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, 2023

FINANCIAL HIGHLIGHTS

	Year ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Revenue	**440,550**	323,964
Cost of Sales	**(356,723)**	(228,414)
Gross Profit	**83,827**	95,550
Net Profit	**25,493**	28,504
Adjusted Net Profit (non-HKFRS measure)[1]	**36,014**	51,040

Note:

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

ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 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 consolidated annual results of the Group for the year ended December 31, 2023.

The financial information below is an extract of the audited consolidated financial statements of the Group for the year ended December 31, 2023:

Consolidated Statement of Profit or Loss and Other Comprehensive Income
Year ended 31 December 2023

	Notes	**2023**	2022
		RMB'000	*RMB'000*
REVENUE	*5*	**440,550**	323,964
Cost of sales		**(356,723)**	(228,414)
Gross profit		**83,827**	95,550
Other income and gains	*5*	**3,762**	1,923
Selling and distribution expenses		**(3,577)**	(3,753)
Administrative expenses		**(38,112)**	(47,982)
Impairment losses on financial assets, net		**(10,003)**	(12,180)
Other expenses		**(1,221)**	(105)
Finance costs	*7*	**(220)**	(219)
PROFIT BEFORE TAX	*6*	**34,456**	33,234
Income tax expense	*8*	**(8,963)**	(4,730)
PROFIT FOR THE YEAR		**25,493**	28,504
Attributable to:			
Owners of the parent		**25,493**	28,504
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**118**	990
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**118**	990
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**25,611**	29,494
Attributable to:			
Owners of the parent		**25,611**	29,494
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*10*	**RMB11.61 cents**	RMB14.93 cents
Diluted	*10*	**RMB11.55 cents**	RMB14.93 cents

Consolidated Statement of Financial Position
31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**3,549**	3,158
Equity investments designated at fair value through other comprehensive income		**13,513**	–
Right-of-use assets		**1,886**	1,661
Other intangible assets		**98**	157
Contract assets	*13*	**32**	1,983
Prepayments, other receivables and other assets	*14*	**1,968**	110
Deferred tax assets	*19*	**7,101**	5,965
Total non-current assets		**28,147**	13,034
CURRENT ASSETS			
Inventories	*11*	**1,503**	5,619
Trade and notes receivables	*12*	**279,831**	214,010
Contract assets	*13*	**1,950**	751
Prepayments, other receivables and other assets	*14*	**6,091**	4,575
Time deposits	*15*	**5,707**	73,396
Cash and cash equivalents	*15*	**27,540**	47,301
Total current assets		**322,622**	345,652
CURRENT LIABILITIES			
Trade payables	*16*	**59,340**	55,679
Other payables and accruals	*17*	**9,944**	29,796
Interest-bearing bank borrowings	*18*	**5,010**	10,369
Lease liabilities		**999**	1,569
Tax payable		**6,172**	4,975
Total current liabilities		**81,465**	102,388
NET CURRENT ASSETS		**241,157**	243,264
TOTAL ASSETS LESS CURRENT LIABILITIES		**269,304**	256,298

	Notes	**2023**	2022
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**913**	214
Deferred tax liabilities	*19*	**14**	–
Total non-current liabilities		**927**	214
Net assets		**268,377**	256,084
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*20*	**15,646**	15,646
Share premium		**175,310**	175,310
Treasury shares		**(23,839)**	–
Reserves		**101,260**	65,128
Total equity		**268,377**	256,084

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 the 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.

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 Technology Co., Ltd. ("**Nanjing Howking**") (南京濠暻通訊科技有限公司)*	People's Republic of China ("**PRC**")/ Chinese Mainland 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**") (深圳市物聯微電子有限公司)*	PRC/Chinese Mainland 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/Chinese Mainland 28 December 2022	RMB257,775,442	–	100%	Research and development and sale of antenna system products, equipment and other devices

* 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. ACCOUNTING POLICIES

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**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for wealth management products and equity investments 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 2023. 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 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investments retained and 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 new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	*Insurance Contracts*
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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(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.

    Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in note 19 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

(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. 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.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")*[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after 1 January 2025

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables, notes receivable and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables, notes receivable and contract assets. The provision matrix is initially based on the expected credit loss rates of peer group. The Group will calibrate the matrix to adjust the expected credit loss with factors that are specific to the debtors and the economic environment. For peer group's assessment, the Group takes into consideration the ECLs accounting policy, business nature and revenue size. The amount of expected credit loss is updated at each reporting date to reflect changes in credit risk since initial recognition.

The assessment of ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The peer group's expected credit loss may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables, notes receivable and contract assets is disclosed in note 12 and note 13 to the financial statements.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. There was no carrying value of deferred tax assets relating to recognised tax losses at 31 December 2023 and 31 December 2022. Further details are contained in note 19 to the financial statements.

