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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2023

FINANCIAL HIGHLIGHTS

	Six Months Ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue	**176,744**	84,316
Cost of Sales	**(149,541)**	(54,412)
Gross Profit	**27,203**	29,904
Net Profit	**10,291**	6,016
Adjusted Net Profit (non-HKFRS measure)[1]	**12,178**	13,106

Note:

(1) Share option expenses and listing expenses were not included in non-HKFRS measure.

INTERIM RESULTS FOR SIX MONTHS ENDED JUNE 30, 2023

The board (the "**Board**") of directors (the "**Directors**") of Howkingtech International Holding Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the unaudited consolidated interim results of the Group for the six months ended June 30, 2023.

The financial information below is an extract of the unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2023:

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2023

		For the six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*5*	**176,744**	84,316
Cost of sales		**(149,541)**	(54,412)
Gross profit		**27,203**	29,904
Other income and gains	*5*	**2,372**	990
Selling and distribution expenses		**(1,346)**	(1,764)
Administrative expenses		**(13,909)**	(18,817)
Impairment losses on financial assets, net		**(1,746)**	(4,069)
Other expenses		**(400)**	–
Finance costs		**(125)**	(265)
PROFIT BEFORE TAX	*6*	**12,049**	5,979
Income tax expense	*7*	**(1,758)**	37
PROFIT FOR THE PERIOD		**10,291**	6,016
Attributable to:			
Owners of the parent		**10,291**	6,016
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(494)**	506
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD		**(494)**	506
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**9,797**	6,522
Attributable to:			
Owners of the parent		**9,797**	6,522
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*9*	**RMB4.58 cents**	RMB3.18 cents
Diluted	*9*	**RMB4.55 cents**	RMB3.18 cents

Interim Condensed Consolidated Statement of Financial Position
30 June 2023

	Notes	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,228**	3,158
Right-of-use assets		**2,297**	1,661
Other intangible assets		**143**	157
Contract assets		**1,981**	1,983
Deposits		**–**	110
Equity investments designated at fair value through other comprehensive income		**13,513**	–
Deferred tax assets		**6,395**	5,965
Total non-current assets		**27,557**	13,034
CURRENT ASSETS			
Inventories		**3,131**	5,619
Trade and notes receivables	*10*	**244,825**	214,010
Contract assets		**89**	751
Prepayments, other receivables and other assets		**10,005**	4,575
Time deposits		**–**	73,396
Cash and cash equivalents		**48,684**	47,301
Total current assets		**306,734**	345,652
CURRENT LIABILITIES			
Trade payables	*11*	**63,405**	55,679
Other payables and accruals		**10,511**	29,796
Interest-bearing bank borrowings	*12*	**10,306**	10,369
Lease liabilities		**872**	1,569
Tax payable		**3,835**	4,975
Total current liabilities		**88,929**	102,388
NET CURRENT ASSETS		**217,805**	243,264
TOTAL ASSETS LESS CURRENT LIABILITIES		**245,362**	256,298

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
NON-CURRENT LIABILITIES		
Lease liabilities	**1,433**	214
Total non-current liabilities	**1,433**	214
Net assets	**243,929**	256,084
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**15,646**	15,646
Treasury shares	**(23,839)**	–
Share premium	**175,310**	175,310
Reserves	**76,812**	65,128
Total equity	**243,929**	256,084

Notes to the Interim Condensed Consolidated Financial Statements

30 June 2023

1. CORPORATE AND GROUP INFORMATION

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

The Company is an investment holding company. During the period, the Company's subsidiaries were principally involved in provision of data transmission and processing services for Internet of Thing ("**IoT**") applications 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 11 August 2021, which is owned by Ms. Wang Zheshi and Ms. Jin Yan.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with HKAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

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

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group did not apply the initial recognition exception and recognised a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases, the amendments did not have any impact on the financial position or performance of the Group.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) ***Revenue from external customers***

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Mainland China	**170,007**	77,222
Other countries	**6,737**	7,094
	176,744	84,316

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

(b) ***Non-current assets***

	30 June	31 December
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mainland China	**5,668**	4,976

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

Information about major customers

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Customer 1	**51,770**	N/A
Customer 2	**50,708**	N/A
Customer 3	**21,061**	N/A
Customer 4	**N/A**	44,235
Customer 5	**N/A**	13,652
Customer 6	**N/A**	11,606

