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HENGXIN TECHNOLOGY LTD.
亨鑫科技有限公司*

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

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020
AND
RECOMMENDATION FOR
DECLARATION AND PAYMENT OF
FINAL DIVIDEND FOR 2020
AND
CLOSURE OF REGISTER OF MEMBERS**

FINANCIAL HIGHLIGHTS

1. Revenue decreased by approximately 20.2% to approximately RMB1,139.3 million
2. Gross profit decreased by approximately 22.9% to approximately RMB260.8 million
3. Gross profit margin decreased by approximately 0.8 percentage point to approximately 22.9%
4. Net profit attributable to equity shareholders of the Company decreased by approximately 46.0% to approximately RMB61.3 million
5. Basic earnings per share was RMB0.158
6. Proposed final dividend of RMB0.0158 per share

The board of directors (the “**Director(s)**”) of Hengxin Technology Ltd. (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively hereinafter referred as the “**Group**”) for the year ended 31 December 2020 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December

	Notes	2020 RMB'000	2019 RMB'000
Revenue	4	1,139,341	1,428,564
Cost of sales		<u>(878,579)</u>	<u>(1,090,208)</u>
Gross profit		<u>260,762</u>	<u>338,356</u>
Other operating income	5	58,186	35,476
Selling and distribution expenses		(93,405)	(114,708)
Administrative expenses		(39,215)	(45,389)
Impairment loss on trade and other receivables		–	(641)
Other operating expenses		<u>(100,760)</u>	<u>(68,041)</u>
Profit from operations		85,568	145,053
Interest expense	6	<u>(12,964)</u>	<u>(15,024)</u>
Profit before taxation	7	72,604	130,029
Income tax	8	<u>(12,177)</u>	<u>(16,558)</u>
Profit for the year		<u>60,427</u>	<u>113,471</u>
Attributable to:			
Equity shareholders of the Company		61,299	113,471
Non-controlling interest		<u>(872)</u>	<u>–</u>
Profit for the year		<u>60,427</u>	<u>113,471</u>
Earnings per share attributable to equity shareholders of the Company (RMB)			
Basic and diluted	11	<u>0.158</u>	<u>0.292</u>
Dividends per share (RMB)	9	<u>0.0158</u>	<u>0.0292</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit for the year	60,427	113,471
Other comprehensive income for the year (after tax and reclassification adjustments)		
<i>Items that will not be reclassified to profit or loss:</i>		
Equity investments at fair value through other comprehensive income – net movement in fair value reserves (non-recycling)	(680)	(1,020)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of – financial statements of entities with functional currencies other than RMB	(1,112)	(118)
Other comprehensive income for the year	(1,792)	(1,138)
Total comprehensive income for the year	58,635	112,333
Attributable to:		
Equity shareholders of the Company	59,507	112,333
Non-controlling interest	(872)	–
Total comprehensive income for the year	58,635	112,333

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

		31 December 2020 RMB'000	31 December 2019 RMB'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	12	167,495	177,748
Interest in an associate		–	–
Other investments		8,847	9,647
Deferred tax assets		10,146	8,693
		<u>186,488</u>	<u>196,088</u>
Current assets			
Inventories		106,742	94,847
Trade and other receivables	13	577,478	885,354
Time deposits with original maturity more than 3 months		470,000	400,000
Cash and cash equivalents		887,073	616,564
		<u>2,041,293</u>	<u>1,996,765</u>
Current liabilities			
Trade and other payables	14	179,019	183,230
Short-term loans		278,371	310,000
Derivative financial liability		19,954	–
Lease liabilities		1,027	828
Income tax payable		2,611	2,493
		<u>480,982</u>	<u>496,551</u>
Net current assets		<u>1,560,311</u>	<u>1,500,214</u>
Total assets less current liabilities		<u>1,746,799</u>	<u>1,696,302</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*As at 31 December*

	31 December 2020 RMB'000	31 December 2019 RMB'000
Non-current liabilities		
Deferred income	6,341	6,255
Lease liabilities	703	958
Deferred tax liabilities	7,341	6,980
	<u>14,385</u>	<u>14,193</u>
NET ASSETS	<u>1,732,414</u>	<u>1,682,109</u>
CAPITAL AND RESERVES		
Share capital	295,000	295,000
General reserves	262,923	252,344
Special reserve	(6,017)	(6,017)
Fair value reserve	(1,530)	(850)
Translation reserves	(2,653)	(1,541)
Accumulated profits	1,182,563	1,143,173
Total equity attributable to equity shareholders of the Company	1,730,286	1,682,109
Non-controlling interest	<u>2,128</u>	<u>–</u>
TOTAL EQUITY	<u>1,732,414</u>	<u>1,682,109</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Operating activities		
Profit before tax	72,604	130,029
Adjustments for:		
Impairment loss on trade and other receivables	–	641
Amortisation of deferred income	(1,989)	(1,451)
Depreciation of property, plant and equipment	28,267	21,404
Interest expense	12,964	15,024
Interest income	(21,245)	(20,445)
Net foreign exchange gain	(19,954)	–
Net loss on derivative financial liability	19,954	–
Gain on disposal of property, plant and equipment	(107)	(260)
Write-off of property, plant and equipment	120	–
Reversal of stock obsolescence provision	–	(135)
	<u>90,614</u>	<u>144,807</u>
Changes in working capital:		
Inventories	(12,931)	74,008
Trade and other receivables	305,924	(97,733)
Trade and other payables	(5,633)	(19,326)
	<u>377,974</u>	<u>101,756</u>
Cash generated from operations	377,974	101,756
Interest received	11,060	9,268
Income taxes paid	(13,031)	(28,090)
	<u>376,003</u>	<u>82,934</u>
Net cash generated from operating activities	<u><u>376,003</u></u>	<u><u>82,934</u></u>
Investing activities		
Acquisition of property, plant and equipment	(17,410)	(18,560)
Proceeds from disposal of property, plant and equipment	344	1,045
Payment for time deposits	(970,000)	(757,498)
Proceeds from time deposits	900,000	357,498
Interest received from time deposits	10,185	11,177
Changes in pledged bank deposits	13,621	17,233
	<u>(63,260)</u>	<u>(399,105)</u>
Net cash used in investing activities	<u><u>(63,260)</u></u>	<u><u>(399,105)</u></u>

