3% (gross profit margin of approximately 29.7% during 1H2023), representing an increase of approximately 5.6 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 1H2024 comparing 1H2023, the Digital Technology and Digital Security business segment has recorded a higher gross profit margin and gross profit contribution in 1H2024 was RMB27.5 million, representing an increase of RMB5.0 million or 22.2% from 1H2023's RMB22.5 million. For the New Energy and Services business segment, overall gross profit margin for 1H2024 was approximately 58.6% and gross profit contribution to the Group was RMB39.9 million in 1H2024. 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 a slight decrease in the combined gross profit margin year-on-year.

In order to increase the gross profit margin of the Group, the Group will enhance product profitability by increasing investment in new product research and development and the application of new technologies. 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, shorten the receivables cycle 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 its acquisition in the second half of 2023 and more operation and maintenance services are expected to be secured for solar thermal projects in China in future, the Group will be able to achieve higher overall gross profit margin and gross profit contribution as these new business segments have much higher profitability than the Group's traditional Telecommunications business segment.

Other operating income

Other operating income increased by approximately RMB21.3 million or approximately 85.9% from approximately RMB24.8 million in 1H2023 to approximately RMB46.1 million in 1H2024. The increase is primarily due to:

(i) an increase in interest income by approximately RMB9.3 million;

(ii) an increase in government grants and subsidies of approximately RMB17.1 million;

(iii) a decrease in net foreign exchange gain of RMB8.1 million; and

(iv) a net increase in other items of approximately RMB3.0 million.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB11.4 million or approximately 20.7% from approximately RMB55.0 million in 1H2023 to approximately RMB66.4 million in 1H2024. This was due to a combination of various factors including the increase in salary expenses under selling and distribution expenses, the increase in transportation costs, and the increase in travelling and hospitality expenses due to the need to explore markets during 1H2024.

Administrative expenses

Administrative expenses increased by approximately RMB21.8 million or approximately 76.8% from approximately RMB28.4 million in 1H2023 to approximately RMB50.2 million in 1H2024. The increase was mainly due to (i) the six months consolidation of the administrative expenses from Zhongguang New Energy in 1H2024 (accounted for approximately RMB12.1 million, mainly comprising approximately RMB6.2 million of payroll related expenses) after the completion of the acquisition in July 2023; (ii) increase in depreciation charges of approximately RMB2.3 million; and (iii) increase in the consulting and legal and profession fees of approximately RMB3.5 million.

Other operating expenses

Other operating expenses decreased by approximately RMB21.5 million or approximately 22.9% from approximately RMB93.7 million in 1H2023 to approximately RMB72.2 million in 1H2024. Such change is mainly due to:

(i) an increase in research and development ("**R&D**") expenses by approximately RMB17.7 million or 32.5% year-on-year from 1H2023's approximately RMB54.5 million to approximately RMB72.2 million in 1H2024. During 1H2024, approximately RMB56.8 million (representing an increase of approximately RMB8.8 million or 18.3% from approximately RMB48.0 million in 1H2023) of R&D was attributable to the continuing R&D activities undertaken for the modifications and improvements to the Group's telecommunications products during 1H2024; approximately RMB10.3 million was due to the R&D undertaken by the Zhangyu Companies during the full year 1H2024; and approximately RMB5.1 million was due to the R&D undertaken by Zhongguang New Energy during 1H2024; (ii) the absence of impairment loss on trade receivable in 1H2024 (approximately RMB30.2 million in 1H2023); and (iii) reversal of stock obsolescence of approximately RMB2.6 million in 1H2024 (provision for stock obsolescence of approximately RMB6.0 million in 1H2023).

Interest expense

Interest expense increased by approximately RMB18.2 million or approximately 319.3% from approximately RMB5.7 million in 1H2023 to approximately RMB23.9 million in 1H2024, mainly because of the interest expenses relating to the bank borrowings for the acquisition of Zhongguang New Energy and the interest expenses relating to Zhongguang New Energy's bank loans.