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**176,744**	84,316

Revenue from contracts with customers

(a) Disaggregated revenue information

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Types of goods or services		
Data transmission and processing services for IoT applications	**116,613**	30,418
Sales of telecommunication equipment	**58,524**	53,217
Others	**1,607**	681
Total revenue from contracts with customers	**176,744**	84,316

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
Goods/services transferred at a point in time	**176,063**	83,650
Services transferred over time	**681**	666
Total revenue from contracts with customers	**176,744**	84,316

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	**556**	63
Government grants*	**199**	433
Other interest income from financial assets at fair value through profit or loss	**–**	61
Interest income arising from revenue contracts	**–**	37
	755	594
Gains		
Foreign exchange gain	**1,522**	331
Gain on lease termination	**95**	–
Gain on liquidation of subsidiaries	**–**	59
Others	**–**	6
	1,617	396
	2,372	990

* 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 RMB575,000 (six months ended 30 June 2022: RMB575,000).

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**50,768**	38,918
Cost of services provided	**98,773**	15,494
Depreciation of property, plant and equipment	**683**	680
Depreciation of right-of-use assets	**816**	751
Amortisation of other intangible assets	**51**	26
Research and development costs	**4,538**	6,154
Listing expenses	**–**	7,090
Impairment of trade and notes receivables, net	**1,768**	4,071
Reversal of impairment of contract assets, net	**(22)**	(2)

7. INCOME TAX

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

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

Pursuant to the relevant tax law of the Hong Kong Special Administrative Region, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period. No provision for income tax has been made as the Group did not generate any assessable profits in Hong Kong during the period (2022: Nil).

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

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current	**2,188**	649
Deferred	**(430)**	(686)
Total tax charge for the period	**1,758**	(37)

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 period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 224,823,365 (six months ended 30 June 2022: 189,000,000, on the assumption that the capitalisation issue had been completed on 1 January 2022) in issue during the period, as adjusted to reflect the treasury shares repurchased during the period.

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

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**10,291**	6,016

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the period	**224,823,365**	189,000,000
Effect of dilution – weighted average number of ordinary shares:		
Share options	**1,385,750**	–
	226,209,115	189,000,000

10. TRADE AND NOTES RECEIVABLES

	30 June	31 December
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**272,024**	238,024
Notes receivable measure at amortised cost	**8,726**	10,143
Impairment	**(35,925)**	(34,157)
	244,825	214,010

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

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**174,257**	169,291
1 to 2 years	**45,871**	18,309
2 to 3 years	**22,050**	23,636
3 to 4 years	**2,219**	2,235
4 to 5 years	**428**	539
	244,825	214,010

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At beginning of period	**34,157**	22,367
Impairment losses, net *(note 6)*	**1,768**	12,413
Amount written off as uncollectible	**–**	(623)
At end of period	**35,925**	34,157

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 RMB3,883,000 (the "**Endorsement**") at 30 June 2023 (2022: RMB2,816,000). 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 RMB3,883,000 at 30 June 2023 (2022: RMB2,816,000), 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 period ended 30 June 2023. The Endorsement has been made evenly during the period.

11. TRADE PAYABLES

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

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Within 1 year	**58,305**	51,887
1 to 2 years	**1,908**	2,149
2 to 3 years	**1,951**	422
Over 3 years	**1,241**	1,221
	63,405	55,679

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

12. INTEREST-BEARING BANK BORROWINGS

30 June 2023

		Effective interest rate	**Maturity**	**RMB'000**
Bank loans – unsecured	*(a)*	**3.65%**	**2023**	**3,560**
Bank loans – unsecured	*(a)*	**3.55%**	**2024**	**5,000**
Bank loans – unsecured	*(b)*	**3.30%**	**2024**	**1,746**
				10,306

31 December 2022

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

Notes:

(a) The bank facilities amounted to RMB10,000,000 as at 31 December 2022 and 30 June 2023.

(b) The bank facilities amounted to RMB20,000,000 as at 30 June 2023.