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***

	2023	2022
	RMB'000	*RMB'000*
Chinese Mainland	**433,814**	305,251
Other countries	**6,736**	18,713
Total revenue	**440,550**	323,964

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

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

	2023	2022
	RMB'000	*RMB'000*
Chinese Mainland	**7,420**	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 year is set out below:

	2023	2022
	RMB'000	*RMB'000*
Customer 1	**87,491**	N/A*
Customer 2	**55,602**	38,180
Customer 3	**51,770**	–
Customer 4	**50,894**	–
Customer 5	**–**	44,235

* Less than 10%

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers	**440,550**	323,964

Revenue from contracts with customers

(a) Disaggregated revenue information

	2023	2022
	RMB'000	*RMB'000*
Types of goods or services		
Data transmission and processing services for IoT applications	**380,316**	238,073
Sales of telecommunication equipment	**58,205**	82,159
Others	**2,029**	3,732
Total	**440,550**	323,964

	2023	2022
	RMB'000	*RMB'000*
Timing of revenue recognition		
Goods/services transferred at a point in time	**438,673**	321,865
Services transferred over time	**1,877**	2,099
Total	**440,550**	323,964

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:

	2023	2022
	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	**2,641**	–

(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.

	2023	2022
	RMB'000	*RMB'000*
Other income		
Government grants*	**2,421**	1,040
Bank interest income	**688**	340
Other interest income from financial assets at fair value through profit or loss	**14**	76
Interest income arising from revenue contracts	**–**	82
Total other income	**3,123**	1,538
Gains		
Foreign exchange gain	**521**	316
Gain on revision of lease terms arising from changes in the non-cancellable period and scope of leases	**118**	–
Gain on liquidation of subsidiaries	**–**	59
Others	**–**	10
Total gains	**639**	385
Total other income and gains	**3,762**	1,923

* 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 RMB1,279,000 (2022: RMB1,149,000).

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.

6. PROFIT BEFORE TAX

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

	Notes	2023 RMB'000	2022 RMB'000
Cost of inventories sold		**50,919**	59,775
Cost of services provided		**305,804**	168,639
Depreciation of property, plant and equipment*		**1,580**	1,343
Depreciation of right-of-use assets*		**1,356**	1,501
Amortisation of other intangible assets*		**96**	72
Research and development costs		**9,649**	11,308
Lease payments not included in the measurement of lease liabilities		**112**	34
Listing expenses		**–**	22,536
Auditor's remuneration		**2,000**	1,800
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**8,982**	14,415
Equity-settled share option expense		**935**	–
Pension scheme contributions**		**865**	1,292
Staff welfare expenses		**1,066**	1,587
Total		**11,848**	17,294
Foreign exchange differences, net		**(521)**	(316)
Impairment of trade and notes receivables, net	*12*	**10,030**	12,413
Reversal of impairment of contract assets, net	*13*	**(27)**	(233)
Loss on disposal of items of property, plant and equipment		**462**	–
Bank interest income	*5*	**(688)**	(340)
Government grants	*5*	**(2,421)**	(1,040)
Gain on liquidation of subsidiaries	*5*	**–**	(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.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000
Interest on bank loans	**113**	97
Interest on lease liabilities	**107**	122
Total	**220**	219

8. 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 reporting period.

The provision for current income tax in Chinese Mainland is based on the statutory tax 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 Chinese Mainland 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.

	2023	2022
	RMB'000	*RMB'000*
Current	**10,085**	6,651
Deferred *(note 19)*	**(1,122)**	(1,921)
Total tax charge for the year	**8,963**	4,730

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

	2023	2022
	RMB'000	*RMB'000*
Profit before tax	**34,456**	33,234
Tax at the statutory tax rate	**8,614**	8,309
Lower tax rates enacted by local authorities	**(1,184)**	(3,495)
Expenses not deductible for tax	**321**	2,024
Additional deductible allowance for research and development costs	**(1,434)**	(1,228)
Tax losses utilised from previous periods	**–**	(26)
Deductible temporary differences not recognised	**2,048**	–
Tax losses not recognised	**598**	–
Others	**–**	(854)
Tax charge at the Group's effective rate	**8,963**	4,730

9. DIVIDENDS

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

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

The calculation of the basic earnings per share amount 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 219,540,126 (2022: 190,972,603, on the assumption that the capitalisation issue had been completed on 1 January 2022) in issue during the year, as adjusted to reflect the treasury shares repurchased during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year 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 year, 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 is based on:

	2023	2022
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**25,493**	28,504

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year	**219,540,126**	190,972,603
Effect of dilution – weighted average number of ordinary shares:		
Share options	**1,151,091**	–
Total	**220,691,217**	190,972,603

11. INVENTORIES

	2023	2022
	RMB'000	*RMB'000*
Raw materials	**–**	952
Work in progress	**328**	3,131
Finished goods	**1,175**	1,536
Total	**1,503**	5,619

12. TRADE AND NOTES RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**321,254**	238,024
Notes receivable measure at amortised cost	**1,362**	10,143
Impairment	**(42,785)**	(34,157)
Net carrying amount	**279,831**	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.