Profit from operations

Profit from operations increased by approximately RMB12.0 million or approximately 21.6% from approximately RMB55.5 million in 1H2023 to approximately RMB67.5 million in 1H2024. During 1H2024, Zhongguang New Energy have made positive profit contribution to the Group, forming a new driver for the Group's growth.

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 1H2024 as they qualify as a high-tech enterprise in the PRC. Income tax expense increased by approximately RMB1.2 million or approximately 13.3% from approximately RMB9.0 million in 1H2023 to approximately RMB10.2 million in 1H2024. The increase is mainly due to the increase in profit from operations during 1H2024.

Profit Attributable to Equity Shareholders of the Company

In view of the above, after taking into account of the effects of the increase in interest expense and non-controlling interests, profit attributable to equity shareholders of the Company decreased by approximately RMB23.5 million or approximately 46.9% from approximately RMB50.1 million in 1H2023 to approximately RMB26.6 million in 1H2024.

Consolidated Statement of Financial Position

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

Goodwill

As at 30 June 2024 and 31 December 2023, goodwill amounted to approximately RMB201.6 million, of which RMB155.1 million was due to the acquisition of the Zhangyu Companies in 2022 and RMB46.5 million was due to the acquisition of Zhongguang New Energy in the second half of 2023. No impairment on goodwill was required in 1H2024.

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 RMB64.6 million or approximately 33.1% from approximately RMB194.9 million as at 31 December 2023 to approximately RMB259.5 million as at 30 June 2024. The increase was mainly due to the increase in finished goods of Telecommunications business segment for delivery in the third quarter of 2024 and the increase in finished goods for tape-out and design services customers of the Digital Technology and Digital Security business segment.

Trade and other receivables

(i) Net trade and bills receivables increased by approximately RMB85.2 million or approximately 10.3% from approximately RMB830.3 million as at 31 December 2023 to approximately RMB915.5 million as at 30 June 2024. The increase in net trade and bills receivables is mainly due to the (i) increase from Telecommunications business segment of approximately RMB34.7 million (which is due to the increase in business segment revenue during the second quarter of 2024); and (ii) the increase from New Energy and Services business segment of approximately RMB49.3 million (which is due to the revenue on the sale of electricity in 1H2024). As at 30 June 2024, based on the invoice date and net of allowance for impairment, approximately 76.2% of the net trade and bills receivables are within 6 months as compared with that of approximately 70.8% as at 31 December 2023.

    For long aged net trade and bills receivables, as at 30 June 2024, approximately 9.8% were over two years (as compared with 7.3% as at 31 December 2023). The long aged net trade and bills receivables were mostly relating to non-operator customers of the Telecommunications business segment (amounted to approximately RMB38.1 million) and the receivables from the sale of electricity for the New Energy and Services business segment (amounted to approximately RMB51.6 million). 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 RMB178.4 million or approximately 184.7% from approximately RMB96.6 million as at 31 December 2023 to approximately RMB275.0 million as at 30 June 2024. The increase was mainly due to the (i) deposits paid for the acquisition of the remaining equity interests in Nanjing Zhangyu and Shanghai Zhangyu and (ii) funds advanced for the proposed business restructuring of Zhongguang New Energy.

Trade and other payables

(i) Trade payables increased by approximately RMB289.8 million or approximately 101.7% from approximately RMB284.9 million as at 31 December 2023 to approximately RMB574.7 million as at 30 June 2024. The increase is mainly due to the increase in purchases of raw materials for the Telecommunications business segment.

(ii) Other payables recorded a decrease of approximately RMB39.6 million or approximately 23.5% from approximately RMB168.2 million as at 31 December 2023 to approximately RMB128.6 million as at 30 June 2024. The decrease is mainly due to the decrease in payroll related payables.