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

13. EVENTS AFTER THE RELEVANT PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Highlights in the first half of 2023

	Six Months Ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue	**176,744**	84,316
Cost of Sales	**(149,541)**	(54,412)
Gross Profit	**27,203**	29,904
Net Profit	**10,291**	6,016
Adjusted Net Profit (non-HKFRS measure)[(1)]	**12,178**	13,106

Note:

(1) Share option expenses and listing expenses were not included in non-HKFRS measure.

Entering 2023, the macro environment remained uncertain. 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 2023, 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.

The Group continued to experience strong revenue growth in the first half of 2023 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 70.9% revenue growth in 2022, the Group continued its robust business momentum, with its revenue increased significantly by approximately 109.6% from approximately RMB84.3 million for the six months ended June 30, 2022 to approximately RMB176.7 million for the same period in 2023.

As one of the pioneers in the PRC private 5G network market, the Group continued to experience strong growth in its 5G business in 2023, with its revenue increased by approximately 42.8% to approximately RMB72.8 million for the six months ended June 30, 2023 from approximately RMB51.0 million for the same period in 2022. In the meantime, the Group's non-5G business revenue increased by approximately 212.1% from approximately RMB33.3 million in the first half of 2022 to approximately RMB103.9 million for the same period in 2023.

The Group's gross profit decreased slightly by 9.0% from approximately RMB29.9 million for the six months ended June 30, 2022 to approximately RMB27.2 million for the same period in 2023. The net profit increased approximately 71.1% from approximately RMB6.0 million for the six months ended June 30, 2022 to approximately RMB10.3 million for the same period in 2023. The adjusted net profit remained relatively stable at RMB12.2 million for the six months ended June 30, 2023 as compared to approximately RMB13.1 million for the same period in 2022.

Last but not least, the successful listing in 2022 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.

Outlook for 2023

The PRC 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 such 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.

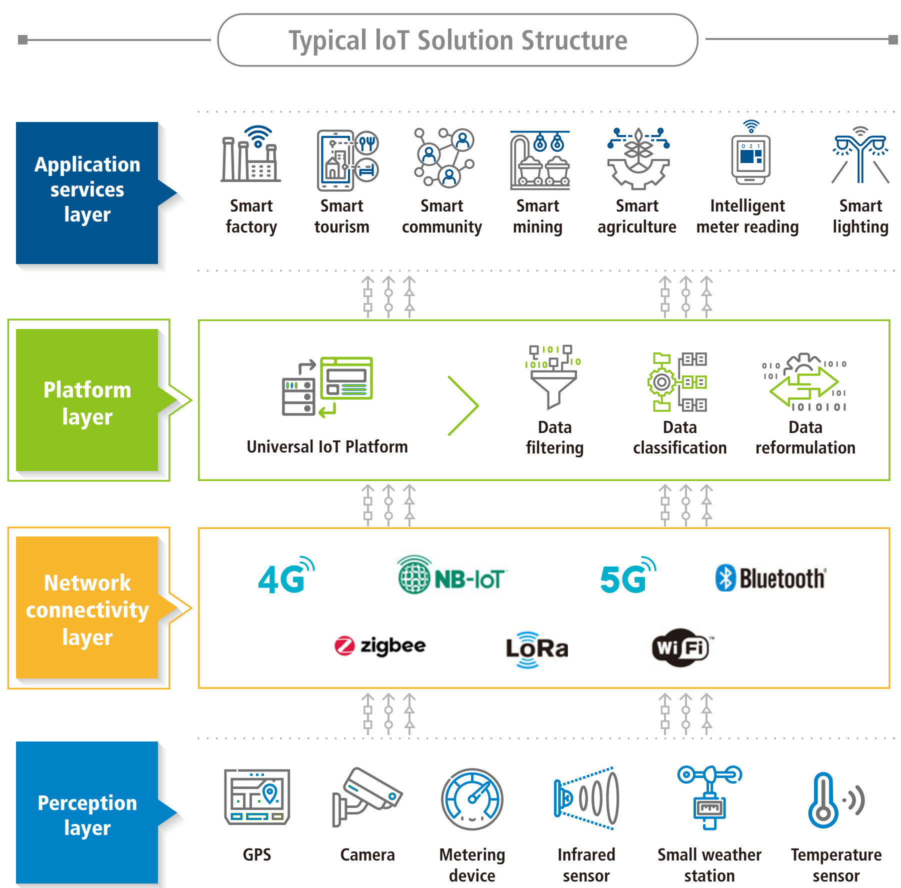
Fourthly, the Group will further strengthen its marketing capabilities and broaden its customer base. The Group will recruit more business development staff to improve its overall marketing capabilities. The Group will seek to reach more customers in the industrial IoT industry so as to diversify its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

