Howkingtech International Holding Limited
濠暻科技國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2440)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

FINANCIAL HIGHLIGHTS

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Revenue	**323,964**	189,552
Cost of Sales	**(228,414)**	(110,753)
Gross Profit	**95,550**	78,799
Net Profit	**28,504**	34,380
Adjusted Net Profit (non-HKFRS measure)(1)	**51,040**	41,755

Note:

(1) Listing expenses were not included in non-HKFRS measure.

ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2022

The board (the "**Board**") of directors (the "**Directors**") of Howkingtech International Holding Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the consolidated annual results of the Group for the year ended December 31, 2022.

The financial information below is an extract of the audited consolidated financial statements of the Group for the year ended December 31, 2022:

Consolidated Statements of Profit or Loss and Other Comprehensive Income
Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	4	**323,964**	189,552
Cost of sales		**(228,414)**	(110,753)
Gross profit		**95,550**	78,799
Other income and gains	4	**1,923**	4,066
Selling and distribution expenses		**(3,753)**	(2,140)
Administrative expenses		**(47,982)**	(28,258)
Impairment losses on financial assets, net		**(12,180)**	(11,478)
Other expenses		**(105)**	(421)
Finance costs	6	**(219)**	(500)
PROFIT BEFORE TAX	5	**33,234**	40,068
Income tax expense	7	**4,730**	(5,688)
PROFIT FOR THE YEAR		**28,504**	34,380
Attributable to:			
Owners of the parent		**28,504**	34,380
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**990**	(486)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**990**	(486)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**29,494**	33,894
Attributable to:			
Owners of the parent		**29,494**	33,894
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	**RMB14.93 cents**	RMB18.19 cents

Consolidated Statements of Financial Position
31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,158**	4,251
Right-of-use assets		**1,661**	3,162
Other intangible assets		**157**	167
Contract assets	*12*	**1,983**	1,558
Deposits		**110**	170
Deferred tax assets	*17*	**5,965**	4,044
Total non-current assets		**13,034**	13,352
CURRENT ASSETS			
Inventories	*10*	**5,619**	2,507
Trade and notes receivables	*11*	**214,010**	140,751
Contract assets	*12*	**751**	6,620
Prepayments, other receivables and other assets	*13*	**4,575**	102,897
Restricted deposits		**–**	233
Time deposits		**73,396**	–
Cash and cash equivalents		**47,301**	86,337
Total current assets		**345,652**	339,345
CURRENT LIABILITIES			
Trade payables	*14*	**55,679**	27,161
Other payables and accruals	*15*	**29,796**	161,847
Interest-bearing bank borrowings	*16*	**10,369**	3,000
Lease liabilities		**1,569**	1,450
Tax payable		**4,975**	4,422
Total current liabilities		**102,388**	197,880
NET CURRENT ASSETS		**243,264**	141,465
TOTAL ASSETS LESS CURRENT LIABILITIES		**256,298**	154,817

	2022	2021
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Lease liabilities	**214**	1,783
Total non-current liabilities	**214**	1,783
Net assets	**256,084**	153,034
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**15,646**	64
Share premium	**175,310**	117,336
Reserves	**65,128**	35,634
Total equity	**256,084**	153,034

Notes to Financial Statements

31 December 2022

1. CORPORATE AND GROUP INFORMATION

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

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

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

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ establishment and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Howkingtech (BVI) Limited	British Virgin Islands 3 September 2021	US$1	100%	–	Investment holding
Parka Aragon Holding Limited	British Virgin Islands 13 October 2021	US$1	100%	–	Investment holding
HowKingTech Hong Kong Limited ("**Howking Hong Kong**")	Hong Kong 17 September 2021	HK$1	–	100%	Investment holding
Parka Aragon Hong Kong Limited	Hong Kong 27 October 2021	HK$1	–	100%	Investment holding
Nanjing Howking*	People's Republic China ("**PRC**")/ Mainland China 29 September 2013	RMB127,466,667	–	100%	Research and development and sale of antenna system products, 5G equipment and other devices
Shenzhen M2Micro Electronics Co., Ltd. ("**Shenzhen M2M**") (深圳市物联微电子有限公司)*	PRC/Mainland China 17 April 2012	RMB10,000,000	–	100%	Research and development and data transmission and processing services for IoT applications and assembly of antenna products
HongKong HowKing Technology Limited ("**HongKong HowKing**")	Hong Kong 23 January 2020	HK$31,192,800	–	100%	Import and export trade
Anji Haojing Communication Technology Co., Ltd. (安吉濠景通訊科技有限公司)	PRC/Mainland China 28 December 2022	RMB70,000,000	–	100%	Research and development and sale of antenna system products, equipment and other devices

Notes:

* The English names of these entities registered in the PRC represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investments retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation* and *Presentation* of *Financial Statements* with a reference to the Conceptual Framework for Financial Reporting (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) Revenue from external customers

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**305,251**	149,725
Other countries	**18,713**	39,827
	323,964	189,552

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

(b) Non-current assets

	2022	2021
	RMB'000	*RMB'000*
Mainland China	**4,976**	7,580

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

Information about major customers

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

	2022	2021
	RMB'000	*RMB'000*
Customer 1	**44,235**	N/A
Customer 2	**38,180**	N/A
Customer 3	**N/A***	24,312
Customer 4	**N/A***	42,047
Customer 5	**N/A***	19,493
Customer 6	**N/A**	22,024

* Less than 10%

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers	**323,964**	189,552

Revenue from contracts with customers

(a) Disaggregated revenue information

	2022	2021
	RMB'000	*RMB'000*
Types of goods or services		
Data transmission and processing services for IoT applications	**238,073**	123,298
Sales of telecommunication equipment	**82,159**	59,969
Others	**3,732**	6,285
Total revenue from contracts with customers	**323,964**	189,552

	2022	2021
	RMB'000	*RMB'000*
Timing of revenue recognition		
Goods/services transferred at a point in time	**321,865**	186,290
Services transferred over time	**2,099**	3,262
Total revenue from contracts with customers	**323,964**	189,552

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in in contract liabilities at the beginning of the reporting period:		
Data transmission and processing services for IoT applications	**–**	298

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Data transmission and processing services for IoT applications

The performance obligation is satisfied at a point in time when customer acceptance is acquired, and payment is generally due between 3 to 300 days from the final acceptance, depending on the specific payment terms in each contract.

