



## HENGXIN TECHNOLOGY LTD.

### 亨鑫科技有限公司\*

*(carrying on business in Hong Kong as HX Singapore Ltd.)*

*(incorporated in Singapore with limited liability)*

*(Singapore Company Registration Number 200414927H)*

**(Hong Kong Stock Code: 1085)**

**(Singapore Stock Code: I85)**

### INTERIM REPORT FOR THE SECOND QUARTER AND SIX MONTHS ENDED 30 JUNE 2012

#### FINANCIAL HIGHLIGHTS

1. Revenue for the six months ended 30 June 2012 decreased by approximately 5.9% to approximately RMB635.8 million
2. Gross profit decreased by approximately 6.1% to approximately RMB113.7 million
3. Net profit attributable to equity holders of the parent decreased by approximately 5.5% to approximately RMB46.3 million
4. Basic earnings per share was RMB0.118
5. No payment of interim dividend for the six months ended 30 June 2012 is recommended

\* *for identification purpose only*

The board of directors (the “**Board**”) of Hengxin Technology Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively hereinafter referred as the “**Group**”) for the six months ended 30 June 2012 and for the three months ended 30 June 2012 together with the comparative figures for the corresponding periods in 2011 as follow:

## CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June (“1H”)

	<i>Notes</i>	<b>1H2012</b> <b>RMB'000</b> <b>(unaudited)</b>	1H2011 <b>RMB'000</b> <b>(unaudited)</b>
<b>Revenue</b>	5	<b>635,816</b>	675,436
Cost of sales		<u><b>(522,157)</b></u>	<u>(554,423)</u>
<b>Gross profit</b>		<b>113,659</b>	121,013
Other income	6	<b>7,048</b>	2,772
Selling and distribution expenses		<b>(27,582)</b>	(29,632)
Administrative expenses		<b>(17,994)</b>	(22,447)
Other operating expenses		<b>(7,312)</b>	(7,453)
Finance costs	7	<u><b>(11,572)</b></u>	<u>(5,164)</u>
<b>Profit before income tax</b>	8	<b>56,247</b>	59,089
Income tax expense	9	<u><b>(9,907)</b></u>	<u>(10,103)</u>
<b>Net profit attributable to equity holders of parent</b>		<b>46,340</b>	48,986
Other comprehensive income:			
Exchange difference arising from consolidation of foreign operations		<u><b>(369)</b></u>	<u>(34)</u>
<b>Total comprehensive income attributable to equity holders of the parent</b>		<u><b>45,971</b></u>	<u>48,952</u>
<b>Earnings per share attributable to equity holders of the parent</b>			
<b>Basic and diluted (RMB cents)</b>	12	<u><b>11.8</b></u>	<u>12.6</u>
<b>Dividends per share (RMB cents)</b>		<u><b>N.A.</b></u>	<u>N.A.</u>

## CONSOLIDATED INCOME STATEMENT

For the three months ended 30 June ("2Q")

	2Q2012 <i>RMB'000</i> (unaudited)	2Q2011 <i>RMB'000</i> (unaudited)
<b>Revenue</b>	<b>376,215</b>	396,910
Cost of sales	<u>(307,255)</u>	<u>(327,045)</u>
<b>Gross profit</b>	<b>68,960</b>	69,865
Other income	<b>1,793</b>	393
Selling and distribution expenses	<b>(15,518)</b>	(14,392)
Administrative expenses	<b>(8,641)</b>	(12,475)
Other operating expenses	<b>(6,106)</b>	(4,968)
Finance costs	<b>(6,097)</b>	(3,769)
<b>Profit before income tax</b>	<b>34,391</b>	34,654
Income tax expense	<u>(6,632)</u>	<u>(6,273)</u>
<b>Net profit attributable to equity holders of parent</b>	<b>27,759</b>	28,381
Other comprehensive income:		
Exchange difference arising from consolidation of foreign operations	<u>(165)</u>	<u>(28)</u>
<b>Total comprehensive income attributable to equity holders of the parent</b>	<u><b>27,594</b></u>	<u>28,353</u>
<b>Earnings per share attributable to equity holders of the parent</b>		
Basic and diluted (RMB cents)	<u><b>7.1</b></u>	<u>7.3</u>

Profit before income tax is determined after charging (crediting) the following:

	Group			Group		
	3 months ended 30 June			6 months ended 30 June		
	2012	2011	Change %	2012	2011	Change %
<i>RMB'000</i>	<i>RMB'000</i>		<i>RMB'000</i>	<i>RMB'000</i>		
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
(Reversal of) Allowance for inventory obsolescence	(63)	251	-125.1%	(63)	251	-125.1%
Depreciation of property, plant and equipment	4,367	4,148	5.3%	8,714	8,251	5.6%
Gain on disposal of available-for-sale investment	(68)	—	N.M.	(68)	(690)	-90.1%
Loss on disposal of property, plant and equipment	3	725	-99.6%	10	726	-98.6%
Amortisation of prepaid lease payments	140	140	0.0%	280	280	0.0%
Foreign exchange losses (gains)	2,105	465	N.M.	(643)	(358)	79.6%
Interest expense	6,097	3,769	61.8%	11,572	5,164	124.1%
Interest income	(1,020)	(689)	48.0%	(2,229)	(1,312)	69.9%
Research and development expenses	3,964	4,244	-6.6%	6,768	6,227	8.7%