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)*For the year ended 31 December*

	2020	2019
	RMB'000	RMB'000
Financing activities		
Proceeds from non-controlling shareholder's contributed capital	3,000	–
Dividends paid to shareholders of the Company	(11,330)	(17,732)
Capital element of lease rentals paid	(1,065)	(883)
Interest element of lease rentals paid	(70)	(82)
Other interest expense paid	(6,841)	(14,942)
Proceeds from short-term bank loans	298,325	310,000
Repayment of short-term bank loans	(310,000)	(315,000)
	<u>(27,981)</u>	<u>(38,639)</u>
Net cash used in financing activities	(27,981)	(38,639)
Net increase/(decrease) in cash and cash equivalents	284,762	(354,810)
Effects of foreign exchange rate changes	(632)	3
Cash and cash equivalents at the beginning of the financial year	592,096	946,903
Cash and cash equivalents at the end of the financial year	876,226	592,096

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December

RMB'000	Attributable to equity shareholders of the Company						Total	Non-controlling interest	Total
	Share capital	General reserves	Special reserve	Fair value reserve	Translation reserves	Accumulated profits			
Balance at 1 January 2019	295,000	233,658	(6,017)	170	(1,423)	1,066,120	1,587,508	-	1,587,508
Changes in equity for 2019:									
Profit for the year	-	-	-	-	-	113,471	113,471	-	113,471
Other comprehensive income for the year	-	-	-	(1,020)	(118)	-	(1,138)	-	(1,138)
Total comprehensive income	-	-	-	(1,020)	(118)	113,471	112,333	-	112,333
Dividends paid	-	-	-	-	-	(17,732)	(17,732)	-	(17,732)
Transfer to general reserves	-	18,686	-	-	-	(18,686)	-	-	-
Balance at 31 December 2019 and 1 January 2020	295,000	252,344	(6,017)	(850)	(1,541)	1,143,173	1,682,109	-	1,682,109
Changes in equity for 2020:									
Profit for the year	-	-	-	-	-	61,299	61,299	(872)	60,427
Other comprehensive income for the year	-	-	-	(680)	(1,112)	-	(1,792)	-	(1,792)
Total comprehensive income	-	-	-	(680)	(1,112)	61,299	59,507	(872)	58,635
Non-controlling shareholder's contributed capital	-	-	-	-	-	-	-	3,000	3,000
Dividends paid	-	-	-	-	-	(11,330)	(11,330)	-	(11,330)
Transfer to general reserves	-	10,579	-	-	-	(10,579)	-	-	-
Balance at 31 December 2020	295,000	262,923	(6,017)	(1,530)	(2,653)	1,182,563	1,730,286	2,128	1,732,414

NOTES:

1. STATEMENT OF COMPLIANCE

Hengxin Technology Ltd. (“**the Company**”) is a limited liability company incorporated in Singapore on 18 November 2004 under the Singapore Companies Act and currently its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**SEHK**”). The registered office of the Company is located at 5 Tampines Central 1, #06-05 Tampines Plaza 2, Singapore 529541. The principal place of business of the Group is located at No. 138 Taodu Road, Dingshu Town, Yixing City, Jiangsu Province, the People’s Republic of China (the “**PRC**”).

The Company is an investment holding company, and the principal activities of the subsidiaries are research, design, development and manufacture of telecommunications and technological products, production of radio frequency coaxial cables for mobile communications and mobile communications systems exchange equipment. The Group’s operations are principally conducted in the PRC.

The Group’s consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations issued by the International Accounting Standards Board (“**IASB**”). These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on SEHK.

The financial information relating to the years ended 31 December 2020 and 2019 included in this preliminary announcement of annual results does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND CHANGES IN ACCOUNTING POLICIES

The consolidated financial statements for the year ended 31 December 2020 comprise the Group’s subsidiaries and the Group’s interest in an associate.

These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (“**RMB’000**”) except when otherwise indicated. RMB is also the functional currency of the Company and the presentation currency of the Group.

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

- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*
- Amendments to IAS 1 and IAS 8, *Definition of Material*
- Amendments to IFRS 16, *COVID-19-Related Rent Concessions*

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Radio frequency coaxial cables (“**Radio Frequency Coaxial Cables**”): the transmission of high-frequency signals between antenna and base station equipment in outdoor base station wireless signal coverage system and indoor wireless signal coverage system in buildings.
- Telecommunication equipment and accessories (“**Telecommunication Equipment and Accessories**”): the transmission of signals within microwave communications systems, radio broadcast wireless systems and air/sea radar systems, the accessories are such as connectors and jumper cables used for wireless signal coverage systems equipment within base stations.
- Antennas (“**Antennas**”): are adopted by telecom operators for use in signal transmission for wireless communications.

Segment revenues and results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitor the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is profit or loss before tax, adjusted for items not specifically attributed to individual segments, such as other income, central interest expense, central administration costs, independent directors' fees at corporate level and foreign exchange gains or losses. Segment profit or loss is used to measure performance as management believes that such information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

In addition to receiving segment information concerning segment results, management is provided with segment information concerning interest income, interest expense, depreciation and amortisation, asset impairment losses and related reversals.

Segment assets and liabilities are not regularly reported to the Group's executive directors and therefore information of reportable segment assets and liabilities are not presented in the consolidated financial statements.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below:

	Reportable segments					
	Radio Frequency Coaxial Cables RMB'000	Telecom- munication Equipment and Accessories RMB'000	Antennas RMB'000	Total reportable segments RMB'000	All other segments RMB'000	Total RMB'000
2020						
Disaggregated by timing of revenue recognition						
Point in time	622,459	262,872	207,139	1,092,470	44,936	1,137,406
Over time	–	–	–	–	1,935	1,935
Revenue from external customers	622,459	262,872	207,139	1,092,470	46,871	1,139,341
Segment profit before tax	28,985	39,421	2,922	71,328	2,494	73,822
Interest income	11,607	4,902	3,862	20,371	874	21,245
Interest expense	(7,063)	(2,983)	(2,350)	(12,396)	(532)	(12,928)
Depreciation and amortisation expense	(15,214)	(6,425)	(5,063)	(26,702)	(1,146)	(27,848)
	Reportable segments					
	Radio Frequency Coaxial Cables RMB'000	Telecom- munication Equipment and Accessories RMB'000	Antennas RMB'000	Total reportable segments RMB'000	All other segments RMB'000	Total RMB'000
2019						
Disaggregated by timing of revenue recognition						
Point in time	608,114	341,448	396,654	1,346,216	80,436	1,426,652
Over time	–	–	–	–	1,912	1,912
Revenue from external customers	608,114	341,448	396,654	1,346,216	82,348	1,428,564
Segment profit before tax	47,848	47,191	28,633	123,672	2,033	125,705
Interest income	8,703	4,887	5,676	19,266	1,179	20,445
Interest expense	(6,380)	(3,582)	(4,162)	(14,124)	(864)	(14,988)
Reversal of stock obsolescence provision	–	–	135	135	–	135
Depreciation and amortisation expense	(8,976)	(5,040)	(5,854)	(19,870)	(1,215)	(21,085)

Reconciliation of information on reportable segments

	Group	
	For the year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before tax		
Total profit before tax for reportable segments	71,328	123,672
Profit before tax for other segments	2,494	2,033
Unallocated amounts:		
– Other income	32,821	15,032
– Other expenses	(22,016)	(1,368)
– Other unallocated amounts	(12,023)	(9,340)
	<u>72,604</u>	<u>130,029</u>

Other material items

	Reportable and all other segment totals	Adjustments	Consolidated totals
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the year ended 31 December 2020			
Depreciation and amortisation expense	<u>(27,848)</u>	<u>(419)</u>	<u>(28,267)</u>
For the year ended 31 December 2019			
Depreciation and amortisation expense	<u>(21,085)</u>	<u>(319)</u>	<u>(21,404)</u>

Geographical segment

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

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

	Revenue from external customer		Specified non-current assets*	
			As at	
	2020 RMB'000	2019 RMB'000	31 December 2020 RMB'000	31 December 2019 RMB'000
PRC	933,691	1,228,711	165,856	174,970
India	28,873	27,974	910	1,628
Others	176,777	171,879	729	1,150
Total	1,139,341	1,428,564	167,495	177,748

* excludes other investments and deferred tax assets

4. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold and services rendered, after deduction of relevant taxes and allowances for returns and trade discounts. An analysis of the Group's revenue is as follows:

	For the year ended 31 December	
	2020 RMB'000	2019 RMB'000
Radio Frequency Coaxial Cables	622,459	608,114
Telecommunication Equipment and Accessories	262,872	341,448
Antennas	207,139	396,654
Others	46,871	82,348
Total	1,139,341	1,428,564

5. OTHER OPERATING INCOME

	For the year ended 31 December	
	2020 RMB'000	2019 RMB'000
Compensation claims received	339	1,048
Government grants	18,037	11,368
Interest income	21,245	20,445
Service fee income	1,377	1,377
Net gain on disposal of property, plant and equipment	107	260
Net foreign exchange gain	14,503	–
Others	2,578	978
Total	58,186	35,476

6. INTEREST EXPENSE

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Interest expense on short-term bank loans	11,599	13,874
Interest on lease liabilities	70	82
Other interest expense	1,295	1,068
	<u>12,964</u>	<u>15,024</u>

7. PROFIT BEFORE INCOME TAX

Profit before tax is arrived at after charging/(crediting) the following during the year:

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cost of inventories recognised as expense (including effect of inventory obsolescence provision)	878,579	1,090,073
Depreciation of owned property, plant and equipment	25,847	19,148
Depreciation of right-of-use assets	2,420	2,256
Impairment losses on trade and other receivables	–	641
Auditors' remuneration	1,809	1,817
Salaries and bonus	108,810	116,912
Contributions to defined contribution plans	1,005	5,622
Non-executive directors' fees	1,653	1,638
Executive directors' remuneration	2,408	2,190
	<u>113,876</u>	<u>126,362</u>
Total staff costs		
Research and development expenses (included in other operating expenses)	71,149	66,673
Net loss on derivative financial liability	19,954	–
Net foreign exchange (gain)/loss	(14,503)	419
Net gain on disposal of property, plant and equipment	(107)	(260)
	<u>(107)</u>	<u>(260)</u>

8. INCOME TAX

	For the year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current tax expense		
Current year	11,089	17,382
Under/(over) provision in prior years	2,060	(3,426)
	<u>13,149</u>	<u>13,956</u>
Deferred tax expense		
Reversal and origination of temporary differences	(972)	2,602
	<u>(972)</u>	<u>2,602</u>
Income tax expense	<u>12,177</u>	<u>16,558</u>

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

The statutory corporate income tax rate of the Group's operating subsidiaries in the PRC is 25% (2019: 25%).

Jiangsu Hengxin Technology Co., Ltd (“**Jiangsu Hengxin**”) and Jiangsu Hengxin Wireless Technology Co., Ltd. (“**Hengxin Wireless**”), are subject to a preferential income tax rate of 15% in 2020 available to enterprises which qualify as a High and New Technology Enterprise (2019: 15%).

- (iii) Hong Kong Profits Tax has been provided for Hengxin Technology International Co., Ltd. (“**Hengxin International**”) at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong for the year ended 31 December 2020.

9. DIVIDENDS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Proposed final cash dividend of RMB0.0158 (2019: RMB0.0292) per ordinary share	<u>6,130</u>	<u>11,330</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

10. SHARE CAPITAL

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

Share capital – Ordinary Shares	<i>No. of shares '000</i>	<i>RMB'000</i>	<i>S\$'000</i>
Balance as at 31 December 2020 and 2019	<u>388,000</u>	<u>295,000</u>	<u>58,342</u>

In accordance with the Constitution of the Company, treasury shares are not allowed in the Company.

11. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share at 31 December 2020 was based on the profit attributable to equity shareholders of the Company amounting to approximately RMB61,299,000 (2019: RMB113,471,000), and the weighted average number of ordinary shares outstanding of 388,000,000 (2019: 388,000,000 shares), calculated as follows:

Weighted average number of ordinary shares:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Issued ordinary shares and weighted average number of ordinary shares at 1 January and 31 December	<u>388,000</u>	<u>388,000</u>

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in existence for the years ended 31 December 2020 and 2019. The calculated diluted earnings per share equals the basic earnings per share at 31 December 2020 and 2019.