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:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**191,340**	169,291
1 to 2 years	**71,072**	18,309
2 to 3 years	**11,205**	23,636
3 to 4 years	**5,022**	2,235
4 to 5 years	**1,192**	539
Total	**279,831**	214,010

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

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**34,157**	22,367
Impairment losses, net *(note 6)*	**10,030**	12,413
Amount written off as uncollectible	**(1,402)**	(623)
At end of year	**42,785**	34,157

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 2023

	Gross carrying amount	**Expected credit loss rate**	**Expected credit loss**
	RMB'000		***RMB'000***
Individually assessed:			
Credit risk increased significantly	**18,786**	**87.98%**	**16,527**
Collectively assessed:			
Less than 1 year	**198,301**	**3.51%**	**6,961**
1 to 2 years	**79,454**	**10.55%**	**8,382**
2 to 3 years	**15,138**	**25.98%**	**3,933**
3 to 4 years	**5,918**	**53.31%**	**3,155**
4 to 5 years	**4,038**	**70.48%**	**2,846**
Over 5 years	**981**	**100%**	**981**
Total	**322,616**		**42,785**

As at 31 December 2022

	Gross carrying amount *RMB'000*	Expected credit loss rate	Expected credit loss *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
Total	248,167		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. 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**"). At 31 December 2023, there was no Endorsed Notes (2022: RMB2,816,000).

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, 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, both during the year or cumulatively.

13. CONTRACT ASSETS

	2023 *RMB'000*	2022 *RMB'000*
Contract assets arising from:		
Data transmission and processing services for IoT applications	**1,621**	2,400
Sales of telecommunication equipment	**433**	433
Total	**2,054**	2,833
Impairment	**(72)**	(99)
Net carrying amount	**1,982**	2,734
Analysed into:		
Current	**1,950**	751
Non-current	**32**	1,983

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 12 to the financial statements.

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

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**1,950**	751
After 1 year	**32**	1,983
Total contract assets	**1,982**	2,734

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

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**99**	332
Reversal of impairment losses, net *(note 6)*	**(27)**	(233)
At end of year	**72**	99

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:

	2023	2022
Expected credit loss rate	**3.51%**	3.49%
Gross carrying amount *(RMB'000)*	**2,054**	2,833
Expected credit loss *(RMB'000)*	**72**	99

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023	2022
	RMB'000	*RMB'000*
Non-current:		
Deposits	**81**	110
Prepayments	**1,887**	–
Subtotal	**1,968**	110
Current:		
Prepayments	**5,249**	3,668
Deductible input value-added tax	**87**	370
Deposits and other receivables	**755**	537
Subtotal	**6,091**	4,575
Total	**8,059**	4,685

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 2023 and 31 December 2022, the Group estimated that the expected loss rate for deposits and other receivables was minimal under the 12-month expected loss method.

15. CASH AND CASH EQUIVALENTS

	2023	2022
	RMB'000	*RMB'000*
Cash and bank balances	**33,247**	120,697
Less: Time deposits	**(5,707)**	(73,396)
Cash and cash equivalents	**27,540**	47,301
Denominated in:		
RMB	19,928	27,167
US$	6,675	17,255
HK$	937	2,879
Total cash and cash equivalents	**27,540**	47,301

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

16. 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:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**47,034**	51,887
1 to 2 years	**9,971**	2,149
2 to 3 years	**1,658**	422
Over 3 years	**677**	1,221
Total	**59,340**	55,679

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

17. OTHER PAYABLES AND ACCRUALS

	Notes	2023 RMB'000	2022 RMB'000
Payroll and welfare payable		**3,792**	8,025
Other payables	*(a)*	**2,105**	11,546
Contract liabilities	*(b)*	**2,582**	5,223
Other tax payables		**1,462**	5,002
Interest payable		**3**	–
Total		**9,944**	29,796

Notes:

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

(b) Details of contract liabilities are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000	1 January 2022 RMB'000
Short-term advances received from customers			
Data transmission and processing services for IoT applications	**2,582**	5,223	–

18. INTEREST-BEARING BANK BORROWINGS

31 December 2023

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

31 December 2022

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

	2023 RMB'000	2022 RMB'000
Analysed into:		
Within one year	**5,010**	10,369

Note: Three patents of Nanjing Howking were pledged for the bank loans as at 31 December 2022.