N.M.: Not meaningful

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 June 2012	31 December 2011
	<i>Notes</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances		206,738	323,710
Pledged cash deposits		37,475	52,883
Trade receivables	14	862,787	734,596
Other receivables and prepayments		43,432	28,256
Inventories		121,814	135,911
Prepaid lease payment		560	560
		<hr/>	<hr/>
Total current assets		<b>1,272,806</b>	<b>1,275,916</b>
<b>Non-current assets</b>			
Prepaid lease payment		19,182	19,461
Property, plant and equipment	13	152,787	157,889
Other receivables and prepayments		5,760	5,760
Available-for-sale investment		10,000	10,000
Deferred tax assets		2,512	2,523
		<hr/>	<hr/>
Total non-current assets		<b>190,241</b>	<b>195,633</b>
		<hr/>	<hr/>
<b>TOTAL ASSETS</b>		<b><u>1,463,047</u></b>	<b><u>1,471,549</u></b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Short term loans		220,000	230,000
Trade payables	15	233,778	258,489
Other payables		15,338	28,719
Income tax payable		6,128	12,771
		<hr/>	<hr/>
Total current liabilities		<b>475,244</b>	<b>529,979</b>
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>797,562</b>	<b>745,937</b>
<b>Non-current liability</b>			
Deferred tax liabilities		2,858	2,596
		<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>		<b>478,102</b>	<b>532,575</b>
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b><u>984,945</u></b>	<b><u>938,974</u></b>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	11	295,000	295,000
General reserves		125,676	122,889
Special reserve		(6,017)	(6,017)
Translation reserve		(663)	(294)
Accumulated profits		570,949	527,396
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b><u>984,945</u></b>	<b><u>938,974</u></b>
		<hr/>	<hr/>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>1,463,047</u></b>	<b><u>1,471,549</u></b>

STATEMENT OF FINANCIAL POSITION — COMPANY LEVEL

	As at	
	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
<b>ASSETS</b>		
Current assets		
Cash and bank balances	57,624	63,085
Other receivables and prepayments	5,579	10,083
Total current assets	63,203	73,168
<b>Non-current assets</b>		
Subsidiaries	361,081	354,793
Property, plant and equipment	1	5
Total non-current assets	361,082	354,798
<b>TOTAL ASSETS</b>	<b>424,285</b>	<b>427,966</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Other payables	2,423	2,126
Total current liabilities	2,423	2,126
<b>NET CURRENT ASSETS</b>	<b>60,780</b>	<b>71,042</b>
<b>Non-current liability</b>		
Deferred tax liabilities	—	—
Total non-current liability	—	—
<b>TOTAL LIABILITIES</b>	<b>2,423</b>	<b>2,126</b>
<b>NET ASSETS</b>	<b>421,862</b>	<b>425,840</b>
<b>Equity attributable to equity holders of the parent</b>		
Share capital	295,000	295,000
Accumulated profits	126,862	130,840
<b>TOTAL EQUITY</b>	<b>421,862</b>	<b>425,840</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>424,285</b>	<b>427,966</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June

Group RMB'000	1 Apr 12 to 30 Jun 12 (unaudited)	1 Apr 11 to 30 Jun 11 (unaudited)	1 Jan 12 to 30 Jun 12 (unaudited)	1 Jan 11 to 30 Jun 11 (unaudited)
<b>Cash flows from operating activities</b>				
Profit before income tax	34,391	34,654	56,247	59,089
Adjustments for:				
Depreciation of property, plant and equipment	4,367	4,148	8,714	8,251
Amortisation of prepaid lease payments	140	140	280	280
(Reversal of) Allowance for inventory obsolescence	(63)	251	(63)	251
Loss on disposal of property, plant and equipment	3	725	10	726
Interest expense	6,097	3,769	11,572	5,164
Interest income	(1,020)	(689)	(2,229)	(1,312)
Gain on disposal of available-for-sale investments	(68)	—	(68)	(690)
Exchange differences arising on foreign currency translation	1,219	(932)	(1,496)	(204)
	<u>45,066</u>	<u>42,066</u>	<u>72,967</u>	<u>71,555</u>
Operating profit before working capital changes	45,066	42,066	72,967	71,555
Trade receivables	(120,855)	(104,848)	(128,191)	(145,946)
Other receivables and prepayments	(1,177)	3,742	(15,176)	(10,240)
Inventories	2,540	6,210	14,161	(11,478)
Trade and bill payables	95,727	125,229	(24,711)	96,355
Other payables and accruals	(1,033)	7,687	(13,381)	(4,026)
	<u>20,268</u>	<u>80,086</u>	<u>(94,331)</u>	<u>(3,780)</u>
Cash generated from operations	20,268	80,086	(94,331)	(3,780)
Interest paid	(6,097)	(3,769)	(11,572)	(5,164)
Interest income received	1,020	689	2,229	1,312
Income tax paid	(3,982)	(5,133)	(16,299)	(10,386)
	<u>11,209</u>	<u>71,873</u>	<u>(119,973)</u>	<u>(18,018)</u>
Net cash generated from (used in) operating activities	<u>11,209</u>	<u>71,873</u>	<u>(119,973)</u>	<u>(18,018)</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

For the period ended 30 June

Group RMB'000	1 Apr 12 to 30 Jun 12 (unaudited)	1 Apr 11 to 30 Jun 11 (unaudited)	1 Jan 12 to 30 Jun 12 (unaudited)	1 Jan 11 to 30 Jun 11 (unaudited)
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(929)	(7,439)	(3,622)	(10,466)
Proceeds from disposal of property, plant and equipment	—	380	—	380
Acquisition of available-for-sale investment	(15,000)	—	(15,000)	—
Proceeds from disposal of available-for-sale investment	15,068	—	15,068	2,690
Net cash used in investing activities	<u>(861)</u>	<u>(7,059)</u>	<u>(3,554)</u>	<u>(7,396)</u>
<b>Cash flows from financing activities</b>				
Dividend paid	—	(15,694)	—	(15,694)
Repayment of short-term bank loans	(60,000)	(40,000)	(80,000)	(40,000)
Proceeds from short-term bank loans	30,000	80,000	70,000	100,000
Decrease (increase) in pledged bank deposits	(19,071)	(32,751)	15,408	(15,747)
Net cash used in financing activities	<u>(49,071)</u>	<u>(8,445)</u>	<u>5,408</u>	<u>28,559</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(38,723)</b>	<b>56,369</b>	<b>(118,119)</b>	<b>3,145</b>
<b>Effects of foreign exchange translation</b>	<b>(892)</b>	<b>403</b>	<b>1,147</b>	<b>(334)</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>	<b>246,353</b>	<b>193,117</b>	<b>323,710</b>	<b>247,078</b>
<b>Cash and cash equivalents at the end of the financial period</b>	<b><u>206,738</u></b>	<b><u>249,889</u></b>	<b><u>206,738</u></b>	<b><u>249,889</u></b>



