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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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This Circular is issued by Hengxin Technology Ltd. (the “Company”). **If you are in any doubt** as to the action you should take, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser immediately.

**If you have sold or transferred** all your Shares in the capital of the Company, you should at once hand this Circular, the notice of the extraordinary general meeting (the “EGM”) and attached proxy form to the purchaser or to the stockbroker or to the bank or to the agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase, or subscribe for securities of the Company.

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**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)**

### **APPROVAL FOR THE REVISED 2023 SINGAPORE FINANCIAL STATEMENTS AND NOTICE OF THE EGM**

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Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this circular.

A letter from the Board is set out from pages 3 to 6 of this circular.

A notice convening the EGM to be held at Unit 08, 43/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong on 26 July 2024 (Friday) at 11:00 a.m. or any adjournment is set out from pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed.

Whether or not you are able to attend the EGM, you are requested to (a) complete and return the proxy form accompanying this circular in accordance with the instructions printed thereon appointing the chairman of the EGM as your proxy, to the Company’s Principal Share Registrar in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, Keppel Bay Tower #14-07, Singapore 098632 (for Shareholders registered in Singapore), or to the Company’s Branch Share Registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong (for Shareholders registered in Hong Kong); or (b) submit the form of proxy electronically at <https://spot-emeeting.tricor.hk/#/485> in accordance with the instructions printed on the accompanying notification letter, in each case as soon as possible and in any event not later than forty-eight (48) hours before the time of the EGM (or at any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM, or any adjournment thereof, should you so wish and in such event, the form of proxy shall be deemed to be revoked.

9 July 2024

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## CONTENTS

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	<i>Page</i>
Definitions . . . . .	1
Letter from the Board . . . . .	3
Revised 2023 Singapore Financial Statements . . . . .	APP-1
Notice of EGM . . . . .	EGM-1

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## DEFINITIONS

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*In this circular, the following expressions shall have the following meanings unless the context requires otherwise:*

“Acquisition”	the acquisition of (i) 49% equity interest in Nanjing Zhangyu and (ii) 49% equity interest in Shanghai Zhangyu from Xuzhou Jinkan and Mr. Bai Yuanliao as the vendors by Xin Ke Xin as the purchaser at the total consideration of RMB522 million pursuant to the terms and conditions of the Equity Purchase Agreement
“Board”	the board of Directors
“Company”	Hengxin Technology Ltd., a company incorporated in Republic of Singapore with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1085)
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held for the Shareholders to, among other things, consider and, if thought fit, approve the revised 2023 Singapore financial statements
“Equity Purchase Agreement”	the conditional equity purchase agreement dated 20 May 2024 and entered into among Xin Ke Xin as the purchaser, Xuzhou Jinkan and Mr. Bai Yuanliao as the vendors, Nanjing Zhangyu and Shanghai Zhangyu in respect of the Acquisition
“FY 2023”	the financial year ended 31 December 2023
“Group”	the Company and its subsidiaries from time to time
“KPMG”	KPMG, the Hong Kong auditors of the Company
“KPMG LLP”	KPMG LLP, the Singapore auditors of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nanjing Zhangyu”	Nanjing Zhangyu Information Technology Co., Ltd* (南京掌御信息科技有限公司), a company established under the PRC laws with limited liability and an indirect non-wholly-owned subsidiary of the Company
“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan

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## DEFINITIONS

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“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Zhangyu”	Shanghai Zhangyu Information Technology Co., Ltd.* (上海掌御信息科技有限公司), a company established under the PRC laws with limited liability and an indirect non-wholly-owned subsidiary of the Company
“Shareholder(s)”	shareholder(s) of the Company
“Singapore”	the Republic of Singapore
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Wuxi Sihai”	Wuxi Sihai Technology Co., Ltd* (無錫思海科技有限公司), a company established in the PRC with limited liability and a direct non-wholly-owned subsidiary of Nanjing Zhangyu
“Xin Ke Xin”	Xin Ke Xin (Suzhou) Technology Co., Ltd.* (鑫科芯(蘇州)科技有限公司), a company established under the PRC laws with limited liability and an indirect wholly-owned subsidiary the Company
“Xuzhou Jinkan”	Xuzhou Jinkan Management Consulting Partnership (Limited Partnership)* (徐州錦瞰管理諮詢合夥企業(有限合夥)), a limited partnership established under the laws of the PRC
“2024 AGM”	the annual general meeting of the Company held on 29 April 2024

*Words importing the singular number shall include the plural number where the context admits and vice versa. Words importing the masculine gender shall include the feminine gender where the context admits. Reference to persons shall, where applicable, include corporations.*

*Any reference to a time of a day or date in this circular is a reference to Singapore time or date.*

*In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.*

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## LETTER FROM THE BOARD

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### **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)**

*Directors:*

Mr. Cui Wei (*Chairman and Non-Executive Director*)  
Mr. Peng Yinan (*Executive Director*)  
Dr. Song Haiyan (*Executive Director*)  
Mr. Du Xiping (*Non-Executive Director*)  
Ms. Zhang Zhong (*Non-Executive Director*)  
Mr. Qian Ziyan (*Independent Non-Executive Director*)  
Dr. Li Jun (*Independent Non-Executive Director*)  
Mr. Pu Hong (*Independent Non-Executive Director*)

*Registered office:*

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

*Head office and principal place of business  
in Singapore:*

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

9 July 2024

*To: The Shareholders of Hengxin Technology Ltd.*

Dear Sir/Madam,

### **APPROVAL FOR THE REVISED 2023 SINGAPORE FINANCIAL STATEMENTS AND NOTICE OF THE EGM**

#### **INTRODUCTION**

Reference is made to the notice of annual general meeting of the Company dated 28 March 2024, the 2024 AGM and the poll results announcement for the 2024 AGM dated 29 April 2024.

The Company wishes to seek the Shareholders' approval to revoke a resolution passed at the 2024 AGM. The purpose of this circular is to provide the Shareholders with (i) further information on the proposal of the resolution to be revoked; (ii) other information as required under the Listing Rules; and (iii) a notice of the EGM.

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## LETTER FROM THE BOARD

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### HISTORICAL BACKGROUND

As the Company was incorporated in Singapore, since its appointment at the extraordinary general meeting of the Company held on 6 December 2016 and prior to October 2019, KPMG LLP had been appointed as the registered auditor of the Company in Singapore and prepared the audited financial statements of the Company for the financial years ended 31 December 2016, 2017 and 2018 in accordance with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board. Pursuant to section 20ZB of the Financial Reporting Council Ordinance (Cap 588, Laws of Hong Kong) (the “FRCO”), which became effective on 1 October 2019, KPMG LLP was regarded as an overseas auditor and must first be recognized by the Accounting and Financial Reporting Council (formerly known as Financial Reporting Council) in Hong Kong before KPMG LLP could undertake any audit engagement for the Company for the financial year ended 31 December 2019. In order to streamline the auditing arrangement of the Company and not to be bound by the requirements of the FRCO, at the extraordinary general meeting of the Company held on 17 December 2019, KPMG was appointed as the auditor of the Company to fulfil the requirements of the Listing Rules and the FRCO. As such, KPMG LLP remains as the Company’s registered auditor in Singapore for the purpose of complying with Singapore statutory reporting requirements and there has been no change in KPMG LLP’s appointment.

Since the appointment of KPMG, the financial statements of the Company audited by KPMG LLP are prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)”) issued by the Accounting Standards Council while the financial statements of the Company audited by KPMG are prepared in accordance with the IFRS. Such audit arrangement therefore fulfils the relevant requirements under the Singapore Companies Act, the Listing Rules and FRCO.

For further details about the appointment of KPMG, please refer to the announcement of the Company dated 10 October 2019, circular of the Company dated 22 November 2019 and the poll results announcement dated 17 December 2019.

As a result of the aforesaid appointment, at each annual general meeting held in 2020 and thereafter, in addition to the report of the Directors and the audited financial statements for the relevant financial year together with the auditors’ report prepared in accordance with the IFRS, the Shareholders need to receive and adopt the report of the Directors and the audited financial statements for the relevant financial year together with the auditors’ report prepared in accordance with the SFRS(I) for the purpose of complying with the filing requirements under the laws of Singapore. The two audited financial statements prepared in accordance with IFRS and SFRS(I) are basically identical and are tabled at each annual general meeting held in 2020 and thereafter for Shareholders’ review. Therefore, the Company considered that it was not necessary to publish the audited financial statements prepared in accordance with SFRS(I) on the website of the Stock Exchange (<http://www.hkexnews.hk>) or the website of the Company ([www.hengxin.com.sg](http://www.hengxin.com.sg)), as doing so may cause confusion to the Shareholders and potential investors.

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## LETTER FROM THE BOARD

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### 2024 AGM

At the 2024 AGM, among other things, the Shareholders passed (i) a resolution (“**Hong Kong Financial Statements Resolution**”) to receive and adopt the Directors’ Report of the Company and the audited financial statements of the Company and the Group for FY 2023 together with the auditors’ report prepared in accordance to the IFRS (collectively, the “**2023 Hong Kong Financial Statements**”); and (ii) a resolution (“**Singapore Financial Statements Resolution**”) to receive and adopt the Directors’ Report of the Company and the audited financial statements of the Company and the Group for FY2023 together with the auditors’ report prepared in accordance to the SFRS(I) (collectively, the “**2023 Singapore Financial Statements**”).

For the purposes of complying with the SFRS(I) and Companies Act 1967 of Singapore, the 2023 Singapore Financial Statements were revised to (i) include (a) details of the placing of 77,600,000 shares of the Company completed on 13 May 2024 (the “**Placing**”) which had been previously disclosed in the Company’s announcements dated 23 April 2024 and 13 May 2024; (b) the Acquisition (background and information of the Acquisition had been disclosed in the announcements of the Company dated 20 May 2024 and 11 June 2024 and the circular of the Company dated 25 June 2024); and (c) the acquisition of 10% of equity interest Wuxi Sihai by an indirect subsidiary of the Company in January 2024 under the section headed “Non-adjustment events after the reporting period”; and (ii) incorporate clarificatory amendments. The Singapore auditors of the Company considered it necessary to revise the 2023 Singapore Financial Statements as aforesaid, because the Placing and the Acquisition are material events after the reporting period which have to be included in the section headed “Non-adjustment events after the reporting period”.

Notwithstanding the aforesaid revisions to the 2023 Singapore Financial Statements, the Hong Kong Financial Statements Resolution passed at the 2024 AGM remains unaffected and is still valid and in full force and effect and that there has been no change whatsoever of any of the information set out in the 2023 Hong Kong Financial Statements, the Company’s final results announcement dated 25 March 2024 and the Company’s Annual Report for FY2023 published on 28 March 2024 which have been posted on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.hengxin.com.sg>).

Accordingly, the Company now wishes to seek the Shareholders’ approval to revoke the Singapore Financial Statements Resolution passed at 2024 AGM (i.e. the Resolution 2 in the notice of 2024 AGM dated 28 March 2024) and to receive and adopt the revised 2023 Singapore Financial Statements to be tabled at the forthcoming EGM. If the Shareholders do not approve the revised 2023 Singapore Financial Statements, the Company would not be able to proceed with the filing of the annual return with the Accounting and Corporate Regulatory Authority of Singapore in accordance with the Companies Act 1967 of Singapore.

Save and except the amendments mentioned above, the 2023 Hong Kong Financial Statements and the revised 2023 Singapore Financial Statements are basically identical.

Set out in the Appendix to this circular is the revised 2023 Singapore Financial Statements with the proposed amendments highlighted for the Shareholders’ easy reference.

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## LETTER FROM THE BOARD

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### EGM

Set out on pages EGM-1 to EGM-2 is a notice convening the EGM to be held at Unit 08, 43/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong on 26 July 2024 (Friday) at 11:00 a.m.. or any adjournment at which resolution will be proposed to the Shareholders to consider and, if thought fit, approve the revised 2023 Singapore financial statements.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the proxy form accompanying this circular in accordance with the instructions printed thereon appointing the chairman of the EGM as your proxy, to the Company's Principal Share Registrar in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, Keppel Bay Tower #14-07, Singapore 098632 (for Shareholders registered in Singapore), or to the Company's Branch Share Registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong (for Shareholders registered in Hong Kong) as soon as possible and in any event not later than forty-eight (48) hours before the time of the EGM (or at any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM, or any adjournment thereof, should you so wish and in such event, the form of proxy shall be deemed to be revoked.

Pursuant to Article 59 of the Constitution of the Company and Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting of the Company must be taken by way of poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolution to be proposed at the EGM will be voted by way of poll by the Shareholders.

### RECOMMENDATION

The Directors recommend the Shareholders to vote in favour of the ordinary resolution set out in the notice of EGM enclosed to this circular so as to enable the Company to proceed with the filing of the annual return with the Accounting and Corporate Regulatory Authority of Singapore in accordance with the Companies Act 1967 of Singapore.

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



**DIRECTORS' STATEMENT**

We are pleased to submit this annual report to the members of the Company together with the audited consolidated financial statements of the Group for the financial year ended 31 December 2023 (“FY2023”).

In our opinion:

- (a) the financial statements set out on pages FS1 to FS91 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Companies Act 1967 (the “Companies Act”), Singapore Financial Reporting Standards (International) and International Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

**Directors**

The Directors in office during the financial year ended 31 December 2023 and at the date of this statement are as follows:

Cui Wei  
Zhang Zhong  
Du Xiping  
Dr. Song Haiyan  
Peng Yinan

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

**Directors' interests**

According to the register of Directors' shareholdings kept by the Company for the purposes of Section 164 of the Companies Act 1967, particulars of interests of Directors who held office at the end of the financial year ended 31 December 2023 (“FY2023”) (including those held by their respective spouses and children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

Name of Director and corporation in which interests are held	Shareholdings at beginning of the year	Shareholdings at end of the year
<b>Cui Wei</b>		
<i>Hengxin Technology Ltd.</i>		
– ordinary shares		
– deemed interests <sup>1</sup>	108,868,662	108,868,662
<b>Kingever Enterprises Limited<sup>1</sup></b>		
– ordinary shares		
– direct interest	108,868,662	108,868,662
<b>Zhang Zhong</b>		
<i>Hengxin Technology Ltd.</i>		
– ordinary shares		
– deemed interests <sup>2</sup>	15,382,525	15,894,525
<b>Wellahead Holdings Limited<sup>2</sup></b>		
– ordinary shares		
– direct interest	15,382,525	15,894,525
<b>Du Xiping</b>		
<i>Hengxin Technology Ltd.</i>		
– ordinary shares		
– direct interest	11,468,000	11,468,000

<sup>1</sup> Mr. Cui Wei beneficially owns the entire issued share capital of Kingever Enterprises Limited (“**Kingever**”), and Kingever in turn holds 108,868,662 issued shares in the Company. By virtue of Section 7 of the Companies Act, Mr. Cui Wei is deemed to have such interests as held by Kingever in the Company.

<sup>2</sup> Ms. Zhang Zhong beneficially owns the entire issued share capital of Wellahead Holdings Limited (“**Wellahead**”), and Wellahead in turn holds 15,894,525 issued shares in the Company. By virtue of Section 7 of the Companies Act, Ms. Zhang Zhong is deemed to have such interests as held by Wellahead in the Company.

Except as disclosed in this statement, no Director who held office at the end of the financial year ended 31 December 2023 (including those held by their respective spouses and infant children) had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or at date of appointment if later, or at the end of the financial year ended 31 December 2023.

### Share options

During the financial year, there were:

- (a) no options granted by the Company to any person to take up unissued shares in the Company; and

(b) no shares issued by virtue of any exercise of options to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under options.

**Auditors**

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

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**Cui Wei**

*Director*

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**Song Haiyan**

*Director*

~~25 March 2024~~

9 July 2024



KPMG LLP  
12 Marina View #15-01  
Asia Square Tower 2  
Singapore 018961

Telephone +65 6213 3388  
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## INDEPENDENT AUDITORS' REPORT

Members of the Company  
Hengxin Technology Ltd.

### Report on the audit of the financial statements

#### *Opinion*

We have audited the financial statements of Hengxin Technology Ltd. (the “**Company**”) and its subsidiaries (the “**Group**”), which comprise the consolidated statement of financial position of the Group and the statement of the financial position of the Company as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of material accounting policy information, as set out on pages FS1 to FS91.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the “**Act**”), Singapore Financial Reporting Standards (International) (“**SFRS(I)s**”) and International Financial Reporting Standards (“**IFRSs**”) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (“**ISA**”). Our responsibilities under those standards are further described in the ‘*Auditors’ responsibilities for the audit of the financial statements*’ section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (“**ACRA Code**”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key audit matters*

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

Accounting for business combination  
(Refer to Note 34 to the financial statements)

**The key audit matter**

During the year ended 31 December 2023, the Group acquired 51% equity interest in Zhejiang Zhongguang New Energy Technology Limited (“**Zhejiang Zhongguang**”) at a total consideration of RMB729 million. Upon completion of the acquisition, Zhejiang Zhongguang became a non-wholly owned subsidiary of the Group.

Goodwill and intangible assets arising from this acquisition amounted to RMB46 million and RMB189 million respectively.

The Group engaged an independent external valuer to assess the fair valuation of acquired assets and liabilities, which involved significant management judgement.

We identified the accounting for business combination as a key audit matter because of the significant impact the acquisition has on the consolidated financial statements and because the valuation of the assets and liabilities acquired can be inherently subjective and requires significant judgement and estimation which increases the risk of error or potential management bias.