Sales of telecommunication equipment

The performance obligation is satisfied upon delivery of goods and payment is generally due within 6 months from delivery.

Others

Generally, the performance obligation is satisfied at a point in time when customer acceptance is acquired, and payment is generally due within 3 months from the final acceptance. For certain contracts, the performance obligation is satisfied over time as services are rendered and billed based on the time incurred.

As at the end of the reporting period, the remaining performance obligations (unsatisfied or partially unsatisfied) are expected to be recognised within one year. As permitted under HKFRS 15, the transaction prices allocated to these unsatisfied contracts are not disclosed.

	2022	2021
	RMB'000	*RMB'000*
Other income		
Bank interest income	**340**	19
Interest income arising from revenue contracts	**82**	172
Other interest income from financial assets at fair value through profit or loss	**76**	30
Government grants*	**1,040**	3,845
	1,538	4,066
Gains		
Gain on liquidation of subsidiaries	**59**	–
Foreign exchange gain	**316**	–
Others	**10**	–
	385	–
	1,923	4,066

* The government grants mainly represent incentives awarded by the local governments to support the Group's operation. The Group has some lease contracts with governments for office premises used in its operations, which are rent-free as non-monetary grants. These non-monetary grants are recorded at a nominal amount and the fair value is RMB1,149,000 (2021: RMB1,209,000).

The government grants received for which the related expenditure has not yet incurred are included in government grants in the statements of financial position. There were no unfulfilled conditions or contingencies relating to these grants.

5. PROFIT BEFORE TAX

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

	Notes	**2022** *RMB'000*	2021 *RMB'000*
Cost of inventories sold		**59,775**	41,508
Cost of services provided		**168,639**	69,245
Depreciation of property, plant and equipment*		**1,343**	1,180
Depreciation of right-of-use assets*		**1,501**	1,476
Amortisation of other intangible assets*		**72**	17
Research and development costs		**11,308**	9,791
Lease payments not included in the measurement of lease liabilities		**34**	17
Listing expenses		**22,536**	7,375
Auditor's remuneration		**1,800**	–
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**14,415**	11,188
Pension scheme contributions**		**1,292**	410
Staff welfare expenses		**1,587**	926
		17,294	12,524
Foreign exchange differences, net		**(316)**	353
Impairment of trade and notes receivables, net	*11*	**12,413**	11,187
(Reversal of impairment)/impairment of contract assets, net	*12*	**(233)**	291
Loss on disposal of items of property, plant and equipment		**–**	59
Bank interest income	*4*	**(340)**	(19)
Government grants	*4*	**(1,040)**	(3,845)
Gain on liquidation of subsidiaries	*4*	**(59)**	–

* The deprecation of property, plant and equipment and right-of-use assets and the amortisation of other intangible assets are included in "Inventories" and, "Cost of sales", "Selling and distribution expenses" and "Administrative expenses" in profit or loss.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Interest on bank loans	**97**	368
Interest on lease liabilities	**122**	132
	219	500

7. INCOME TAX

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

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

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. No provision for income tax has been made as the Group did not generate any assessable profits in Hong Kong during the year (2021: Nil).

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

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

Howking Technology (Shenzhen) Co., Ltd. ("**Shenzhen Howking**") (濠暻科技(深圳)有限公司) was entitled to a preferential income tax rate of 5% for the taxable income less than or equal to RMB1,000,000 during the year ended 31 December 2021. Shenzhen Howking was deregistered in April 2022.

	2022	2021
	RMB'000	*RMB'000*
Current	**6,651**	7,462
Deferred *(note 17)*	**(1,921)**	(1,774)
Total tax charge for the year	**4,730**	5,688

A reconciliation of the tax expense applicable to profit before tax at the statutory rate in Mainland China to the tax expense at the effective tax rate is as follows:

	2022	2021
	RMB'000	*RMB'000*
Profit before tax	**33,234**	40,068
Tax at the statutory tax rate	**8,309**	10,043
Lower tax rates enacted by local authorities	**(3,495)**	(4,038)
Expenses not deductible for tax	**2,024**	898
Additional deductible allowance for research and development costs	**(1,228)**	(1,228)
Tax losses utilised from previous periods	**(26)**	–
Tax losses not recognised	**–**	13
Others	**(854)**	–
Tax charge at the Group's effective rate	**4,730**	5,688

8. DIVIDENDS

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

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 190,972,603 (2021: 189,000,000) in issue during the year on the assumption that the capitalisation issue had been completed on 1 January 2021.

The calculation of the basic and diluted earnings per share is based on:

	2022	2021
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**28,504**	34,380

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year	**190,972,603**	189,000,000

10. INVENTORIES

	2022	2021
	RMB'000	*RMB'000*
Raw materials	**952**	1,418
Work in progress	**3,131**	685
Finished goods	**1,536**	404
	5,619	2,507

11. TRADE AND NOTES RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**238,024**	163,118
Notes receivable measure at amortised cost	**10,143**	–
Impairment	**(34,157)**	(22,367)
	214,010	140,751

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

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

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**169,291**	68,857
1 to 2 years	**18,309**	47,387
2 to 3 years	**23,636**	19,859
3 to 4 years	**2,235**	4,648
4 to 5 years	**539**	–
	214,010	140,751

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

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**22,367**	11,180
Impairment losses, net *(note 5)*	**12,413**	11,187
Amount written off as uncollectible	**(623)**	–
At end of year	**34,157**	22,367

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade and notes receivables. To measure the expected credit losses, trade and notes receivables have been grouped based on shared credit risk characteristics. The provision rates are based on its peer group's expected credit loss rate and ageing for groupings of various customer with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the reporting period about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade and notes receivables using a provision matrix:

As at 31 December 2022

	Gross carrying amount	Expected credit loss rate	Expected credit loss
	RMB'000		*RMB'000*
Individually assessed:			
Credit risk increased significantly	**11,473**	**100.00%**	**11,473**
Collectively assessed:			
Less than 1 year	**175,450**	**3.51%**	**6,159**
1 to 2 years	**20,411**	**10.30%**	**2,102**
2 to 3 years	**33,389**	**29.21%**	**9,753**
3 to 4 years	**5,037**	**55.63%**	**2,802**
4 to 5 years	**2,407**	**77.61%**	**1,868**
	248,167		**34,157**

As at 31 December 2021

	Gross carrying amount *RMB'000*	Expected credit loss rate	Expected credit loss *RMB'000*
Individually assessed:			
Credit risk increased significantly	7,323	77.18%	5,652
Collectively assessed:			
Less than 1 year	71,673	3.93%	2,816
1 to 2 years	52,444	9.64%	5,057
2 to 3 years	25,687	25.43%	6,533
3 to 4 years	5,991	38.54%	2,309
	163,118		22,367

The Group endorsed certain notes receivable (the "**Endorsed Notes**") to certain of its suppliers in order to settle the trade payables due to such suppliers with a carrying amount in aggregate of RMB2,816,000 (the "**Endorsement**") at 31 December 2022 (2021: Nil). In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Endorsed Notes have a right of recourse against the Group if the drawer of notes defaulted (the "**Continuing Involvement**").