	Six Months Ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Non-5G Network Services Revenue	**95,552**	25,017
Private 5G Network Services Revenue	**21,061**	5,401
Data Transmission and Processing Services for IoT Applications	**116,613**	30,418

Revenue from data transmission and processing services increased by approximately 283.4% from approximately RMB30.4 million for the six months ended June 30, 2022 to approximately RMB116.6 million for the same period in 2023. Both non-5G network services and private 5G network services recorded strong growth in the first half of 2023, increasing by approximately 281.9% and 289.9% as compared to the same period in 2022, 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. 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 to the United States.

	Six Months Ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Sales of 5G Telecommunication Equipment	**51,770**	45,617
Sale of Antennas	**6,737**	7,094
Sales of Other Telecommunication Equipment	**17**	506
Sales of Telecommunication Equipment	**58,524**	53,217

Revenue from sales of telecommunication equipment increased by approximately 10.0% from approximately RMB53.2 million for the six months ended June 30, 2022 to approximately RMB58.5 million for the same period in 2023, mostly driven by the sales of 5G telecommunication equipment that grew by approximately 13.5% to approximately RMB51.8 million for the six months ended June 30, 2023. Meanwhile, sales of antennas decreased by approximately 5.0% from approximately RMB7.1 million for the six months ended June 30, 2022 to approximately RMB6.7 million for the same period in 2023, 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.

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. The Group has strived to broaden and diversify its customer base. The number of new customers accounted for approximately 45.5% of the total number of customers for the six months ended June 30, 2023. Revenue generated from the Group's five largest customers amounted to approximately RMB150.6 million for the six months ended June 30, 2023, accounting for approximately 85.2% of total revenue, while such ratio was approximately 91.6% in for the same period in 2022. 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 30 new contracts awarded in the first half of 2022, 37 new contracts were awarded for the same period in 2023, with an average contract value of approximately RMB5.4 million, which was approximately 19.6% higher than that of new contracts awarded in the first half of 2022. As of June 30, 2023, there were 18 projects in progress, with a remaining contract value of approximately RMB67.3 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 depends critically on its continuous commitment to research and development and its ability to improve the functionality of, and add new features to, its services and products. Thus, the Group devotes significant resources to research and development and develops core features of its services and products in-house.

The Group's continuous research and development efforts have enhanced the competitiveness in its services and products. The Group self-developed its centralized data platform, namely Universal IoT Platform, for its data processing services. Universal IoT Platform adopted a series of in-house developed technologies in areas of terminal data protocol unification, device shadow, data flow, data aggregation and integration, and data purification and processing, which have greatly differentiated Universal IoT Platform from traditional data platforms and turned Universal IoT Platform into one of the Group's core business capabilities and competitive edges. In addition, as of June 30, 2023, the Group had successfully registered 90 utility model patents, 19 patents for invention, and two patents for industrial design and 82 copyrights in the PRC, indicating the Group's strong innovation and research capabilities.

Employees and Remuneration Policy

As of June 30, 2023, the Group had a total number of 66 employees (as of December 31, 2022: 75). For the six months ended June 30, 2023, the Group recognized staff costs of approximately RMB11.0 million, representing an increase of approximately 10.1% as compared to the same period in 2022.

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

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

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

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

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

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.