Current bank loans and non-current bank loans

The current and non-current bank loans as at 30 June 2024 amounted to approximately RMB1,011.4 million (approximately RMB1,012.9 million as at 31 December 2023). Of which approximately RMB481.7 million (approximately RMB496.9 million as at 31 December 2023) was related to the bank loans of Qinghai Zhongkong Solar Power Co., Ltd. having maturity dates from 2024 to 2034 and carry fixed interest rates from 3.45% to 4.25% per annum (as at 31 December 2023: 3.5% to 4.7% per annum). The rest of the current and non-current bank loans amounted to approximately RMB529.7 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.

(II) LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2024, the Group's total assets were approximately RMB4,620,126,000 (31 December 2023: RMB4,247,771,000) (of which current assets were approximately RMB2,952,654,000 (31 December 2023: RMB2,517,664,000) and non-current assets were approximately RMB1,667,472,000 (31 December 2023: RMB1,730,107,000)), the total liabilities were approximately RMB1,760,277,000 (31 December 2023: RMB1,509,198,000), of which current liabilities were approximately RMB933,563,000 (31 December 2023: RMB648,831,000) and non-current liabilities were approximately RMB826,714,000 (31 December 2023: RMB860,367,000)), and shareholder's equity attributable to equity shareholders of the Company reached approximately RMB2,040,202,000 (31 December 2023: RMB1,925,709,000). As at 30 June 2024, the Group's total cash, time deposits and pledged deposits were approximately RMB1,419,165,000 (31 December 2023: approximately RMB1,380,821,000).

As at 30 June 2024, the Group has current bank loans due within one year of approximately RMB206,352,000 (31 December 2023: RMB176,543,000) carrying fixed interest rates and non-current bank loans of approximately RMB805,025,000 carrying fixed interest rates (31 December 2023: RMB836,366,000).

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

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

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

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

	As at	
	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Total liabilities	**1,760,277**	1,509,198
Total assets	**4,620,126**	4,247,771
Debt-to-assets ratio (%)	**38%**	36%

(III) REVIEW AND OUTLOOK

The Group's revenue for 1H2024 was approximately RMB1,115.3 million, representing an increase of approximately 4.4% over the same period in 2023; the net profit attributable to equity shareholders of the Company was approximately RMB26.6 million, representing an decrease of approximately 46.9% over the same period in 2023.

In 1H2024, China's economy maintained a generally stable trajectory. Although confronted with various challenges, it still exhibited an impressive momentum of development. In 1H2024, China's GDP grew steadily, at a growth rate of 5.0% on a year-on-year basis during the period. The operation was generally stable with progress while maintaining stability. New drivers of growth propelled forward, ushering in a new era of high-quality development. In the second quarter of 2024, GDP grew by 4.7%, which was a slower pace than the 5.3% growth in the first quarter. The relevant decline can be attributed to short-term factors such as extreme weather and frequent rain and flood disasters in the second quarter. However, the fundamentals of stable economic operation and long-term improvement have remained unaltered. The economic volume in the second quarter exceeded RMB32 trillion, whereas total added value of industrial enterprises and total import and export of goods exceeded RMB10 trillion, which exhibited the considerable magnitude of aggregate indicators. China's domestic demand continued to recover while external demand embraced with improvement. For 1H2024, added value of industrial enterprises above the designated size grew by 6.0% year-on-year, representing an increase by 1.4 percentage points over the year-on-year growth rate of 4.6% for the whole year of 2023. China's national fixed assets investment increased by 3.9% year-on-year, of which investment in the infrastructure and manufacturing industry rose by 5.4% and 9.5% respectively, whereas investment in the electronics and communications equipment manufacturing industry grew by 15.3%, indicating a hint of recovery. For 1H2024, investment in high-tech industry of China increased by 10.6% on a year-on-year basis, outpacing overall investment by 6.7 percentage points. Relevant indicators confirm that China's economic structure is continuously optimized, with new impetus accelerated to be nurtured and strengthened. As at the end of June 2024, a total of 3,917,000 5G base stations had been completed and commissioned, representing a net increase of 540,000 as compared with that of the end of 2023.