The Group continued to recognise the full carrying amounts of the Endorsed Notes and the associated trade payables settled with an amount of RMB2,816,000 at 31 December 2022 (2021: Nil), because the directors believe that the Group has retained the substantial risks and rewards, which include default risks relating to such Endorsed Notes.

No gains or losses were recognised from the Continuing Involvement during the year ended 31 December 2022. The Endorsement has been made evenly during the year.

12. CONTRACT ASSETS

	2022 ***RMB'000***	2021 *RMB'000*
Contract assets arising from:		
Data transmission and processing services for IoT applications	**2,400**	8,362
Sales of telecommunication equipment	**433**	148
	2,833	8,510
Impairment	**(99)**	(332)
	2,734	8,178
Analysed into:		
Current	**751**	6,620
Non-current	**1,983**	1,558

Contract assets are initially recognised for revenue earned from data transmission and processing services for IoT applications and sales of telecommunication equipment as the receipt of consideration is conditional on successful completion of warranty periods. Included in contract assets are retention receivables. Upon completion of warranty periods, the amounts recognised as contract assets are reclassified to trade receivables. The Group's trading terms and credit policy with customers are disclosed in note 11 to the financial statements.

The expected timing of recovery or settlement for contract assets as at the end of reporting period is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**751**	6,620
After 1 year	**1,983**	1,558
	2,734	8,178

The movements in the loss allowance for impairment of contract assets are as follows:

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**332**	41
(Reversal of impairment)/impairment losses, net *(note 5)*	**(233)**	291
At end of year	**99**	332

An impairment analysis is performed at the end of the reporting period to measure expected credit losses. The provision rates for the measurement of the expected credit losses of the contract assets are based on those of the trade receivables as the contract assets and the trade receivables are from the same customer bases.

Set out below is the information about the credit risk exposure on the Group's contract assets:

	2022	2021
Expected credit loss rate	**3.49%**	3.90%
Gross carrying amount *(RMB'000)*	**2,833**	8,510
Expected credit loss *(RMB'000)*	**99**	332

13. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022	2021
	RMB'000	*RMB'000*
Non-current:		
Deposits	**110**	170
Current:		
Prepayments	**3,668**	2,743
Deferred listing expenses	**–**	2,227
Deductible input value-added tax	**370**	118
Due from a related party	**–**	955
Due from shareholders	**–**	96,400
Deposits and other receivables	**537**	454
	4,575	102,897
	4,685	103,067

An impairment analysis was performed at the end of the reporting period. The Group has applied the general approach to provide expected credit losses for non-trade other receivables under HKFRS 9. The Group considered the historical loss rate and adjusted for forward-looking macroeconomic data in calculating the expected credit loss rate.

The financial assets included in the above balances are unsecured and repayable on demand and relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2022 and 2021, the Group estimated that the expected loss rate for deposits and other receivables was minimal under the 12-month expected loss method.

14. TRADE PAYABLES

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

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**51,887**	16,748
1 to 2 years	**2,149**	3,866
2 to 3 years	**422**	5,420
Over 3 years	**1,221**	1,127
	55,679	27,161

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

15. OTHER PAYABLES AND ACCRUALS

		2022	2021
	Notes	***RMB'000***	*RMB'000*
Other payables	*(a)*	**11,546**	101,393
Contract liabilities	*(b)*	**5,223**	–
Due to a related party		**–**	5,086
Due to a director		**–**	44,949
Other tax payables		**5,002**	3,828
Payroll and welfare payable		**8,025**	6,588
Interest payable		**–**	3
		29,796	161,847

Notes:

(a) Other payables are non-interest-bearing and repayable on demand.

(b) Details of contract liabilities are as follows:

	31 December 2022	31 December 2021	1 January 2021
	RMB'000	*RMB'000*	*RMB'000*
Short-term advances received from customers			
Data transmission and processing services for IoT applications	**5,223**	–	298

16. INTEREST-BEARING BANK BORROWINGS

31 December 2022

		Effective interest rate	Maturity	RMB'000
Bank loans – unsecured	*(a)*	**3.65%**	**2023**	**3,560**
Bank loans – secured	*(b)*	**3.30%**	**2023**	**6,809**
				10,369

31 December 2021

		Effective interest rate	Maturity	RMB'000
Bank loans – secured	*(b)*	4.15%	2022	3,000

	2022 *RMB'000*	2021 *RMB'000*
Analysed into:		
Within one year	**10,369**	3,000

Notes:

(a) The bank facilities amounted to RMB10,000,000 as at 31 December 2022.

(b) Three patents of Nanjing Howking were pledged for the bank loans as at 31 December 2021 and 31 December 2022.

17. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

2022

Deferred tax liabilities

	Right-of-use assets *RMB'000*
At 1 January 2022	**474**
Deferred tax credited to profit or loss during the year	**(225)**
Gross deferred tax liabilities at 31 December 2022	**249**

Deferred tax assets

	Impairment of financial assets *RMB'000*	**Accrued expenses** *RMB'000*	**Lease liabilities** *RMB'000*	**Total** *RMB'000*
At 1 January 2022	**3,396**	**637**	**485**	**4,518**
Deferred tax credited/(charged) to profit or loss during the year	**1,742**	**172**	**(218)**	**1,696**
Gross deferred tax assets at 31 December 2022	**5,138**	**809**	**267**	**6,214**

2021

Deferred tax liabilities

	Right-of-use assets *RMB'000*
At 1 January 2021	74
Deferred tax charged to profit or loss during the year	400
Gross deferred tax liabilities at 31 December 2021	474

Deferred tax assets

	Impairment of financial assets *RMB'000*	Accrued expenses *RMB'000*	Lease liabilities *RMB'000*	Government grants *RMB'000*	Total *RMB'000*
At 1 January 2021	1,675	569	80	20	2,344
Deferred tax credited/(charged) to profit or loss during the year	1,721	68	405	(20)	2,174
Gross deferred tax assets at 31 December 2022	3,396	637	485	–	4,518

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position.