**How the matter was addressed in our audit**

Our audit procedures to assess the accounting treatment for business combination included the following:

- inspected the equity purchase agreement and evaluated management’s accounting for the acquisition with reference to the terms set out in the agreement and the requirements of the prevailing accounting standards;
- obtained an understanding of and assessed the design and implementation of management’s internal control over the process of purchase price allocation for the business combination;
- obtained and inspected the valuation reports prepared by the external valuer engaged by the Group.
- evaluated the competence, capabilities and objectivity of the external valuer;
- involved valuation specialists to assess the appropriateness of the methodologies adopted by the external valuer in assessing the fair values of the assets and liabilities acquired with reference to the requirements of the prevailing accounting standards and challenged the reasonableness of the key assumptions ~~and critical judgements~~, including growth rate, gross profit margin and discount rate adopted which impacted the valuation, by compared these key assumptions ~~and critical judgements~~ with market data and the Group’s business plan supporting the acquisition;
- checked the mathematical accuracy of management’s allocation of consideration for the identifiable assets and liabilities acquired;
- assessed the reasonableness of the disclosures in relation to the business combination with reference to the requirements of the prevailing accounting standards.

Assessing potential impairment of goodwill  
(Refer to Note 17 to the financial statements)

### The key audit matter

At 31 December 2023, the Group held goodwill ~~and other intangible assets~~ of RMB155 million which is allocated to the group of Cash Generating Units (“CGUs”) in digital technology and digital security segment ~~and CGU in new energy and services segment~~.

The Group engaged an independent external valuer to perform the impairment assessments of the goodwill ~~and other intangible assets~~ by comparing the carrying values with the recoverable amounts using discounted cash flow forecasts.

We identified the assessment of potential impairment of goodwill ~~and other intangible assets~~ as a key audit matter because the impairment assessment can be inherently subjective and requires significant judgement and estimation which increases the risk of error or potential management bias.

### How the matter was addressed in our audit

Our audit procedures to accounting for assessing potential impairment of goodwill ~~and other intangible assets~~ included the following:

- obtained an understanding of and assessed the design and implementation of management’s internal control over the process of impairment assessment of goodwill ~~and other intangible assets~~;
- evaluated the reasonableness of management’s identification of CGUs, ~~the allocation of assets to each CGU~~ and the methodology adopted by management in its impairment assessments of goodwill ~~and other intangible assets~~ with reference to the requirements of the prevailing accounting standards;
- obtained and inspected the valuation reports prepared by the external valuer engaged by the Group.
- evaluated the competence, capabilities and objectivity of the external valuer;
- involved valuation specialists to assess the appropriateness of the methodologies adopted by the external valuer in assessing the recoverable amount with reference to the requirements of the prevailing accounting standards and challenged the reasonableness of the key assumptions ~~and critical judgements~~, including growth rate, gross profit margin and discount rate adopted which impacted the valuation, by compared these key assumptions ~~and critical judgements~~ with market data and Group’s future business plan; and
- assessed the reasonableness of the disclosures in relation to the impairment assessment with reference to the requirements of the prevailing accounting standards.

Expected credit loss allowance for trade receivables  
(Refer to Note 24 to the financial statements)

**The key audit matter**

As at 31 December 2023, the Group's gross trade receivables amounted to RMB803 million, against which an allowance of RMB40 million for expected credit losses (ECL) was recorded.

Management measures the loss allowance at an amount equal to lifetime ECL of the trade receivables based on estimated loss rates for each category of trade receivables grouped according to the shared credit risk characteristics. The estimated loss rates take into account the ageing of trade receivable balances, the repayment history of the Group's customers, current market conditions, customer-specific conditions, and forward-looking information. Such assessment involves significant management judgement.

We identified the expected credit loss allowance for trade receivables as a key audit matter because determining the level of the loss allowance requires the exercise of significant management judgement which is inherently subjective.

**How the matter was addressed in our audit**

Our audit procedures to assess the expected credit loss allowance for trade receivables included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of management's key internal controls relating to credit control, segmentation of trade receivables, estimation of expected credit losses and recording of related allowances;
- evaluating the Group's policy for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standards;
- obtaining an understanding of the key data and assumptions of the expected credit loss model adopted by the management, including the basis of segmentation of the trade receivables based on shared credit risk characteristics, the historical default data, and the assumptions involved in management's estimated loss rate;
- assessing the appropriateness of management's estimates of loss allowance by examining the information used by management to derive such estimates, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current market conditions, customer-specific conditions and forward-looking information;
- assessing on a sample basis, whether items in the trade receivables ageing report were classified within the appropriate ageing category by comparing individual items with underlying sales invoices; and
- re-performing the calculation of the loss allowance as at 31 December 2023 based on the Group's credit loss allowance policies.

***Other information***

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

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

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

***Responsibilities of management and directors for the financial statements***

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act, SFRS(I)s and IFRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

The directors' responsibilities include overseeing the Group's financial reporting process.

***Auditors' responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public

disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other legal and regulatory requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Tan Chia Loong.

**KPMG LLP**

*Public Accountants and  
Chartered Accountants*

**Singapore**

~~25 March 2024~~

4 July 2024

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2023*

	<i>Note</i>	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
Revenue	6	<b>2,255,903</b>	2,039,583
Cost of sales		<u><b>(1,821,205)</b></u>	<u>(1,664,058)</u>
<b>Gross profit</b>		<b>434,698</b>	375,525
Other operating income	7	<b>54,117</b>	48,023
Selling and distribution expenses		<b>(107,756)</b>	(118,387)
Administrative expenses		<b>(72,458)</b>	(60,610)
Impairment loss on trade receivables	32(a)	<b>(26,615)</b>	—
Other operating expenses	8	<u><b>(125,469)</b></u>	<u>(155,717)</u>
<b>Operating profit</b>		<b>156,517</b>	88,834
Interest expense	9(a)	<b>(30,993)</b>	(11,881)
Share of <del>gain of an associate</del> profit of equity- accounted investees, net of tax		<u><b>8</b></u>	<u>—</u>
<b>Profit before tax</b>	9	<b>125,532</b>	76,953
Income tax expense	10	<u><b>(21,357)</b></u>	<u>(8,871)</u>
<b>Profit for the year</b>		<u><b>104,175</b></u>	<u>68,082</u>
<b>Profit attributable to:</b>			
Owners of the Company		<b>69,702</b>	63,602
Non-controlling interests		<u><b>34,473</b></u>	<u>4,480</u>
<b>Profit for the year</b>		<u><b>104,175</b></u>	<u>68,082</u>
<b>Basic and diluted earnings per share (“RMB”)</b>	14	<u><b>0.180</b></u>	<u>0.164</u>

	<i>Note</i>	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Equity investments at fair value through other comprehensive income – net movement in fair value reserves (non-recycling)	13	(1,411)	(1,071)
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Foreign operations – foreign currency translation differences	13	<u>304</u>	<u>1,161</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>(1,107)</u>	<u>90</u>
<b>Total comprehensive income for the year</b>		<u><b>103,068</b></u>	<u>68,172</u>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<u>68,595</u>	63,692
Non-controlling interests		<u>34,473</u>	<u>4,480</u>
<b>Total comprehensive income for the year</b>		<u><b>103,068</b></u>	<u>68,172</u>

## STATEMENTS OF FINANCIAL POSITION

At 31 December 2023

	Note	Group		Company	
		2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
<b>Non-current assets</b>					
Property, plant and equipment	15	1,154,766	212,359	754	78
Intangible assets	16	241,470	56,416	–	–
Goodwill	17	201,589	155,116	–	–
Investments in subsidiaries	18	–	–	393,013	393,013
Interest in associates	19	4,178	–	–	–
Other investments	20	28,304	20,943	–	–
Time deposits with original maturity more than 12 months	25	45,000	–	–	–
Pledged bank deposits	26	35,000	–	–	–
Deferred tax assets	21(b)	19,800	20,244	–	–
		<u>1,730,107</u>	<u>465,078</u>	<u>393,767</u>	<u>393,091</u>
<b>Current assets</b>					
Inventories	22	194,854	151,587	–	–
Digital assets	23	10,016	–	–	–
Trade and other receivables	24	926,982	743,657	85,924	98,880
Other investments	20	84,991	456	–	–
Time deposits with original maturity more than 3 months	25	264,125	301,210	–	–
Pledged bank deposits	26	91,833	54,757	–	–
Cash at bank and on hand	26	944,863	825,594	7,794	8,585
		<u>2,517,664</u>	<u>2,077,261</u>	<u>93,718</u>	<u>107,465</u>

		Group		Company	
	Note	2023	2022	2023	2022
		RMB'000	RMB'000	RMB'000	RMB'000
<b>Current liabilities</b>					
Trade and other payables	27	455,696	390,741	4,815	3,102
Bank loans	28	176,543	228,634	–	–
Lease liabilities	29	6,137	3,709	317	84
Income tax payable	21(a)	10,455	9,414	–	–
		<u>648,831</u>	<u>632,498</u>	<u>5,132</u>	<u>3,186</u>
<b>Net current assets</b>		<u>1,868,833</u>	<u>1,444,763</u>	<u>88,586</u>	<u>104,279</u>
<b>Total assets less current liabilities</b>		<u>3,598,940</u>	<u>1,909,841</u>	<u>482,353</u>	<u>497,370</u>
<b>Non-current liabilities</b>					
Bank loans	28	836,366	–	–	–
Lease liabilities	29	3,917	2,906	454	–
Deferred income	30	882	2,460	–	–
Deferred tax liabilities	21(b)	19,202	15,645	–	–
		<u>860,367</u>	<u>21,011</u>	<u>454</u>	<u>–</u>
<b>Net assets</b>		<u>2,738,573</u>	<u>1,888,830</u>	<u>481,899</u>	<u>497,370</u>
<b>Capital and reserves</b>					
Share capital	31(c)	295,000	295,000	295,000	295,000
General reserves	31(d)	315,149	293,265	–	–
Special reserve	31(d)	(6,017)	(6,017)	–	–
Fair value reserve	31(d)	(5,494)	(4,271)	–	–
Translation reserves	31(d)	(1,555)	(1,859)	–	–
Accumulated profits		<u>1,328,626</u>	<u>1,280,996</u>	<u>186,899</u>	<u>202,370</u>
		<u>1,925,709</u>	<u>1,857,114</u>	<u>481,899</u>	<u>497,370</u>
<b>Non-controlling interests</b>	18	<u>812,864</u>	<u>31,716</u>	<u>–</u>	<u>–</u>
<b>Total equity</b>		<u>2,738,573</u>	<u>1,888,830</u>	<u>481,899</u>	<u>497,370</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Note	Share capital	General reserves	Special reserve	Fair value reserve	Translation reserves	Accumulated profits	Total	Non-controlling interest	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022		295,000	278,893	(6,017)	(3,200)	(3,020)	1,231,766	1,793,422	(6,251)	1,787,171
<b>Total comprehensive income for the year</b>										
Profit for the year		—	—	—	—	—	63,602	63,602	4,480	68,082
Other comprehensive income for the year	13	—	—	—	(1,071)	1,161	—	90	—	90
<b>Total comprehensive income for the year</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>(1,071)</b>	<b>1,161</b>	<b>63,602</b>	<b>63,692</b>	<b>4,480</b>	<b>68,172</b>
<b>Transactions with owners of the Company</b>										
<i>Contributions and distributions</i>										
Acquisition of non-controlling interests ("NCI") in subsidiaries		—	—	—	—	—	—	—	33,487	33,487
<b>Total transactions with owners of the Company</b>		<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>33,487</b>	<b>33,487</b>
Transfer to statutory reserves	31(d)	—	14,372	—	—	—	(14,372)	—	—	—
<b>Balance at 31 December 2022</b>		<b>295,000</b>	<b>293,265</b>	<b>(6,017)</b>	<b>(4,271)</b>	<b>(1,859)</b>	<b>1,280,996</b>	<b>1,857,114</b>	<b>31,716</b>	<b>1,888,830</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Note	Share capital	General reserves	Special reserve	Fair value reserve	Translation reserves	Accumulated profits	Total	Non-controlling interest	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
<b>Total comprehensive income for the year</b>										
Profit for the year		—	—	—	—	—	69,702	69,702	34,473	104,175
Other comprehensive income for the year	13	—	—	—	(1,411)	304	—	(1,107)	—	(1,107)
<b>Total comprehensive income for the year</b>		—	—	—	(1,411)	304	69,702	68,595	34,473	103,068
<b>Transactions with owners of the Company</b>										
Capital injection received from NCI upon incorporation of a subsidiary		—	—	—	—	—	—	—	90,000	90,000
Liquidation of a subsidiary		—	—	—	—	—	—	—	(695)	(695)
Transfer of fair value reserve upon the disposal of equity securities designated at FVOCI		—	—	—	188	—	(188)	—	—	—
Acquisition of NCI in subsidiaries	34	—	—	—	—	—	—	—	657,370	657,370
<b>Total transactions with owners of the Company</b>		—	—	—	188	—	(188)	—	746,675	746,675
Transfer to statutory reserves	31(d)	—	21,884	—	—	—	(21,884)	—	—	—
<b>Balance at 31 December 2023</b>		<b>295,000</b>	<b>315,149</b>	<b>(6,017)</b>	<b>(5,494)</b>	<b>(1,555)</b>	<b>1,328,626</b>	<b>1,925,709</b>	<b>812,864</b>	<b>2,738,573</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	<i>Note</i>	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Cash flows from operating activities</b>			
Profit before tax		<b>125,532</b>	76,953
Adjustments for:			
– Impairment loss on trade receivables	9(c)	<b>26,615</b>	—
– Amortisation of deferred income		<b>(1,578)</b>	(2,326)
– Depreciation of property, plant and equipment	9(c)	<b>54,566</b>	21,514
– Amortisation of intangible assets	9(c)	<b>32,091</b>	13,565
– Interest expense	9(a)	<b>30,993</b>	11,881
– Interest income	7	<b>(22,510)</b>	(14,415)
– Share of <del>gain of an associate</del> profit of equity- accounted investees, net of tax		<b>(8)</b>	—
– Net foreign exchange gain		—	(5,491)
– Net loss on derivative financial instruments		<b>6,674</b>	6,459
– Net loss on financial assets measured at FVPL		<b>2,529</b>	32,357
– Net loss on disposal of property, plant and equipment	8	<b>209</b>	801
– Reversal of provision of stock obsolescence	9(c)	<b>(65)</b>	(786)
		<b>255,048</b>	140,512
Changes in:			
– Inventories		<b>(43,262)</b>	104,504
– Digital assets		<b>(10,016)</b>	—
– Trade and other receivables		<b>87,906</b>	265,331
– Trade and other payables		<b>44,726</b>	(31,957)
Cash generated from operations		<b>334,402</b>	478,390
Interest received		<b>8,050</b>	3,959
Taxes paid	21(a)	<b>(21,314)</b>	(21,190)
<b>Net cash from operating activities</b>		<b>321,138</b>	461,159

	<i>Note</i>	<b>2023</b> <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		<b>(23,782)</b>	(57,247)
Acquisition of intangible assets		<b>(28,163)</b>	(4,964)
Acquisition of other investments		<b>(186,532)</b>	(12,000)
Proceeds from disposal of property, plant and equipment		<b>934</b>	204
Proceeds from disposal of other investments		<b>86,605</b>	—
Payment for acquisition of subsidiaries in 2023, <u>net of cash acquired</u>	34	<b>(205,877)</b>	—
Payment for acquisition of subsidiaries in 2022, <u>net of cash acquired</u>	34	<b>(45,000)</b>	(152,124)
Payment for acquisition of a subsidiary which does not constitute business		<b>(5,850)</b>	—
Liquidation of a subsidiary		<b>(695)</b>	—
Payment for time deposits		<b>(1,103,221)</b>	(691,800)
Proceeds from time deposits		<b>1,095,306</b>	897,800
Interest received from time deposits		<b>14,460</b>	11,221
Changes in pledged bank deposits		<b>(37,076)</b>	(29,154)
<b>Net cash used in investing activities</b>		<b>(438,891)</b>	(38,064)
<b>Cash flows from financing activities</b>			
Capital injection received from NCI upon incorporation of a subsidiary		<b>90,000</b>	—
Capital element of lease rentals paid	26(b)	<b>(4,678)</b>	(2,500)
Interest element of lease rentals paid	26(b)	<b>(322)</b>	(147)
Other interest expense paid	26(b)	<b>(30,671)</b>	(13,911)
Proceeds from short-term bank loans	26(b)	<b>737,060</b>	373,634
Repayment of short-term bank loans	26(b)	<b>(555,082)</b>	(475,293)
<b>Net cash from/(used in) financing activities</b>		<b>236,307</b>	(118,217)
<b>Net increase in cash and cash equivalents</b>		<b>118,554</b>	304,878
Cash and cash equivalents at 1 January		<b>825,594</b>	520,105
Effects of movements in exchange rates on cash held		<b>715</b>	611
<b>Cash and cash equivalents at 31 December</b>	26	<b>944,863</b>	825,594

**NOTES TO THE FINANCIAL STATEMENTS**

The notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 May 2024.

**1 REPORTING ENTITY**

Hengxin Technology Ltd. (“**the Company**”) is incorporated in the Republic of Singapore. The address of the Company’s registered office is 5 Tampines Central 1, #06-05 Tampines Plaza 2, Singapore 529541. The Group’s principal place of business is No. 138 Taodu Road, Dingshu Town, Yixing City, Jiangsu Province, the People’s Republic of China (the “**PRC**”). The Company is listed on the Main Board of the Stock Exchange of Hong Kong Limited (“**SEHK**”).

The financial statements of the Group as at and for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the “**Group**” and individually as “**Group entities**”) and the Group’s interest in equity-accounted investees.

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

**2 BASIS OF PREPARATION****(a) Statement of compliance**

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (“**SFRS(I)s**”) and International Financial Reporting Standards (“**IFRSs**”).

All references to SFRS(I)s and IFRSs are subsequently referred to as IFRSs in these financial statements unless otherwise specified.

Details of the Group’s accounting policies are included in Note 3.