In general, China's economy performed steadily in 1H2024 and continued to maintain a momentum of high-quality development. Nevertheless, given the potential risks noteworthy for concern, it is imperative for us to remain vigilant and resilient to pave the way for the economy development in the second half of 2024.

Digital Technology and Digital Security

Data released by the Semiconductor Industry Association of the United States of America (SIA) on 5 July 2024 indicated that the revenue of the global semiconductor industry reached US$49.15 billion in May 2024, representing a year-on-year increase of 19.3% and a month-on-month increase of 4.1%. From a regional perspective, in terms of year-on-year data in May 2024, China grew by 24.2%, the United States grew by 43.6%, and Asia-Pacific and other regions grew by 13.8%; however, Europe fell by 9.8%, and Japan fell by 5.8%. In terms of month-on-month data in May 2024, China grew by 5%, the United States grew by 6.5%, Asia-Pacific and other regions grew by 3%, Japan grew by 1.6%; however, Europe fell by 9.6%. In the wake of the shortages resulting from COVID-19 pandemic, the huge amount of investment poured into the industry to build up capacity has been beyond expectations obviously, leading to a downward cycle caused by overcapacity that has lasted for more than two years. Driven by continuous destocking, investment curtailment and production capacity downsizing, there are conspicuous indications of recovery at the industry level.

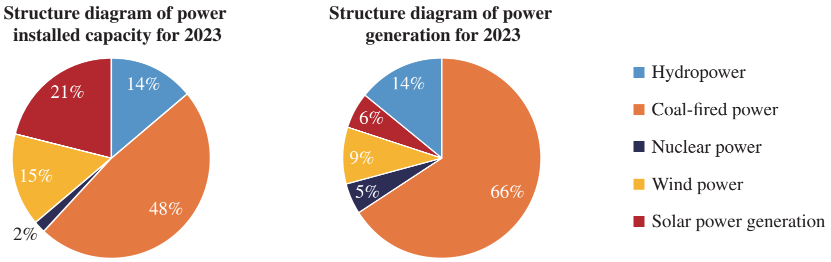
According to the World Semiconductor Trade Statistics ("**WSTS**"), global semiconductor sales are expected to increase by 13.1% in 2024, hitting a record high of US$588.364 billion, due to the popularity of generative AI, which has driven a surge in demand for related semiconductor products, plus the estimated significant recovery of storage demand. From the perspective of subcategories, WSTS predicts that the three fastest-growing categories in 2024 are storage, logic and processors, with a growth of 44.8%, 9.6% and 7.0% respectively. Affected by destocking and sluggish demand, the analog chips are expected to grow by approximately 3.7%.

Strong demand for AI computility chips, a form of generative artificial intelligence, continues to lead the way. On the one hand, artificial intelligence servers, equipped with high-speed IO chips and memory controllers to handle data transfer as well as power management chips to optimize the consumption of computing and memory units, bring incremental growth to mature process products. On the other hand, the Edge AI with innovative applications accelerates to develop, benefiting chips, such as SoC, MCU, storage, which are required for edge-based machine learning, as well as related manufacturing techniques, 3D capsulation, etc.

The Group will seize the market opportunity by stabilizing existing customers, expanding and exploring new customers, and excelling in chips customization services to outperform the industry. Simultaneously, the Group will vigorously develop new businesses in IP licensing and digital security and create new growth opportunities. In 1H2024, the Group's Digital Technology and Digital Security business segment recorded revenue of approximately RMB78.0 million. In particular, chips customization services generated revenue of approximately RMB49.7 million, semiconductor IP licensing generated revenue of RMB5.6 million, and digital security contributed RMB22.7 million in revenue. Currently, the Digital Technology and Digital Security business segment has an order backlog of over RMB150.0 million, laying a solid foundation for the Group's operations in the second half of 2024.