## STATEMENT OF CHANGES IN EQUITY

*Consolidated Statement of Changes in Equity for the period ended 30 June 2012*

<b>GROUP</b> <i>RMB'000</i>	<b>Share capital</b>	<b>General reserve</b>	<b>Special reserve</b>	<b>Translation reserve</b>	<b>Accumulated profits</b>	<b>Total</b>
<b>Balance at 1 January 2012</b>	<b>295,000</b>	<b>122,889</b>	<b>(6,017)</b>	<b>(294)</b>	<b>527,396</b>	<b>938,974</b>
Total comprehensive income for the period	—	—	—	(369)	46,340	45,971
Transfer to reserves	—	2,787	—	—	(2,787)	—
<b>Balance at 30 June 2012</b>	<b><u>295,000</u></b>	<b><u>125,676</u></b>	<b><u>(6,017)</u></b>	<b><u>(663)</u></b>	<b><u>570,949</u></b>	<b><u>984,945</u></b>

*Consolidated Statement of Changes in Equity for the period ended 30 June 2011*

<b>GROUP</b> <i>RMB'000</i>	<b>Share capital</b>	<b>General reserve</b>	<b>Special reserve</b>	<b>Translation reserve</b>	<b>Accumulated profits</b>	<b>Total</b>
<b>Balance at 1 January 2011</b>	<b>295,000</b>	<b>104,839</b>	<b>(6,017)</b>	<b>(4)</b>	<b>458,891</b>	<b>852,709</b>
Total comprehensive income for the period	—	—	—	(34)	48,986	48,952
Transfer to reserves	—	7,348	—	—	(7,348)	—
Dividends	—	—	—	—	(15,694)	(15,694)
<b>Balance at 30 June 2011</b>	<b><u>295,000</u></b>	<b><u>112,187</u></b>	<b><u>(6,017)</u></b>	<b><u>(38)</u></b>	<b><u>484,835</u></b>	<b><u>885,967</u></b>

## STATEMENT OF CHANGES IN EQUITY

*Statement of Changes in Equity of the Company for the period ended 30 June 2012*

<b>COMPANY</b> <i>RMB'000</i>	<b>Share capital</b>	<b>Accumulated profits</b>	<b>Total</b>
<b>Balance at 1 January 2012</b>	<b>295,000</b>	<b>130,840</b>	<b>425,840</b>
Total comprehensive income for the period	—	(3,978)	(3,978)
<b>Balance at 30 June 2012</b>	<b>295,000</b>	<b>126,862</b>	<b>421,862</b>

*Statement of Changes in Equity of the Company for the period ended 30 June 2011*

<b>COMPANY</b> <i>RMB'000</i>	<b>Share capital</b>	<b>Accumulated profits</b>	<b>Total</b>
<b>Balance at 1 January 2011</b>	295,000	131,648	426,648
Total comprehensive income for the period	—	25,198	25,198
Dividends	—	(15,694)	(15,694)
<b>Balance at 30 June 2011</b>	<b>295,000</b>	<b>141,152</b>	<b>436,152</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Singapore on 18 November 2004 under the Singapore Companies Act and its shares are dual primarily listed on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and The Stock Exchange of Hong Kong Limited (the “**SEHK**”) since 11 May 2006 and 23 December 2010 respectively. The registered office of the Company is located at 10 Anson Road #15-07, International Plaza, Singapore 079903. 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 Group 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 consolidated financial statements are presented in Renminbi (“**RMB**”), being the functional currency of the Group.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The report has been prepared in accordance with the measurement and recognition criteria of the Singapore Financial Reporting Standards (“**SFRS**”). The report also include the applicable disclosure requirements of the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and the Rules Governing the Listing of Securities on the SEHK (the “**Listing Rules**”).

The report is presented in RMB and all values are rounded to the nearest thousand (“**RMB’000**”) except when otherwise indicated.

### Accounting policies

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period reported on, as in the recently audited consolidated financial statements for the financial year ended 31 December 2011.

## 3. APPLICATION OF SFRS

The Group adopted the new and revised SFRS that are mandatory for the financial periods beginning on or after 1 January 2012.

The adoption of new and revised SFRS did not have any impact on the results of the Group for the financial period ended 30 June 2012.

#### 4. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products, and currently has three reportable operating segments as follows:

- Manufacturing and sale of RF Coaxial Cable Series for mobile communications (“**RF Coaxial Cables**”)
- Coaxial Cables for telecommunications equipment and accessories (“**Accessories**”)
- Others (includes Antenna and High Temperature Resistant Cables)

An analysis by principal activity of contribution to the results is as follows:

##### Segment revenues and results

For management purpose, the Group is currently organised into two distinct core product lines — radio frequency coaxial cables, and other telecommunication equipment. These product lines are the basis on which the Group reports its primary segment information.