12. PROPERTY, PLANT AND EQUIPMENT

During the financial year ended 31 December 2020, the Group's additions of property, plant and equipment during the year was approximately RMB18.4 million (2019: RMB18.6 million).

13. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables from:		
– third parties	460,750	696,080
– affiliated corporation*	7,954	4,828
Bills receivables	48,258	129,078
Less: Loss allowance	(9,705)	(9,705)
Net trade and bills receivables	507,257	820,281
Loans to the associate	21,191	21,191
Non-trade amount due from the associate	1,680	1,680
Less: Loss allowance	(22,871)	(22,871)
	–	–
Advances to suppliers	10,586	13,401
Advances to staff	4,697	4,064
Refundable deposits	10,813	11,839
Tax recoverables	42,271	34,590
Prepayments	1,854	1,179
Net prepayments and non-trade receivables	70,221	65,073
	577,478	885,354

* An affiliated corporation is defined as one:

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

Trade and bills receivables are due within 90–270 days from the date of billing. As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on the invoice date and net of loss allowance, is as follows:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	348,378	614,610
7 to 12 months	88,268	163,802
1 to 2 years	66,794	41,303
Over 2 years	3,817	566
	<u>507,257</u>	<u>820,281</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Balance at 1 January	(9,705)	(9,705)
Impairment loss recognised during the year	–	(641)
Amounts written off during the year	–	641
	<u>(9,705)</u>	<u>(9,705)</u>

14. TRADE AND OTHER PAYABLES

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables due to:		
– third parties	103,512	90,925
– affiliated corporation	–	5,499
Trade payables	<u>103,512</u>	<u>96,424</u>
Accrued operating expenses	47,790	58,153
Interest payable	6,053	–
Contract liabilities	9,687	13,265
Advanced receipt	366	2,441
Tender deposits	5,397	6,890
Value added tax, business tax and other taxes payable	2,964	4,044
Other payables	3,250	2,013
Other payables	<u>75,507</u>	<u>86,806</u>
	<u>179,019</u>	<u>183,230</u>

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

As of the end of the reporting period, the ageing analysis of trade payable (which are included in trade and other payables), based on the invoice date, is as follows:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	94,660	91,604
91 to 180 days	3,373	1,157
181 to 360 days	3,356	1,341
Over 360 days	2,123	2,322
	103,512	96,424

15. RELATED PARTY TRANSACTIONS

(a) Transactions

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of finished goods	7,746	8,548
Purchase of raw materials	21,970	33,200

During the financial year, the Group entered into the above significant transactions with Suzhou Hengli Telecommunications Materials Co., Ltd. (sale of finished goods and purchase of raw materials). Suzhou Hengli Telecommunication Materials Co., Ltd. is a subsidiary of Hengtong Group Co., Ltd., a company which the father of Cui Wei, the non-executive chairman of the Company, is its substantial shareholder. Cui Wei is a substantial shareholder with shareholding of 24.97% of the total issued shares in the Company and has significant influence over the Company.

(b) Compensation of key management personnel

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

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Short term benefits	8,625	8,026
Retirement benefits scheme contributions	159	182
Total	<u>8,784</u>	<u>8,208</u>
Key management personnel compensation comprised amounts paid to:		
– directors of the Company	4,061	3,828
– other key management personnel	4,723	4,380
	<u>8,784</u>	<u>8,208</u>

Total remuneration is included in “staff costs” of Note 7 above.

16. DONATIONS & CAPITAL COMMITMENTS

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted for but not provided for property, plant and equipment	285	1,474
Donation commitment	3,000	3,500
	<u>3,285</u>	<u>4,974</u>

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

(I) MANAGEMENT DISCUSSION AND ANALYSIS

Consolidated statement of profit or loss

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

Revenue

The Group's revenue for the financial year ended 31 December 2020 ("FY2020" or the "Reporting Period") decreased by approximately RMB289.3 million, or approximately 20.2% from approximately RMB1,428.6 million in the previous financial year ended 31 December 2019 ("FY2019") to approximately RMB1,139.3 million in FY2020.

Radio Frequency Coaxial Cables

Revenue generated from the segment of Radio Frequency Coaxial Cables increased by approximately RMB14.4 million or approximately 2.4% from approximately RMB608.1 million in FY2019 to approximately RMB622.5 million in FY2020. In particular, the increase in sales for this segment is due to an increase in sales of feeder cables of approximately RMB23.5 million or 5.4% from FY2019's approximately RMB439.1 million to approximately RMB462.6 million in FY2020 amidst COVID-19 pandemic during FY2020 and the general retracting market trend on the demand of feeder cables. In particular, the increase in sales of feeder cables is due to the additional demand from newly constructed buildings and the new signal coverage implementation on 4G as the roll out of 5G has been delayed during FY2020.

Included in the segment revenue of Radio Frequency Coaxial Cables are the revenue from leaky cables of approximately RMB159.90 million for FY2020, representing a slight decrease of approximately RMB9.1 million or 5.4% from approximately RMB169.0 million in FY2019. Leaky cables are special coaxial cables commonly used for the tunnels and underground mobile communication in mass transit railways and thus normally have higher gross profit margins than other Radio Frequency Coaxial Cables products. The decrease in demand for leaky cables is mainly due to the weak market demand during FY2020.

In FY2020, the overall gross profit margin of Radio Frequency Coaxial Cables decreased by approximately 0.2 percentage point as compared with that of FY2019 due to the slight decrease of the gross profit margin of leaky cables by approximately 0.7 percentage point as compared with that of FY2019. Contrary to leaky cable, the gross profit margin of Radio Frequency Coaxial Cables (feeder cables) has recorded an increase of approximately 0.4 percentage point amidst the general poor market situation in FY2020. During FY2020, the Group has continued to increase its effort in business transformation, and also allocated more resources to consolidate its position in existing Radio Frequency Coaxial Cables (feeder and leaky cables) markets in preparation for the development in the near future.