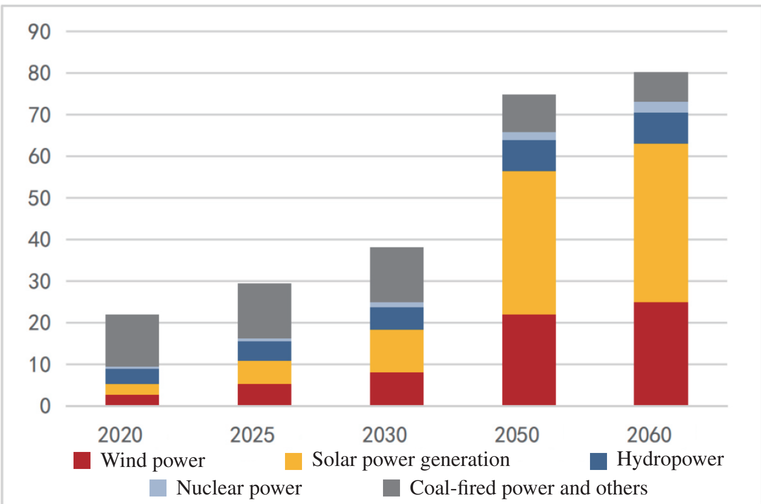
New Energy and Service

In 2023, the total installed power capacity and the total power generation in China was 2.92 billion kilowatts and 9.46 trillion kilowatt-hours respectively. In 2023, the total installed capacity of wind power and photovoltaic power exceeded 1 billion kilowatts, accounting for approximately 36% of China's total installed power generation capacity; however, due to the low utilization hours of wind power and photovoltaic power, their total power generation accounted for less than 16%.



Data source: "Statistical Bulletin of the National Economic and Social Development of the People's Republic of China in 2023" by the National Bureau of Statistics

To accomplish the objectives of "Dual Carbon", it's imperative to construct a novel power system with new energy as the primary power source, wherein the total installed capacity of wind and photovoltaic power will far exceed the maximum power load. Simultaneously, the high proportion of grid-connected wind electricity alongside photovoltaic power will present a series of challenges to the power system. China's National Development and Reform Commission and the National Energy Administration issued the "Planning and Layout Scheme for Large-scale Wind and Photovoltaic Bases Focusing on Deserts, Gobi and Arid Areas", proposing that by 2030, the total installed capacity of the wind and photovoltaic bases is planned to be about 455 million kilowatts.



Changes in total installed power capacity of China by category from 2020 to 2060 (unit: 100 million kilowatts)

Data source: Global Energy Interconnection Development and Cooperation Organization

Solar thermal power generation is a typical new energy source that contributes to the consumption of new energy, which can provide rotational inertia and reactive support. It is an extremely rare grid-friendly low-carbon power source. It can also be equipped with a natural gas or biomass supplementary combustion system as a backup power source. From a technical perspective, solar thermal power generation serves as an ideal choice for power systems with a high proportion of new energy. In March 2023, the Notice Related to Promoting the Large-scale Development of Solar Thermal Power issued by the Comprehensive Affairs Department of the China National Energy Administration, proposing that it would strive to increase by about 3 million kilowatts in term of newly commenced construction of solar thermal power generation in China annually during the "14th Five-Year Plan" period. As of the end of 2022, China's cumulative installed capacity of solar thermal power generation amounted to a mere 588MW, in which a gap of approximately 14.5GW (14,500MW) existed when compared to the target of constructing 15GW (15,000MW) during the "14th Five-Year Plan" period. Under the promotion of policies, China's solar thermal power generation industry has gradually entered the stage of large-scale commercialization.