**(b) Basis of preparation of the financial statements**

The consolidated financial statements for the year ended 31 December 2023 comprise the Group’s subsidiaries and the Group’s interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except as set out in the accounting policies hereunder.

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

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

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

(c) **Functional and presentation currency**

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

**3 MATERIAL ACCOUNTING POLICIES**

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

**a. Subsidiaries and non-controlling interest**

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

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

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

NCI is presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group is presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 3(o) or (v) depending on the nature of the liability.

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

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

In the Company’s statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 3(i)), unless the investment is classified as held for sale (or included in a disposal Group that is classified as held for sale).

**b. Associates**

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

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

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate, after applying the expected credit losses ("ECLs") model to such other long-term interests where applicable (see Note 3(i)).

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

In the Company's statement of financial position, an investment in an associate is stated at cost less impairment losses (see Note 3(i)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

**c. Goodwill**

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

**d. Other investments in securities**

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

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 32(f). These investments are subsequently accounted for as follows, depending on their classification.

**i. Non-equity investments**

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

- (i) Amortised cost if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. ECL, interest income calculated using the effective interest method (see Note 3(t)(iv)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- (ii) Fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. ECL, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in

the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

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

**ii. Equity investments**

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

**e. Derivative financial instruments**

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

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

**f. Property, plant and equipment**

Property, plant and equipment is stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any impairment losses (see Note 3(i)).

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

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

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

– Building and leasehold improvement	20 – 30 years
– Plant and machinery	10 – 30 years
– Electricity generating facilities	10 – 30 years
– Office equipment	3 – 10 years
– Motor vehicles	5 years

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

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

**g. Intangible assets (other than goodwill)**

Intangible assets, including patents and intellectual property resources (“**IP resources**”), that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see Note 3(i)).

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

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

– Customer relationships	1.5 – 5.5 years
– Patents	5 years
– Intellectual property resources	10 years
– Licence	25.4 years

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

**h. Leased assets**

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

*As a lessee*

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

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

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, and any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 3(i)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group’s estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase,

extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

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

**i. Credit losses and impairment of assets**

*(i) Credit losses from financial instruments*

The Group recognises a loss allowance for ECL on financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, including loans to an associate, which are held for the collection of contractual cash flows which represent solely payments of principal and interest); and

*Measurement of ECLs*

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

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

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

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

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

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

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.



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

*Significant increases in credit risk*

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

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 180 days past due.

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

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is 540 days past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in unlisted equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

*Credit-impaired financial assets*

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

*Write-off policy*

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

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

(ii) ***Impairment of other non-current assets***

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

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

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

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

**j. Inventories and other contract costs**

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

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

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 3(j)), property, plant and equipment (see note 3(f)) or intangible assets (see note 3(g)).

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

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

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Amortisation of capitalised contract costs is recognised in profit or loss when the revenue to which the asset relates is recognised (see note 3(t)).

**k. Digital asset**

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

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

Since the Group hold the stablecoins as a medium between other cryptocurrency for trading purpose, holding them with a view to exchange into other cryptocurrencies or fiat currencies in the near future, and generating a profit from fluctuations in the price, the Group applies the guidance in IAS 2 for commodity broker-traders and measures the digital assets at fair value less costs to sell. The Group considers there are no significant "costs to sell" digital assets and hence measurement of digital assets is based on their fair values with changes in fair values recognised in profit or loss in the period of the changes.

The carrying amounts of digital assets are based on quoted prices in an active market as at 31 December 2023. The prices are sourced from digital assets exchange that has been assessed to be reliable and relevant by the management. Fluctuations in the market price of digital assets after the reporting date is considered non-adjusting events.

**l. Contract liabilities**

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 3(t)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see Note 3(m)).

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

**m. Trade and other receivables**

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see Note 3(i)).

**n. Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see Note 3(i)).

**o. Trade and other payables**

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

**p. Interest-bearing borrowings**

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with Note 3(v).

**q. Employee benefits**

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

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

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

*(ii) Termination benefits*

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

**r. Income tax**

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

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

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

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; or
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

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

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

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

**s. Provisions and contingent liabilities**

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

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

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

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

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

**t. Revenue and other income**

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

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

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

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

(i) *Sales of goods*

Revenue is recognised when the customer takes possession of and accepts the products. Payment terms and conditions vary by customers and are based on the billing schedule established in the contracts or purchase orders with customers, but the Group generally provides credit terms to customers within 30 to 90 days upon customer acceptance. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component as the period of financing is 12 months or less.

(ii) *Sales of electricity and tariff income*

Revenue from the sale of electricity or steam and tariff income are recognised based upon output delivered. Under the transfer-of-control approach in IFRS 15, Revenue from Contracts with Customers (“IFRS 15”), revenue from sales of electricity and tariff income is generally recognised upon transmission of electricity to the customers, which is the point of time when the customer has the ability to direct the use of the output and obtain substantially all of the remaining benefits of the output.

(iii) *Provision of technical and consultancy services*

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

(iv) *Interest income*

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

(v) *Government grants*

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

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

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

**u. Translation of foreign currencies**

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

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

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

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

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

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

**v. Borrowing costs**

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

**w. Asset acquisition**

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

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

**x. Related parties**

- (a) A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**y. Segment reporting**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.



#### 4 CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- IFRS 17: *Insurance contracts*
- Amendments to IAS 8: *Definition of accounting estimates*
- Amendments to IAS 1 and Practice Statement 2: *Disclosure of accounting policies*
- Amendments to IAS 12: *Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12: *International tax reform – Pillar Two model rules*

Other than the below, the application of these amendments to standards does not have a material effect on the financial statements.

##### **Material accounting policy information**

The Group adopted Amendments to IAS 1 and Practice Statement 2: Disclosure of Accounting Policies for the first time in 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of ‘material’, rather than ‘significant’ accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 3 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

#### 5 USE OF JUDGEMENTS AND ESTIMATES

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Group’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

##### **A. Judgements**

There is no critical judgement in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements.

##### **B. Assumptions and estimation uncertainties**

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2023 is included in the following notes:

- Note 17 – Impairment test of goodwill: key assumptions underlying recoverable amount; and

- Note 24 – Measurement of ECL allowance for trade receivables: key assumptions in determining the weighted-average loss rate;

*i. Measurement of fair values*

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. The finance team has overall responsibility for all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

For all significant financial reporting using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuations. Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation and valuation methodologies.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

*Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.

*Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

*Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the Note 32 – Financial instruments.

## 6 REVENUE AND SEGMENT REPORTING

**(a) Revenue**

The principal activities of the Group are engaged in:

- (i) Telecommunications: 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) Digital technology and digital security: chips research, design, sales and supply chain services, semiconductor, intellectual property authorisation business, and digital security products and services; and

- (iii) 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.

Further details regarding the Group's principal activities are disclosed in Note 6(b).

***Disaggregation of revenue***

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

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Telecommunications	<b>1,976,168</b>	1,945,365
Digital technology and digital security	<b>202,671</b>	94,218
New energy and services	<b>77,064</b>	—
	<b><u>2,255,903</u></b>	<u>2,039,583</u>

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in Note 6(b)(iii).

Revenue from major customers which accounts for 10% or more of the Group's revenue are as follows:

	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Customer A	<b>742,073</b>	682,116
Customer B	<b>421,518</b>	300,943
	<b><u>1,163,591</u></b>	<u>983,059</u>

The income receipts right in relation to the sales of electricity was pledged as securities for bank loans of the Group (See Note 28).

**(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.

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

- New energy and services: the supply of electricity with a focus on the production and sales of solar power as well as the provision of development consultation and technical services of the solar thermal power generation technology.

The Group completed a business acquisition of Zhejiang Zhongguang New Energy Technology Co., Ltd. (“**Zhejiang Zhongguang**”) as set out in Note 34 during the year ended 31 December 2023. CODM has revised the reportable segments and the Group’s internal reporting according to the nature of business operations at each operating segment as shown above. The previous operating and reportable segment of “Radio frequency coaxial cables”, “Telecommunication equipment and accessories”, “Antennas” and “Others” segments have been assigned to the segments of “Telecommunications”. As a result of the changes to reportable segments and segment presentation, the segment revenue and results and other segment information for the year ended 31 December 2022 has been represented to conform to the revised presentation.

(i) *Information about reportable segments*

For the purposes of assessing segment performance and allocating resources between segments, the Group’s CODM monitors 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 years ended 31 December 2023 and 2022 is set out below.

	Telecom- munications <i>RMB'000</i>	Digital technology and digital security <i>RMB'000</i>	New energy and services <i>RMB'000</i>	Total reportable segment <i>RMB'000</i>
<b>Group</b>				
<b>2023</b>				
Revenue	<u>1,976,168</u>	<u>202,671</u>	<u>77,064</u>	<u>2,255,903</u>
Segment profit before taxation	69,546	55,364	12,291	137,201
Interest income	18,524	131	3,824	22,479
Interest expense	(10,022)	(183)	(20,759)	(30,964)
Depreciation and amortisation expense	(27,430)	(37,588)	(21,310)	(86,328)
Share of <del>gain of an associate</del> profit of equity-accounted investees, <u>net of tax</u>	—	—	8	8
Impairment loss on trade receivables	(26,615)	—	—	(26,615)
Reversal of provision of stock obsolescence	<u>65</u>	<u>—</u>	<u>—</u>	<u>65</u>
<b>Timing of revenue recognition</b>				
Products transferred at a point in time	<u>1,975,695</u>	<u>159,015</u>	<u>77,064</u>	<u>2,211,774</u>
Products and services transferred over time	<u>473</u>	<u>43,656</u>	<u>—</u>	<u>44,129</u>
<b>Group</b>				
<b>2022</b>				
Revenue	<u>1,945,365</u>	<u>94,218</u>	<u>—</u>	<u>2,039,583</u>
Segment profit before taxation	87,544	(686)	—	86,858
Interest income	14,321	91	—	14,412
Interest expense	(11,746)	(125)	—	(11,871)
Depreciation and amortisation expense	(19,897)	(14,869)	—	(34,766)
Reversal of provision of stock obsolescence	<u>786</u>	<u>—</u>	<u>—</u>	<u>786</u>
<b>Timing of revenue recognition</b>				
Products transferred at a point in time	1,944,784	80,796	—	2,025,580
Products and services transferred over time	<u>581</u>	<u>13,422</u>	<u>—</u>	<u>14,003</u>

(ii) *Reconciliations of reportable segment profit*

	Group	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
<i>Profit before tax</i>		
Total profit before tax for reportable segments	137,201	86,858
Unallocated amounts:		
– Other income	4,468	2,804
– Other expenses	—	(15)
– Other unallocated amounts	<u>(16,137)</u>	<u>(12,694)</u>
Consolidated profit before tax	<u>125,532</u>	<u>76,953</u>

*Other material items*

Group	Reportable and all other segment totals <i>RMB'000</i>	Unallocated amounts <i>RMB'000</i>	Consolidated totals <i>RMB'000</i>
<b>2023</b>			
Depreciation and amortisation expense	<u>(86,328)</u>	<u>(329)</u>	<u>(86,657)</u>
<b>2022</b>			
Depreciation and amortisation expense	<u>(34,766)</u>	<u>(313)</u>	<u>(35,079)</u>

(iii) *Geographical information*

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

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

	Revenue from external customers		Specified non-current assets	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Group</b>				
PRC	2,140,809	1,871,728	1,601,249	421,221
Other countries	<u>115,094</u>	<u>167,855</u>	<u>754</u>	<u>426</u>
	<u>2,255,903</u>	<u>2,039,583</u>	<u>1,602,003</u>	<u>421,647</u>

## 7 OTHER OPERATING INCOME

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

## 8 OTHER OPERATING EXPENSES

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

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

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

## 9 PROFIT BEFORE TAX

## (a) Interest expense

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

## (b) Staff costs

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

Pursuant to the relevant regulations of the PRC government, the PRC subsidiaries have participated in central pension schemes (“the Schemes”) operated by local municipal government whereby the subsidiaries are required to contribute 24% of the basic salaries of their employees to the Schemes to fund their retirement benefits.

The local municipal government undertake to assume the retirement benefit obligations of all existing and future retired employees of the subsidiary. The only obligation of the subsidiaries with respect to the Scheme is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to profit or loss as incurred.

## (c) Other items

	Group	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Amortisation of intangible assets	32,091	13,565
Depreciation charge for:		
– owned property, plant and equipment	46,854	17,842
– right-of-use assets	7,712	3,672
	<u>54,566</u>	21,514
Audit fees paid to:		
– auditors of the Company and other firms affiliated with KPMG International	5,816	3,150
– other auditors	376	321
	<u>6,192</u>	<u>3,471</u>
Impairment losses recognised for trade and other receivables	32(a) <u>26,615</u>	<u>—</u>
Reversal of provision of stock obsolescence	22(b) <u>(65)</u>	<u>(786)</u>
Cost of inventories <sup>#</sup>	22(b) <u>1,821,205</u>	<u>1,664,058</u>

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



## 10 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

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

- (i) Singapore, PRC and India income tax liabilities are calculated at the applicable rates in accordance with the relevant tax laws and regulation in respective countries.
- (ii) The provision for PRC Income Tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

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

Jiangsu Hengxin Technology Co., Ltd. ("**Jiangsu Hengxin**"), Jiangsu Hengxin Wireless Technology Co., Ltd. ("**Hengxin Wireless**"), Nanjing Zhangyu Information Technology Co., Ltd. ("**Nanjing Zhangyu**"), Shanghai Zhangyu Information Technology Co., Ltd. ("**Shanghai Zhangyu**") and Qinghai Zhongkong Solar Power Co., Ltd. ("**Qinghai Zhongkong**") are subject to a preferential income tax rate of 15% in 2023 available to enterprises which qualify as a High and New Technology Enterprise (2022: 15%).

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

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

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

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

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

## 11 DIRECTOR'S EMOLUMENTS

Directors' emoluments are as follows:

Group	Directors' fees <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Performance related bonuses <i>RMB'000</i>	Retirement scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
<b>2023</b>					
<i>Executive directors</i>					
Du Xiping (redesignated from executive director to non-executive director on 22 March 2023)	—	239	160	—	399
Dr. Song Haiyan	—	462	180	99	741
Peng Yinan	—	152	—	40	192
<i>Non-executive directors</i>					
Cui Wei	431	—	—	—	431
Zhang Zhong	340	—	—	—	340
Du Xiping	239	—	—	—	239
<i>Independent non-executive directors</i>					
Tam Chi Kwan Michael (resigned on 17 November 2023)	316	—	—	—	316
Dr. Li Jun	270	—	—	—	270
Pu Hong	270	—	—	—	270
Qian Ziyan (appointed on 17 November 2023)	34	—	—	—	34
	<b>1,900</b>	<b>853</b>	<b>340</b>	<b>139</b>	<b>3,232</b>

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

## 12 INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

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

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

	Group	
	2023	2022
	Number of employees	
HKD Nil to HKD1,000,000	3	2
HKD1,000,001 to HKD1,500,000	1	—
HKD1,500,001 to HKD2,000,000	—	1
	<u>4</u>	<u>3</u>

## 13 OTHER COMPREHENSIVE INCOME

## Tax effects relating to each component of other comprehensive income

	2023			2022		
	Before tax <i>RMB'000</i>	Tax expense <i>RMB'000</i>	Net of tax <i>RMB'000</i>	Before tax <i>RMB'000</i>	Tax expense <i>RMB'000</i>	Net of tax <i>RMB'000</i>
<b>Group</b>						
Equity investments at FVOCI – net change in fair value	(1,627)	216	(1,411)	(1,260)	189	(1,071)
Exchange differences on translation of financial statements of entities with functional currencies other than RMB	<u>304</u>	<u>—</u>	<u>304</u>	<u>1,161</u>	<u>—</u>	<u>1,161</u>
Other comprehensive income	<u>(1,323)</u>	<u>216</u>	<u>(1,107)</u>	<u>(99)</u>	<u>189</u>	<u>90</u>

## Components of other comprehensive income, including reclassification adjustments

	Group	
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Changes in fair value recognised during the period	(1,627)	(1,260)
Net deferred tax credited to other comprehensive income	<u>216</u>	<u>189</u>
Net movement in the fair value reserve (non-recycling) during the period recognised in other comprehensive income	<u>(1,411)</u>	<u>(1,071)</u>

## 14 EARNINGS PER SHARE

## (a) Basic earnings per share

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

*Weighted average number of ordinary shares:*

	Group	
	2023 <i>'000</i>	2022 <i>'000</i>
Issued ordinary shares and weighted average number of ordinary shares at 1 January and 31 December	<u>388,000</u>	<u>388,000</u>

**(b) Diluted earnings per share**

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

**15 PROPERTY, PLANT AND EQUIPMENT****(a) Reconciliation of carrying amount**

	Right-of-use assets <i>RMB'000</i>	Building and leasehold improvement <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Electricity generating facilities <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction- in-progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Group</b>								
<b>Cost</b>								
Balance at 1 January 2022	53,178	92,943	199,997	—	74,188	3,151	6,134	429,591
Additions	2,745	—	994	—	2,443	—	53,810	59,992
Acquisition of subsidiaries ( <i>Note 34</i> )	5,499	—	—	—	514	795	—	6,808
Transfers from construction-in-progress	—	—	41	—	1,614	—	(1,655)	—
Disposals	—	—	(4,009)	—	(386)	(210)	—	(4,605)
Exchange adjustments	—	—	(31)	—	(18)	—	—	(49)
<b>Balance at 31 December 2022</b>	<b>61,422</b>	<b>92,943</b>	<b>196,992</b>	<b>—</b>	<b>78,355</b>	<b>3,736</b>	<b>58,289</b>	<b>491,737</b>
At 1 January 2023	61,422	92,943	196,992	—	78,355	3,736	58,289	491,737
Additions	6,508	1,301	1,052	—	3,284	456	17,689	30,290
Acquisition of subsidiaries ( <i>Note 34</i> )	81,838	22,294	536	844,318	15,727	123	2,096	966,932
Acquisition of a subsidiary which does not constitute business ( <i>Note 26(d)</i> )	—	—	—	—	—	—	5,900	5,900
Transfers from construction-in-progress	—	—	66,417	—	145	—	(66,562)	—
Disposals	—	—	(685)	—	(2,209)	—	—	(2,894)
Written off	(3,199)	—	—	(5,653)	—	—	—	(8,852)
Exchange adjustments	—	—	720	—	13	—	—	733
<b>Balance at 31 December 2023</b>	<b>146,569</b>	<b>116,538</b>	<b>265,032</b>	<b>838,665</b>	<b>95,315</b>	<b>4,315</b>	<b>17,412</b>	<b>1,483,846</b>