Telecommunication Equipment and Accessories

Revenue generated from the segment of Telecommunication Equipment and Accessories decreased by approximately RMB78.5 million or approximately 23.0% from approximately RMB341.4 million in FY2019 to approximately RMB262.9 million in FY2020. The significant decrease in the revenue from Telecommunication Equipment and Accessories is because the COVID-19 pandemic has delayed the demand on the related products and the holding up of purchase orders on 4G related products from various telecommunication operators in China.

Antennas

Revenue generated from Antennas during FY2020 was approximately RMB207.1 million and the revenue of Antennas during FY2019 was approximately RMB396.7 million, representing a decrease of approximately RMB189.6 million or approximately 47.8%. As 4G products entered its life cycle tail stage with 5G products in its initial commercialization phase, the unsatisfactory development of the 5G related overall antenna market has caused the poor performance of the Group's Antennas business. On the gradual introduction of commercialized 5G products, the Group will continue to increase its efforts in antennas market promotion during the future telecommunications network upgrade for the major domestic telecom operators.

Others (HTRC and antennas testing services)

Revenue generated in this segment decreased by approximately RMB35.4 million or approximately 43.0% from approximately RMB82.3 million during FY2019 to approximately RMB46.9 million during FY2020, of which the significant decrease was mostly attributable to a decrease in the sales of HTRC during FY2020. Such decrease was mainly because of the weak demand due to COVID-19 pandemic and slow development of 5G telecommunication and declining 4G market.

Gross profit margin

The Group achieved an overall gross profit margin of approximately 22.9% during FY2020 compared to approximately 23.7% during FY2019, representing a decrease of approximately 0.8 percentage point year-on-year. As mentioned above, although facing intense market competition and declining market demand amid COVID-19 pandemic, overall gross profit margin of Radio Frequency Coaxial Cables (feeder and leaky cables) has only decreased slightly by approximately 0.2 percentage points year-on-year with gross profit contribution increased by approximately RMB1.6 million year-on-year.

The gross profit margin of Telecommunication Equipment and Accessories has increased by approximately 1.0 percentage point from FY2019's 27.9% to approximately 28.9% in FY2020. However, the gross profit margin of Antennas has decreased by approximately 2.6 percentage points from FY2019's 26.4% to approximately 23.8% in FY2020 because the Antennas sold in FY2019 generally have higher profitability. As a result, the overall gross profit margin of the Group has recorded a decrease due to the mixed performance of the various products segments as discussed above.

The Group will continue to monitor production efficiencies to ensure optimal raw materials and labour utilisation, stringent selection of suppliers in tender biddings to keep costs to a minimum, coupled with efficient use of various resources to keep up with price pressure resulting from keen competition. The Group will also review its products mix and business transformation process in order to strive for a further enhancement in product profitability.

Other operating income

Other operating income increased by approximately RMB22.7 million or approximately 64.0% from approximately RMB35.5 million in FY2019 to approximately RMB58.2 million in FY2020. The increase is primarily due to:

- (i) increase in government grants and subsidies of approximately RMB6.7 million;
- (ii) increase in interest income earned of approximately RMB0.8 million due to the increase in average cash and cash equivalents and time deposits balances during FY2020 as compared with FY2019; and
- (iii) net exchange gain of approximately RMB14.5 million for FY2020 as compared with the net exchange loss of approximately RMB0.4 million for FY2019 which was classified as other operating expenses.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RMB21.3 million or approximately 18.6% from approximately RMB114.7 million in FY2019 to approximately RMB93.4 million in FY2020 due to a decrease in salary expenses under selling and distribution expenses and the decrease in transportation costs and marketing expenses as a result of the decrease in revenue amid COVID-19 pandemic during FY2020.

Administrative expenses

Administrative expenses decreased by approximately RMB6.2 million or approximately 13.7% from approximately RMB45.4 million in FY2019 to approximately RMB39.2 million in FY2020. The decrease is mainly due to a decrease in staff costs attributable to a decrease in the number of staff of the Group in FY2020, as well as a decrease in annual incentives payable to our staff in light of the decrease in profit.

Impairment loss on trade and other receivables

There was no impairment loss on trade and other receivables in FY2020.

Other operating expenses

Other operating expenses increased by approximately RMB32.8 million or approximately 48.2% from approximately RMB68.0 million in FY2019 to approximately RMB100.8 million in FY2020. Such increase is mainly due to (i) an increase in research and development (“**R&D**”) expenses incurred from continuing R&D activities undertaken for the modifications and improvements to the Group’s products of approximately RMB4.7 million; (ii) the net loss on commodity future contracts of approximately RMB7.2 million in FY2020; and (iii) the loss on fair value change for derivative financial liability of approximately RMB20.0 million in FY2020.

Interest expense

Interest expense decreased by approximately RMB2.0 million or approximately 13.3% from approximately RMB15.0 million in FY2019 to approximately RMB13.0 million in FY2020, mainly because of a decrease in average short-term loans balance during FY2020 and a decrease in average interest rates of such short-term loans during FY2020.

Profit before tax

Profit before tax decreased by approximately RMB57.4 million or approximately 44.2% from approximately RMB130.0 million in FY2019 to approximately RMB72.6 million in FY2020.

Income tax

The Group's main subsidiary, Jiangsu Hengxin Technology Co., Ltd. (“**Jiangsu Hengxin**”), has been subject to an incentive tax rate of 15% as it has been awarded as a high-tech enterprise in the PRC since 2008. It had been awarded the same status for a further three years commencing on 7 December 2018.

Income tax expense decreased by approximately RMB4.4 million or approximately 26.5% from approximately RMB16.6 million in FY2019 to approximately RMB12.2 million in FY2020, mainly due to a decrease in operating profit as compared with FY2019.

Profit Attributable to Equity Shareholders of the Company

In view of the above, profit attributable to equity shareholders of the Company decreased approximately RMB52.2 million or approximately 46.0% from approximately RMB113.5 million in FY2019 compared to approximately RMB61.3 million in FY2020.

Consolidated statement of financial position

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

Trade and other receivables

- (i) Net trade and bills receivables decreased by approximately RMB313.0 million approximately 38.2% from approximately RMB820.3 million as at 31 December 2019 to approximately RMB507.3 million as at 31 December 2020.