Segment revenue and expense include the operating revenue and expenses which are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

##### Group

Six months ended 30 June	Radio frequency coaxial cables RMB'000	Telecommunication equipment and accessories RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
<b>2012</b>					
Revenue	<u>515,397</u>	<u>119,456</u>	<u>963</u>	<u>—</u>	<u>635,816</u>
<b>Segment Results</b>					
Segment profit	54,675	12,672	103	(6,167)	61,283
Interest income	1,629	380	—	220	2,229
Finance costs	(9,380)	(2,192)	—	—	(11,572)
Other income					4,819
Other expenses*					<u>(512)</u>
<b>Profit before income tax</b>					<b>56,247</b>
Income tax					<u>(9,907)</u>
<b>Net profit for the period</b>					<b><u>46,340</u></b>
<b>2011</b>					
Revenue	<u>577,980</u>	<u>97,456</u>	<u>—</u>	<u>—</u>	<u>675,436</u>
<b>Segment Results</b>					
Segment profit	57,804	9,747	—	(4,844)	62,707
Interest income	1,087	183	—	42	1,312
Finance costs	(4,419)	(745)	—	—	(5,164)
Other income					1,460
Other expenses*					<u>(1,226)</u>
<b>Profit before income tax</b>					<b>59,089</b>
Income tax					<u>(10,103)</u>
<b>Net profit for the period</b>					<b><u>48,986</u></b>

\* exclude research and development expenses

#### 4. SEGMENT INFORMATION (CONT'D)

##### Other segment information

##### Group

Six months ended 30 June	Radio frequency coaxial cables <i>RMB'000</i>	Telecommunication equipment and accessories <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
<b>2012</b>					
Capital expenditure	1,442	337	1,843	—	3,622
Depreciation expense	6,746	1,563	401	4	8,714
Amortisation of leasehold land	227	53	—	—	280
Allowance for (Reversal of) inventory obsolescence	(111)	21	—	27	(63)
<b>2011</b>					
Capital expenditure	8,550	1,442	474	—	10,466
Depreciation expense	7,055	1,189	2	5	8,251
Amortisation of leasehold land	240	40	—	—	280
Allowance for (Reversal of) inventory obsolescence	232	(20)	—	39	251

##### Statement of net assets

	Radio frequency coaxial cables <i>RMB'000</i>	Telecommunication equipment and accessories <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 30 June 2012</b>					
<b>Assets:</b>					
Segment assets	1,135,107	265,210	4,910	—	1,405,227
Unallocated assets				57,820	57,820
Total assets					1,463,047
<b>Liabilities:</b>					
Segment liabilities	385,590	90,090	—	—	475,680
Unallocated liabilities				2,422	2,422
Total liabilities					478,102
<b>As at 31 December 2011</b>					
<b>Assets:</b>					
Segment assets	1,174,067	220,327	3,982	—	1,398,376
Unallocated assets				73,173	73,173
Total assets					1,471,549
<b>Liabilities:</b>					
Segment liabilities	447,043	83,406	—	—	530,449
Unallocated liabilities				2,126	2,126
Total liabilities					532,575

#### 4. SEGMENT INFORMATION (CONT'D)

##### Geographical segment

The segmented information for geographical regions is based on the locations of customers and the location of the assets. In line with the Group's business strategy, the market is currently grouped into three geographical regions, namely Central Asia, South Asia and others.

	Revenue from external customers		Non-current assets	
	For the six months ended 30 June		As at	
	2012	2011	30 June	31 December
	RMB'000	RMB'000	RMB'000	RMB'000
Central Asia	589,773	592,707	190,209	195,588
South Asia	35,506	78,425	32	45
Others	10,537	4,304	—	—
Total	<u>635,816</u>	<u>675,436</u>	<u>190,241</u>	<u>195,633</u>

#### 5. REVENUE

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

	For the six months ended	
	30 June	2011
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sale of goods	<u>635,816</u>	<u>675,436</u>

#### 6. OTHER INCOME

	For the six months ended	
	30 June	2011
	2012	2011
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grants	3,839	117
Interest income	2,229	1,312
Foreign exchange gains	643	—
Gain on disposal of available-for-sale investments	68	690
Others	269	653
Total	<u>7,048</u>	<u>2,772</u>

## 7. FINANCE COSTS

For the six months ended  
30 June

2012 2011

RMB'000 RMB'000

(unaudited) (unaudited)

Interest on short term bank borrowings	<u>11,572</u>	<u>5,164</u>
--	---------------	--------------

## 8. PROFIT BEFORE INCOME TAX

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

For the six months ended  
30 June

2012 2011

RMB'000 RMB'000

(unaudited) (unaudited)

Cost of inventories recognised as expense (including allowance for (reversal of) inventory obsolescence)	522,220	531,009
Depreciation of property, plant and equipment	8,714	8,251
Amortisation of leasehold land	280	280
Employee benefits expense	20,528	23,689
Cost of defined contribution plans	3,043	2,353
Directors' fees — directors of the Company	800	852
Directors' remuneration:		
Directors of the Company	804	1,020
Directors of the subsidiaries	360	224
Total staff costs	<u>25,535</u>	<u>28,138</u>
Net foreign exchange gains	(643)	(358)
Loss on disposal of property, plant and equipment	10	726
Gain on disposal of available-for-sale investments	<u>(68)</u>	<u>(690)</u>

## 9. INCOME TAX EXPENSE

For the six months ended  
30 June

2012 2011

RMB'000 RMB'000

(unaudited) (unaudited)

Current	9,656	9,868
Deferred	251	235
	<u>9,907</u>	<u>10,103</u>

The Company is incorporated in Singapore and is subject to income tax rate of 17% for the six months ended 30 June 2012 (2011: 17%).

Under the law of the People's Republic of China on Enterprise Income Tax (the "EIT Law"), applicable income tax rate of Jiangsu Hengxin Technology Co. Ltd, the Group's PRC incorporated key subsidiary, in 2012 is 15% (2011: 15%).