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2022	2021
	RMB'000	*RMB'000*
Net deferred tax assets recognised in the consolidated statements of financial position	**5,965**	4,044

For the year ended 31 December 2021, the Group had tax losses arising in Mainland China of RMB2,667,000 that would expire in one to five years for offsetting against future taxable profits.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

	2022	2021
	RMB'000	*RMB'000*
Tax losses	**–**	2,667

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment subsidiaries established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those foreign invested subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2022, no deferred tax has been recognised for withholding taxes that would be payable on unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, these subsidiaries' fund will be retained in Mainland China for the expansion of these subsidiaries' operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB71,046,000 at 31 December 2022 (2021: RMB39,711,000).

MANAGEMENT DISCUSSION AND ANALYSIS

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

Highlights in 2022

	Year Ended December 31,		
	2022	2021	2020
	RMB'000	*RMB'000*	*RMB'000*
Revenue	**323,964**	189,552	127,425
Cost of Sales	**(228,414)**	(110,753)	(76,044)
Gross Profit	**95,550**	78,799	51,381
Net Profit	**28,504**	34,380	28,553
Adjusted Net Profit (non-HKFRS measure)[(1)]	**51,040**	41,755	29,402

Note:

(1) Listing expenses were not included in non-HKFRS measure.

2022 is a challenging year for China, and the resurgence of the COVID-19 pandemic significantly slowed down China's real GDP growth from approximately 8% in 2021 to approximately 3% in 2022, one of the lowest growth rates in the decades. Nevertheless, riding on the growing IoT market in the PRC and leveraging on its strong product competitiveness and solid customer relationships, the Group maintained its business development momentum in 2022, achieving impressive business and financial performance. Moreover, the Company was successfully listed on the Stock Exchange in December 2022, which the Company believes will lead the Group into a new phase of development. 2022 is indeed a milestone year for the Company and the Group.

The Group continued to record strong revenue growth in 2022 by successfully capturing the great potential in the PRC IoT market through its one-stop solution, diversified product portfolio and prompt service delivery. After achieving approximately 48.8% revenue growth in 2021, the Group continued its robust business momentum, with revenue increasing by approximately 70.9% from approximately RMB189.6 million in 2021 to approximately RMB324.0 million in 2022.

The Group realized a balanced revenue growth by maintaining strong growth in non-5G business while successfully tapping into the more promising private 5G network market. As one of the pioneers in the PRC private 5G network market, the Group continued strong growth in the 5G business in 2022, with revenue increasing by approximately 64.4% to approximately RMB119.8 million in 2022 from approximately RMB72.9 million in 2021. In the meantime, the Group's non-5G business revenue increased by approximately 75.0% from approximately RMB116.7 million in 2021 to approximately RMB204.2 million in 2022.

The Group also achieved a balanced development between the top-line growth and the bottom-line performance. As newly developed business sector, 5G business inevitably possessed lower margin as compared to the Group's existing business sectors. Nevertheless, the Group still managed to achieve good profit performance under a lower gross margin, with the adjusted net profit increasing approximately 22.2% from approximately RMB41.8 million in 2021 to approximately RMB51.0 million in 2022.

Last but not least, the recent successful listing has not only raised the Company's brand awareness and corporate governance standard, but more importantly has provided the much needed funds to accelerate the Group's overall business development in the future. To further drive its expansion and enhance its overall competitiveness, the Company has allocated most of the listing proceeds to various research and development activities as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

Outlook for 2023

Looking ahead, with the COVID-19 pandemic gradually coming to an end, China has refocused its attention on economic development. Chinese government has launched a series of measures recently to create a more business-friendly environment so as to stimulate economic growth, which the Company believes will further enhance the overall growth momentum in the PRC IoT market. Given this opportunity, the Group will take the following measures to ensure a high-quality business development in 2023.

First of all, the Group will further upgrade and improve its data transmission services. The Group will upgrade its equipment and technologies to improve its private 5G network service and to develop industrial IoT so as to better position itself to capture the increasing opportunities of private 5G network and industrial IoT.

Secondly, the Group will further upgrade its Universal IoT Platform to optimize the utilization and management of data resources and application interface. The Group will refactor its centralized data platform, namely Universal IoT Platform, and extend its functions to cover industrial IoT applications so that Universal IoT Platform can become a real common digitalization foundation to facilitate the Group's different applications.

Thirdly, the Group will continue to strengthen its research and development capabilities. To keep abreast with rapidly progressing technologies, the Group will expand its talent pool more aggressively by recruiting more high calibre, and cultivate its own research and development team through enhanced professional training. Moreover, the Group will invest more in its research and development infrastructure to better support various research and development activities.