	Right-of-use assets RMB'000	Building and leasehold improvement RMB'000	Plant and machinery RMB'000	Electricity generating facilities RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction- in-progress RMB'000	Total RMB'000
<b>Group</b>								
<b>Accumulated depreciation</b>								
Balance at 1 January 2022	7,096	51,447	151,081	—	50,475	1,303	—	261,402
Charge for the year	3,672	4,553	6,470	—	6,276	543	—	21,514
Disposals	—	—	(3,047)	—	(364)	(189)	—	(3,600)
Exchange adjustments	—	—	(21)	—	83	—	—	62
<b>Balance at 31 December 2022</b>	<b>10,768</b>	<b>56,000</b>	<b>154,483</b>	<b>—</b>	<b>56,470</b>	<b>1,657</b>	<b>—</b>	<b>279,378</b>
At 1 January 2023	10,768	56,000	154,483	—	56,470	1,657	—	279,378
Charge for the year	7,712	5,018	18,929	14,148	8,086	673	—	54,566
Disposals	—	—	(499)	—	(1,252)	—	—	(1,751)
Written off	(3,199)	—	—	—	—	—	—	(3,199)
Exchange adjustments	—	—	73	—	13	—	—	86
<b>Balance at 31 December 2023</b>	<b>15,281</b>	<b>61,018</b>	<b>172,986</b>	<b>14,148</b>	<b>63,317</b>	<b>2,330</b>	<b>—</b>	<b>329,080</b>
<b>Carrying amounts</b>								
At 1 January 2022	46,082	41,496	48,916	—	23,713	1,848	6,134	168,189
At 31 December 2022	50,654	36,943	42,509	—	21,885	2,079	58,289	212,359
At 31 December 2023	131,288	55,520	92,046	824,517	31,998	1,985	17,412	1,154,766

The Group's plant and buildings are all located in the People's Republic of China ("PRC").

As at 31 December 2023, property, plant and equipment with carrying amounts of RMB824,517,000 of the Group were pledged as securities for the Group's bank loans (see Note 28).

	Right-of-use assets <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Company</b>				
<b>Cost</b>				
At 1 January 2022 and 31 December 2022	1,237	209	51	1,497
Additions	<u>1,006</u>	<u>—</u>	<u>—</u>	<u>1,006</u>
At 31 December 2023	<b><u>2,243</u></b>	<b><u>209</u></b>	<b><u>51</u></b>	<b><u>2,503</u></b>
<b>Accumulated depreciation</b>				
At 1 January 2022	850	209	48	1,107
Depreciation	<u>309</u>	<u>—</u>	<u>3</u>	<u>312</u>
At 31 December 2022	1,159	209	51	1,419
Depreciation	<u>330</u>	<u>—</u>	<u>—</u>	<u>330</u>
At 31 December 2023	<b><u>1,489</u></b>	<b><u>209</u></b>	<b><u>51</u></b>	<b><u>1,749</u></b>
<b>Carrying amounts</b>				
At 1 January 2022	<u>387</u>	<u>—</u>	<u>3</u>	<u>390</u>
At 31 December 2022	<u>78</u>	<u>—</u>	<u>—</u>	<u>78</u>
At 31 December 2023	<b><u>754</u></b>	<b><u>—</u></b>	<b><u>—</u></b>	<b><u>754</u></b>

**(b) Right-of-use assets**

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

	<i>Note</i>	Group		Company	
		2023 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Ownership interests in leasehold land held for own use, carried at depreciated cost	(i)	<b>121,225</b>	43,922	—	—
Other properties leased for own use, carried at depreciated cost	(ii)	<u>10,063</u>	<u>6,732</u>	<u>754</u>	<u>78</u>
		<b><u>131,288</u></b>	<b><u>50,654</u></b>	<b><u>754</u></b>	<b><u>78</u></b>



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

	Note	Group		Company	
		2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
<b>Depreciation charge of right-of-use assets by class of underlying asset:</b>					
Ownership interests in leasehold land		2,351	1,355	—	—
Other properties leased for own use		5,361	2,317	330	309
		<b>7,712</b>	<b>3,672</b>	<b>330</b>	<b>309</b>
Interest on lease liabilities	9(a)	322	147	29	9
Expenses relating to short-term leases		1,770	142	—	—

During the year, additions to right-of-use assets were RMB6,508,000 (2022: RMB2,745,000). This amount is related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in Notes 26(c), 29 and 32(b), respectively.

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

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

(ii) **Other properties leased for own use**

The Group has obtained the right to use other properties as its warehouses and office through tenancy agreements. The leases typically run for an initial period of 2 to 5 years.

Some leases include an option to renew the lease for an additional period after the end of the contract term. Where practicable, the Group seeks to include such extension options exercisable by the Group to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. If the Group is not reasonably certain to exercise the extension options, the future lease payments during the extension periods are not included in the measurement of lease liabilities.

The Group and the Company has estimated that the potential future lease payments, should it exercise the extension options, would result in an increase in lease liabilities of RMB10,054,000 and RMB771,000 respectively (2022: RMB6,615,000 and RMB84,000 respectively).

## 16 INTANGIBLE ASSETS

	Customer relationship RMB'000	Patents RMB'000	Intellectual property resources RMB'000	Licence RMB'000	Total RMB'000
<b>Group</b>					
<b>Cost</b>					
Balance at 1 January 2022	—	—	—	—	—
Additions	—	—	4,964	—	4,964
Acquisition of subsidiaries (Note 34)	50,864	14,153	—	—	65,017
<b>Balance at 31 December 2022</b>	<b>50,864</b>	<b>14,153</b>	<b>4,964</b>	<b>—</b>	<b>69,981</b>
Balance at 1 January 2023	50,864	14,153	4,964	—	69,981
Additions	—	—	28,163	—	28,163
Acquisition of subsidiaries (Note 34)	—	15,616	—	173,366	188,982
<b>Balance at 31 December 2023</b>	<b>50,864</b>	<b>29,769</b>	<b>33,127</b>	<b>173,366</b>	<b>287,126</b>
<b>Accumulated amortisation</b>					
Balance at 1 January 2022	—	—	—	—	—
Amortisation	11,868	1,490	207	—	13,565
<b>Balance at 31 December 2022</b>	<b>11,868</b>	<b>1,490</b>	<b>207</b>	<b>—</b>	<b>13,565</b>
Balance at 1 January 2023	11,868	1,490	207	—	13,565
Amortisation	23,735	3,604	1,910	2,842	32,091
<b>Balance at 31 December 2023</b>	<b>35,603</b>	<b>5,094</b>	<b>2,117</b>	<b>2,842</b>	<b>45,656</b>
<b>Carrying amounts</b>					
At 1 January 2022	—	—	—	—	—
At 31 December 2022	38,996	12,663	4,757	—	56,416
At 31 December 2023	15,261	24,675	31,010	170,524	241,470

The amortisation charge for the year is included in “cost of sales” and “other operating expenses” in the consolidated statement of profit or loss. No impairment loss was recognised during the year (2022: Nil).

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

## 17 GOODWILL

RMB'000

**Group****Cost**

At 1 January 2022	—
Acquisition of subsidiaries (Note 34)	155,116
	<hr/>
At 31 December 2022	155,116
Acquisition of subsidiaries (Note 34)	46,473
	<hr/>
At 31 December 2023	<b>201,589</b>
	<hr/> <hr/>
<b>Carrying amounts</b>	
At 1 January 2022 and 31 December 2022	155,116
	<hr/> <hr/>
At 31 December 2023	<b>201,589</b>
	<hr/> <hr/>

**Impairment testing for cash-generating units (“CGU”) containing goodwill**

Goodwill is allocated to the Group’s CGU identified according to country of operation and operating segment as follows:

	<b>Group</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Digital technology and digital security	<b>155,116</b>	155,116
New energy and services	<b>46,473</b>	—
	<hr/>	<hr/>
	<b>201,589</b>	155,116
	<hr/> <hr/>	<hr/> <hr/>

The recoverable amount of the CGU is determined based on value-in-use calculations. The Group engaged an independent professional valuer to assist with the calculation. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of which is consistent with the forecasts included in industry reports and generally in line with 2022.

The key assumptions used in estimating the value-in-use are as follows:

	Group	
	2023	2022
	%	%
<b>Digital technology and digital security</b>		
Average revenue growth rate	<b>7.15 to 16.03</b>	21.43 to 41.33
Operating profit margin	<b>38.58 to 73.86</b>	35.39 to 79.80
Pre-tax discount rate	<b>23.10 to 27.48</b>	23.49 to 28.73
<b>New energy and services</b>		
Average revenue growth rate	<b>4.88</b>	—
Operating profit margin	<b>27.48</b>	—
Pre-tax discount rate	<b>9.32</b>	—

Management performed sensitivity analysis of the key assumptions that could significantly affect the recoverable amount. The following table shows the percentage by which these assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount:

Change required for recoverable amount to equal carrying amount (in percentage of change):

	Group	Group
	2023	2022
<b>Digital technology and digital security</b>		
Decrease in average revenue growth rate	<b>1.43 to 1.24</b>	3.10 to 2.98
Decrease in operating profit margin	<b>1.91 to 1.13</b>	2.83 to 3.75
Increase in pre-tax discount rate	<b>1.40 to 1.96</b>	1.17 to 4.81
<b>New energy and services</b>		
Decrease in average revenue growth rate	<b>0.12</b>	—
Decrease in operating profit margin	<b>1.03</b>	—
Increase in pre-tax discount rate	<b>0.32</b>	—

The recoverable amount of the CGUs based on the value-in-use calculations was higher than the carrying amount as at 31 December 2023. Accordingly, no impairment loss for goodwill was recognised in the consolidated statements of profit or loss. Also, based on the sensitivity analysis above, the Group concluded that a reasonably possible change in key parameters would not cause the carrying amount of the CGU to exceed its recoverable amount as at 31 December 2023.

## 18 INVESTMENTS IN SUBSIDIARIES

	Company	
	2023	2022
	RMB'000	RMB'000
Equity investment, at cost	<b>396,833</b>	396,833
Discount on amounts due from a subsidiary	<b>3,841</b>	3,841
Less: Impairment loss on investment in a subsidiary	<b>(7,661)</b>	(7,661)
	<b>393,013</b>	393,013

The following list contains the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of subsidiary	Principal activities	Principal place of business/Country of incorporation	Type of legal entity	Effective interest held by the Group		Ownership interest held by a subsidiary	
				2023	2022	2023	2022
				%	%	%	%
<i>Held by the Company</i>							
Jiangsu Hengxin Technology Co., Ltd. <sup>1</sup>	Research, design, development and manufacture of telecommunications and technological products, production of radio frequency coaxial cables for mobile communications and mobile communications systems exchange equipment	PRC, 7 January 2005	Limited liability	100	100	—	—
Hengxin Technology (India) Pvt Ltd. <sup>2</sup>	Marketing and trading of the Group's products to telecommunication operators in India	India, 10 June 2009	Limited liability	100	100	—	—
Hengxin Metaverse Co., Ltd.	Investment holding	Hong Kong, 10 December 2021	Limited liability	100	100	—	—
<i>Held by Jiangsu Hengxin</i>							
Jiangsu Hengxin Wireless Technology Co., Ltd. <sup>1</sup>	Research, design, development and manufacture sale and technical services of antennas and related telecommunications products for mobile communications systems	PRC, 29 March 2013	Limited liability	100	100	100	100
Hengxin Technology International Co., Ltd. <sup>1</sup>	Trading and investment holding	Hong Kong, 17 September 2017	Limited liability	100	100	100	100
Jiangsu Hengxin Zhonglian Communication Technology Co., Ltd. <sup>1</sup>	Research, design, development and manufacture sale and technical services of telecommunication products for mobile communications systems	PRC, 28 August 2020	Limited liability	70	70	70	70
Yixing Tianyue Enterprise Management Consulting Partnership (Limited Partnership) <sup>1</sup>	Research, design, development and manufacture sale and technical services of telecommunication products for mobile communications systems	PRC, 30 November 2021	Limited liability	100	100	100	100
<i>Held by Hengxin Metaverse</i>							
Xinkexin (Suzhou) Technology Co., Ltd. <sup>1</sup>	Enterprise management consulting	PRC, 28 April 2022	Limited liability	100	100	100	100

Name of subsidiary	Principal activities	Principal place of business/Country of incorporation	Type of legal entity	Effective interest held by the Group		Ownership interest held by a subsidiary	
				2023 %	2022 %	2023 %	2022 %
HODL PCC Ltd. <sup>1</sup>	Investment holding	Isle of Man, 25 August 2021	Limited liability	80	80	80	80
<i>Held by Xinkexin</i>							
Nanjing Zhangyu Information Technology Co., Ltd. <sup>1</sup>	Development, design and sale of integrated circuits, digital products, computer hardware, computer technology application and software; technology consultation and technology services	PRC, 30 June 2020	Limited liability	51	51	51	51
Shanghai Zhangyu Information Technology Co., Ltd. <sup>1</sup>	Development, design and sale of integrated circuits, digital products, computer hardware, computer technology application and software; technology consultation and technology services; import and export technology	PRC, 16 September 2013	Limited liability	51	51	51	51
Shanghai Semiconductor Technology Co., Ltd. <sup>1</sup>	Development, consultation and technology service of semiconductor technology, computer technology, Internet of Things technology and new energy; design and sale of integrated circuits	PRC, 26 March 2019	Limited liability	51	51	51	51
<i>Held by Nanjing Zhangyu</i>							
Wuxi Sihai Technology Co., Ltd. <sup>1</sup>	Development, design and sale of integrated circuits, digital products, computer hardware, computer technology application and software; technology consultation and technology services	PRC, 26 March 2015	Limited liability	41	41	80	80
Hangzhou Longkong Zhongguang Enterprise Holding Partnership <sup>1</sup>	Enterprise management consulting	PRC, 4 April 2023	Limited partnership	45	—	88	—
<i>Held by Hangzhou Longkong</i>							
Zhejiang Zhongguang New Energy Technology Co., Ltd. <sup>1</sup>	Provision of related technical and consultancy services	PRC, 8 January 2018	Limited liability	22	—	51	—

Name of subsidiary	Principal activities	Principal place of business/Country of incorporation	Type of legal entity	Effective interest held by the Group		Ownership interest held by a subsidiary	
				2023 %	2022 %	2023 %	2022 %
<i>Held by Zhejiang Zhongguang</i>							
Qinghai Zhongkong Solar Power Co., Ltd. <sup>1</sup>	Generation of electricity and operation of solar thermal power stations	PRC, 24 May 2011	Limited liability	22	—	100	—
Qinghai Cosin Solar Power Co., Ltd. <sup>1</sup>	Generation of electricity and operation of solar thermal power stations	PRC, 20 October 2021	Limited liability	22	—	100	—
Qinghai Zhongkong Solar Power Co., Ltd. <sup>1</sup>	Generation of electricity and operation of solar thermal power stations	PRC, 8 November 2019	Limited liability	22	—	100	—
Zhongguang (Qinghai) New Energy Science Technology Co. Ltd. <sup>1</sup>	Generation of electricity and operation of solar thermal power stations	PRC, 11 December 2023	Limited liability	22	—	100	—
Gansu Yumen Zhongkong Solar Power Co., Ltd. <sup>1</sup>	Generation of electricity and operation of solar thermal power stations	PRC, 1 November 2017	Limited liability	17	—	75	—

<sup>1</sup> Audited by other member firm of KPMG International for consolidation purposes

<sup>2</sup> The financial year-end of the subsidiary is 31 March

Although the Group owns less than half of Wuxi Sihai Technology Co., Ltd., the management has determined that the Group has control over this entity, on the basis that its subsidiary, Nanjing Zhangyu Information Technology Co., Ltd., holds 80% and the remaining voting rights are held by minority shareholders.

Although the Group owns less than half of Hangzhou Longkong Zhongguang Enterprise Holding Partnership, the management has determined that the Group has control over this entity, on the basis that its subsidiary, Nanjing Zhangyu Information Technology Co., Ltd., holds 88% and the remaining voting rights are held by minority shareholders.

Although the Group owns less than half of Zhejiang Zhongguang New Energy Technology Co., Ltd and its subsidiaries., the management has determined that the Group has control over these entities, on the basis that its subsidiary, Hangzhou Longkong Zhongguang Enterprise Holding Partnership, holds 51% and the remaining voting rights are held by minority shareholders.

#### **Acquisition of subsidiaries**

On 21 July 2023, the Group, through a non-wholly subsidiary, acquire 51% equity interest of Zhejiang Zhongguang. Zhejiang Zhongguang and its subsidiaries became non-wholly owned subsidiaries of the Group since then. (See Note 34).

On 19 July 2022, the Group acquire 51% equity interest of Shanghai Zhangyu and Nanjing Zhangyu. Shanghai Zhangyu and Nanjing Zhangyu became non-wholly owned subsidiaries of the Group since then (See Note 34).