Taxes on profits elsewhere have been calculated at the rates of tax prevailing in the country in which the Group operates.

## 10. DIVIDENDS

The Company did not recommend or declare any interim dividend for the six months ended 30 June 2012. No interim dividend was also declared nor paid for the previous financial period ended 30 June 2011.

## 11. SHARE CAPITAL

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

Share capital — Ordinary Shares	No. of shares '000	RMB'000	SS'000
Balance as at 31 December 2011 and 30 June 2012	<u>388,000</u>	<u>295,000</u>	<u>58,342</u>

In accordance with the memorandum of association and articles of association of the Company, treasury shares are not allowed in the Company.

## 12. EARNINGS PER SHARE

Earnings per share is calculated by dividing the Group's net profit attributable to shareholders for the period by the weighted average number of ordinary shares outstanding during the period.

	Group 3 months ended		Group 6 months ended	
	30 Jun 12 (unaudited)	30 Jun 11 (unaudited)	30 Jun 12 (unaudited)	30 Jun 11 (unaudited)
Earnings per share ( <i>RMB</i> )				
— Basic	<u>7.1</u>	<u>7.3</u>	<u>11.8</u>	<u>12.6</u>
— Diluted	<u>7.1</u>	<u>7.3</u>	<u>11.8</u>	<u>12.6</u>
Weighted average no. of shares applicable to basic EPS ( <i>'000</i> )	<b>388,000</b>	388,000	<b>388,000</b>	388,000
Weighted average no. of shares based on fully diluted basis ( <i>'000</i> )	<b>388,000</b>	388,000	<b>388,000</b>	388,000

There were no potential dilutive ordinary shares in existence during the period ended 30 June 2011 and 2012.

## 13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, the Group's capital expenditure was approximately RMB3.6 million (2011: RMB10.5 million).



#### 14. TRADE RECEIVABLES

	30 June 2012 <i>RMB'000</i> (unaudited)	31 December 2011 <i>RMB'000</i> (audited)
Trade receivables	849,292	666,807
Allowance for doubtful debts	<u>(15,762)</u>	<u>(15,762)</u>
Net	833,530	651,045
Notes receivable	<u>29,257</u>	<u>83,551</u>
Total	<u><u>862,787</u></u>	<u><u>734,596</u></u>

The Group allows credit period of 180 days to its trade customers. The aging of trade receivables, net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period is as follows:

	30 June 2012 <i>RMB'000</i> (unaudited)	31 December 2011 <i>RMB'000</i> (audited)
0 to 180 days	601,686	590,053
181 to 360 days	195,236	131,544
Over 360 days to 2 years	<u>65,865</u>	<u>12,999</u>
	<u><u>862,787</u></u>	<u><u>734,596</u></u>

#### 15. TRADE PAYABLES

	30 June 2012 <i>RMB'000</i> (unaudited)	31 December 2011 <i>RMB'000</i> (audited)
Trade payables	113,478	82,819
Bill payables	<u>120,300</u>	<u>175,670</u>
	<u><u>233,778</u></u>	<u><u>258,489</u></u>

Trade payables comprise amounts outstanding for trade purchases. Payment terms with suppliers are mainly on credit within 90 days from the invoice date. The aging of trade payables and notes payables are as follows:

	30 June 2012 <i>RMB'000</i> (unaudited)	31 December 2011 <i>RMB'000</i> (audited)
0 to 90 days	223,119	126,475
91 to 180 days	8,510	111,687
181 to 360 days	876	19,953
Over 360 days to 2 years	1,154	374
>2 years	<u>119</u>	<u>—</u>
	<u><u>233,778</u></u>	<u><u>258,489</u></u>

## 16. NET ASSET VALUE

The net asset value per ordinary share of the Group and Company is shown below:

	Group		Company	
	30 Jun 12 (unaudited)	31 Dec 11 (audited)	30 Jun 12 (unaudited)	31 Dec 11 (audited)
Net Assets ( <i>RMB'000</i> )	<b>984,945</b>	938,974	<b>421,862</b>	425,840
Number of ordinary shares ( <i>'000</i> )	<b>388,000</b>	388,000	<b>388,000</b>	388,000
Net Asset Value per ordinary share ( <i>RMB</i> )	<b>2.54</b>	2.42	<b>1.09</b>	1.10

## 17. RELATED PARTY TRANSACTIONS

### (a) Transactions

During the period, the Group had the following significant transactions with Suzhou Hengli Telecommunications Materials Co. Ltd:

	For the six months ended 30 June	
	2012 <i>RMB'000</i> (unaudited)	2011 <i>RMB'000</i> (unaudited)
Purchase of raw materials	<b>3,294</b>	4,999

### (b) Compensation of key management personnel

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

	For the six months ended 30 June	
	2012 <i>RMB'000</i> (unaudited)	2011 <i>RMB'000</i> (unaudited)
Short term benefits	<b>2,169</b>	2,041
Retirement benefits scheme contribution	<b>30</b>	52
Total	<b>2,199</b>	2,093

## 18. CAPITAL COMMITMENTS

	As at	
	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Contracted but not provided for:		
Property, plant and equipment	5,563	6,258
Donation commitment	7,000	7,500
	<hr/>	<hr/>
Total	<b>12,563</b>	<b>13,758</b>

## 19. COMMITMENT

As at 30 June 2012, certain constructions were built on a piece of land located in the PRC (the “No. 5 Land”) amounting to approximately RMB29.0 million. In addition, the Group had prepaid RMB5.76 million as deposit for the acquisition of such land but the Group has yet to obtain the land certificate. At the end of the reporting period, the management remains committed to secure the No. 5 Land.