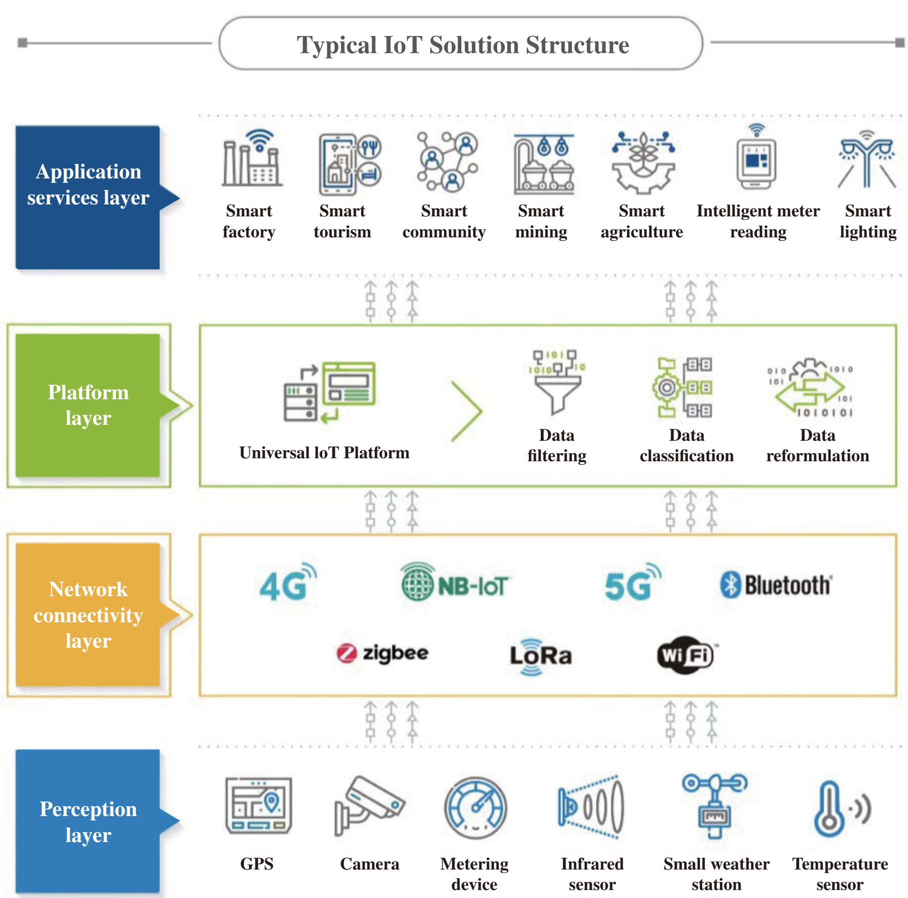
Fourthly, the Group will further strengthen its marketing capabilities and broaden its customer base. The Group will recruit more business development staff to improve its overall marketing capabilities. The Group will seek to reach more customers in the industrial IoT industry so as to diversify its customer base and grasp the increasing industrial IoT market opportunities.

Lastly, the Company believes that strategic acquisition is another effective method that could help the Group enrich its offerings, enhance its technologies and its market position. Therefore, the Group would selectively pursue strategic acquisitions to accelerate its overall business development.

Business Performance

The Industry and the Group's Strength

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



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

Data Transmission and Processing Services

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

	Year Ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Non-5G Network Services Revenue	**172,715**	63,986
Private 5G Network Services Revenue	**65,358**	59,312
Data Transmission and Processing Services for IoT Applications	**238,073**	123,298

Revenue from data transmission and processing services increased by approximately 93.1% from approximately RMB123.3 million in 2021 to approximately RMB238.1 million in 2022. Both non-5G network services and private 5G network services recorded strong growth in 2022, increasing by approximately 169.9% and 10.2% as compared to 2021, respectively.

Sales of Telecommunication Equipment

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

	Year Ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Sales of 5G Telecommunication Equipment	**54,445**	13,562
Sales of Other Telecommunication Equipment	**7,657**	6,582
Sale of Antennas	**20,057**	39,825
Sales of Telecommunication Equipment	**82,159**	59,969

Revenue from sales of telecommunication equipment increased by approximately 37.0% from approximately RMB60.0 million in 2021 to approximately RMB82.2 million in 2022, mostly driven by the strong sales of 5G telecommunication equipment that grew by approximately 301.5% to approximately RMB54.4 million in 2022. Meanwhile, sales of antennas decreased significantly by approximately 49.6% from approximately RMB39.8 million in 2021 to approximately RMB20.1 million in 2022, mainly because the Group ceased the sales of vehicle mounted antennas to a Russia distributor in December 2022 to avoid uncertain and potential risks in relation to international sanctions and the global chip shortage affected the purchase orders of IoT antennas from the United States.

Customers and Contracts

The Group's main customers include (i) state-owned or private project owners, (ii) main contractors for data transmission and processing services for IoT applications, who sub-contract a pre-defined section of the project to the Group, and (iii) overseas end customer and distributor. The Group has strived to broaden and diversify its customer base. The number of its customers expanded to 30 in 2022 from 23 in 2021. Revenue generated from the Group's five largest customers amounted to approximately RMB166.1 million in 2022, accounting for approximately 51.3% of total revenue, while such ratio was approximately 65.1% in 2021. The high customer concentration is a common occurrence in the market where the Group operates since IoT solution projects are relatively large in size as compared with most of the service providers in the market. Therefore, service providers have to allocate a majority of their resources, capacity and manpower to such projects to ensure the delivery of projects. The Group believes that its customer concentration will gradually decrease over time with continuous business expansion in the future.

Benefiting from its in-depth industry knowledge, years of experience and considerate customer services, the Group has been awarded an increasing number of new contracts by its customers on an annual basis. Compared with 45 new contracts awarded in 2021, 72 new contracts were awarded in 2022, with an average contract value of approximately RMB4.6 million, which was approximately 24.7% higher than that of new contracts awarded in 2021. As of December 31, 2022, there were 10 projects in progress, with a remaining contract value of approximately RMB55.8 million, laying a solid foundation for the Group's business growth in the near future.

Research and Development

The Group believes that its competitiveness and success depend critically on its continuous commitment to research and development and its ability to improve the functionality of, and add new features to, its services and products. Thus, the Group devotes significant resources to research and development and develops core features of its services and products in-house. As of December 31, 2022, the Group's research and development staff consisted of 42 employees, representing approximately 56.0% of the total number of employees of the Group. Research and development expenses increased by approximately 15.5% from approximately RMB9.8 million in 2021 to approximately RMB11.3 million in 2022. Moreover, the Company decided to allocate more than 80% of the net proceeds from the Global Offering to various research and development activities, including hiring more research and development staff to improve its private 5G network services, to research and develop industrial WLAN and to upgrade its Universal IoT Platform.

The Group's continuous research and development efforts have enhanced the competitiveness in its services and products. The Group self-developed its centralized data platform, namely Universal IoT Platform, for its data processing services. Universal IoT Platform adopted a series of in-house developed technologies in areas of terminal data protocol unification, device shadow, data flow, data aggregation and integration, and data purification and processing, which have greatly differentiated Universal IoT Platform from traditional data platforms and turned Universal IoT Platform into one of the Group's core business capabilities and competitive edges. In addition, as of December 31, 2022, the Group had successfully registered 91 utility model patents, 17 patents for invention, and two patents for industrial design and 80 copyrights in the PRC, indicating the Group's strong innovation and research capabilities.