*Impairment of investment in subsidiaries*

The movements in the allowance for impairment during the year are as follows:

	<b>Company</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
At 1 January and 31 December	<b>7,661</b>	7,661

The Company assesses at each reporting date whether there is any indicator that the Company's investment in subsidiaries are impaired. This assessment takes into account the financial health of and near-term business outlook for the subsidiaries, including factors such as industry performance and operating cash flows generated by these subsidiaries are considered. Due to the continued losses incurred by the subsidiary, Hengxin Technology (India) Pvt Ltd, management performed an assessment to determine its recoverable value. Based on this assessment, the Company's investment in the subsidiary, Hengxin Technology (India) Pvt Ltd, has been impaired in full as the recoverable value is RMB nil. No impairment loss (2022: nil) has been recognised in the Company's income statement.

The following subsidiaries have non-controlling interests ("NCI") that are material to the Group:

Name of subsidiary	Principal place of business/ Country of incorporation	Operating segment	Ownership interest held by NCI	
			2023	2022
			%	%
Nanjing Zhangyu Information Technology Co., Ltd. ("Nanjing Zhangyu")	PRC	Digital technology	49	49
Shanghai Zhangyu Information Technology Co., Ltd. ("Shanghai Zhangyu")	PRC	Digital technology	49	49
Zhejiang Zhongguang New Energy Technology Co., Ltd. ("Zhejiang Zhongguang")	PRC	New energy and services	78	—
Qinghai Zhongkong Solar Power Co., Ltd. ("Qinghai Zhongkong")	PRC	New energy and services	78	—

The following summarises the financial information for the above subsidiaries prepared in accordance with IFRS.

	Shanghai Zhangyu	Nanjing Zhangyu	Zhejiang Zhongguang	Qinghai Zhongkong	Other individually immaterial subsidiaries	Intra-group elimination	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>2023</b>							
NCI percentage	49%	49%	78%	78%			
Non-current assets	18,147	277,537	462,764	995,359			
Current assets	44,988	88,464	816,628	571,001			
Non-current liabilities	(315)	(1,368)	(15,206)	(706,321)			
Current liabilities	(41,816)	(269,085)	(3,039)	(490,780)			



## APPENDIX

## REVISED 2023 SINGAPORE FINANCIAL STATEMENTS

	Shanghai Zhangyu RMB'000	Nanjing Zhangyu RMB'000	Zhejiang Zhongguang RMB'000	Qinghai Zhongkong RMB'000	Other individually immaterial subsidiaries RMB'000	Intra-group elimination RMB'000	Total RMB'000
Net assets/(liabilities)	21,004	95,548	1,261,147	369,259			
Identified intangible assets acquired	5,918	12,009	4,478	212,562			
<b>Net assets/(liabilities) attributable to NCI</b>	<b>13,192</b>	<b>47,550</b>	<b>987,188</b>	<b>453,820</b>	(8,166)	(680,720)	812,864
Revenue	43,750	94,958	11	77,054			
Profit and total comprehensive income	17,280	44,998	42,065	27,852			
Net effect of amortisation of identified intangible assets acquired	(3,131)	(15,224)	(218)	(5,078)			
<b>Profit and total comprehensive income attributable to NCI</b>	<b>6,933</b>	<b>9,436</b>	<b>32,641</b>	<b>17,764</b>	(1,797)	(30,504)	34,473
Cash flows from operating activities	26,919	16,412	(2,360)	84,316			
Cash flows from investing activities	(12,749)	(272,611)	(343,309)	(1,200)			
Cash flows from financing activities	—	(250,000)	—	139,148			
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>14,170</b>	<b>(506,199)</b>	<b>(345,669)</b>	<b>222,264</b>			

	Shanghai Zhangyu RMB'000	Nanjing Zhangyu RMB'000	Other individually immaterial subsidiaries RMB'000	Intra-group elimination RMB'000	Total RMB'000
<b>2022</b>					
NCI percentage	49%	49%			
Non-current assets	4,596	5,047			
Current assets	17,479	57,085			
Non-current liabilities	(2,200)	—			
<b>Current liabilities</b>	<b>(16,151)</b>	<b>(11,582)</b>			
Net assets/(liabilities)	3,724	50,550			
Identified intangible assets acquired	9,049	27,232			
<b>Net assets/(liabilities) attributable to NCI</b>	<b>6,259</b>	<b>38,114</b>	(12,657)	—	31,716
Revenue	13,794	50,453			
Profit and total comprehensive income	7,304	29,844			
Net effect of amortisation of identified intangible assets acquired	(1,565)	(7,614)			

	Shanghai Zhangyu RMB'000	Nanjing Zhangyu RMB'000	Other individually immaterial subsidiaries RMB'000	Intra-group elimination RMB'000	Total RMB'000
<b>(Loss)/Profit and total comprehensive income attributable to NCI</b>	2,812	10,893	(8,520)	(705)	4,480
Cash flows from operating activities	1,363	25,689			
Cash flows from investing activities	(16)	(25,926)			
Cash flows from financing activities	15	—			
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>1,362</b>	<b>(237)</b>			

## 19 INTEREST IN ASSOCIATES

	Group	
	2023 RMB'000	2022 RMB'000
Cost of interest in an associate	29,698	25,528
Share of post-acquisition losses	(9,754)	(9,762)
Less: allowance for impairment	(15,766)	(15,766)
	<b>4,178</b>	<b>—</b>

Details of the associates are as follows:

Name of associate	Principal activities	Principal place of business/ Country of incorporation	Effective interest held by the Group	
			2023 %	2022 %
<b>Held by Jiangsu Hengxin</b>				
Mianyang Xin Tong Industrial Co., Ltd. ("Mianyang Xin Tong")	Manufacture and sale of communications equipment and related components, optical integrated circuits, precision zirconia ceramic instruments and equipment and electronic products	PRC	24	24
<b>Held by Zhejiang Zhongguang</b>				
Zhejiang Zhongguang Electric Power Engineering Co., Ltd. ("Zhongguang Electric")	Generation of electricity and operation of solar thermal power stations	PRC	15	—

The above associates are accounted for using the equity method in the consolidated financial statements.

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

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

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

As at reporting date, the operations of the above associate continued to incur operating losses and is expected to continue its downward trend. The carrying amount of the above associate has been fully impaired in 2018. There was no contingent liability provided by the Group on behalf of the associate.

	<b>Zhongguang Electric</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Gross amounts of the associate's</b>		
Non-current assets	2	—
Current assets	27,909	—
Current liabilities	(58)	—
	<u>27,853</u>	<u>—</u>
<b>Net assets</b>		
Profit from continuing operations	53	—
	<u>53</u>	<u>—</u>
<b>Total comprehensive income</b>		
	<u>53</u>	<u>—</u>
<b>Reconciled to the Group's interests in the associate</b>		
Gross amounts of net assets of the associate	27,853	—
Group's effective interest	15%	—
Group's share of net assets of the associate	4,178	—
	<u>4,178</u>	<u>—</u>
<b>Carrying amount in the consolidated financial statements</b>		
	<u><u>4,178</u></u>	<u><u>—</u></u>

In 14 June 2018, Zhongguang Electric was established by Zhejiang Zhongguang and other five independent third parties, among which Zhejiang Zhongguang injected capital contribution of RMB4,500,000 and has a 15% equity interest. The Group is able to appoint a director in the board of directors of Zhongguang Electric and therefore the directors of the Group consider that Zhejiang Zhongguang has significant influence over Zhongguang Electric.

On 21 July 2023, the Group through a non-wholly subsidiary, acquire 51% equity interest of Zhejiang Zhongguang. Zhongguang Electric became an associate of the Group along with acquisition mentioned above.

## 20 OTHER INVESTMENTS

### (a) Equity securities designated at FVOCI

	<b>Group</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Equity securities designated at FVOCI (non-recycling)</b>		
- Unlisted equity securities	3,536	4,975
- Non-trading securities investment funds	—	647
	<u>3,536</u>	<u>5,622</u>
	<u><u>3,536</u></u>	<u><u>5,622</u></u>

The Group designated the investments shown below as equity securities at FVOCI because these equity securities represent investments that the Group intends to hold for the long term for strategic purposes.

	Fair value at 31 December <i>RMB'000</i>	Dividend income recognised <i>RMB'000</i>
<b>2023</b>		
Investment in Anosi Telecom Technologies Co., Ltd.	3,536	—
<b>2022</b>		
Investment in Anosi Telecom Technologies Co., Ltd.	4,975	—
Investment in Shanghai International Trust Corp., Ltd.	647	—
	<u>5,622</u>	<u>—</u>

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

(b) **Financial assets measured at FVPL**

	<b>Group</b>	
	<b>2023</b>	2022
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Non-current assets</b>		
- Unlisted unit in investment funds	24,768	12,000
- Contingent acquisition consideration receivable	—	3,321
	<u>24,768</u>	<u>15,321</u>
<b>Current assets</b>		
- Wealth management product	2,950	—

The Group's non-current balance of financial assets at FVPL represents unlisted unit in investment funds incorporated in the PRC. The investment is primarily invested in the information technology and new energy resource sectors.

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

## (c) Derivative financial assets

	Group	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Derivative financial assets</b>		
- Price forward contracts – not under hedge accounting	82,041	—
- Foreign currency forward contracts – not under hedge accounting	—	113
- Put option of acquired subsidiaries	—	343
	<u>82,041</u>	<u>456</u>

The Group entered into several foreign currency forward contracts with certain banks to mitigate the currency risk arising from certain of its bank loans and receivables denominated in USD and EUR.

The fair value changes of above derivative financial instruments were recognised in profit or loss.

The analysis on the fair value measurement of the above financial instruments is disclosed in Note 32(f).

## 21 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	Group	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
At the beginning of the year	9,414	4,330
Provision for PRC Corporate Income Tax for the year	22,355	20,369
Provision for Hong Kong Profits Tax for the year	—	237
Effect of withholding tax on dividends	—	5,668
Income taxes paid	(20,620)	(18,172)
Withholding tax paid	(694)	(3,018)
	<u>(21,314)</u>	<u>(21,190)</u>
At the end of the year	<u>10,455</u>	<u>9,414</u>

## (b) Deferred tax assets and liabilities recognised

## (i) Movements of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Net balance at 1 January RMB'000	Recognised in profit or loss RMB'000	Recognised in OCI RMB'000	Acquisition of subsidiaries RMB'000	Balance at 31 December		
					Deferred tax Net RMB'000	Deferred tax assets RMB'000	Deferred tax liabilities RMB'000
<b>Group</b>							
<b>2023</b>							
Impairment loss for trade and other receivables	5,392	3,670	—	—	9,062	9,062	—
Equity investments at FVOCI	754	—	216	—	970	970	—
Right of use assets	98	882	—	18	998	998	—
Impairment loss on associate	2,365	—	—	—	2,365	2,365	—
Accumulated loss	—	(863)	—	4,610	3,747	3,747	—
Unrealised exchange loss	14	—	—	—	14	14	—
Unrealised profits on sale of inventory	422	414	—	—	836	836	—
Accrued expenses	2,617	—	—	—	2,617	2,617	—
Write down of inventories	74	(4)	—	—	70	70	—
Contingent consideration and call option	8,091	(8,091)	—	—	—	—	—
Derivative financial liability	417	(19)	—	—	398	398	—
Derivative financial asset	(17)	17	—	—	—	—	—
Dividend from subsidiary	(2,542)	(379)	—	—	(2,921)	—	(2,921)
Depreciation on property, plant and equipment	(171)	(331)	—	—	(502)	—	(502)
Accumulated share of loss of an associate	—	(1)	—	83	82	82	—
Lease liabilities	—	(984)	—	—	(984)	—	(984)
Equity investments at FVPL	—	(115)	—	—	(115)	—	(115)
Intangible assets identified in business combination	(12,915)	6,802	—	(9,926)	(16,039)	—	(16,039)
<b>Tax assets/(liability) before set-off</b>	<b>4,599</b>	<b>998</b>	<b>216</b>	<b>(5,215)</b>			
Set-off of tax					—	—	—
<b>Net tax assets/(liability)</b>					<b>598</b>	<b>21,159</b>	<b>(20,561)</b>

	Net balance at 1 January RMB'000	Recognised in profit or loss RMB'000	Recognised in OCI RMB'000	Effect of withholding tax paid RMB'000	Acquisition of subsidiaries RMB'000	Balance at 31 December		
						Deferred tax Net	Deferred tax assets	Deferred tax liabilities
						RMB'000	RMB'000	RMB'000
<b>Group</b>								
<b>2022</b>								
Impairment loss for trade and other receivables	5,392	—	—	—	—	5,392	5,392	—
Equity investments at FVOCI	565	—	189	—	—	754	754	—
Deferred income	122	(122)	—	—	—	—	—	—
Right of use assets	—	98	—	—	—	98	98	—
Impairment loss on associate	2,365	—	—	—	—	2,365	2,365	—
Unrealised exchange loss	14	—	—	—	—	14	14	—
Unrealised profits on sale of inventory	150	272	—	—	—	422	422	—
Accrued expenses	1,684	933	—	—	—	2,617	2,617	—
Write down of inventories	197	(123)	—	—	—	74	74	—
Contingent consideration and call option	—	8,091	—	—	—	8,091	8,091	—
Derivative financial liability	634	(217)	—	—	—	417	417	—
Derivative financial asset	(186)	169	—	—	—	(17)	—	(17)
Dividend from subsidiary	(7,676)	(534)	—	5,668	—	(2,542)	—	(2,542)
Depreciation on property, plant and equipment	—	(171)	—	—	—	(171)	—	(171)
Intangible assets identified in business combination	—	3,339	—	—	(16,254)	(12,915)	—	(12,915)
<b>Tax assets/(liability) before set-off</b>	<b>3,261</b>	<b>11,735</b>	<b>189</b>	<b>5,668</b>	<b>(16,254)</b>			
Set-off of tax						—	—	—
<b>Net tax assets/(liability)</b>						<b>4,599</b>	<b>20,244</b>	<b>(15,645)</b>

Deferred tax assets/(liabilities) are recognised to the extent that realisation of the related tax benefits through future taxable profits is probable.



(ii) *Reconciliation to the consolidated statement of financial position*

	<b>Group</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	<b>RMB'000</b>
Net deferred tax asset recognised in the consolidated statement of financial position	<b>19,800</b>	20,244
Net deferred tax liability recognised in the consolidated statement of financial position	<b>(19,202)</b>	(15,645)
	<b>598</b>	4,599

(c) **Deferred tax assets not recognised**

In accordance with the accounting policy set out in Note 3(r), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB185,568,000 (2022: RMB93,484,000) mainly incurred by subsidiaries in PRC, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and respective entity. The tax losses incurred by the subsidiaries will expire within 5 to 10 years from the year when such losses were incurred under current tax legislation respectively.

(d) **Deferred tax liabilities not recognised**

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

22 **INVENTORIES**

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

	<b>Raw</b>	<b>Work-in-</b>	<b>Finished</b>	<b>Other</b>	
	<b>materials</b>	<b>progress</b>	<b>goods</b>	<b>contract</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>costs</b>	<b>RMB'000</b>
<b>Group</b>					
<b>2023</b>					
At cost	<b>68,368</b>	<b>7,475</b>	<b>114,946</b>	<b>2,821</b>	<b>193,610</b>
At net realisable value	<b>634</b>	<b>—</b>	<b>610</b>	<b>—</b>	<b>1,244</b>
	<b>69,002</b>	<b>7,475</b>	<b>115,556</b>	<b>2,821</b>	<b>194,854</b>
<b>2022</b>					
At cost	42,832	7,339	99,305	318	149,794
At net realisable value	1,475	—	318	—	1,793
	44,307	7,339	99,623	318	151,587

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	<b>Group</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Carrying amount of inventories sold	<b>1,821,270</b>	1,664,844
Reversal of provision of stock obsolescence	<u>(65)</u>	<u>(786)</u>
	<b><u>1,821,205</u></b>	<b><u>1,664,058</u></b>

## 23 DIGITAL ASSETS

	<b>Group</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Proprietary digital assets	<b><u>10,016</u></b>	<u>—</u>

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

## 24 TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Trade receivables from:					
– third parties		803,463	597,910	—	—
Bills receivables		66,573	81,232	—	—
Less: allowance for impairment loss		(39,690)	(13,075)	—	—
		<b>830,346</b>	666,067	—	—
Loans to an associate	a	21,191	21,191	—	—
Non-trade amounts due from an associate	b	1,680	1,680	—	—
		<b>22,871</b>	22,871	—	—
Less: Loss allowance		(22,871)	(22,871)	—	—
		—	—	—	—
Non-trade amounts due from subsidiaries	c	—	—	85,700	98,614
Advances to suppliers	d	65,606	45,788	—	—
Advances to staff	d	939	1,454	—	—
Refundable deposits	e	19,461	8,558	86	79
Tax recoverable	f	10,630	21,511	—	—
Prepayments					
– third parties		—	79	138	187
– affiliated corporation*		—	200	—	—
		<b>926,982</b>	743,657	<b>85,924</b>	98,880

\* An affiliated corporation is defined as one:

- (a) in which a director of the Company has substantial financial interests or who is in a position to exercise significant influence; and/or
- (b) which directly or indirectly, through one or more intermediaries, are under the control of a common shareholder.

## Notes:

- a. The Group's loans to an associate are unsecured, interest-free and repayable in 7 semi-annual instalments from 30 December 2017 to 30 December 2021. In 2018, the Group has fully impaired the loans to associate due to the financial difficulties encountered by the associate.
- b. The non-trade amount due from an associate are unsecured, interest-free and repayable on demand. In 2018, the Group has fully impaired the non-trade amounts due from the associate due to the financial difficulties encountered by the associate.