## 20. OPERATING LEASE ARRANGEMENTS

As at 30 June 2012, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	As at	
	30 June 2012 RMB'000 (unaudited)	31 December 2011 RMB'000 (audited)
Within one year	656	680
In the second to fifth years inclusive	443	174
	<hr/>	<hr/>
	<b>1,099</b>	<b>854</b>

Operating lease payments represent rentals payable by the Group and Company for certain of its office and workshop properties. Leases are negotiated for an average of 1 to 3 years.

## **(I) MANAGEMENT DISCUSSION AND ANALYSIS**

### **Half year performance — Six months ended 30 June**

Material changes are explained below:

#### ***Revenue***

Revenue decreased by approximately RMB39.6 million, or approximately 5.9% from approximately RMB675.4 million in the six months ended 30 June 2011 (“1H2011”) to approximately RMB635.8 million in the six months ended 30 June 2012 (“1H2012”). Lower spending by telecom operators on our products in the domestic and overseas markets resulted in a lower revenue during the period.

#### ***RF Coaxial Cable***

Revenue generated from RF Coaxial Cables decreased by approximately RMB62.6 million or approximately 10.8% from approximately RMB578.0 million in 1H2011 to approximately RMB515.4 million in 1H2012.

#### ***Accessories***

Revenue generated from Accessories increased by approximately RMB22.0 million or approximately 22.5% from approximately RMB97.5 million in 1H2011 to approximately RMB119.5 million in 1H2012.

#### ***Gross profit margin***

The Group achieved an overall gross profit margin of approximately 17.9% in 1H2012, relatively unchanged compared to 1H2011. The Group continues to monitor production efficiencies to ensure optimal raw materials 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 pressures resulting from keen competition.

#### ***Other income***

Other income increased by approximately RMB4.2 million or approximately 150.0% from approximately RMB2.8 million in 1H2011 to approximately RMB7.0 million in 1H2012. The increase is mainly due to government grants being awarded to the Group’s key subsidiary, Jiangsu Hengxin Technology Co., Ltd and a higher interest income earned in 1H2012.

#### ***Selling and distribution expenses***

Selling and distribution expenses decreased by approximately RMB2.0 million or approximately 6.8% from approximately RMB29.6 million in 1H2011 to approximately RMB27.6 million in 1H2012. The decrease was in line with the Group’s lower sales achieved during the financial period.

### *Administrative expenses*

Administrative expenses decreased by approximately RMB4.4 million or approximately 19.6% from approximately RMB22.4 million in 1H2011 to approximately RMB18.0 million in 1H2012 as the Group adopted various cost control measures during the financial period.

### *Other operating expenses*

Other operating expenses remained relatively unchanged, decreasing by approximately RMB0.2 million or approximately 2.7% from approximately RMB7.5 million in 1H2011 to approximately RMB7.3 million in 1H2012. The absence of the loss on disposal of property, plant and equipment in 1H2011 amounting RMB0.7 million was partially offset by an increase in R&D expenses of approximately RMB0.6 million in 1H2012.

### *Finance costs*

Finance costs increased by approximately RMB6.4 million or approximately 123.1% from approximately RMB5.2 million in 1H2011 to approximately RMB11.6 million in 1H2012. The Group secured a higher amount of borrowings to finance its working capital needs, resulting in an increase in finance costs in 1H2012 compared to that in 1H2011.

### *Profit before income tax*

Profit before income tax decreased by approximately RMB2.9 million or approximately 4.9% from approximately RMB59.1 million in 1H2011 to approximately RMB56.2 million in 1H2012 due to lower revenue achieved.

### *Income tax expense*

The Group's main subsidiary 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. The decrease in income tax expenses is in line with the decrease in profit before tax for 1H2012. Accordingly, income tax expense decreased by approximately RMB0.2 million or approximately 2.0% from approximately RMB10.1 million in 1H2011 to approximately RMB9.9 million in 1H2012.

### *Net profit*

In view of the above, net profit attributable to equity holders of the parent decreased by approximately RMB2.7 million or approximately 5.5% from approximately RMB49.0 million in 1H2011 compared to approximately RMB46.3 million in 1H2012.

## **Second quarter performance — Three months ended 30 June**

### *Revenue*

Group revenue decreased by approximately RMB20.7 million, or approximately 5.2% from approximately RMB396.9 million in the three months ended 30 June 2011 (“**2Q2011**”) to approximately RMB376.2 million in the three months ended 30 June 2012 (“**2Q2012**”). The decrease was due to lower spending by telecom operators in the PRC and overseas during the period.

### *RF Coaxial Cable*

Revenue generated from RF Coaxial Cables decreased by approximately RMB33.7 million or approximately 10.1% from approximately RMB332.2 million in 2Q2011 to approximately RMB298.5 million in 2Q2012.

### *Accessories*

Revenue generated from Accessories increased by approximately RMB12.4 million or approximately 19.2% from approximately RMB64.7 million in 2Q2011 to approximately RMB77.1 million in 2Q2012.

### *Gross profit margin*

Gross profit margin for 2Q2012 stood at approximately 18.3% compared to approximately 17.6% in 2Q2011. Higher sales from Accessories segment contributed to a higher GP margin during the period. The Group continues to monitor production efficiencies to ensure optimal raw materials 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 pressures resulting from keen competition.

### *Other income*

Other income increased by approximately RMB1.4 million or approximately 350.0% from approximately RMB0.4 million in 2Q2011 to approximately RMB1.8 million in 2Q2012. The increase arose from higher interest income earned and government grants during the period.

### *Selling and distribution expenses*

Selling and distribution expenses increased by approximately RMB1.1 million or approximately 7.6% from approximately RMB14.4 million in 2Q2011 to approximately RMB15.5 million in 2Q2012. The increase is in line with the Group's focus to market its products in new geographical markets and clientele, thus incurring a higher level of marketing costs.