Financial Review

Revenue

	Six Months Ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue	**176,744**	84,316
Data Transmission and Processing Services	**116,613**	30,418
Sales of Equipment	**58,524**	53,217
Others	**1,607**	681
or:		
5G Business	**72,830**	51,018
Non-5G Business	**103,914**	33,298
or:		
PRC	**170,007**	77,222
The United States	**6,737**	4,594
Russia	**–**	2,500

Driven by its overall business expansion across all the major sectors, the Group's revenue increased by approximately 109.6% from approximately RMB84.3 million for the six months ended June 30, 2022 to approximately RMB176.7 million for the same period in 2023. More specifically, revenue from data transmission and processing services increased by approximately 283.4% from approximately RMB30.4 million for the six months ended June 30, 2022 to approximately RMB116.6 million for the same period in 2023, and revenue from sales of equipment increased by approximately 10.0% from approximately RMB53.2 million for the six months ended June 30, 2022 to approximately RMB58.5 million for the same period in 2023; revenue from 5G business increased by approximately 42.8% from approximately RMB51.0 million for the six months ended June 30, 2022 to approximately RMB72.8 million for the same period in 2023; and revenue from non-5G business increased by approximately 212.1% from approximately RMB33.3 million in the first half of 2022 to approximately RMB103.9 million for the same period in 2023.

The Group generates most of its revenue from the PRC market. Revenue generated from the United States was primarily attributable to the Group's export of IoT antennas to the United States. Revenue from the United States market increased by approximately 46.6% from approximately RMB4.6 million for the six months ended June 30, 2022 to RMB6.7 million for the same period in 2023. Revenue from Russia market decreased significantly from approximately RMB2.5 million for the six months ended June 30, 2022 to nil for the same period in 2023, 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.

Costs and Expenses

	Six Months Ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of Sales	**149,541**	54,412
OEM Expenses	**39,212**	34,940
Material Costs	**108,601**	17,533
Administrative Expenses	**13,909**	18,817
R&D Expenses	**4,538**	6,154
Staff Costs	**3,959**	3,255
Listing Expenses	**–**	7,090
Professional Expenses	**1,873**	739
Selling and Distribution Expenses	**1,346**	1,764
Staff Costs	**1,052**	1,040
Impairment Losses on Financial Assets	**1,746**	4,069
Trade and Notes Receivables	**1,768**	4,071

Cost of sales includes (i) material costs, (ii) OEM expenses and (iii) labor costs. The Group's cost of sales increased by approximately 174.8% from approximately RMB54.4 million for the six months ended June 30, 2022 to approximately RMB149.5 million for the same period in 2023. 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 519.4% for the six months ended June 30, 2023 as compared to for the same period in 2022, and its share of cost of sales rose to approximately 72.6% in the first half of 2023 from approximately 32.2% for the same period in 2022.

Administrative expenses consist of (i) R&D expenses, (ii) staff costs, (iii) listing expenses, (iv) professional expenses, (v) depreciation and amortization, (vi) office expenses, and (vii) tax surcharges. The Group's administrative expenses decreased by approximately 26.1% from approximately RMB18.8 million for the six months ended June 30, 2022 to approximately RMB13.9 million for the same period in 2023, mainly because the listing expenses decreased from approximately RMB7.1 million for the six months ended June 30, 2022 to nil for the same period in 2023 after the successful listing in December 2022. The decrease was partially offset by the increase in the professional expense paid to the legal advisor and compliance advisor as a listed company of approximately RMB1.1 million.

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 remained relatively stable at RMB1.3 million for the six months ended June 30, 2023 as compared to approximately RMB1.8 million for the same period 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 decreased by approximately 57.1% from approximately RMB4.1 million for the six months ended June 30, 2022 to approximately RMB1.7 million for the same period in 2023 mainly due to the trade receivables aged over two years as of June 30, 2023 remained stable as compared to that of December 31, 2022 and the impairment allowance as of December 31, 2022 was relatively adequate.

Gross Profit, Profit Before Tax and Net Profit

	Six Months Ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Gross Profit	**27,203**	29,904
Gross Margin	**15.4%**	35.5%
5G Business	**11.3%**	26.3%
Non-5G Business	**18.2%**	49.6%
Profit Before Tax	**12,049**	5,979
Net Profit	**10,291**	6,016

The Group's gross profit decreased slightly by approximately 9.0% from approximately RMB29.9 million for the six months ended June 30, 2022 to approximately RMB27.2 million for the same period in 2023. A lower growth rate in gross profit than that in revenue led to a decreasing gross margin from approximately 35.5% for the six months ended June 30, 2022 to approximately 15.4% for the same period in 2023, which mainly resulted from the significant increase of competition due to uncertainty of economy. Therefore, the gross margin of 5G business and non-5G business decreased significantly from approximately 26.3% and 49.6% for the six months ended June 30, 2022 to approximately 11.3% and 18.2% for the same period in 2023, respectively.