- c. The Company's non-trade amounts due from a subsidiary are unsecured, interest-free and repayable on demand. The Company's non-trade amounts due from a subsidiary is recognised initially at fair value. The difference between the fair value and the absolute amount due from a subsidiary represents equity contribution to the subsidiaries (see Note 18).
- d. The advances to suppliers and staff are unsecured, interest-free and repayable on demand.
- e. Included in the refundable deposits are tender deposits and project deposits for bidding of customer contracts. If the tender is not successful or the project completed, these deposits paid will be refunded to the Group.
- f. Included in the tax recoverable are value added tax receivables in the PRC arising from the purchase of raw materials, services and other property, plant and equipment.

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

The bills receivables held by the Group are achieved by both collecting contractual cash flows and selling financial assets, which are measured at fair value through other comprehensive income (recycling).

#### Ageing analysis

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

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

Trade and bills receivables are due within 90-270 days from the date of billing, except for an amount of RMB249,294,000, which includes solar energy electricity sales receivables amounting to RMB3,455,000 and tariff premium receivables amounting to RMB245,839,000 respectively, from provincial grid companies. The collection of such tariff premium is subject to the allocation of funds by relevant government authorities to local grid companies, which therefore takes a relatively long time for settlement.

Pursuant to CaiJian [2012] No.102 Notice on the Interim Measures for Administration of Subsidy Funds for Tariff Premium of Renewable Energy jointly issued by the Ministry of Finance, the National Development and Reform Commission and the National Energy Administration in March 2012, a set of standardised procedures for the settlement of the tariff premium has come into force since 2012 and approvals on a project by project basis are required before the allocation of funds to local grid companies. As at 31 December 2023, all of the Group's operating projects have been approved for the tariff premium.

As at 31 December 2023, the trade receivables and bills receivables from provincial grid companies amounting to RMB249,294,000 and RMB7,646,000 respectively were pledged as securities for the Group's bank loans (see Note 28).

Trade receivables from provincial grid companies that were neither past due nor impaired mainly represented the electricity sales receivable from local grid companies for whom there was no recent history of default.

Further details on the Group's credit policy and credit risk arising for trade and bills receivable are set out in Note 32(a).

## 25 TIME DEPOSITS WITH ORIGINAL MATURITY MORE THAN 3 MONTHS

As at 31 December 2023, time deposits of RMB264,125,000 and RMB45,000,000 (2022: RMB301,210,000 and RMB nil) in the consolidated statement of financial position represent bank deposits that are more than 3 months and 12 months of maturity at acquisition respectively.

The Group's exposure to credit risk and interest rate risks are disclosed in Note 32.

## 26 CASH AND CASH EQUIVALENTS

### (a) Cash and cash equivalents comprise:

	Group		Company	
	2023	2022	2023	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	944,863	825,594	7,794	8,585
Non-current pledged bank deposits	35,000	—	—	—
Current pledged bank deposits	91,833	54,757	—	—
Cash and cash equivalents in the statements of financial position	1,071,696	880,351	7,794	8,585
Less: pledged bank deposits	(126,833)	(54,757)	—	—
Cash and cash equivalents in the statements of cash flows	944,863	825,594	7,794	8,585

Non-current portion of pledged deposit was pledged to banks as guarantees for issuance of banking facilities (see Note 28). Pledged bank deposits bear interest at an average effective interest rates at 2.9770% (2022: Nil) per annum and for 156 months. The pledged deposits will be released by the expiry of relevant banking facilities.

Included in current pledged deposits is an amount of RMB30,164,000 (2022: RMB39,671,000) pledged to banks as guarantees for bidding of customer contracts and issuing letter of guarantee. Pledged bank deposits bear interest at an average effective interest rates at 1.393% (2022: 1.088%) per annum and for a tenure of approximately 4 to 60 months (2022: 4 to 60 months). Remaining balance of current pledged deposits is pertaining to the security deposit for the commodity future contracts entered to hedge the purchase of raw materials during the year.

## (b) Reconciliation of liabilities arising from financing activities:

		<b>Liabilities</b>			
	<i>Note</i>	<b>Bank loans</b>	<b>Interest payable</b>	<b>Lease liabilities</b>	<b>Total</b>
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Group</b>					
<b>At 1 January 2022</b>		330,293	2,177	810	333,280
<b>Changes from financing cash flows:</b>					
Proceeds from bank loans		373,634	—	—	373,634
Repayment of bank loans		(475,293)	—	—	(475,293)
Capital element of lease rentals paid		—	—	(2,500)	(2,500)
Interest element of lease rentals paid		—	—	(147)	(147)
Other interest expense paid		—	(13,911)	—	(13,911)
<b>Total changes from financing cash flows</b>		<u>(101,659)</u>	<u>(13,911)</u>	<u>(2,647)</u>	<u>(118,217)</u>
<b>Other changes:</b>					
New leases		—	—	2,745	2,745
Interest expense	<i>9(a)</i>	—	11,734	147	11,881
Acquisition of subsidiary	<i>34</i>	—	—	5,560	5,560
<b>Total other changes</b>		<u>—</u>	<u>11,734</u>	<u>8,452</u>	<u>20,186</u>
<b>At 31 December 2022</b>		<u><u>228,634</u></u>	<u><u>—</u></u>	<u><u>6,615</u></u>	<u><u>235,249</u></u>

	Note	Liabilities			Total RMB'000
		Bank loans RMB'000	Interest payable RMB'000	Lease liabilities RMB'000	
<b>Group</b>					
At 1 January 2023		228,634	—	6,615	235,249
<b>Changes from financing cash flows:</b>					
Proceeds from bank loans		737,060	—	—	737,060
Repayment of bank loans		(555,082)	—	—	(555,082)
Capital element of lease rentals paid		—	—	(4,678)	(4,678)
Interest element of lease rentals paid		—	—	(322)	(322)
Other interest expense paid		—	(30,671)	—	(30,671)
<b>Total changes from financing cash flows</b>		<b>181,978</b>	<b>(30,671)</b>	<b>(5,000)</b>	<b>146,307</b>
<b>Other changes:</b>					
New leases		—	—	6,508	6,508
Interest expense	9(a)	—	30,671	322	30,993
Acquisition of subsidiary	34	602,297	—	1,609	603,906
<b>Total other changes</b>		<b>602,297</b>	<b>30,671</b>	<b>8,439</b>	<b>641,407</b>
<b>At 31 December 2023</b>		<b>1,012,909</b>	<b>—</b>	<b>10,054</b>	<b>1,022,963</b>

## (c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Within operating cash flows	1,770	142	—	—
Within financing cash flows	5,000	2,647	354	324
	<b>6,770</b>	<b>2,789</b>	<b>354</b>	<b>324</b>

These amounts relate to the following:

	Group		Company	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Lease rentals paid	6,770	2,789	354	324

## (d) Net cash outflow arising from the acquisition of a subsidiary which does not constitute a business

The recognised amounts of assets acquired and liabilities at the date of acquisition of the subsidiary which does not constitute a business comprise the following:

	Group	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Construction in progress (Note 15)	5,900	—
Cash	2,045	—
Other payables	(50)	—
	<u>7,895</u>	<u>—</u>
Total consideration paid in cash	7,895	—
Less: cash of subsidiary acquired	(2,045)	—
	<u>5,850</u>	<u>—</u>

On 24 November 2023, the Group entered into an agreement to acquire 100% equity interest in Qinghai Cosin Solar Power Co., Ltd. (“**Qinghai Cosin**”) at a total consideration of RMB7,895,000. The principal activities of Qinghai Cosin and its subsidiary are solar thermal power electricity generation and the provision of related technical and consultancy services, and its identifiable assets are mainly construction in progress and cash. The transaction was completed in November 2023 and recognised as an acquisition of assets, rather than a business combination, given that Qinghai Cosin and its subsidiary do not constitute a business.

## 27 TRADE AND OTHER PAYABLES

	Group		Company	
	2023	2022	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables from:				
– third parties	263,602	72,172	—	—
– affiliated corporation	21,281	—	—	—
Bills payable	—	145,000	—	—
	<u>284,883</u>	217,172	<u>—</u>	<u>—</u>
Accrued operating expenses	75,755	68,816	4,423	2,935
Contract liabilities	62,219	40,431	—	—
Contingent consideration payables	—	45,000	—	—
Tender deposits	19,715	10,823	—	—
Value added tax and other taxes payable	7,669	3,709	—	—
Other payables				
– third parties	2,001	2,009	392	167
– affiliated corporation	800	—	—	—
Foreign currency forward contracts – not under hedge accounting	2,654	2,781	—	—
	<u>455,696</u>	<u>390,741</u>	<u>4,815</u>	<u>3,102</u>



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

The Group entered into several foreign currency forward contracts with certain banks to mitigate the currency risk arising from certain of its bank loans and receivables denominated in USD and EUR.

The fair value changes of above derivative financial instruments were recognised in profit or loss.

The analysis on the fair value measurement of the above financial instruments is disclosed in Note 32(f).

Movements in contract liabilities during the year are as follows:

	<b>Group</b>	
	<b>2023</b>	2022
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
At 1 January	40,431	6,164
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(40,431)	(6,164)
Increase in contract liabilities as a result of billing in advance of manufacturing activities	<u>62,219</u>	<u>40,431</u>
	<b><u>62,219</u></b>	<b><u>40,431</u></b>

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

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

## 28 BANK LOANS

	Group	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Current liabilities</b>		
Secured bank loans	125,803	—
Unsecured bank loans	50,740	228,634
	<u>176,543</u>	<u>228,634</u>
<b>Non-current liabilities</b>		
Secured bank loans	480,350	—
Unsecured bank loans	356,016	—
	<u>836,366</u>	<u>—</u>
	<u><u>1,012,909</u></u>	<u><u>228,634</u></u>

The secured bank loans were secured by the income receipts right in relation to the sales of electricity and property, plant and equipment of the Group and carried at an interest rate of 4.35 to 4.90% per annum. The secured bank loans are subject to the fulfilment of covenants related to certain financial ratios of the Group, as are commonly found in lending arrangements with financial institutions. The Group regularly monitors its compliance with the covenants. None of the covenants related to drawn down facilities were breached or no covenants are required. An analysis of the carrying value of these assets is as follows:

	Group	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Electricity generating facilities ( <i>Note 15</i> )	824,517	—
Trade and bills receivables ( <i>Note 24</i> )	256,940	—
Pledged deposits ( <i>Note 26</i> )	35,000	—
	<u>1,116,457</u>	<u>—</u>

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

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

## 29 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods:

	31 December 2023		31 December 2022	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
<b>Group</b>				
Within 1 year	6,137	7,096	3,709	3,775
After 1 year but within 2 years	3,040	3,262	2,906	2,912
After 2 year but within 5 years	877	963	—	—
	<u>10,054</u>	<u>11,321</u>	<u>6,615</u>	6,687
Less: total future interest expenses		<u>(1,267)</u>		<u>(72)</u>
Present value of lease liabilities		<u>10,054</u>		<u>6,615</u>
<b>Company</b>				
Within 1 year	317	357	84	85
After 1 year but within 2 years	365	357	—	—
After 2 year but within 5 years	89	89	—	—
	<u>771</u>	<u>803</u>	<u>84</u>	
Less: total future interest expenses		<u>(32)</u>		<u>(1)</u>
Present value of lease liabilities		<u>771</u>		<u>84</u>
<b>30 DEFERRED INCOME</b>				

	Group	
	2023 RMB'000	2022 RMB'000
Deferred income	<u>882</u>	<u>2,460</u>

The amount represents deferred revenue arising as a result of the special fund received from local government to support the Group's project of transformation of science and technology achievements in the People's Republic of China. The grants are related to assets and will be recognised as other operating income in profit or loss over a period of 5 to 10 years.

## 31 CAPITAL, RESERVES AND DIVIDENDS

## (a) Movement in components of equity

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

	<i>Note</i>	<b>Share capital</b> <i>RMB'000</i>	<b>Accumulated profits</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Company</b>				
Balance at 1 January 2022		295,000	110,059	405,059
Total comprehensive income for the year		—	92,311	92,311
<b>Balance at 31 December 2022</b>		<b>295,000</b>	<b>202,370</b>	<b>497,370</b>
Balance at 1 January 2023		<b>295,000</b>	<b>202,370</b>	<b>497,370</b>
Total comprehensive income for the year		—	(15,471)	(15,471)
<b>Balance at 31 December 2023</b>		<b>295,000</b>	<b>186,899</b>	<b>481,899</b>

## (b) Dividends

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

	<b>Group and Company</b>	
	<b>2023</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>
RMB nil per qualifying ordinary share (2022: nil)	—	—

## (c) Share capital

	<b>Group and Company</b>			
	<b>2023</b>		<b>2022</b>	
	<b>No. of shares</b>		<b>No. of shares</b>	
	<i>('000)</i>	<i>RMB'000</i>	<i>('000)</i>	<i>RMB'000</i>
<b>Ordinary shares, issued and fully paid</b>				
At beginning and end of year	<b>388,000</b>	<b>295,000</b>	<b>388,000</b>	<b>295,000</b>

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

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

(d) **Nature and purpose of reserves**

(i) **General reserves**

General reserves represent the statutory and discretionary reserve arising from the PRC subsidiaries.

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the PRC, the subsidiaries are required to make appropriation to a statutory reserve.

In the PRC, at least 10% of the statutory profits after tax as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the statutory reserve until the cumulative total of the statutory reserves reach 50% of the subsidiaries' registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the subsidiaries. The statutory reserves in the PRC are not available for dividend distribution to shareholders.

(ii) **Special reserve**

The special reserve represents the difference between the acquisition cost and carrying amount of net assets of the PRC subsidiary arising from the acquisition of PRC subsidiary in 2004.

(iii) **Fair value reserve (non-recycling)**

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

(iv) **Translation reserves**

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

(e) **Capital management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance, and to ensure that all externally imposed capital requirements are complied with. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt and equity, which includes equity attributable to equity shareholders of the Company, comprising share capital, reserves and accumulated profits.

The Group's management reviews the capital structure on an on-going basis. As a part of this review, management considers the cost of capital and the risks associated with each class of capital and reserves. Based on recommendations of management, the Group will balance its overall capital structure through the payment of dividends, as well as the issue of new debt or the redemption of existing debt.

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

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

The debt-to-assets ratio at the end of the reporting period is as follows:

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

### 32 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

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

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

#### (a) Credit risk

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

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

#### *Trade receivables*

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

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

#### *Exposure to credit risk*

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

	<b>Group</b>	
	<b>2023</b>	2022
	<i>RMB'000</i>	<i>RMB'000</i>
PRC	711,962	557,368
Other customers	<u>51,811</u>	<u>27,467</u>
	<u><b>763,773</b></u>	<u><b>584,835</b></u>

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

	<b>Group</b>	
	<b>2023</b>	2022
	<i>RMB'000</i>	<i>RMB'000</i>
State-owned telecommunication enterprises in the PRC	235,451	287,509
Provincial power grid companies in the PRC	249,294	—
Other customers	<u>279,028</u>	<u>297,326</u>
	<u><b>763,773</b></u>	<u><b>584,835</b></u>

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

*Expected credit loss assessment for trade receivables (excluding bill receivables)*

The Group measures loss allowances for trade receivables (excluding bill receivables) at an amount equal to lifetime ECLs, which is calculated using a provision matrix. For the purpose of determining ECLs, the Group has analysed the trade receivables based on different type of counterparty.

The following table provides information about the exposure to credit risk and ECLs for trade receivables (excluding bill receivables) as at 31 December:

<b>Group</b>	<b>Weighted average loss rate</b>	<b>Gross carrying amount</b>	<b>Impairment loss allowance</b>	<b>Net carrying amount</b>
	%	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>2023</b>				
Current (not past due)	1.32	551,923	(7,305)	544,618
Past due 1 – 180 days	2.09	85,862	(1,794)	84,068
Past due 181 – 360 days	6.55	72,836	(4,772)	68,064
Past due 361 – 540 days	42.05	26,123	(10,986)	15,137
Past due over 540 days	22.23	<u>66,719</u>	<u>(14,833)</u>	<u>51,886</u>
		<u><b>803,463</b></u>	<u><b>(39,690)</b></u>	<u><b>763,773</b></u>

Group	Weighted average loss rate %	Gross carrying amount RMB'000	Impairment loss allowance RMB'000	Net carrying amount RMB'000
<b>2022</b>				
Current (not past due)	0.65	499,325	(3,264)	496,061
Past due 1 – 180 days	3.63	68,199	(2,478)	65,721
Past due 181 – 360 days	15.02	20,873	(3,136)	17,737
Past due 361 – 540 days	21.59	5,525	(1,193)	4,332
Past due over 540 days	75.33	3,988	(3,004)	984
		<u>597,910</u>	<u>(13,075)</u>	<u>584,835</u>

Expected loss rates are based on actual loss experience over the past 3 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

As at 31 December 2023, the directors of the Company are of the opinion that the amounts due from provincial power grid companies are fully recoverable considering that there are no loss experienced with the grid companies in the past and the tariff premium is funded by the PRC government.