### *Administrative expenses*

Administrative expenses decreased by approximately RMB3.9 million or approximately 31.2% from approximately RMB12.5 million in 2Q2011 to approximately RMB8.6 million in 2Q2012. The decrease was mainly due to the Group's cost control measures during the period.

### *Other operating expenses*

Other operating expenses increased by approximately RMB1.1 million or approximately 22.0% from approximately RMB5.0 million in 2Q2011 to approximately RMB6.1 million in 2Q2012. The increase was due to foreign exchange losses incurred, which was partially offset by lower R&D expenses during the period.

### ***Finance costs***

Finance costs increased by approximately RMB2.3 million or approximately 60.5% from approximately RMB3.8 million in 2Q2011 to approximately RMB6.1 million in 2Q2012. The Group secured a higher amount of borrowings to finance its working capital needs, resulting in an increase in finance costs in 2Q2012 compared to that in 2Q2011.

### ***Profit before income tax***

Profit before income tax decreased by approximately RMB0.3 million or approximately 0.9% from approximately RMB34.7 million in 2Q2011 to approximately RMB34.4 million in 2Q2012 as a result of lower revenue generated and higher finance costs in 2Q2012.

### ***Income tax expense***

The Group's main subsidiary 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. The increase in income tax expense is due to higher profits achieved by the Group's main subsidiary, Jiangsu Hengxin Technology Co., Ltd in 2Q2012 compared to 2Q2011.

### ***Net profit***

In view of the above, net profit attributable to equity holders of the parent decreased by approximately RMB0.6 million or approximately 2.1% from approximately RMB28.4 million in 2Q2011 to approximately RMB27.8 million in 2Q2012.

## **Statement of Financial Position**

Material fluctuations of balance sheet items are explained below:

### ***Pledged bank deposits***

Pledged bank deposits are used as a pledged against commercial bills used for payment to suppliers. Pledged bank deposits decreased by approximately RMB15.4 million or approximately 29.1% from approximately RMB52.9 million as at 31 December 2011 to approximately RMB37.5 million as at 30 June 2012 due to a lower amount of commercial bills payable to suppliers, requiring a lower amount of bank balances required to be set aside as securities.

### ***Trade receivables***

Trade receivables increased by approximately RMB128.2 million or approximately 17.5% from approximately RMB734.6 million as at 31 December 2011 to approximately RMB862.8 million as at 30 June 2012.

Average trade receivables turnover days are 239 days as at 30 June 2012 compared to 179 days as at 31 December 2011 and 253 days as at 31 March 2012. Due to the macro-economic slowdown in the PRC, its major customers are taking a longer period in making payments. Nonetheless, most trade receivables balances are recent sales which are well within the average credit period given to our customers. The Group will endeavour to continue its collection efforts on the outstanding balances.

### ***Other receivables and prepayments***

Other receivables and prepayments increased by approximately RMB15.1 million or approximately 53.4% from approximately RMB28.3 million as at 31 December 2011 to approximately RMB43.4 million as at 30 June 2012. Due to a major tender exercise held in 2012 requiring the Group to increase its manufacturing pace and adhere to strict delivery schedules, the Group made deposits to raw material suppliers amounting RMB33.5 million as at 30 June 2012 compared to RMB16.6 million as at 31 December 2011 so as to ensure customer requirements can be met.

### ***Inventories***

Inventories (comprising raw materials, work-in-progress and finished goods) decreased by approximately RMB14.1 million or approximately 10.4% from approximately RMB135.9 million as at 31 December 2011 to approximately RMB121.8 million as at 30 June 2012. This is due to the Group's forecast of slower sales expected in the coming months.

### ***Property, plant and equipment***

Property, plant and equipment decreased by approximately RMB5.1 million or approximately 3.2% from approximately RMB157.9 million as at 31 December 2011 to approximately RMB152.8 million as at 30 June 2012 arising from addition of property, plant and equipment, which is offset by depreciation expenses during the period.

### ***Short-term bank loans***

Short-term bank loans decreased by approximately RMB10.0 million or approximately 4.3% from approximately RMB230.0 million as at 31 December 2011 to approximately RMB220.0 million in 30 June 2012 due to repayments made during the period.

### ***Trade payables and Other payables***

Trade payables decreased by approximately RMB24.7 million or approximately 9.6% from approximately RMB258.5 million as at 31 December 2011 to approximately RMB233.8 million as at 30 June 2012 in line with lower sales during 1H2012.

Other payables decreased by approximately RMB13.4 million or approximately 46.7% from approximately RMB28.7 million as at 31 December 2011 to approximately RMB15.3 million as at 30 June 2012 as some of the expenses accrued for in 2011 were being paid during 1H2012.

### ***Income tax payable***

Income tax payable decreased by approximately RMB6.7 million as at 30 June 2012 compared to that as at 31 December 2011. The higher balance as at 31 December 2011 related to taxes in the prior quarter which were not yet paid then, but were all paid off during 1H2012.

### ***Cash and bank balances***

Cash and bank balances decreased RMB117.0 million or approximately 36.1% from RMB323.7 million as at 31 December 2011 compared to RMB206.7 million as at 30 June 2012 mainly due to slower payments from customers during the period.



## (II) LIQUIDITY, FINANCIAL RESOURCES

In addition to its short-term interest-bearing facilities, the Group generally finances its operations from cash flows generated internally. For the six months ended 30 June 2012, the Group's negative working capital resulted in additional loans being obtained to finance the Group's operations.

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

The management of the Group monitors capital based on the Group net gearing ratio. The Group net gearing ratio is calculated as net borrowings divided by total equity. Net borrowings are calculated as total short-term loans less cash and cash equivalents at the end of the reporting period.