Employees and Remuneration Policy

As of December 31, 2022, the Group had a total number of 75 employees (as of December 31, 2021: 76). For the year ended December 31, 2022, the Group recognized staff costs of approximately RMB20.2 million, representing an increase of approximately 38.3% as compared to the same period in 2021. The following table sets forth a breakdown of the Group's employees by function as of December 31, 2022:

Function	**Number of Employees**	**Percentage of the Total Number of Employees (%)**
Research and Development	42	56.0
Business Development	8	10.7
Administration	16	21.3
Production	9	12.0
Total	75	100.0

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

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

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

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

In addition, to provide incentive or reward to eligible persons for their contribution to, and continuing efforts to promote the interests of the Group, the Company has adopted the Share Option Scheme.

Business Activities with Entities Subject to International Sanctions

The Group has exported vehicle-mounted antennas to Russia in the recent years via a Russian distributor that primarily engages in the sales of telecommunication equipment. The distributor itself is not a sanctioned entity, however it did resell the Group's products to one end-customer who was owned by a specially designated national ("**SDN**") and subject to the same sanctions applicable to SDNs. Although the Group's activities did not constitute a violation of sanctions, the Group had ceased its business activities in Russia after completing all existing contractual obligations with the Russian distributor by the end of 2022 in light of the uncertainties and potential risks in relation to international sanctions.

In addition, the Group generated certain revenue from a sanctioned PRC customer in 2022. This customer was designated by the U.S. Treasury Department on the Non-SDN Chinese Military-Industrial Complex Companies List on June 3, 2021 with relevant sanctions effective on August 2, 2021. The Group had completed all of contractual obligations with this customer as of the end of 2022 and will not have any new dealings with it in the future.

Impact of COVID-19 Pandemic

In December 2019, a respiratory illness known as COVID-19 caused by a novel strain of coronavirus emerged and has spread globally since then, which has adversely affected the global economy. Nevertheless, with an effective strategy in place to mitigate the impact of the COVID-19 pandemic, such as leading the R&D team to make technological advancements, exploring new and potential customers, and maintaining multiple supplies for raw materials and components, the Group has achieved continuous business growth during the pandemic period and the pandemic has not brought material adverse impact on the Group's operations and financial performance. For the year ended December 31, 2022, the Group did not (i) experience any material delay or failure by suppliers to deliver the Group's orders, or (ii) fail to provide services or deliver products to the Group's customers during such period. As a result, the Group's financial performance had not been materially and adversely affected by the COVID-19 pandemic during the year of 2022.

Financial Review

Revenue

	Year Ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Revenue	**323,964**	189,552
Data Transmission and Processing Services	**238,073**	123,298
Sales of Equipment	**82,159**	59,969
Others	**3,732**	6,285
or:		
5G Business	**119,803**	72,874
Non-5G Business	**204,161**	116,678
or:		
PRC	**305,251**	149,725
The United States	**10,539**	15,515
Russia	**8,174**	24,312

Driven by its overall business expansion across all the major sectors, the Group's revenue increased by approximately 70.9% from approximately RMB189.6 million in 2021 to approximately RMB324.0 million in 2022. More specifically, revenue from data transmission and processing services increased by approximately 93.1% from approximately RMB123.3 million in 2021 to approximately RMB238.1 million in 2022, and revenue from sales of equipment increased by approximately 37.0% from approximately RMB60.0 million in 2021 to approximately RMB82.2 million in 2022; revenue from 5G business increased by approximately 64.4% from approximately RMB72.9 million in 2021 to approximately RMB119.8 million in 2022, and revenue from non-5G business increased by approximately 75.0% from approximately RMB116.7 million in 2021 to approximately RMB204.2 million in 2022.

The Group generates most of its revenue from the PRC market. Revenue generated from the United States and Russia was primarily attributable to the Group's export of IoT antennas and vehicle-mounted antennas to the United States and Russia, respectively. Revenue from the United States market decreased by approximately 32.1% from approximately RMB15.5 million in 2021 to RMB10.5 million in 2022, mainly because the global chip shortage affected the business of the Group's U.S. customer, who in turn reduced purchase orders from the Group. Revenue from Russia market decreased significantly by approximately 66.4% from approximately RMB24.3 million in 2021 to RMB8.2 million in 2022, mainly because the Group ceased the sales of vehicle mounted antennas to a Russia distributor in December 2022 to avoid uncertain and potential risks in relation to international sanctions.

The Group has historically generated a greater proportion of its revenue in the second half since most orders for data transmission and processing services were confirmed and delivered in the second half, leading to a larger portion of revenue recognized in the same period. In 2022, approximately 74.0% of the Group's revenue was generated in the second half, while such ratio was approximately 62.0% in 2021.

Costs and Expenses

	Year Ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Cost of Sales	**228,414**	110,753
OEM Expenses	**49,789**	31,921
Material Costs	**173,783**	74,674
Administrative Expenses	**47,982**	28,258
R&D Expenses	**11,308**	9,791
Staff Costs	**5,876**	5,057
Listing Expenses	**22,536**	7,375
Selling and Distribution Expenses	**3,753**	2,140
Staff Costs	**2,277**	1,322
Impairment Losses on Financial Assets	**12,180**	11,478
Trade and Notes Receivables	**12,413**	11,187

Cost of sales includes (i) material costs, (ii) OEM expenses and (iii) labor costs. The Group's cost of sales increased by approximately 106.2% from approximately RMB110.8 million in 2021 to approximately RMB228.4 million in 2022. The increase was primarily due to a rapid growth in material costs as a result of a changing revenue structure of the Group. Material costs increased by approximately 132.7% in 2022 as compared to 2021, and its share of cost of sales rose to approximately 76.1% in 2022 from approximately 67.4% in 2021.

Administrative expenses consist of (i) R&D expenses, (ii) staff costs, (iii) listing expenses, (iv) consulting expenses, (v) depreciation & amortization, (vi) office expenses, and (vii) tax surcharges. The Group's administrative expenses increased by approximately 69.8% from approximately RMB28.3 million in 2021 to approximately RMB48.0 million in 2022, mainly because (i) R&D expenses increased by approximately 15.5% to approximately RMB11.3 million in 2022 as a result of enhanced R&D effort by the Group; and (ii) the successful listing in December 2022 led to the listing expenses of approximately RMB22.5 million in 2022, representing an increase of approximately 205.6% as compared to 2021.

Selling and distribution expenses consist of (i) staff costs, (ii) travelling expenses, (iii) depreciation, and (iv) entertainment expenses. The Group's selling and marketing expenses increased by approximately 75.4% from approximately RMB2.1 million in 2021 to approximately RMB3.8 million in 2022, mainly due to the rising staff costs as a result of the Group's business expansion, which increased by approximately 72.2% to approximately RMB2.3 million in 2022.