19. DEFERRED TAX

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

2023

Deferred tax liabilities

	Right-of-use assets *RMB'000*
At 1 January 2023	**249**
Deferred tax credited to profit or loss during the year	**(98)**
Gross deferred tax liabilities at 31 December 2023	**151**

Deferred tax assets

	Impairment of financial assets *RMB'000*	**Accrued expenses** *RMB'000*	**Lease liabilities** *RMB'000*	**Total** *RMB'000*
At 1 January 2023	**5,138**	**809**	**267**	**6,214**
Deferred tax credited/(charged) to profit or loss during the year	**1,545**	**(394)**	**(127)**	**1,024**
Gross deferred tax assets at 31 December 2023	**6,683**	**415**	**140**	**7,238**

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

2022

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

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:

	2023 ***RMB'000***	2022 *RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	**7,101**	5,965
Net deferred tax liabilities recognised in the consolidated statement of financial position	**14**	–

Deferred tax assets

The Group has tax losses arising in Hong Kong of RMB3,624,000 (2022: nil) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

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 item:

	2023 ***RMB'000***	2022 *RMB'000*
Tax losses	**598**	–

The Group is liable for withholding taxes on dividends distributed by those foreign invested subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 5% or 10% for the Group.

At 31 December 2023, 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 Chinese Mainland. In the opinion of the directors, these subsidiaries' fund will be retained in Chinese Mainland 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 Chinese Mainland for which deferred tax liabilities have not been recognised totalled approximately RMB98,739,000 at 31 December 2023 (2022: RMB71,046,000).

20. ISSUED CAPITAL

	2023	2022
	RMB'000	*RMB'000*
Authorised:		
300,000,000 (2022: 300,000,000) ordinary shares of US$0.01 each	**20,863**	20,863
Issued and fully paid:		
225,000,000 (2022: 225,000,000) ordinary shares of US$0.01 each	**15,646**	15,646

A summary of movements in the Company's share capital is as follows:

	Number of Share in use	**Share capital**
		RMB'000
At 1 January 2022	999,874	64
Issue of ordinary shares	36,000,000	2,504
Capitalisation issue	188,000,126	13,078
At 31 December 2022, 1 January 2023 and 31 December 2023	225,000,000	15,646

Note:

On 11 November 2022, the Company increased its authorised share capital from US$50,000 divided into 5,000,000 shares of US$0.01 each to US$3,000,000 divided into 300,000,000 shares of US$0.01 each by creation of an additional 295,000,000 shares (ranking pari passu in all respects with the then existing issued shares).

In connection with the Company's initial public offering, 36,000,000 shares of US$0.01 each (equivalent to RMB2,504,000) were issued at a price of HK$2.73 per share for a total cash consideration (equivalent to RMB88,509,000), before share issue expenses of RMB14,953,000.

Upon the share premium amount of the Company being credited as a result of the initial public offering, the directors were authorised to capitalise the amount of US$1,880,000 (equivalent to RMB13,078,000) from the amount standing to the credit of the share premium account of the Company to pay up in full at par 188,000,126 shares for allotment and issue to the persons whose names appear on the register of members of the Company as of the date of the passing of the resolution in proportion to their then existing shareholdings in the Company.

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 2023

	Year Ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Revenue	**440,550**	323,964
Cost of Sales	**(356,723)**	(228,414)
Gross Profit	**83,827**	95,550
Net Profit	**25,493**	28,504
Adjusted Net Profit (non-HKFRS measure)(1)	**36,014**	51,040

Note:

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

Entering 2023, the global operating 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 demand for the Group's major business segment, namely IoT, showed a steady increase and a positive development trend in 2023. After the Company successfully listed on the Stock Exchange in December 2022, the Group continued efforts to provide professionalism and excellent products and services for customers to better meet the needs of existing and new customers.

The Group continued to record revenue growth in 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 business momentum, with revenue increasing by approximately 36.0% from approximately RMB324.0 million in 2022 to approximately RMB440.6 million in 2023.

The Group realized a growth in non-5G business successfully and continued efforts to tap into the more promising private 5G network market. Due to economic uncertainty, many of our clients preferred to build a non-5G network during the first stage to satisfy their needs and upgrade to a 5G network during the second phase. As a result, the Group's non-5G business revenue increased by approximately 71.8% from approximately RMB204.2 million in 2022 to approximately RMB350.7 million in 2023. In the meantime, the Group's 5G business decreased from approximately RMB119.8 million in 2022 to approximately RMB89.9 million in 2023.

The Group's gross profit decreased by approximately 12.3% from approximately RMB95.6 million in 2022 to approximately RMB83.8 million in 2023. The net profit decreased approximately 10.6% from approximately RMB28.5 million in 2022 to approximately RMB25.5 million in 2023. The adjusted net profit decreased approximately 29.4% from approximately RMB51.0 million in 2022 to approximately RMB36.0 million in 2023. Such decrease in adjusted net profit in 2023 was mainly attributable to (i) the decrease in gross margin as a result of intensified market competition and uncertainty in macroeconomic conditions; and (ii) the increase in administrative expenses resulting from higher compliance costs, which accounted for approximately RMB7.1 million in 2023, as a company listed on the Stock Exchange since December 2022.