The following table provides information about the Group's exposure to credit risk and ECLs by type of counterparty for trade receivables excluding the amounts due from provincial power grid companies as at 31 December:

Group	Weighted average loss rate %	Gross carrying amount RMB'000	Impairment loss allowance RMB'000	Net carrying amount RMB'000
<b>2023</b>				
<b>State-owned telecommunication enterprises in the PRC</b>				
Current (not past due)	0.14	198,615	(275)	198,340
Past due 1 – 180 days	1.17	20,536	(241)	20,295
Past due 181 – 360 days	6.43	9,266	(596)	8,670
Past due 361 – 540 days	16.37	9,509	(1,557)	7,952
Past due over 540 days	89.74	1,891	(1,697)	194
		<u>239,817</u>	<u>(4,366)</u>	<u>235,451</u>
<b>Other customers</b>				
Current (not past due)	2.64	266,121	(7,030)	259,091
Past due 1 – 180 days	19.80	7,843	(1,553)	6,290
Past due 181 – 360 days	37.07	11,266	(4,176)	7,090
Past due 361 – 540 days	58.98	15,986	(9,429)	6,557
Past due over 540 days	100.00	13,136	(13,136)	—
		<u>314,352</u>	<u>(35,324)</u>	<u>279,028</u>



Group	Weighted average loss rate %	Gross carrying amount RMB'000	Impairment loss allowance RMB'000	Net carrying amount RMB'000
<b>Provincial power grid companies in the PRC</b>				
Current (not past due)	—	87,187	—	87,187
Past due 1 – 180 days	—	57,483	—	57,483
Past due 181 – 360 days	—	52,304	—	52,304
Past due 361 – 540 days	—	627	—	627
Past due over 540 days	—	51,693	—	51,693
		<u>249,294</u>	<u>—</u>	<u>249,294</u>
<b>Total</b>		<u><b>803,463</b></u>	<u><b>(39,690)</b></u>	<u><b>763,773</b></u>

Group	Weighted average loss rate %	Gross carrying amount RMB'000	Impairment loss allowance RMB'000	Net carrying amount RMB'000
<b>2022</b>				
<b>State-owned telecommunication enterprises in the PRC</b>				
Current (not past due)	0.03	244,321	(76)	244,245
Past due 1 – 180 days	0.63	38,863	(244)	38,619
Past due 181 – 360 days	4.02	2,042	(82)	1,960
Past due 361 – 540 days	10.19	1,894	(193)	1,701
Past due over 540 days	37.60	1,577	(593)	984
		<u>288,697</u>	<u>(1,188)</u>	<u>287,509</u>
<b>Other customers</b>				
Current (not past due)	1.25	255,004	(3,188)	251,816
Past due 1 – 180 days	7.62	29,336	(2,234)	27,102
Past due 181 – 360 days	16.22	18,831	(3,054)	15,777
Past due 361 – 540 days	27.54	3,631	(1,000)	2,631
Past due over 540 days	100.00	2,411	(2,411)	—
		<u>309,213</u>	<u>(11,887)</u>	<u>297,326</u>
<b>Total</b>		<u><b>597,910</b></u>	<u><b>(13,075)</b></u>	<u><b>584,835</b></u>

*Movements in allowance for impairment in respect of trade receivables*

The movement in the loss allowance in respect of trade receivables during the year was as follows.

	Group	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January	13,075	13,075
Impairment loss recognised during the year	<u>26,615</u>	<u>—</u>
Balance at 31 December	<u><u>39,690</u></u>	<u><u>13,075</u></u>

*Non-trade amounts due from subsidiaries*

The Company held non-trade receivables from its subsidiaries of RMB85,700,000 (2022: RMB98,614,000). These balances are amounts lent to subsidiaries to satisfy short term funding requirements. The Company uses similar approach for assessment of ECL for these receivables to those used for cash and cash equivalents. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposures. The amount of the allowance on these balances is insignificant.

*Cash and cash equivalents, time deposits and bill receivables*

The Group's exposure to credit risk arising from cash and cash equivalents, time deposits and bills receivables is limited because the counterparties are mainly reputable financial institutions with high credit standing, for which the Group considers to have low credit risk.

*Loans to an associate and non-trade amount due from an associate*

The Group adopted the ECL approach to estimate credit losses over the expected life of these receivables. As at reporting date, the operations of the associate continued to incur operating losses and the amounts are assessed to be not probable of recovery. As a result, the Group has fully impaired the loans to the associate and non-trade receivables due from the associate as at 31 December 2022.

**(b) Liquidity risk**

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

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

	Contractual cash flows					
	Carrying amount <i>RMB'000</i>	Total <i>RMB'000</i>	Within 1 year <i>RMB'000</i>	More than 1 year but less than 2 years <i>RMB'000</i>	More than 2 years but less than 5 years <i>RMB'000</i>	More than 5 years <i>RMB'000</i>
<b>Group</b>						
<b>2023</b>						
<b>Derivative financial liability</b>						
Derivative financial liability	2,654	(2,654)	(2,654)	—	—	—
<b>Non-derivative financial liabilities</b>						
Bank loans	1,012,909	(1,232,149)	(215,645)	(78,942)	(358,114)	(579,448)
Trade and other payables <sup>#</sup>	383,154	(383,154)	(383,154)	—	—	—
Lease liabilities	10,054	(10,452)	(6,539)	(3,022)	(891)	—
	<u>1,406,117</u>	<u>(1,625,755)</u>	<u>(605,338)</u>	<u>(81,964)</u>	<u>(359,005)</u>	<u>(579,448)</u>
<b>2022</b>						
<b>Derivative financial liability</b>						
Derivative financial liability	2,781	(2,781)	(2,781)	—	—	—
<b>Non-derivative financial liabilities</b>						
Bank loans	228,634	(231,749)	(231,749)	—	—	—
Trade and other payables <sup>#</sup>	343,820	(343,820)	(343,820)	—	—	—
Lease liabilities	6,615	(6,687)	(3,775)	(2,912)	—	—
	<u>579,069</u>	<u>(582,256)</u>	<u>(579,344)</u>	<u>(2,912)</u>	<u>—</u>	<u>—</u>

<sup>#</sup> Exclude contract liabilities, value added tax and other taxes payable and foreign currency forward contracts.

	Carrying amount RMB'000	Contractual cash flows		
		Total RMB'000	Within 1 year RMB'000	More than 1 year but less than 2 years RMB'000
<b>Company</b>				
<b>2023</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables	4,461	(4,461)	(4,461)	—
Lease liabilities	771	(803)	(357)	(89)
	<u>5,232</u>	<u>(5,264)</u>	<u>(4,818)</u>	<u>(89)</u>
<b>2022</b>				
<b>Non-derivative financial liabilities</b>				
Trade and other payables	3,102	(3,102)	(3,102)	—
Lease liabilities	84	(85)	(85)	—
	<u>3,186</u>	<u>(3,187)</u>	<u>(3,187)</u>	<u>—</u>

(c) **Interest rate risk**

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

**Exposure to interest rate risk**

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments, as reported to management was as follows:

	Note	Group Carrying amount	
		2023 RMB'000	2022 RMB'000
<b>Fixed-rate instruments</b>			
Time deposits	25	309,125	301,210
Pledged bank deposits	26	126,833	54,757
Bank loans	28	(1,012,909)	(228,634)
		<u>(576,951)</u>	<u>127,333</u>

*Fair value sensitivity analysis for fixed-rate instruments*

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

*Cash flow sensitivity analysis for variable-rate instruments*

As at 31 December 2023, the Group does not have significant financial assets or liabilities that are exposed to interest rate risk.

**(d) Currency risk**

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

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

*(i) Exposure to currency risk*

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

	USD RMB'000	SGD RMB'000	HKD RMB'000	EUR RMB'000
<b>Group</b>				
<b>2023</b>				
Cash at bank	90,872	778	2,883	25,755
Time deposits	42,496	—	—	—
Digital assets	10,016	—	—	—
Trade and other receivables	33,378	—	10	1,503
Trade and other payables	(320)	(822)	(656)	(3)
Lease liabilities	—	(771)	—	—
<b>Net exposure</b>	<b>176,442</b>	<b>(815)</b>	<b>2,237</b>	<b>27,255</b>
<b>2022</b>				
Cash at bank	42,085	226	264	40,442
Trade and other receivables	43,452	15	—	4,030
Trade and other payables	(40)	(145)	(44,393)	(3)
Lease liabilities	—	(106)	—	—
<b>Net exposure</b>	<b>85,497</b>	<b>(10)</b>	<b>(44,129)</b>	<b>44,469</b>

	USD RMB'000	SGD RMB'000	HKD RMB'000	EUR RMB'000
<b>Company</b>				
<b>2023</b>				
Cash at bank	728	778	819	—
Trade and other receivables	—	86	45,331	—
Trade and other payables	(16)	(822)	(665)	—
Lease liabilities	—	(771)	—	—
<b>Net exposure</b>	<b>712</b>	<b>(729)</b>	<b>45,485</b>	<b>—</b>
<b>2022</b>				
Cash at bank	716	1,165	6,406	—
Trade and other receivables	—	79	44,555	—
Trade and other payables	(16)	(746)	(445)	—
Lease liabilities	—	(84)	—	—
<b>Net exposure</b>	<b>700</b>	<b>414</b>	<b>50,516</b>	<b>—</b>

(ii) *Sensitivity analysis*

A change of 10% strengthening of the RMB, as indicated below, against the USD, SGD, HKD and EUR at 31 December would have increased/(decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2022.

	Group		Company	
	Profit before tax 2023 RMB'000	2022 RMB'000	Profit before tax 2023 RMB'000	2022 RMB'000
USD	(17,644)	(8,550)	(71)	(70)
SGD	82	1	73	(41)
HKD	(224)	4,413	(4,549)	(5,052)
EUR	(2,726)	(4,447)	—	—

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

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

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

**(e) Equity price risk**

The Group is exposed to equity price changes arising from equity investments held for non-trading purposes (see Note 20).

The Group's equity investments are held for long term strategic purposes. The performance is assessed at least bi-annually against performance of similar listed entities, based on the limited information available to the Group, together with an assessment of their relevance to the Group's long-term strategic plans.

At 31 December 2023, it is estimated that an increase of 5% (2022: 5%) in the relevant equity price as applicable, as applicable, with all other variables held constant, would have increased/(decreased) fair value reserve (non-recycling) of consolidated equity as follows:

	<b>Effect on equity</b>			
	<b>2023</b>		<b>2022</b>	
	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>
<b>Group</b>				
<b>Changes in the relevant equity price risk variable</b>				
Increase	<b>5%</b>	<b>150</b>	5%	239
Decrease	<b>5%</b>	<b>(150)</b>	5%	(239)

The sensitivity analysis indicates the instantaneous change in the Group's fair value reserve (non-recycling) of consolidated equity that would arise assuming that the changes in the stock market index or other relevant risk variables had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to equity price risk at the end of the reporting period. It is also assumed that the Group's equity investments would change in accordance with the historical correlation with the relevant stock market index or the relevant risk variables, and that all other variables remain constant. The analysis is performed on the same basis for 2022.

## (f) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Note	Carrying amount				Fair value				
		FVOCI - equity instruments	Designated at FVPL	Amortised cost	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Group</b>										
<b>31 December 2023</b>										
<b>Financial assets measured at fair value</b>										
Other investments	20	3,536	27,718	—	—	31,254	—	2,950	28,304	31,254
Derivative financial asset	20	—	82,041	—	—	82,041	—	82,041	—	82,041
Digital assets	23	—	10,016	—	—	10,016	10,016	—	—	10,016
Trade and other receivables <sup>#</sup>	24	66,573	—	—	—	66,573	—	66,573	—	66,573
		<u>70,109</u>	<u>119,775</u>	<u>—</u>	<u>—</u>	<u>189,884</u>	10,016	151,564	28,304	189,884
<b>Financial assets not measured at fair value</b>										
Trade and other receivables <sup>#</sup>	24	—	—	784,173	—	784,173	—	—	—	784,173
Time deposits	25	—	—	309,125	—	309,125	—	—	—	309,125
Cash at bank and on hand and pledged deposits	26	—	—	1,071,696	—	1,071,696	—	—	—	1,071,696
		<u>—</u>	<u>—</u>	<u>2,164,994</u>	<u>—</u>	<u>2,164,994</u>	—	—	—	2,164,994
<b>Financial liability measured at fair value</b>										
Derivative financial liability	27	—	2,654	—	—	2,654	—	2,654	—	2,654
<b>Financial liabilities not measured at fair value</b>										
Trade and other payables <sup>##</sup>	27	—	—	—	383,154	383,154	—	—	—	383,154
Bank loans	28	—	—	—	1,012,909	1,012,909	—	—	—	1,012,909
Lease liabilities	29	—	—	—	10,054	10,054	—	—	—	10,054
		<u>—</u>	<u>—</u>	<u>—</u>	<u>1,406,117</u>	<u>1,406,117</u>	—	—	—	1,406,117

<sup>#</sup> Exclude advances to suppliers, prepayments and tax recoverable

<sup>##</sup> Exclude contract liabilities, advanced receipts, value added tax and other taxes payable



	Note	Carrying amount				Fair value				
		FVOCI - equity instruments RMB'000	Designated at FVPL RMB'000	Amortised cost RMB'000	Other financial liabilities RMB'000	Total carrying amount RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Group</b>										
<b>31 December 2022</b>										
<b>Financial assets measured at fair value</b>										
Other investments	20	5,622	15,321	—	—	20,943	647	—	20,296	20,943
Derivative financial asset	20	—	456	—	—	456	—	113	343	456
Trade and other receivables <sup>#</sup>	24	81,232	—	—	—	81,232	—	81,232	—	81,232
		<u>86,854</u>	<u>15,777</u>	<u>—</u>	<u>—</u>	<u>102,631</u>	647	81,345	20,639	102,631
<b>Financial assets not measured at fair value</b>										
Trade and other receivables <sup>#</sup>	24	—	—	594,847	—	594,847				
Time deposits	25	—	—	301,210	—	301,210				
Cash at bank and on hand and pledged deposits	26	—	—	880,351	—	880,351				
		<u>—</u>	<u>—</u>	<u>1,776,408</u>	<u>—</u>	<u>1,776,408</u>				
<b>Financial liability measured at fair value</b>										
Derivative financial liability	27	—	2,781	—	—	2,781	—	2,781	—	2,781
<b>Financial liabilities not measured at fair value</b>										
Trade and other payables <sup>##</sup>	27	—	—	—	343,820	343,820				
Bank loans	28	—	—	—	228,634	228,634				
Lease liabilities	29	—	—	—	6,615	6,615				
		<u>—</u>	<u>—</u>	<u>—</u>	<u>579,069</u>	<u>579,069</u>				

<sup>#</sup> Exclude advances to suppliers, prepayments and tax recoverable

<sup>##</sup> Exclude contract liabilities, advanced receipts, value added tax and other taxes payable

	Note	Carrying amount			Fair value			
		Amortised cost RMB'000	Other financial liabilities RMB'000	Total carrying amount RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>Company</b>								
<b>31 December 2023</b>								
<b>Financial assets not measured at fair value</b>								
Non-trade amounts due from subsidiaries	24	85,700	—	85,700				
Refundable deposits	24	138	—	138				
Cash at bank and on hand	26	7,440	—	7,440				
		<u>93,278</u>	<u>—</u>	<u>93,278</u>				
<b>Financial liabilities not measured at fair value</b>								
Trade and other payables	27	—	4,461	4,461				
Lease liabilities	29	—	771	771				
		<u>—</u>	<u>5,232</u>	<u>5,232</u>				
<b>31 December 2022</b>								
<b>Financial assets not measured at fair value</b>								
Non-trade amounts due from subsidiaries	24	98,614	—	98,614				
Refundable deposits	24	79	—	79				
Cash at bank and on hand	26	8,585	—	8,585				
		<u>107,278</u>	<u>—</u>	<u>107,278</u>				
<b>Financial liabilities not measured at fair value</b>								
Trade and other payables	27	—	3,102	3,102				
Lease liabilities	29	—	84	84				
		<u>—</u>	<u>3,186</u>	<u>3,186</u>				

(g) **Measurement of fair value of wealth management products, commodity derivative contracts and bills receivables**

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

During the years ended 31 December 2022 and 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

***Valuation techniques and inputs used in Level 2 fair value measurements***

The fair values of the wealth management products in Level 2 have been calculated by net asset value which is released by banks as at reporting date. The fair values have been assessed to be approximate to their carrying amounts.

The fair value of forward contracts in Level 2 is determined by discounting the difference between the contractual forward price and the current forward price. The discount rate used is derived from the relevant government yield curve as at the end of the reporting period plus an adequate constant credit spread.

The fair value of the bills receivables in Level 2 have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts.

**(h) Measurement of fair value of unlisted equity securities and unlisted unit in investment funds**

***Valuation techniques and inputs used in Level 3 fair value measurements***

The following table shows the valuation techniques used in measuring the fair value of unlisted equity securities, and unlisted unit in investment funds, as well as the significant unobservable inputs used.

	<b>Valuation technique</b>	<b>Key unobservable inputs</b>	<b>Inter-relationship between key unobservable inputs and fair value measurement</b>
Unlisted equity securities (Note i)	<i>Discounted cash flow method:</i> The valuation model considers the present value of net cash flows to be generated from the investment. The expected net cash flows are discounted using risk adjusted discount rates.	Revenue growth rate: 23% to 28% (2022: 20% to 27%) Discount rate: 19% (2022: 19%)	An increase in growth rate would result in a higher fair value measurement. Conversely, an increase in discount rate would result in a lower fair value measurement.
Unlisted unit in investment funds (Note ii)	Net asset value	Net asset value of underlying investments ("NAV")	An increase in NAV would result in a higher fair value measurement.

*Notes:*

- (i) As at reporting date, fair value of the unquoted equity security is estimated using the discounted cash flow model. As the unquoted equity security is not listed on any stock exchange, a quoted market price is not available; there were also no recent observable arm's length transactions in the shares. Consequently, significant judgement is involved in determining an appropriate valuation method and the key assumptions to be applied in determining the fair value.
- (ii) As at reporting date, fair value of unlisted units in investment funds is estimated by referencing the net asset value of the underlying investments.

*Sensitivity analysis**Unlisted equity securities*

The calculation of the fair value of the unlisted equity securities is sensitive to the assumptions set out above. The following table summarises how the impact on the fair value of the unlisted equity securities at the end of the reporting period would have increased or decreased as a result of a change in one of the assumptions, holding other assumptions consistent.