The Group recognizes an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss and use a provision matrix to calculate ECLs for trade receivables, notes receivable and contract assets based on historical expected credit loss rates of industry peers and aging for groupings of various customers with similar loss pattern. The Group's impairment losses on financial assets remained stable at approximately RMB12.2 million in 2022 as compared to approximately RMB11.5 million in 2021, of which the impairment on trade and notes receivables increased from approximately RMB11.2 million in 2021 to approximately RMB12.4 million in 2022.

Gross Profit, Profit Before Tax and Net Profit

	Year Ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Gross Profit	**95,550**	78,799
Gross Margin	**29.5%**	41.6%
5G Business	**24.1%**	31.1%
Non-5G Business	**32.7%**	48.1%
Profit Before Tax	**33,234**	40,068
Net Profit	**28,504**	34,380

The Group's gross profit increased by approximately 21.3% from approximately RMB78.8 million in 2021 to approximately RMB95.6 million in 2022. A lower growth rate in gross profit than that in revenue led to a decreasing gross margin from approximately 41.6% in 2021 to approximately 29.5% in 2022, which mainly resulted from lower gross margins for both 5G business and non-5G business. The gross margin of 5G business decreased from approximately 31.1% in 2021 to approximately 24.1% in 2022 while that of non-5G business decreased from approximately 48.1% in 2021 to approximately 32.7% in 2022.

Given a lower growth rate in gross profit and a higher growth rate in administrative expenses, the Group's profit before tax decreased by approximately 17.1% from approximately RMB40.1 million in 2021 to approximately RMB33.2 million in 2022. The Group's net profit decreased by approximately 17.1% from approximately RMB34.4 million in 2021 to approximately RMB28.5 million in 2022. Without taking into account the listing expenses for the years ended December 31, 2021 and 2022, the Group's adjusted net profit in 2022 would increase by approximately 22.2% as compared to 2021.

Non-HKFRS Measure

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

The Group defines its adjusted net profit (non-HKFRS measure) as the net profit adding back listing expenses. The table below sets out the adjusted net profit (non-HKFRS measure) as of the dates indicated:

	Year Ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Profit for the Year	**28,504**	34,380
Adding: Listing Expenses	**22,536**	7,375
Adjusted Net Profit for the Year	**51,040**	41,755

Cash and Cash Equivalents and Time Deposits

Cash and cash equivalents and time deposits increased from approximately RMB86.3 million as of December 31, 2021 to approximately RMB120.7 million as of December 31, 2022, mainly due to the time deposits of approximately RMB73.4 million placed in December 2022 using the net proceeds from the Global Offering.

Trade and Notes Receivables

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

	As of December 31,	
	2022	2021
	RMB'000	*RMB'000*
Trade Receivables	**238,024**	163,118
Notes Receivable Measured at Amortized Cost	**10,143**	–
Impairment	**(34,157)**	(22,367)
	214,010	140,751

Both total trade receivables and net trade receivables experienced steady increase as a result of overall business development in 2022, with total trade receivables increasing by approximately 45.9% from approximately RMB163.1 million in 2021 to approximately RMB238.0 million in 2022 and net trade and notes receivables by approximately 52.0% from approximately RMB140.8 million in 2021 to approximately RMB214.0 million in 2022. Although the provision for impairment amount still grew by approximately 52.7% in 2022, the percentage of provision for impairment on total trade and notes receivables amount maintained stable at approximately 13.8% as of December 31, 2022 as compared to approximately 13.7% as of December 31, 2021, mainly because both the absolute amount of trade and notes receivables aged over one year and its proportion in total trade and notes receivables as of December 31, 2022 declined as compared to those as of December 31, 2021.

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

	As of December 31,	
	2022	2021
	RMB'000	*RMB'000*
Within 1 Year	**169,291**	68,857
1 to 2 Years	**18,309**	47,387
2 to 3 Years	**23,636**	19,859
3 to 4 Years	**2,235**	4,648
4 to 5 Years	**539**	–
Total	**214,010**	140,751

Among all net trade and notes receivables aged over one year as of December 31, 2022, approximately 67.7% was due from four state-owned enterprises or affiliates. According to Frost & Sullivan, state-owned entities or their affiliates usually settle payments through time-consuming and prolonged internal administrative procedures, but their risks of failing to settle payments are low. In view of the background of such customers and the Group's continuous efforts to collect such receivables pursuant to its internal policy, the Group considers that the default risk of those trade and notes receivables is low.

Among the outstanding balances as of December 31, 2022, most of the corresponding customers had started to repay or at least indicated willingness to settle as soon as possible. Based on the ongoing communication with such customers and the historical progress in the subsequent settlement, the Group considers that except for the impairment of trade and notes receivables, the outstanding balances of trade and notes receivables would be settled eventually. As such, the Group is of the view that there is no material recoverability issue for its trade and notes receivables.

Borrowing

As of December 31, 2022, the Group had interest-bearing bank borrowings of approximately RMB10.4 million (December 31, 2021: RMB3 million), which were all denominated in RMB and with fixed interest rate. The Group's total authorized credit facilities remained at RMB10.0 million, among which RMB6.4 million had not been utilized as of the same date.

Gearing Ratio

The Group's gearing ratio, calculated by total debt (including interest-bearing bank borrowings and lease liabilities) divided by total equity, maintained at approximately 4.7% as of December 31, 2022, as compared to approximately 4.1% as of December 31, 2021, mainly due to an increase in total debt from approximately RMB6.2 million as of December 31, 2021 to approximately RMB12.2 million as of December 31, 2022.

Cash Flow and Capital Expenditure

The Group generated net cash flow from operating activities of approximately RMB18.0 thousand in 2022, as compared to net cash flow from operating activities of approximately RMB16.9 million in 2021. The low net cash flow in 2022 is mainly due to an increase in trade and notes receivables of approximately RMB85.1 million, which was partially offset by (i) an increase in trade payables of approximately RMB28.5 million, and (ii) an increase in other payables and accruals of approximately RMB13.2 million.

Net cash used in investing activities amounted to approximately RMB72.8 million in 2022, primarily due to the purchase of time deposits of approximately RMB73.3 million.