Average trade receivables turnover days was 216 days as at 31 December 2020 compared to 202 days as at 31 December 2019. The increase in trade and bills receivables turnover days by approximately 14 days was mainly because COVID-19 pandemic during the first quarter of FY2020 has affected the settlement arrangement of the Group's customers. On the gradual resumption of business and uplift of pandemic preventive measures since the second quarter of 2020, customers have resumed their settlement arrangement. Thus, the Group recorded a slightly longer average turnover days during FY2020 as COVID-19 has affected the general payment arrangement of certain customers of the Group. Although the collection of trade receivables from certain customers of the Group had been stretched longer due to reasons mentioned above, most of the trade and bills receivables balances were recent sales which were within the average credit period given to the Group's customers. As at 31 December 2020, approximately 72.1% of the trade and bills receivables are within the credit period given as compared with that of approximately 74.2% as at 31 December 2019.

For long overdue trade receivables, as at 31 December 2020, approximately 12.8% were overdue by more than six months (as compared with 5.8% as at 31 December 2019). The trade receivables that were overdue by more than six months were mostly non-operator customers. Considering the Group's long-standing dealings with these customers and the regular receipts of payments from these customers, the Group does not foresee any issue in the collection of these receivables. The Group will continue to endeavour in its collection efforts on the outstanding balances.

- (ii) Net prepayments and non-trade receivables increased by approximately RMB5.1 million or approximately 7.8% from approximately RMB65.1 million as at 31 December 2019 to approximately RMB70.2 million as at 31 December 2020. The increase was mainly due to an increase in prepayment on input tax to be certified and a decrease in advance payment to suppliers for the purchase of raw materials.

Inventories

Inventories (comprising raw materials, work-in-progress and finished goods) increased by approximately RMB11.9 million or approximately 12.6% from approximately RMB94.8 million as at 31 December 2019 to approximately RMB106.7 million as at 31 December 2020. The increase was mainly due to an increase in finished goods in anticipation of the increase in demand for the products of the Group and the improvement in business environment after FY2020.

Short-term loans

Short-term loans were raised with an aim to enhance the working capital position of the Group. Short-term loans as at 31 December 2020 with fixed interest rates will become due for repayment during the first half of year 2021.

Trade and other payables

- (i) Trade payables increased by approximately RMB7.1 million or approximately 7.4% from approximately RMB96.4 million as at 31 December 2019 to approximately RMB103.5 million as at 31 December 2020. The increase is mainly in line with the increase in inventories in response to the expected recovery and market demand of the Group's products in year 2021.
- (ii) Other payables decreased by approximately RMB11.3 million or approximately 13.0% from approximately RMB86.8 million as at 31 December 2019 to approximately RMB75.5 million as at 31 December 2020 mainly due to a decrease in accrual for staff incentives and contract liabilities and an increase in accrual for interest expense.

Cash and cash equivalents and time deposits

Cash and cash equivalents and time deposits increased by approximately RMB340.5 million or approximately 33.5% from approximately RMB1,016.6 million as at 31 December 2019 to approximately RMB1,357.1 million as at 31 December 2020. The significant increase is mainly due to cash collections from trade and bills receivables during FY2020.

(II) SUBSIDIARIES

The subsidiaries of the Company are Jiangsu Hengxin, Jiangsu Hengxin Wireless Technology Co., Ltd, Hengxin Technology (India) Pvt Ltd, Hengxin Technology International Co., Limited and Jiangsu Hengxin Zhonglian Communications Technology Co., Ltd..

(III) FOREIGN CURRENCY EXPOSURE

Renminbi (“**RMB**”) is the functional currency of the Group. Currencies other than RMB expose the Group to foreign currency risk. The Group has foreign currency sales and its revenue and costs are denominated in RMB, India Rupees (“**INR**”) and United States dollars (“**USD**”). Some of the Group’s bank balances are denominated in USD, Singapore dollars (“**SGD**”), Hong Kong dollars (“**HKD**”) and INR, whilst some costs may be denominated in Hong Kong dollars, SGD and INR. The Group has implemented a hedging policy to strike a balance between the uncertainty and the risk of opportunity loss in light of the growing significance of its exposure to the fluctuations in foreign currency, under which policy foreign exchange forward contracts may be used to eliminate the currency exposure. The Group has entered into certain forward contracts as at the end of the Reporting Period on hedging the expected fluctuations of the exchange rate of USD and will continue to monitor foreign exchange exposure and consider hedging other significant foreign currency exposure should the need arise.

(IV) DONATION AND CAPITAL COMMITMENTS

As at 31 December 2020, the capital commitments of the Group in respect of the purchase of property, plant and equipment were approximately RMB285,000 (2019: approximately RMB1,474,000).

The Group’s PRC subsidiary has signed an intention letter to donate RMB500,000 per annum from 2007 for a period of 20 years to a charitable organization in the PRC when making profit in the year. As at 31 December 2020, the donation commitment was approximately RMB3,000,000 (2019: approximately RMB3,500,000).

(V) CHARGE OR PLEDGE OF ASSETS

As at 31 December 2020, deposits amounting to RMB10,600,000 (2019: RMB12,449,000) were pledged to banks as guarantees for bidding of customer contracts and issuing letter of guarantee. Pledged bank deposits bear interest at an average effective interest rates at 1.39% (2019: 1.39%) per annum and for a tenure of approximately 4 to 60 months (2019: 4 to 60 months). Remaining pledged deposits is pertaining to the security deposit for the commodity future contracts entered to hedge the purchase of raw materials during the year.

(VI) CONTINUING CONNECTED TRANSACTION ENTERED INTO DURING THE REPORTING PERIOD

Save for the continuing connected transactions agreements entered in 10 October 2019 and duly passed at the extraordinary general meeting of the Company held on 17 December 2019, there was no continuing connected transaction entered into during the Report Period.

(VII) LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, the Group's total assets were approximately RMB2,227,781,000 (2019: RMB2,192,853,000) (of which current assets were approximately RMB2,041,293,000 (2019: RMB1,996,765,000) and non-current assets were approximately RMB186,488,000 (2019: RMB196,088,000)), the total liabilities were approximately RMB495,367,000 (2019: RMB510,744,000) (of which current liabilities were approximately RMB480,982,000 (2019: RMB496,551,000) and non-current liabilities were approximately RMB14,385,000 (2019: RMB14,193,000)), and shareholder's equity attributable to equity shareholders of the Company reached approximately RMB1,730,286,000 (2019: RMB1,682,109,000). As at 31 December 2020, the Group's cash and cash equivalents and time deposits were approximately RMB1,357,073,000 (31 December 2019: approximately RMB1,016,600,000). The Group's time deposits were all due more than three months. As at 31 December 2020, the Group has short-term bank borrowings due within one year of RMB278,371,000 (2019: RMB310,000,000) carrying fixed interest rate. At 31 December 2020, the Group had approximately RMB1,616,036,000 (2019: RMB1,507,434,000) of unutilised bank borrowing facilities.