Outlook for 2024

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

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

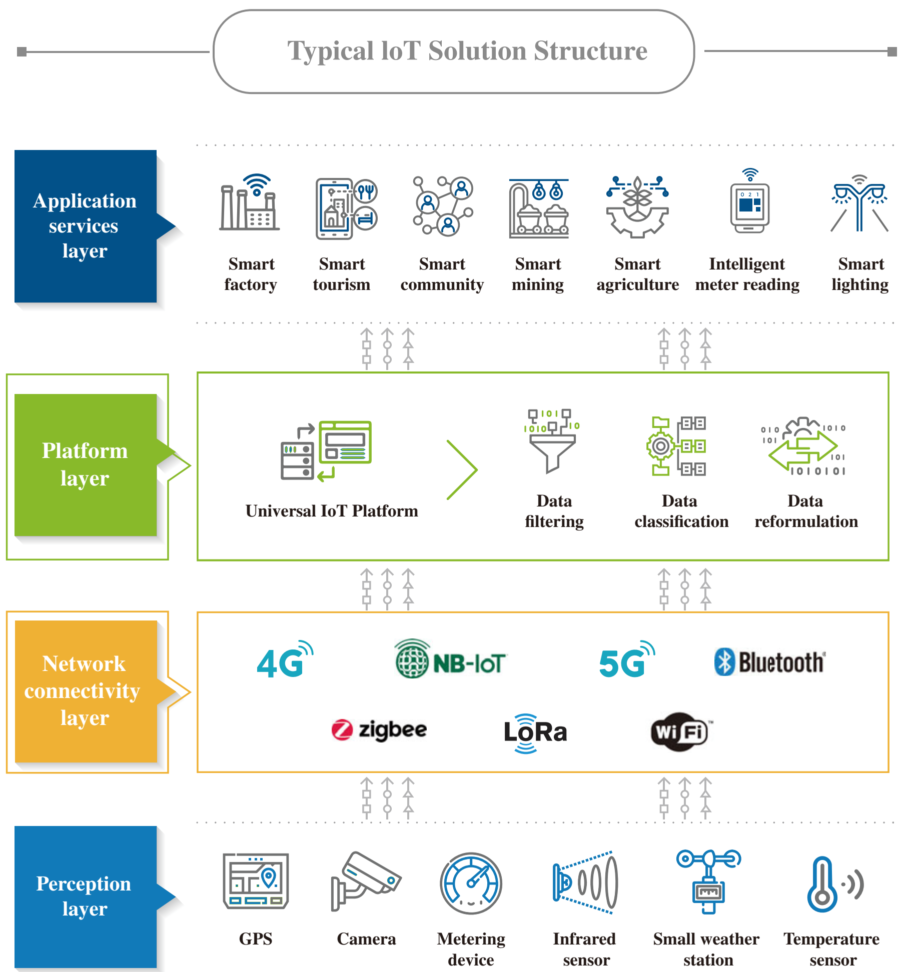
Secondly, the Group will further upgrade its industry data platform to embrace AI and big data. In addition to consolidating its operational results, the Group will refactor its centralized data platform, namely Universal IoT Platform, and extend its functions to cover industrial IoT applications so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

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

Business Performance

The Industry and the Group's 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 is expected to 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 began 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,	
	2023	2022
	RMB'000	*RMB'000*
Non-5G Network Services Revenue	**342,349**	172,715
Private 5G Network Services Revenue	**37,967**	65,358
Data Transmission and Processing Services for IoT Applications	**380,316**	238,073

Revenue from data transmission and processing services increased by approximately 59.7% from approximately RMB238.1 million in 2022 to approximately RMB380.3 million in 2023. Due to the overall poor market conditions in the PRC, many of our clients preferred to build a non-5G network during the first stage to satisfy the basic needs and upgrade to a 5G network during the second phase. As a result, the Group's non-5G network services revenue increased strongly by approximately 98.2% from approximately RMB172.7 million in 2022 to approximately RMB342.3 million in 2023. Meanwhile, the Group's 5G network services revenue decreased from approximately RMB65.4 million in 2022 to approximately RMB38.0 million in 2023.

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 IoT antenna products 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.