Net cash generated from financing activities amounted to approximately RMB32.9 million in 2022, mostly due to (i) the proceeds from issue of Shares of approximately RMB184.9 million upon the fulfilment of capital injection obligations by the Shareholders to the Company and (ii) new bank loan of approximately RMB15.4 million, which were partially offset by (i) capital reduction of approximately RMB96.4 million for the Reorganization purpose, (ii) repayment of loans from a director of approximately RMB40.9 million for the Reorganization purpose, (iii) share issue expenses of approximately RMB11.3 million, (iv) payments for an equity interest of the Reorganization from a director and a shareholder of approximately RMB9.2 million, and (v) repayment of bank loans of RMB8 million.

Capital expenditure primarily consisted of purchases of property, plant and equipment and renovation expenses, which decreased by approximately 71.6% from approximately RMB1.8 million in 2021 to approximately RMB0.5 million in 2022, primarily attributable to the decreasing purchase of office equipment, electronic equipment for laboratory use and machines.

Charges on Assets

As of December 31, 2022, the Group did not have any assets or rights pledged (December 31, 2021: Nil).

Contingent Liabilities

As of December 31, 2022, the Group did not have any material contingent liabilities (December 31, 2021: Nil).

Foreign Currency Risk

The Group has transactional currency exposures and are subject to foreign currency risk arising from fluctuations in exchange rates between RMB and foreign currencies. As of December 31, 2022, the Group had transactional currency exposures. Such exposures arose from changes in the fair value of monetary assets and liabilities and exchange differences resulting from translation of the financial statements of certain overseas subsidiaries.

As of December 31, 2022, the Group did not hedge or consider necessary to hedge any of these risks. The Group will constantly review the economic situation and the foreign exchange risk profile and consider appropriate hedging measures in the future, when necessary.

Significant Investments, Acquisitions and Disposals

The Group did not have any significant acquisitions or disposals of subsidiaries, associates or joint ventures during the period from the Listing Date and up to December 31, 2022.

As of December 31, 2022, none of each individual investment held by the Group constituted 5% or above of the total assets of the Group and there was no future plans for material investments or capital assets.

Significant Events after the Reporting Period

There were no other significant events that required additional disclosure or adjustments occurred after the end of the Reporting Period and up to the date of this announcement.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended December 31, 2022.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend and vote at the 2023 AGM to be held on Tuesday, May 30, 2023, the register of members of the Company will be closed from Wednesday, May 24, 2023 to Tuesday, May 30, 2023, both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for attending and voting at the 2023 AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, May 23, 2023.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The shares of the Company were listed on the Stock Exchange on the Listing Date. Save as the aforesaid, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date and up to December 31, 2022.

COMPLIANCE WITH MODEL CODE REGARDING SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, which applies to all Directors and relevant employees of the Company who are likely to possess inside information in relation to the Company or its securities due to his/her office or employment.

The Company has made specific enquiries with each Director, and each of them confirmed that he/she had complied with all required standards under the Model Code during the period from the Listing Date and up to December 31, 2022.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintenance of good corporate governance practices and procedures. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its business and operations are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all Shareholders. The Company's corporate governance practices are based on the principles and code provisions as set out in part 2 of the CG Code.

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

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

Save for the deviation from code provision C.2.1 of part 2 of the CG Code as described above, the Company had complied with all applicable code provisions set out in part 2 of the CG Code during the period from the Listing Date and up to December 31, 2022.

AUDIT COMMITTEE

The Audit Committee, consisting of three independent non-executive Directors, namely, Mr. Gu Jiong (Chairman), Mr. Fong Wo, Felix and Mr. Yang Hai, has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2022, including the accounting principles and practices adopted by the Group and has recommended for the Board's approval thereof. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITOR

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended December 31, 2022, but represents an extract from the consolidated financial statements for the year ended December 31, 2022 which have been audited by the auditors of the Company, Ernst & Young, in accordance with Hong Kong Standards on Auditing issued by the HKICPA. The financial information has been reviewed by the Audit Committee and approved by the Board.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of HKEXnews (www.hkexnews.hk) and the Company (www.howkingtech.com). The annual report of the Company for the year ended December 31, 2022 will be despatched to the Shareholders and published on the same websites in due course.

DEFINITIONS

"2023 AGM"	the forthcoming annual general meeting of the Company to be held on May 30, 2023
"5G"	the 5th generation mobile network, a new global wireless standard after 1G, 2G, 3G and 4G networks
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"CAGR"	compound annual growth rate; the CAGR formula involves (i) dividing the ending value by the beginning value, (ii) making a radical of the amount by the number of years (e.g. 2019~2021=2 years) and (iii) subtracting one to make the rate a percentage
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules

"China" or "PRC"	the People's Republic of China, but for the purpose of this announcement only and except where the context requires otherwise, references in this announcement to "China" or "PRC" do not include Hong Kong, the Macau Special Administrative Region and Taiwan
"Company"	Howkingtech International Holding Limited, an exempted company with limited liability incorporated in Cayman Islands on August 25, 2021, and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on January 13, 2022
"COVID-19"	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2, believed to have first emerged in late 2019
"Director(s)"	the director(s) of the Company
"GDP"	gross domestic product
"Global Offering"	the Hong Kong public offering and international offering of the Shares
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Howkingtech" or "Group"	the Company and its subsidiaries
"IoT"	internet of things
"IT"	information technology
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	December 12, 2022, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"LORA"	Long Range, a proprietary low-power wide-area network modulation technique
"Macau"	the Macau Special Administrative Region of the PRC
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"OEM"	original equipment manufacturer
"Prospectus"	the prospectus of the Company dated November 30, 2022 in connection with the Global Offering
"pRRU"	pico remote radio unit, which is used to the baseband unit
"R&D"	research and development
"Reorganization"	the reorganization of the Group in preparation for the Listing, details of which are set forth in "History, Reorganization and Corporate Structure" in the Prospectus
"Reporting Period" or "Year"	the year ended December 31, 2022
"Russian distributor"	the Group's overseas distributor who distributed its vehicle mounted antennas in Russia during the Reporting Period
"RMB"	Renminbi, the lawful currency of China
"Share(s)"	the ordinary share(s) of nominal value of HK$0.01 each in the share capital of the Company
"Share Option Scheme"	the share option scheme adopted by the Company on November 11, 2022
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Universal IoT Platform"	the Group's self-developed centralized data platform of IoT solutions, which provides the infrastructural functions for upper applications

"WLAN"	wireless local-area network
"%"	per cent

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

Hong Kong, March 27, 2023

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

* *For identification purpose only*