Zhejiang Zhongguang New Energy Technology Co., Ltd. ("**Zhongguang New Energy**") is a pioneer in the construction of solar thermal power stations and molten salt fields in China. Its mission is to promote the application of "solar thermal power generation" as the core focus while integrating various energy storage technologies. It is committed to becoming an investment, construction and management platform in the field of new energy storage. Zhongguang New Energy currently wholly owns two tower-type solar thermal molten salt energy storage power stations with capacities of 10MW and 50MW in Delingha, Qinghai. Such stations represent the first batch of demonstration projects for solar thermal power generation in China, serving as key projects supported by China's strategic emerging industries, with a designed generation capacity of 146 million kWh, and are the world's first power stations of solar thermal energy storage to reach such designed generation capacity.

Leveraging its practical experience and accumulated expertise in the construction, operation, and maintenance of solar thermal power plants for over ten years, Zhongguang New Energy conducts timely market deployment and provide other solar thermal power plants with standardized and systematic O&M solutions covering the entire life cycle, safeguarding the smooth operation of power plants. As of 30 June 2024, Zhongguang New Energy has contracted a total of three external orders for operation and maintenance of solar thermal power station, namely the Jinta Zhongguang Solar Project with China Green Development, the Xinjiang Shanshan 1GW Integrated Project with SPIC, and the Qinghai-Henan DC Phase II Haixi Base with PowerChina Northwest. The cumulative amount of contractual orders amounted to RMB124 million. There were more than 5 potential cooperative customers in the process of commercial negotiations and follow-up communication. The total contract amount was expected to exceed RMB200 million.

Telecommunications

With the deepening construction of 5G in China and the comprehensive coverage of mobile communications wireless network driving network investment and construction, the Group currently has abundant orders on hand for Radio Frequency Coaxial Cables, Antennas, radio frequency connectivity and other products, all of which have achieved full production capacity, laying a solid foundation for the operation in the second half of 2024. Meanwhile, the Company achieved certain overseas results in 1H2024, recording a year-on-year increase of approximately 39.5%. However, the forecast for the second half of 2024 remains somewhat uncertain. This is mainly due to the impact of complex overseas policies and situations on a global scale, including the continuous trade frictions and the ongoing geopolitical tensions. These uncertainties have led to fluctuations in market demand and increased difficulty in exploring overseas markets. In the face of these challenges, the Company will continue its efforts to strengthen risk management and market forecasting, and to seek innovative solutions to ensure the steady growth of its business in a complex international environment.

The continuous growth in investment of the domestic electronics and telecommunications equipment manufacturing industry in China provided favorable external conditions for the sales of the Group's various products such as base station antennas, conventional feeder cables and jumper cable assemblies. The Group also won a number of centralized procurement tender projects of China Mobile and China Telecom with high ranking respectively during 1H2024, which laid a solid foundation for the business in 2024. During 1H2024, the Group won the biddings in centralized procurement tender projects with amount of more than RMB1.9 billion from major telecom operators in mainland China, and telecom operators in various provinces in China together with a number of enterprise level customers continuing to strengthen and consolidate its market position.

Outlook

In the second half of 2024, the international environment is expected to remain complex. However, under the vigorous macroeconomic, monetary and fiscal policies adopted by China, it is expected that China will achieve the goal of economy growth for the whole year, as well as sustainable economic development towards a high-quality and innovative economy, which will generate a large number of investment opportunities during the transformation of economy. With the completion of the acquisition of the remaining equity interests in Nanjing Zhangyu and Shanghai Zhangyu in the second half of 2024, the Group will not only be able to diversify its business model and leverage on its digital security technology to collaborate in the development of operation and maintenance services for solar thermal projects, but also create a new and stable source of income.

It is expected that with the diversification of the Group's business and the synergies among the business segments, it will lay a good foundation for the stable and sustainable development of the Group and create greater value for our shareholders.