	Year Ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Sales of 5G Telecommunication Equipment	**51,770**	54,445
Sale of Antennas	**6,435**	20,057
Sales of Other Telecommunication Equipment	**–**	7,657
Sales of Telecommunication Equipment	**58,205**	82,159

Revenue from sales of telecommunication equipment decreased by approximately 29.2% from approximately RMB82.2 million in 2022 to approximately RMB58.2 million in 2023. The sales of 5G telecommunication equipment remained stable at approximately RMB51.8 million in 2023 as compared to approximately RMB54.4 million in 2022. Meanwhile, sales of antennas decreased significantly by approximately 67.9% from approximately RMB20.1 million in 2022 to approximately RMB6.4 million 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 customers and distributors. The Group has strived to broaden and diversify its customer base. The number of new customers accounted for approximately 63.6% of the total number of customers in 2023, and average contract value from new customers increased by 49.5% from RMB4.8 million in 2022 to RMB7.1 million in 2023. Revenue generated from the Group's five largest customers amounted to approximately RMB283.3 million in 2023, accounting for approximately 64.3% of total revenue, while such ratio was approximately 51.3% 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 72 new contracts awarded in 2022, 75 new contracts and orders were awarded in 2023, with an average contract value of approximately RMB5.6 million, which was approximately 21.3% higher than that of new contracts awarded in 2022.

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.

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, 2023, the Group had successfully registered 55 utility model patents, 23 patents for invention, one international PCT and 90 copyrights in the PRC, indicating the Group's strong innovation and research capabilities.

Employees and Remuneration Policy

As of December 31, 2023, the Group had a total number of 65 employees (as of December 31, 2022: 75). For the year ended December 31, 2023, the Group recognized staff costs (including equity-settled share option expenses) of approximately RMB24.9 million, representing an increase of approximately 23.5% 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.

Financial Review

Revenue

	Year Ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Revenue	**440,550**	323,964
Data Transmission and Processing Services	**380,316**	238,073
Sales of Equipment	**58,205**	82,159
Others	**2,029**	3,732
or:		
5G Business	**89,889**	119,803
Non-5G Business	**350,661**	204,161
or:		
PRC	**433,814**	305,251
The United States	**6,736**	10,539
Russia	**–**	8,174

Driven by its overall business expansion, the Group's revenue increased by approximately 36.0% from approximately RMB324.0 million in 2022 to approximately RMB440.6 million in 2023. More specifically, revenue from data transmission and processing services increased by approximately 59.7% from approximately RMB238.1 million in 2022 to approximately RMB380.3 million in 2023, which accounted for approximately 86.3% of the total revenue in 2023. The Group's revenue from sales of equipment decreased by approximately 29.2% from approximately RMB82.2 million in 2022 to approximately RMB58.2 million in 2023, mainly because the Group ceased the sales of vehicle mounted antennas to a Russia distributor in December 2022.

Due to the overall poor market conditions in the PRC, many of our clients preferred to build a non-5G network during the first stage to satisfy the basic needs and upgrade to a 5G network during the second phase. Despite a decrease in revenue from 5G business from approximately RMB119.8 million in 2022 to approximately RMB89.9 million in 2023, the revenue from non-5G business increased by approximately 71.8% from approximately RMB204.2 million in 2022 to approximately RMB350.7 million in 2023.

The Group generates most of its revenue from the PRC market and approximately 98.5% of the Group's revenue was generated from the PRC market, while such ratio was approximately 94.2% in 2022. 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 decreased by approximately 36.1% from approximately RMB10.5 million in 2022 to RMB6.7 million in 2023. Revenue from the Russia market decreased significantly from approximately RMB8.2 million in 2022 to nil 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.

Costs and Expenses

	Year Ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Cost of Sales	**356,723**	228,414
Material Costs	**267,087**	173,783
OEM Expenses	**87,056**	49,789
Administrative Expenses	**38,112**	47,982
R&D Expenses	**9,649**	11,308
Staff Costs	**13,508**	5,876
Listing Expenses	**–**	22,536
Professional Expenses	**7,131**	4,468
Selling and Distribution Expenses	**3,577**	3,753
Staff Costs	**1,766**	2,277
Impairment Losses on Financial Assets	**10,003**	12,180
Trade and Notes Receivables	**10,030**	12,413

Cost of sales includes (i) material costs, (ii) OEM expenses and (iii) labor costs. The Group's cost of sales increased by approximately 56.2% from approximately RMB228.4 million in 2022 to approximately RMB356.7 million in 2023. Material costs increased by approximately 53.7% in 2023 as compared to 2022, and its share of cost of sales remained stable at approximately 74.9% in 2023 as compared to approximately 76.1% 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 20.6% from approximately RMB48.0 million in 2022 to approximately RMB38.1 million in 2023, mainly due to the listing expenses decreased from approximately RMB22.5 million in 2022 to nil in 2023 after the successful listing in December 2022. The decrease was partially offset by (i) the increase in staff costs from approximately RMB5.9 million in 2022 to approximately RMB13.5 million in 2023 resulting from an increase in equity-settled share option expenses; and (ii) the increase in professional expenses from approximately RMB4.5 million in 2022 to approximately RMB7.1 million in 2023 as a result of higher compliance costs as a company listed on the Stock Exchange since December 2022.