The Group's profit before tax increased by approximately 101.5% from approximately RMB6.0 million for the six months ended June 30, 2022 to approximately RMB12.0 million for the same period in 2023. The Group's net profit increased by approximately 71.1% from approximately RMB6.0 million for the six months ended June 30, 2022 to approximately RMB10.3 million for the same period in 2023.

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 the impacts of listing expenses and share option expenses. The table below sets out the adjusted net profit (non-HKFRS measure) for the period indicated:

	Six Months Ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Profit for the Period	**10,291**	6,016
Adding: Listing Expenses	**–**	7,090
Share Option Expenses	**1,887**	–
Adjusted Net Profit for the Period	**12,178**	13,106

Without taking into account the listing expenses and share option expenses for the six months ended June 30, 2021 and 2022, the Group's adjusted net profit in the half of 2023 remained relatively stable at approximately RMB12.2 million for the six months ended June 30, 2023 as compared to approximately RMB13.1 million for the same period in 2022.

Cash and Cash Equivalents

Cash and cash equivalents increased slightly from approximately RMB47.3 million as of December 31, 2022 to approximately RMB48.7 million as of June 30, 2023, mainly due to the disposal of time deposits of approximately RMB73.4 million, which was partially offset by (i) the purchases of equity investment of approximately RMB13.5 million, (ii) the purchase of shares held by the trustee for the Share Award Scheme of approximately RMB23.8 million, and (iii) the decrease in other payables and accruals of approximately RMB17.2 million, caused by the payment of VAT, professional expenses and listing expenses.

Trade and Notes Receivables

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

	As of June 30, 2023 (Unaudited)	As of December 31, 2022 (Audited)
	RMB'000	*RMB'000*
Trade Receivables	**272,024**	238,024
Notes Receivable Measured at Amortized Cost	**8,726**	10,143
Impairment	**(35,925)**	(34,157)
	244,825	214,010

Both total trade receivables and net trade receivables experienced steady increase as a result of overall business development in the first half of 2023, with total trade receivables increasing by approximately 14.3% from approximately RMB238.0 million as of December 31, 2022 to approximately RMB272.0 million as of June 30, 2023 and net trade and notes receivables by approximately 14.4% from approximately RMB214.0 million as of December 31, 2022 to approximately RMB244.8 million as of June 30, 2023. The provision for impairment amount grew slightly by approximately 5.2% from approximately RMB34.2 million as of December 31, 2022 to approximately RMB35.9 million as of June 30, 2023 and the percentage of provision for impairment on total trade and notes receivables maintained stable at approximately 12.8% as of June 30, 2023 as compared to approximately 13.8% as of December 31, 2022, mainly because both the absolute amount of trade and notes receivables aged over two years and its proportion in total trade and notes receivables as of June 30, 2023 remain stable as compared to those as of December 31, 2022.

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

	As of June 30, 2023 (Unaudited) ***RMB'000***	As of December 31, 2022 (Audited) *RMB'000*
Within 1 Year	**174,257**	169,291
1 to 2 Years	**45,871**	18,309
2 to 3 Years	**22,050**	23,636
3 to 4 Years	**2,219**	2,235
4 to 5 Years	**428**	539
Total	**244,825**	214,010

Among all net trade and notes receivables aged over two years as of June 30, 2023, approximately 81.7% 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 June 30, 2023, 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 June 30, 2023, the Group had interest-bearing bank borrowings of approximately RMB10.3 million (December 31, 2022: RMB10.4 million), which were all denominated in RMB and with fixed interest rate. The Group's total authorized credit facilities remained at RMB30.0 million, among which approximately RMB19.7 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 5.2% as of June 30, 2023, as compared to approximately 4.7% as of December 31, 2022, mainly due to the decrease in total equity from approximately RMB256.1 million as of December 31, 2022 to approximately RMB243.9 million as of June 30, 2023. The decrease in total equity was mainly due to the repurchase of treasury shares of approximately RMB23.8 million in the first half of 2023.