The Group generally finances its operations from cash flows generated internally and short-term bank borrowings.

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

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

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

The debt-to-assets ratio (total liabilities divided by total assets) at the end of the Reporting Period is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Total liabilities	495,367	510,744
Total assets	2,227,781	2,192,853
Debt-to-assets ratio	22%	23%

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

	Contractual cash flows			Total RMB'000	Carrying amount at 31 December RMB'000
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000		
2020					
Derivative financial liability					
Derivative financial liability	19,954	-	-	19,954	19,954
Non-derivative financial liabilities					
Short-term loans	281,458	-	-	281,458	278,371
Trade and other payables [#]	166,002	-	-	166,002	166,002
Lease liabilities	1,038	661	84	1,783	1,730
Subtotal	448,498	661	84	449,243	446,103
At 31 December 2020	468,452	661	84	469,197	466,057

	Contractual cash flows			Total RMB'000	Carrying amount at 31 December RMB'000
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000		
2019					
Non-derivative financial liabilities					
Short-term loans	322,503	-	-	322,503	310,000
Trade and other payables [#]	163,480	-	-	163,480	163,480
Lease liabilities	884	514	484	1,882	1,786
At 31 December 2019	486,867	514	484	487,865	475,266

[#] Exclude contract liabilities, advanced receipt, value added tax, business tax and other taxes payable.

(VIII) PROSPECTS (A COMMENTARY AT THE DATE OF THIS ANNOUNCEMENT OF THE COMPETITIVE CONDITIONS OF THE INDUSTRY IN WHICH THE GROUP OPERATES AND ANY KNOWN FACTORS OR EVENTS THAT MAY AFFECT THE GROUP IN THE NEXT REPORTING PERIOD AND THE NEXT 12 MONTHS)

From the macroeconomic perspective, the effects of the novel coronavirus pandemic is expected to wear off gradually in 2021, with the growing momentum of the Sino-US trade friction coming to halt, and the global economy is back on its track, thereby providing a more favorable external environment than FY2020.

From an industry perspective, the new infrastructure development strategy implemented by the PRC government is not only a short-term measure to hedge against the adverse impacts of the international economic situation, but also has a long-term positive effect on the development of infrastructure in the telecommunications industry. In the meantime, it should be noted that despite the huge business opportunities for related companies in China's telecommunications industry, the benefits of 5G development are gradually released. Due to the large scale of investment and the decreasing marginal effect of upward upgrading of the network system, the time span of 5G-related applications and the positive effects of 5G network on the society and economy as a whole will be lengthened, and the diversity of applications will be a severe test for the innovation and resilience of enterprises. Fully aware of the long-term nature and complexity mentioned above, and adhering to its strategic positioning of "the world's leading expert of wireless access systems", with mainly focusing on 5G products and 5G vertical applications, the Group will consolidate its leading position in the 4G product market, and continue to expand its shares in 5G markets at home and abroad.

In terms of marketing, with 5G antennas and a number of new products developed, the Group will deepen cooperation with equipment manufacturers in product supply and research and development of new products while maintaining normal cooperation with operators. By constantly exploring the demand of enterprise-level users, the Group will improve its overall competitiveness and market share, and expand its competitive advantages in leaky cables from product manufacturing to business subcontracts and total solutions, from the subway sector to other related areas.

In terms of research and development, the Group will strengthen its research and development efforts in the field of 5G vertical applications, and continue to improve the technology level and maturity of new development projects so that they will be introduced to the market in a timely manner.

Under the prevailing market environment and with the above-mentioned unremitting efforts, the Company believes that the Group will go further along the path of transformation and upgrading and will be able to benefit more from 5G development.

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

As at 31 December 2020, the interests and short positions of the Directors and chief executives of the Company in shares and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”)), which are required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which are required to be entered into, as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Company:

Name of Directors	Capacity and nature of interests	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Mr. Cui Wei ⁽¹⁾	Deemed interest and interest in controlled corporation	96,868,662	24.97%
Ms. Zhang Zhong ⁽²⁾	Deemed interest and interest in controlled corporation	28,082,525	7.24%
Mr. Du Xiping	Beneficial owner	11,468,000	2.96%
Mr. Xu Guoqiang ⁽³⁾	Beneficiary of a trust	9,380,000	2.42%

Notes:

- (1) Mr. Cui Wei beneficially owns the entire issued share capital of Kingever Enterprises Limited (“Kingever”), and Kingever in turn holds approximately 24.97% of the total issued share capital in the Company.
- (2) Ms. Zhang Zhong beneficially owns the entire issued share capital of Wellahead Holdings Limited (“Wellahead”), and Wellahead in turn holds approximately 7.24% of the total issued share capital in the Company.
- (3) The shareholding of Mr. Xu Guoqiang represented his interest as a beneficiary and also the interest held on behalf as the staff representative of the employee equity incentive scheme under a capacity of limited partner. For details, please refer to the previous announcements of the Company dated 29 March 2019, 12 November 2019, and 28 February 2020 and the circular of the Company dated 29 March 2019.

Short position in the Company:

Name of Director	Capacity and nature of interests	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Ms. Zhang Zhong ⁽¹⁾	Deemed interest and interest in controller corporation	12,000,000	3.09%

Note:

- (1) Ms. Zhang Zhong is deemed to have short position in the Company through her interest in the entire issued share capital of Wellahead.

Saved as disclosed above, as at 31 December 2020, none of the Directors and chief executives of the Company nor their associates had or deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to Section 352 of Part XV of the SFO or which has been notified to the Company and the SEHK pursuant to the Model Code.