	As at	
	30 June 2012	31 December 2011
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Net cash borrowings	(13,262)	93,710
Total equity	984,945	938,974
Net debt to equity ratio (%)	<u>1.35</u>	<u>(9.98)</u>

Amount repayable in one year or less, or on demand:

As at 30 June 2012		As at 31 December 2011	
Secured	Unsecured	Secured	Unsecured
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(unaudited)	(unaudited)	(audited)	(audited)
<u>—</u>	<u>220,000</u>	<u>—</u>	<u>230,000</u>

There is no amount repayable after one year.

**(III) PROSPECTS (A COMMENTARY AT THE DATE OF THE 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)**

The mobile communications industry remains challenging. The Group experienced a modest slowdown in its RF Coaxial Cables segment, while experiencing an increase in demand for its products from the Telecommunication equipment and accessories segment. These products from the Telecommunication equipment and accessories segment continue to be in demand within and outside the PRC.

In India, regulatory uncertainties coupled with slowing growth and high inflation have pushed the Indian rupee to new lows, affecting the Group's ability to counter the effects of weak currency using hedges. To trim its costs for the long term, telecom operators have started to adopt aluminium-made RF Coaxial cables instead of copper ones. This is expected to result in lower sales quantum due to aluminium's lower costs.

Following the recent completion of the antenna manufacturing facility and testing chamber, the Group have started work on a few prototypes of mobile communication antennas. As announced previously, the commencement of manufacture for sale is solely conditional upon the Group being able to submit its tender in time and passing tests for various products put up for tender. The Group have not received any tenders for the sale of antennas to date, accordingly the commencement of sales for antenna may be delayed as a result.

The Group will continue to seek new geographical markets and customers in countering the weak demand in the PRC market, and will continue its efforts to actively seek potential business opportunities for the Group.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, the interests and short positions of the directors (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 SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest 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 of the Listing Rules, were as follows:

Long positions in the Company:

Name of Directors	Number of issued shares in the Company			Approximate percentage of the Company's issued share capital
	Personal interests	Corporate interests	Total interests	
Mr Cui Genxiang <sup>(1)</sup>	—	90,294,662	90,294,662	23.27%
Ms Zhang Zhong <sup>(2)</sup>	—	28,082,525	28,082,525	7.24%

*Notes:*

- (1) Mr Cui Genxiang beneficially owns the entire issued share capital of Kingever Enterprises Limited (“**Kingever**”), and Kingever in turn holds approximately 23.27% of the total issued shares 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 shares in the Company.

Saved as disclosed above, as at 30 June 2012, none of the Directors and chief executives of the Company nor their associates had or deemed to have any interests or short position 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.

## SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2012, insofar as is known to the Directors and chief executives of the Company, the following shareholders have 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:

Name	Capacity and nature of interests	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Kingever ( <i>Note (a)</i> )	Registered owner and beneficially owned	90,294,662	23.27%
Mr Cui Genxiang ( <i>Note (a)</i> )	Deemed interest and interest in controlled company	90,294,662	23.27%
Wellahead ( <i>Note (b)</i> )	Registered owner and beneficially owned	28,082,525	7.24%
Ms Zhang Zhong ( <i>Note (b)</i> )	Deemed interest and interest in controlled company	28,082,525	7.24%

*Notes:*

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

Saved as disclosed above, as at 30 June 2012, 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, has an interest or short position in the shares or underlying shares of the Company that was required to be recorded.

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial period nor at any time during the financial period did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

## (IV) SUPPLEMENTARY INFORMATION

### 1. **Audit Committee**

The Company's audit committee members are Mr. Tay Ah Kong Bernard, Mr. Chee Teck Kwong Patrick, Mr. Tam Chi Kwan Michael and Ms. Zhang Zhong. The audit committee, which is chaired by Mr. Tay Ah Kong Bernard, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2012.

### 2. **Compliance with Corporate Governance Code**

The Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices (formerly set out in Appendix 14 to the Listing Rules) and the revised Corporate Governance Code which is applicable to financial reports covering periods after 1 April 2012 for the six months ended 30 June 2012.

### 3. **Compliance with the Model Code for Securities Transactions by Directors of Listed Issuer**

The Board confirms, having made specific enquiries with all directors of the Company that during the six months ended 30 June 2012, all the directors have complied with the required standards of the Model Code as set out in Appendix 10 of the Listing Rules.

### 4. **Review of financial results**

The results have not been audited or reviewed by the Company's auditors.

### 5. **Purchase, Sales or Redemption of the Company's Securities**

For the six months ended 30 June 2012, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the securities of the Company.

### 6. **Audit or review in accordance with applicable accounting standards**

The figures have not been audited or reviewed by the Company's auditors.

### 7. **Auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

### 8. **If the group has obtained a general mandate from shareholders for Interest Person Transactions ("IPTs"), the aggregate value of such transactions as required under SGX Listing Manual Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

No mandate from shareholders has been obtained for IPTs.

### 9. **Negative assurance pursuant to SGX Listing Manual Rule 705(5)**

We, **Cui Genxiang** and **Xu Guoqiang**, being two directors of Hengxin Technology Ltd. (the "Company"), do hereby confirm on behalf of the Board of Directors of the Company ("Board") that, to the best of the Board's knowledge, nothing has come to the attention of the Board which may render the 2Q2012 and 1H2012 financial results to be false or misleading in any material aspect.

## 10. Disclosure on the Website of the Exchanges

This report shall be published on the websites of SGX-ST (<http://www.sgx.com>), the SEHK (<http://www.hkex.com.hk>) and on the Company's website (<http://www.hengxin.com.sg>).

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

Singapore, 13 August 2012

*As at the date of this report, the executive directors of the Company are Mr. Cui Genxiang and Mr. Xu Guoqiang; the non-executive director of the Company is Ms. Zhang Zhong; and the non-executive independent directors of the Company are Mr. Tay Ah Kong Bernard, Mr. Chee Teck Kwong Patrick and Mr. Tam Chi Kwan Michael.*