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 approximately RMB3.6 million in 2023 as compared to approximately RMB3.8 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 decreased by approximately 17.9% from approximately RMB12.2 million in 2022 to approximately RMB10.0 million in 2023 mainly attributable to our efforts to collect overdue trade receivables that resulted in a decrease in the impairment allowance for trade receivables aged over two years.

Gross Profit, Profit Before Tax and Net Profit

	Year Ended December 31,	
	2023	2022
	RMB'000	*RMB'000*
Gross Profit	**83,827**	95,550
Gross Margin	**19.0%**	29.5%
5G Business	**12.3%**	24.1%
Non-5G Business	**20.7%**	32.7%
Profit Before Tax	**34,456**	33,234
Net Profit	**25,493**	28,504

The Group's gross profit decreased by approximately 12.3% from approximately RMB95.6 million in 2022 to approximately RMB83.8 million in 2023 resulting from the decrease in gross margin from approximately 29.5% in 2022 to approximately 19.0% in 2023. Such decrease in gross margin in 2023 is mainly attributable to (i) intensified market competition and uncertainty in macroeconomic conditions; (ii) the cessation of sales of vehicle mounted antennas to a Russia distributor in December 2022, which had a high gross margin of approximately 34.0% in 2022; and (iii) a relatively lower cooperation price to develop new customers, the number of which accounted for approximately 63.6% of the total number of customers in 2023. Therefore, the gross margin of 5G business and non-5G business decreased significantly from approximately 24.1% and 32.7% in 2022 to approximately 12.3% and 20.7% in 2023, respectively. In the meantime, 5G business inevitably possessed lower margin as compared to the Group's existing business sectors, as newly developed business sector.

The Group's profit before tax remained stable at approximately RMB34.5 million in 2023 as compared to approximately RMB33.2 million in 2022. The Group's net profit decreased slightly by approximately 10.6% from approximately RMB28.5 million in 2022 to approximately RMB25.5 million in 2023. Without taking into account equity-settled share option expenses and listing expenses for the years ended December 31, 2022 and 2023, the Group's adjusted net profit in 2023 would decrease by approximately 29.4% as compared to 2022. Such decrease in adjusted net profit in 2023 was mainly attributable to (i) the decrease in gross margin as a result of intensified market competition and uncertainty in macroeconomic conditions; and (ii) the increase in administrative expenses resulting from higher compliance costs, which accounted for approximately RMB7.1 million in 2023, as a company listed on the Stock Exchange since December 2022.

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,	
	2023	2022
	RMB'000	*RMB'000*
Profit for the Year	**25,493**	28,504
Adding: Listing Expenses	**–**	22,536
Equity-settled share option expenses	**10,521**	–
Adjusted Net Profit for the Year	**36,014**	51,040

Cash and Cash Equivalents and Time Deposits

Cash and cash equivalents and time deposits decreased from approximately RMB120.7 million as of December 31, 2022 to approximately RMB33.2 million as of December 31, 2023, mainly due to (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, (iii) the decrease in other payables and accruals of approximately RMB17.7 million, caused by the payment of VAT, professional expenses and listing expenses, and (iv) an increase in trade and notes receivables of approximately RMB75.9 million, which were partially offset by (i) profit before tax of RMB34.5 million, (ii) the decrease in inventories of approximately RMB4.1 million, and (iii) the increase in trade payables of approximately RMB3.7 million.

Trade and Notes Receivables

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

	As of December 31,	
	2023	2022
	RMB'000	*RMB'000*
Trade Receivables	**321,254**	238,024
Notes Receivable Measured at amortized cost	**1,362**	10,143
Impairment	**(42,785)**	(34,157)
	279,831	214,010

Both total trade receivables and net trade receivables experienced increase as a result of overall business development in 2023, with total trade receivables increasing by approximately 35.0% from approximately RMB238.0 million in 2022 to approximately RMB321.3 million in 2023 and net trade and notes receivables by approximately 30.8% from approximately RMB214.0 million in 2022 to approximately RMB279.8 million in 2023. Although the provision for impairment amount still grew by approximately 25.3% in 2023, the percentage of provision for impairment on total trade and notes receivables amount maintained stable at approximately 13.3% as of December 31, 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 December 31, 2023 declined as compared to those as of December 31, 2022 resulting from our efforts to collect overdue trade receivables.

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,	
	2023	2022
	RMB'000	*RMB'000*
Within 1 Year	**191,340**	169,291
1 to 2 Years	**71,072**	18,309
2 to 3 Years	**11,205**	23,636
3 to 4 Years	**5,022**	2,235
4 to 5 Years	**1,192**	539
Total	**279,831**	214,010

As of December 31, 2022 and 2023, net trade and notes receivables aged over two years were approximately RMB26.4 million and approximately RMB17.4 million, representing 12.3% and 6.2% of the total net trade receivables as of the same dates, respectively. The decrease in net trade and notes receivables aged over two years as of December 31, 2023 as compared to those as of December 31, 2022 was mainly due to our efforts to collect overdue trade receivables.