(X) SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2020, in so far as is known to the Directors, the following shareholders having interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long positions in the Company:

Name of substantial shareholders	Capacity and nature of interests	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Kingever ⁽¹⁾	Beneficial owner	96,868,662	24.97%
Mr. Cui Wei ⁽¹⁾	Deemed interest and interest in controlled corporation	96,868,662	24.97%
Wellahead ⁽²⁾	Beneficial owner	28,082,525	7.24%
Ms. Zhang Zhong ⁽²⁾	Deemed interest and interest in controlled corporation	28,082,525	7.24%

Short positions in the Company:

Name of substantial shareholders	Capacity and nature of interests	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Wellahead ⁽²⁾	Beneficial owner	12,000,000	3.09%
Ms. Zhang Zhong ⁽²⁾	Deemed interest and interest in controlled corporation	12,000,000	3.09%

Notes:

- (1) Kingever is a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Cui Wei.
- (2) Wellahead is a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Ms. Zhang Zhong.

Saved as disclosed above, as at 31 December 2020, no person, other than the Directors, whose interests are set out in the paragraph headed “Directors’ and Chief Executives’ Interests and Short Positions in Shares and Underlying Shares and Debentures” above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

(XI) ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the Reporting Period nor at any time during the Reporting Period did there subsist any arrangement which enable the Directors of the Company to acquire benefits by means of acquisition of shares or debentures in the Company or any other body corporate, except for the employee equity incentive scheme (the “**Incentive Scheme**”) adopted by the Company at its extraordinary general meeting held on 26 April 2019. For details of the Incentive Scheme, please refer to the previous announcements of the Company dated 29 March 2019, 12 November 2019 and 28 February 2020 and the circular of the Company dated 29 March 2019.

(XII) SHARE OPTION SCHEME

The share option scheme (“**Share Option Scheme**”) adopted by the Company on 27 October 2010 was expired on 26 October 2020 and no option has been granted under the Share Option Scheme since its adoption and up to its expiry date.

(XIII) SUPPLEMENTARY INFORMATION

1. Operational and Financial Risk Management

(i) *Market risk*

The major market risks that the Group is exposed to include business risks relating to the global state of economy, industry risks relating to certain policies and its product adoption approaches, technology risks relating to changes in technology and credit risks relating to the non-payment by the Group's customers.

(ii) *Commodity price risk*

The Group is also exposed to commodity price risk arising from fluctuations in costs of raw materials.

(iii) *Interest rate risk*

The major interest rate risk that the Group is exposed to includes the Group's short-term debt obligations, if any, which may be subject to variable interest rates.

(iv) *Foreign currency risk*

The Group's revenue and costs are denominated in Renminbi, Indian Rupees ("INR") and United States Dollars. Some costs may be denominated in Hong Kong Dollars, INR and Singapore Dollars.

2. Contingent liabilities

There were no material contingent liabilities as at 31 December 2020.

3. Employees and Remuneration Policies

As at 31 December 2020, there were 772 (31 December 2019: 824) employees in the Group. Staff remuneration packages are determined in consideration of the market conditions and the performance of the individual concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses to eligible staff based on their performance and contributions to the Group.

4. Material Litigation and Arbitration

As at 31 December 2020, the Group was not involved in any material litigation or arbitration.

5. Discloseable Transactions During the Reporting Period

During the year ended 31 December 2020, the Company has not carried out any discloseable transaction.

6. Audit Committee

The Company's audit committee members are Mr. Tam Chi Kwan Michael, Mr. Cui Wei, Ms. Zhang Zhong, Dr. Li Jun and Mr. Pu Hong. The audit committee, which is chaired by Mr. Tam Chi Kwan Michael, has reviewed the annual results of the Group for the year ended 31 December 2020.

7. Compliance with Corporate Governance Code

The Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2020.

8. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuer

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

9. Annual General Meeting

The 2020 annual general meeting of the Company will be held on 27 April 2021 (Tuesday) in Hong Kong. For further details of the annual general meeting, please refer to the notice of annual general meeting, which will be published and despatched by the Company in due course.

10. Review of financial results

The work in respect of this results announcement done by KPMG was limited to checking the accuracy of extraction of the financial information in this results announcement from the Group's consolidated financial statements and will be carried out in accordance with the Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" and with reference to Practice Note 730 (Revised) "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The procedures that KPMG performed in connection with this results announcement will not constitute an assurance engagement in accordance with assurance standards issued by the HKICPA and, consequently, no assurance will be expressed.

11. Dividends

(a) *Final dividend recommended for the Reporting Period*

Name of Dividend:	Final
Dividend Type:	Cash
Dividend Rate:	RMB0.0158 per share
Number of shares:	388,000,000
Total amount:	RMB6,130,400

(b) *Actual final dividend for FY2019*

Name of Dividend:	Final
Dividend Type:	Cash
Dividend Rate:	RMB0.0292 per share
Number of shares:	388,000,000
Total amount:	RMB11,329,600

(c) *Record date and dividend payment date*

Subject to the approval by shareholders of the Company at the forthcoming annual general meeting to be held on Tuesday, 27 April 2021, the final dividend for the Reporting Period will be distributed on or about Friday, 28 May 2021 to shareholders whose names appear on the Company's register of members on Friday, 14 May 2021 (the record date).

(d) *Book closure date*

In order to determine the entitlement to the proposed final dividend for the Reporting Period (subject to the approval by the shareholders at the forthcoming annual general meeting), the Company's register of members will be closed on Friday, 14 May 2021, on which date no transfer of shares will be registered. In order to qualify for the proposed final dividend for the Reporting Period, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Principal Share Registrar in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 (for shareholders registered in Singapore), or at the office of the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for shareholders registered in Hong Kong) not later than 4:30 p.m. on Thursday, 13 May 2021. Any removal of shares of the Company from the Company's Principal Share Registrar in Singapore to the Branch Share Registrar in Hong Kong shall be made not later than 4:30 p.m. on Monday, 3 May 2021.

12. Purchase, Sales or Redemption of the Company's Securities

For the year ended 31 December 2020, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the securities of the Company.

13. Disclosure on the Websites of the SEHK and the Company

This announcement shall be published on the website of the SEHK (<http://www.hkexnews.hk>) and on the Company's website (<http://www.hengxin.com.sg>).

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

Singapore, 16 March 2021

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

* *For identification purposes only*