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

As at 30 June 2024, the interests and short positions of the Directors and chief executives of the Company in shares and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**SEHK**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which are required to be entered into, as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules were as follows:

Long positions in the Company:

Name of Directors	**Capacity and nature of interests**	**Number of ordinary shares held**	**Approximate percentage of the Company's issued share capital**
Mr. Cui Wei[(1)]	Deemed interest and interest in controlled corporation	108,868,662	23.38%
Ms. Zhang Zhong[(2)]	Deemed interest and interest in controlled corporation	15,894,525	3.41%
Mr. Du Xiping	Beneficial owner	11,468,000	2.46%

Notes:

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

(2) Ms. Zhang Zhong beneficially owns the entire issued share capital of Wellahead Holdings Limited ("**Wellahead**"), and Wellahead in turn holds approximately 3.41% of the total issued shares in the Company.

Saved as disclosed above, as at 30 June 2024, none of the Directors and chief executives of the Company nor their associates had or deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to Section 352 of Part XV of the SFO or which has been notified to the Company and the SEHK pursuant to the Model Code.

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

As at 30 June 2024, insofar as is known to the Directors and chief executives of the Company, the following shareholders having interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long positions in the Company:

Name of substantial shareholders	Capacity and nature of interests	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Kingever*(Note)*	Beneficial owner	108,868,662	23.38%
Mr. Cui Wei*(Note)*	Deemed interest and interest in controlled corporation	108,868,662	23.38%

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

Saved as disclosed above, as at 30 June 2024, no person, other than the Directors, whose interests are set out in the paragraph headed "Directors' and chief executives' interests and short positions in shares and underlying shares and debentures" above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

Neither at the end of the Reporting Period nor at any time during the Reporting Period did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the employee equity incentive scheme (the "**Incentive Scheme**") adopted by the Company at its extraordinary general meeting held on 26 April 2019. The Incentive Scheme is not subject to the regulation of the Listing Rules.

(VI) SUPPLEMENTAL INFORMATION

1. Audit Committee and its Terms of Reference

The Company's audit committee members are Mr. Qian Ziyan, Mr. Cui Wei, Dr. Li Jun, Mr. Pu Hong and Ms. Zhang Zhong. The audit committee, which is chaired by Mr. Qian Ziyan, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2024.

2. Compliance with Corporate Governance Code

The Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules for the six months ended 30 June 2024.

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

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

4. Dividends

No dividend has been recommended by the Company for the six months ended 30 June 2024.

5. Review of financial results

The consolidated interim results of the Group for the six months ended 30 June 2024 have not been audited or reviewed by the Company's auditors.

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

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

7. Employees and remuneration practices

As at 30 June 2024, there were 1,033 (as at 31 December 2023: 1,095) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

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

8. Major Transaction During The Reporting Period

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

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

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

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

As Xuzhou Jinkan was ultimately owned as to approximately 99% by Mr. Peng Yinan, being an executive Director and a connected person of the Company under the Listing Rules. Accordingly, Xuzhou Jinkan is an associate of Mr. Peng Yinan and a connected person of the Company. As at 21 June 2024, Mr. Bai Yuanliao, being a substantial shareholder of Shanghai Zhangyu, was a connected person of the Company at the subsidiary level. The acquisition of the Sale Equity therefore also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

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

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

9. Placing Of New Shares Under the General Mandate During the Reporting Period

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

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

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

Upon completion of the Placing the net proceeds, after deducting related Placing commission, professional fees and all related expenses, arising from the Placing are approximately HK$72.6 million. The Company intends to use such net proceeds from the Placing in the following manner:

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

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

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

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

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

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

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

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

As at 30 June 2024, none of the net proceeds have been used and were placed as short-term bank fixed deposit.

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

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

Notes:

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

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

3. Du Xiping is a non-executive director of the Company.

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

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

10. Events after the Reporting Period

Save as disclosed in this report, no important events affecting the Group has occurred since the end of the six months ended 30 June 2024 and up to the date of this report.

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

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

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

Singapore, 23 August 2024

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