	<b>Group</b>	
	<b>Increase</b>	<b>Decrease</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>2023</b>		
Revenue growth rate (increase or decrease by 1%)	326	(315)
Discount rate (increase or decrease by 1%)	(296)	337
	<u>          </u>	<u>          </u>
<b>2022</b>		
Revenue growth rate (increase or decrease by 1%)	436	(419)
Discount rate (increase or decrease by 1%)	(364)	416
	<u>          </u>	<u>          </u>

*Unlisted units in investment funds*

The calculation of the fair value of the unlisted units in investment funds is sensitive to the assumptions set out above. The following table summarises how the impact on the fair value of the unquoted equity security at the end of the reporting period would have increased or decreased as a result of a change in one of the assumptions, holding other assumptions consistent.

	<b>Group</b>	
	<b>Increase</b>	<b>Decrease</b>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>2023</b>		
NAV (increase or decrease by 1%)	277	(277)
	<u>          </u>	<u>          </u>
<b>2022</b>		
NAV (increase or decrease by 1%)	120	(120)
	<u>          </u>	<u>          </u>

The following table shows a reconciliation from the opening balances to the ending balances for Level 3 fair values:

	Group	
	Financial assets at FVOCI RMB'000	Financial (liabilities)/ assets at FVPL RMB'000
At 1 January 2022	6,235	—
Net unrealised loss recognised in other comprehensive income during the year	(1,260)	—
Acquisition of subsidiaries		
– contingent acquisition consideration receivable	—	22,319
– call option on acquired subsidiaries	—	7,670
– contingent consideration payable	—	(38,968)
Purchase	—	12,000
Net realised and unrealised loss recognised in net profit during the year	—	(32,357)
Transferred into other financial liability	—	45,000
	4,975	15,664
Balance at 31 December 2022 and 1 January 2023		
Net unrealised loss recognised in other comprehensive income during the year	(1,439)	—
Purchase	—	12,000
Net realised and unrealised loss recognised in net profit during the year	—	(2,896)
	3,536	24,768

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

- i. Financial instruments not measured at fair value

Type	Valuation technique
<b>Group and Company</b>	
Non-current lease liabilities	<i>Discounted cash flows:</i> The valuation model considers the present value of future cash flows, discounted at the market rate of interest at the reporting date.
<b>Company</b>	
Non-trade amounts due from subsidiaries	<i>Discounted cash flows:</i> The valuation model considers the present value of expected payment, discounted using a risk-adjusted discount rate.

- ii. Other non-derivative financial assets and financial liabilities

The carrying amount of financial assets and financial liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables and bank loans) are assumed to approximate their fair values because of the short period to maturity.

## 33 COMMITMENTS

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

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

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

## 34 ACQUISITION OF SUBSIDIARIES

**Acquisition of subsidiaries in 2023**

On 21 July 2023, the Company's subsidiary, Xinkexin entered into an equity purchase agreement with shareholders of Zhejiang Zhongguang to acquire 51% equity interest of Zhejiang Zhongguang at a consideration of RMB729,172,000. Zhejiang Zhongguang and its subsidiaries are principally engaged in solar thermal power electricity generation as well as the provision of related technical and consultancy services.

Included in the identifiable assets and liabilities acquired at the date of acquisition are inputs, production processes and an organised workflow. The Group has determined that together the acquired inputs and processes significantly contribute to the ability to create revenue. The Group has concluded that the acquired set is a business.

The acquisition of Zhejiang Zhongguang was aimed at allowing the Group to diversify its customer base and broaden the Group's revenue stream to a high growth segment.

From the date of acquisition to 31 December 2023, Zhejiang Zhongguang contributed revenue of RMB77,064,000 and net profit of RMB21,727,000 (including amortisation of identified intangible assets) to the Group's results. If the acquisition had occurred on 1 January 2023, management estimates that Zhejiang Zhongguang's contribution to the Group's revenue and profit for the year would have been RMB155,748,000 and RMB55,825,000 respectively. In determining these amounts, management has assumed that the fair value adjustments, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2023.

The Group incurred acquisition-related costs of RMB3,631,000 on legal fees and due diligence costs. These costs have been included in administrative expenses.

***Identifiable assets acquired and liabilities assumed***

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	<i>Note</i>	<b>2023</b> <i>RMB'000</i>
Property, plant and equipment	<i>15</i>	<b>966,932</b>
Intangible assets	<i>16</i>	<b>188,982</b>
Interest in an associate		<b>4,170</b>
Deferred tax assets		<b>4,711</b>
Financial assets measured at FVPL		<b>2,926</b>
Inventories and other contract costs		<b>998</b>
Trade and other receivables		<b>297,846</b>
Cash		<b>520,513</b>
Pledged deposit		<b>35,000</b>
Trade and other payables		<b>(68,177)</b>
Bank loans		<b>(602,297)</b>
Lease liabilities	<i>26(b)</i>	<b>(1,609)</b>
Deferred tax liabilities	<i>21(b)</i>	<b>(9,926)</b>
Total identifiable net assets		<b><u>1,340,069</u></b>

#### ***Measurement of fair values***

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

<b>Assets required</b>	<b>Valuation technique</b>
Property, plant and equipment	<p><i>Market comparison technique and cost technique:</i></p> <p>The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.</p>
Intangible assets	<p><i>Multi-period excess and relief-from-royalty method:</i></p> <p>The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the electric power business licence, by excluding any cash flows related to contributory assets. The relief-from royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents being owned.</p>

The trade receivables comprise gross contractual amounts due of RMB297,846,000, of which RMB nil was expected to be uncollectable at the date of acquisition.

#### ***Goodwill***

Goodwill arising from the acquisition has been recognised as follows:

	2023 RMB'000
Consideration paid in cash	726,390
Consideration payable	<u>2,782</u>
Total consideration	729,172
NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	657,370
Fair value of identifiable net assets	<u>(1,340,069)</u>
Goodwill	<u><u>46,473</u></u>
<b>Effect of the acquisition of subsidiaries on cash flows</b>	
Consideration paid in cash	726,390
Less: Cash and cash equivalents of subsidiaries acquired	<u>(520,513)</u>
Cash inflow on acquisition, net of cash and cash equivalents acquired	<u><u>205,877</u></u>

The goodwill mainly represents the synergies expected to be achieved from integrating Zhejiang Zhongguang into the Group's existing digital technology and digital security business. None of the goodwill recognised is expected to be deductible for tax purpose.

#### Acquisition of subsidiaries in 2022

On 19 July 2022, the Group's subsidiary, XinKeXin (Suzhou) Technology Co., Ltd. ("Xinkexin") acquired 51% of Nanjing Zhangyu Information Technology Co., Ltd. and Shanghai Zhangyu Information Technology Co., Ltd. ("Zhangyu", collectively) by entering into an equity purchase agreement on 5 May 2022 with Xuzhou Jingkan Management Consulting Partnership (Limited Liability Partnership) ("Xuzhou Jingkan"). The principal activities of Zhangyu are chips research, design, sales of chips and related products and solution as well as providing digital security solution services to its customers.

Included in the identifiable assets and liabilities acquired at the date of acquisition are inputs, production processes and an organised workflow. The Group has determined that together the acquired inputs and processes significantly contribute to the ability to create revenue. The Group has concluded that the acquired set is a business.

The acquisition of Zhangyu was aimed at allowing the Group to diversify its customer base and broaden the Group's revenue stream to a high growth segment.

From the date of acquisition to 31 December 2022, Zhangyu contributed revenue of RMB94,218,000 and net profit of RMB27,404,000 (including amortisation of identified intangible assets) to the Group's results. If the acquisition had occurred on 1 January 2022, management estimates that Zhangyu's contribution to the Group's revenue and profit for the year would have been RMB2,085,680,000 and RMB70,215,000 respectively. In determining these amounts, management has assumed that the fair value adjustments, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.



*Contingent consideration*

Xuzhou Jingkan has provided a guarantee to the Group that net profit (excluding non-recurring income) of Zhangyu shall be no less than RMB40 million (“**2022 Profit Guarantee**”) for the year ended 31 December 2022 and shall be no less than RMB115 million in total for the years ended 31 December 2022 and 31 December 2023 (“**2022 and 2023 Profit Guarantee**”) (“**Profit Guarantee**” collectively).

- (i) In the event that Zhangyu fail to achieve the Profit Guarantee, Xuzhou Jingkan shall compensate to the Group in accordance with the following:
- In the event that the net profit (excluding non-recurring income) of Zhangyu is less than RMB30 million for the year ended 31 December 2022 (“**2022 Actual Profit**”), the Group shall have the right to request Xuzhou Jingkan to repurchase the 51% equity interest of Zhangyu at consideration received and pay an interest on the amount of the consideration received plus an annualised interest rate of 8%.
  - In the event that the 2022 Actual Profit is more than RMB30 million but less than RMB40 million, Xuzhou Jingkan shall compensate the Group with a compensation which amount to the shortfall between 2022 Profit Guarantee and 2022 Actual Profit multiplied by 5.63 times.
  - In the event that the net profit (excluding non-recurring income) of Zhangyu is less than RMB86.25 million in total for the year ended 31 December 2022 and for the year ending 31 December 2023 (“**2022 and 2023 Actual Profit**”), the Group shall have the right to request the Xuzhou Jingkan to repurchase the 51% equity interest of Zhangyu at consideration received and pay an interest on the amount of the consideration received plus an annualised interest rate of 8%.
  - In the event that the 2022 and 2023 Actual Profit is more than RMB86.25 million but less than RMB115 million, Xuzhou Jingkan shall compensate the Group with a compensation which amount to the shortfall between the 2022 and 2023 Profit Guarantee and the 2022 and 2023 Actual Profit multiplied by 3.91 times.
- (ii) In the event that 2022 Profit Guarantee is achieved, the remaining 20% of total consideration amounting to RMB45 million will be paid to Xuzhou Jingkan.

*Consideration transferred*

The following table summarised the acquisition-date fair value of each major class of consideration transferred:

	2022 RMB'000
Cash paid in the current year	180,000
Contingent acquisition consideration receivable ( <i>Note a</i> )	(22,319)
Call option on acquired subsidiaries ( <i>Note b</i> )	(7,670)
Contingent consideration payable ( <i>Note c</i> )	38,968
	<hr/>
Total consideration transferred	<u>188,979</u>

The contingent consideration of RMB45,000,000 was paid during 2023.

*Notes:*

- a. The contingent consideration receivable is classified as a financial asset and its fair value is re-measured at the end of each reporting period. Any changes in fair value are recognised in profit or loss. The contingent consideration receivable as at 31 December 2022 amounted to RMB3,321,000 (see Note 20(b)). Change in fair value of RMB18,998,000 was recognised in profit or loss for the year ended 31 December 2022.
- b. The call option on acquired subsidiaries is classified as a derivative financial asset and its fair value is re-measured at the end of each reporting period. Any changes in fair value are recognised in profit or loss. The call option as at 31 December 2022 amounted to RMB343,000 million (see Note 20(c)). During the year, change in fair value of RMB7,327,000 was recognised in profit or loss for the year ended 31 December 2022.
- c. The contingent consideration payable is classified as a financial asset and its fair value is re-measured at the end of each reporting period. Any changes in fair value are recognised in profit or loss. The contingent consideration payable as at 31 December 2022 amounted to RMB45,000,000. Change in fair value of RMB6,032,000 was recognised in profit or loss for the year ended 31 December 2022.

***Identifiable assets acquired and liabilities assumed***

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	<i>Note</i>	2022 <i>RMB'000</i>
Property, plant and equipment	<i>15</i>	6,808
Intangible assets	<i>16</i>	65,017
Financial assets measured at FVPL		765
Inventories and other contract costs		1,523
Trade and other receivables		26,294
Cash		27,877
Trade and other payables		(39,120)
Lease liabilities	<i>26(b)</i>	(5,560)
Deferred tax liabilities	<i>21(b)</i>	(16,254)
Total identifiable net assets		<u>67,350</u>

***Measurement of fair values***

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

**Assets required      Valuation technique**

Intangible assets      *Relief-from-royalty method and multi-period excess earnings method:* The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as result of the patents being owned. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows related to contributory assets.

***Goodwill***

Goodwill arising from the acquisition has been recognised as follows:

	2022 RMB'000
Total consideration transferred	188,979
NCI, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	33,487
Fair value of identifiable net assets	<u>(67,350)</u>
Goodwill	<u><u>155,116</u></u>

**Effect of the acquisition of subsidiaries on cash flows**

Consideration paid in cash	180,000
Less: Cash and cash equivalent of subsidiaries acquired	<u>(27,876)</u>
Cash inflow on acquisition, net of cash and cash equivalents acquired	<u><u>152,124</u></u>

The goodwill mainly represents the synergies expected to be achieved from integrating Zhangyu into the Group's existing telecommunication business. None of the goodwill recognised is expected to be deductible for tax purpose.

**35 MATERIAL RELATED PARTY TRANSACTIONS**

**(a) Key management personnel compensation**

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 11 and certain of the highest paid employees as disclosed in Note 12, is as follows:

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

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

## (b) Transactions with related companies

## (i) Significant related party transactions

	Group 2023 RMB'000	2022 RMB'000
<i>Transactions with Hengtong Group, Hengtong Optic-Electric and its subsidiaries<sup>1</sup></i>		
Sale of finished goods	44,557	9,116
Purchases of raw materials	204,517	37,377

<sup>1</sup> Hengtong Group, Hengtong Optic-Electric and its subsidiaries (“**Hengtong Group**”) is a company which the father of Cui Wei, the non-executive chairman of the Company, is its substantial shareholder. Cui Wei is a substantial shareholder with shareholding of 28.06% of the total issued shares in the Company and has significant influence over the Company.

## (ii) Significant related party balances

	Group 2023 RMB'000	2022 RMB'000
<i>Balances with Hengtong Group, Hengtong Optic-Electric and its subsidiaries</i>		
Payments of deposit to	800	200
Trade payables and other payables due to	<u>22,081</u>	<u>—</u>

**36 NEW STANDARDS AND INTERPRETATIONS NOT ADOPTED**

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

The following new IFRSs, interpretations and amendments to IFRSs are not expected to have a significant impact on the Group’s consolidated financial statements and the Company’s statement of financial position.

- IFRS 17 *Insurance Contracts* and Amendments to IFRS 17 *Insurance Contracts*
- Amendments to IAS 1: *Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants*
- Amendments to IFRS 16: *Lease Liability in a Sale and Leaseback*
- Amendments to IAS 21: *Lack of Exchangeability*

**37 NON-ADJUSTMENT EVENTS AFTER THE REPORTING PERIOD**

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

In May 2024, the Company's indirect wholly-owned subsidiary, entered into an equity purchase agreement with the non-controlling shareholder of Nanjing Zhangyu and Shanghai Zhangyu to acquire the remaining 49% equity interest of Nanjing Zhangyu and Shanghai Zhangyu.

On 13 May 2024, the Company completed the placing of additional 77,600,000 ordinary shares at consideration of HKD0.96 per ordinary shares.

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## NOTICE OF EGM

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### **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)**

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “**Meeting**”) of Hengxin Technology Ltd. (the “**Company**”) will be held at Unit 08, 43/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong, on 26 July 2024 (Friday) at 11:00 a.m.. The Meeting will be convened for the purposes of considering and, if thought fit, passing (with or without modifications) the following resolution as ordinary resolution:

Unless the context requires otherwise, capitalised terms used herein shall have the same meaning as those defined in the circular of the Company dated 9 July 2024.

#### **AS ORDINARY RESOLUTION**

- “(a) To revoke the passing of Resolution 2 set out in the notice of annual general meeting of the Company dated 28 March 2024 in relation to the receipt and adoption of the report of the directors of the Company and the audited financial statements of the Company and the Group for the financial year ended 31 December 2023 together with the auditors’ report prepared in accordance with the Singapore Financial Reporting Standards (International); and
- (b) To receive and adopt the revised report of the directors of the Company and the revised audited financial statements of the Company and the Group for the financial year ended 31 December 2023 together with the revised auditors’ report prepared in accordance with the Singapore Financial Reporting Standards (International).”

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

Singapore, 9 July 2024

*Notes:*

1. A member of the Company (the “**Member**”) entitled to attend and vote at the Meeting is entitled to appoint no more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member. Where a Member appoints more than one (1) proxy, the Member shall specify the proportion of his/her shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

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## NOTICE OF EGM

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2. The instrument appointing a proxy, and if the instrument appointing a proxy is signed by an attorney, the letter or power of attorney or a duly certified copy thereof, must be deposited at the Company's Principal Share Registrar in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, Keppel Bay Tower #14-07, Singapore 098632 (for Shareholders registered in Singapore), or at the office of the Company's Branch Share Registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong (for Shareholders registered in Hong Kong), as soon as possible and in any event not later than forty-eight (48) hours before the time appointed for holding the Meeting (or at any adjournment thereof).
3. If the Member is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.
4. Completion and return of the proxy form will not preclude a Member from attending and voting in person at the Meeting or any adjournment thereof should he/she so wish, and in such event, the proxy form shall be deemed to be revoked.
5. The Principal Share Registrar and Branch Share Registrar of the Company will be closed from 25 July 2024 (Thursday) to 26 July 2024 (Friday) (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending the Meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Principal Share Registrar in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 1 Harbourfront Avenue, Keppel Bay Tower #14-07, Singapore 098632 (for Shareholders registered in Singapore), or at the office of the Company's Branch Share Registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, at Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong (for Shareholders registered in Hong Kong) not later than 4:30 p.m. on 24 July 2024 (Wednesday). Any removal of Shares from the Company's Principal Share Registrar in Singapore to the Branch Share Registrar in Hong Kong for the purpose of attending the EGM shall be made not later than 4:30 p.m. on 18 July 2024 (Thursday).

\* *For identification purpose only.*