As of March 22, 2024, approximately RMB29.8 million, of our trade receivables as of December 31, 2023 were subsequently settled. Among the outstanding balances as of December 31, 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 December 31, 2023, the Group had interest-bearing bank borrowings of approximately RMB5.0 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 RMB25.0 million had not been utilized as of the same date.

Gearing Ratio

The Group's gearing ratio, calculated by total debt (including interest-bearing bank borrowings and lease liabilities) divided by total equity, maintained at approximately 2.6% as of December 31, 2023, as compared to approximately 4.7% as of December 31, 2022, mainly due to a decrease in total debt from approximately RMB12.2 million as of December 31, 2022 to approximately RMB6.9 million as of December 31, 2023.

Cash Flow and Capital Expenditure

The Group generated net cash flow used in operating activities of approximately RMB39.5 million in 2023, as compared to net cash flow from operating activities of approximately RMB18,000 in 2022. The net cash flow used in 2023 is mainly due to (i) an increase in trade and notes receivables of approximately RMB75.9 million; (ii) a decrease in other payables and accruals of approximately RMB17.7 million, which were partially offset by (i) profit before tax of RMB34.5 million; (ii) impairment of trade and notes receivables of RMB10.0 million; and (iii) equity-settled share option expense of RMB10.5 million.

Net cash flow from investing activities amounted to approximately RMB50.4 million in 2023, as compared to net cash flow used in investing activities of approximately RMB72.8 million in 2022. The net cash flow from investing activities in 2023 is mainly due to the disposal of time deposits of approximately RMB121.6 million, which was partially offset by (i) the purchases of time deposits of approximately RMB55.7 million, and (ii) the purchases of equity investment of approximately RMB13.5 million.

Net cash flow used in financing activities amounted to approximately RMB32.9 million in 2023, mostly due to (i) the repurchase of treasury shares of approximately RMB23.8 million, (ii) repayment of bank loans of RMB17.1 million, and (iii) share issue expenses of approximately RMB2.1 million, which was partially offset by new bank loan of approximately RMB11.8 million.

Capital expenditure primarily consisted of purchases of property, plant and equipment and renovation expenses, which increased by approximately 352.8% from approximately RMB0.5 million in 2022 to approximately RMB2.5 million in 2023, primarily attributable to the additions of leasehold improvements and office equipment.

Charges on Assets

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

Contingent Liabilities

As of December 31, 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 December 31, 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 December 31, 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 year ended December 31, 2023.

As of December 31, 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.

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, 2023.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the Shareholders to attend and vote at the 2024 AGM to be held on Thursday, May 16, 2024, the register of members of the Company will be closed from Friday, May 10, 2024 to Thursday, May 16, 2024, both days inclusive, during which period no transfer of shares will be registered. In order to be qualified for attending and voting at the 2024 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 Thursday, May 9, 2024.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 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 C3 (formerly 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 year ended December 31, 2023.

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 year ended December 31, 2023.

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, 2023, 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, 2023, but represents an extract from the consolidated financial statements for the year ended December 31, 2023 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, 2023 will be published on the same websites and despatched to the Shareholders requiring printed copies in due course.

DEFINITIONS

"2024 AGM"	the forthcoming annual general meeting of the Company to be held on May 16, 2024
"5G"	the 5th generation mobile network, a new global wireless standard after 1G, 2G, 3G and 4G networks
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"CAGR"	compound annual growth rate; the CAGR formula involves (i) dividing the ending value by the beginning value, (ii) making a radical of the amount by the number of years (e.g., 2019~2021 = 2 years) and (iii) subtracting one to make the rate a percentage
"CG Code"	the Corporate Governance Code as set out in Appendix C1 (formerly 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
"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
"IT"	information technology
"IoT"	internet of things
"Listing"	the listing of the Shares on the Main Board of 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 C3 (formerly Appendix 10) to the Listing Rules
"OEM"	original equipment manufacturer

"pRRU"	pico remote radio unit, which is used to the baseband unit
"R&D"	research and development
"Reporting Period" or "Year"	the year ended December 31, 2023
"RMB"	Renminbi, the lawful currency of China
"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
"Share(s)"	the ordinary share(s) of nominal value of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Universal IoT Platform"	the Group's self-developed centralized data platform of IoT solutions, which provides the infrastructural functions for upper applications
"%"	per cent

By Order of the Board
Howkingtech International Holding Limited
Chen Ping
Chairman

Hong Kong, March 25, 2024

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

* *For identification purpose only*