Cash Flow and Capital Expenditure

The Group generated net cash used in operating activities of approximately RMB32.6 million for the six months ended June 30, 2023, as compared to net cash flow from operating activities of approximately RMB2.7 million for the same period in 2022. The net cash used for the six months ended June 30, 2023 is mainly due to (i) an increase in trade and notes receivables of RMB32.7 million, and (ii) a decrease in other payables and accruals of approximately RMB17.2 million, which were partially offset by profit before tax of RMB12.0 million.

Net cash flows from investing activities amounted to approximately RMB59.7 million for the six months ended June 30, 2023, primarily due to the disposal of time deposits of approximately RMB125.6 million, which was partially offset by (i) the purchases of time deposits of approximately RMB52.3 million, and (ii) the purchases of equity investment of approximately RMB13.5 million.

Net cash flows used in financing activities amounted to approximately RMB26.9 million for the six months ended June 30, 2023, mostly due to (i) the repurchase of treasury shares of approximately RMB23.8 million, (ii) new bank loan of approximately RMB6.7 million, (iii) repayment of bank loans of RMB6.8 million, and (iv) share issue expenses of approximately RMB2.1 million.

Capital expenditure primarily consisted of purchases of property, plant and equipment and renovation expenses, which increased from approximately RMB0.2 million for the six months ended June 30, 2022 to approximately RMB0.8 million for the same period in 2023, primarily attributable to the increase in costs of new plant renovation.

Charges on Assets

As of June 30, 2023, the Group did not have any assets or rights pledged (December 31, 2022: Nil).

Contingent Liabilities

As of June 30, 2023, the Group did not have any material contingent liabilities (December 31, 2022: Nil).

Foreign Currency Risk

The Group has transactional currency exposures and are subject to foreign currency risk arising from fluctuations in exchange rates between RMB and foreign currencies. As of June 30, 2023, the Group had transactional currency exposures. Such exposures arose from changes in the fair value of monetary assets and liabilities and exchange differences resulting from translation of the financial statements of certain overseas subsidiaries.

As of June 30, 2023, 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 Reporting Period.

As of June 30, 2023, none of each individual investment held by the Group constituted 5% or above of the total assets of the Group and there was no future plans for material investments or capital assets.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

INTERIM DIVIDEND

The Board resolved not to declare the payment of any interim dividend for the six months ended June 30, 2023.

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 Reporting Period.

CORPORATE GOVERNANCE PRACTICES

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

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

AUDIT COMMITTEE

The Audit Committee, consisting of three independent non-executive Directors, namely Mr. Gu Jiong (Chairman), Mr. Fong Wo, Felix and Mr. Yang Hai, has reviewed the unaudited interim results of the Group for the six months ended June 30, 2023, including the accounting principles and practices adopted by the Group and confirmed that it has complied with all applicable accounting principles, standards and requirements and made full disclosure. The unaudited interim results of the Group were not reviewed by the external auditors of the Company.

PUBLICATION OF 2023 INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of HKEXnews (www.hkexnews.hk) and the Company (www.howkingtech.com). The interim report of the Company for the six months ended June 30, 2023 will be despatched to the Shareholders and published on the same websites in due course.

DEFINITIONS

"5G"	the 5th generation mobile network, a new global wireless standard after 1G, 2G, 3G and 4G networks
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"CAGR"	compound annual growth rate; the CAGR formula involves (i) dividing the ending value by the beginning value, (ii) making a radical of the amount by the number of years (e.g. 2019~2021=2 years) and (iii) subtracting one to make the rate a percentage
"CG Code"	the Corporate Governance Code as set out in Appendix 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
"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 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
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the six months ended June 30, 2023
"RMB"	Renminbi, the lawful currency of China
"Russian distributor"	the Group's overseas distributor who distributed its vehicle mounted antennas in Russia during the Reporting Period
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	the ordinary share(s) of nominal value of HK$0.01 each in the share capital of the Company
"Share Award Scheme"	the Howkingtech Share Award Scheme adopted by the Company on May 16, 2023
"Share Option Scheme"	the share option scheme adopted by the Company on November 11, 2022
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Universal IoT Platform"	the Group's self-developed centralized data platform of IoT solutions, which provides the infrastructural functions for upper applications
"VAT"	value-added tax
"WLAN"	wireless local-area network
"%"	per cent

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

Hong Kong, August 28, 2023

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

* *For identification purpose only*