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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 Singapore with limited liability)*

*(Singapore Company Registration Number 200414927H)*

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

**(Singapore Stock Code: I85)**

**ANNOUNCEMENT OF FINAL RESULTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2014**

**FINANCIAL HIGHLIGHTS**

1. Revenue increased by 19.2% to RMB1,475.4 million
2. Gross profit increased by 8.0% to RMB261.6 million
3. Net profit attributable to equity holders of the parent increased by 23.2% to RMB97.1 million
4. Basic earnings per share was RMB0.25
5. No dividend has been recommended by the Company for the financial year ended 31 December 2014.

The board of directors (the “**Board**”) of Hengxin Technology Ltd. (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiary (collectively hereinafter referred as the “**Group**”) for the year ended 31 December 2014 together with the comparative figures for the corresponding periods in 2013 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December (“FY”) 2014*

	<i>Notes</i>	<b>2014</b> <b>RMB’000</b>	2013 <i>RMB’000</i>
<b>Revenue</b>	5	<b>1,475,410</b>	1,238,209
Cost of sales		<u><b>(1,213,829)</b></u>	<u>(996,042)</u>
<b>Gross profit</b>		<b>261,581</b>	242,167
Other income	6	<b>11,758</b>	6,624
Selling and distribution expenses		<b>(74,877)</b>	(67,950)
Administrative expenses		<b>(37,626)</b>	(39,859)
Other operating expenses		<b>(40,083)</b>	(33,628)
Finance costs	7	<u><b>(4,657)</b></u>	<u>(4,241)</u>
<b>Profit before income tax</b>	8	<b>116,096</b>	103,113
Income tax expense	9	<u><b>(19,009)</b></u>	<u>(24,306)</u>
<b>Net profit attributable to equity holders of parent</b>		<b>97,087</b>	78,807
<b>Other comprehensive income</b>			
Items that may be classified subsequently to profit or loss:			
Exchange difference arising from consolidation of foreign operations		<u><b>490</b></u>	<u>(222)</u>
<b>Total comprehensive income attributable to equity holders of the parent</b>		<u><b>97,577</b></u>	<u>78,585</u>
<b>Earnings per share attributable to equity holders of the parent</b>			
<b>Basic and diluted</b> ( <i>RMB cents</i> )	12	<u><b>25.1</b></u>	<u>20.3</u>
<b>Dividends per share</b> ( <i>RMB cents</i> )	10	<u><b>—</b></u>	<u>2.03</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***As at 31 December*

	<i>Notes</i>	<b>2014</b> <b><i>RMB'000</i></b>	2013 <i>RMB'000</i>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances		<b>469,100</b>	372,177
Pledged bank deposits		<b>22,777</b>	1,960
Trade receivables	14	<b>639,331</b>	656,795
Other receivables and prepayment		<b>56,374</b>	39,112
Inventories		<b>153,041</b>	182,549
Leasehold land		<b>1,355</b>	560
Total current assets		<b>1,341,978</b>	1,253,153
<b>Non-current assets</b>			
Leasehold land		<b>53,404</b>	18,342
Available-for-sale investment		<b>10,000</b>	10,000
Property, plant and equipment		<b>147,725</b>	143,615
Other receivables and prepayment		<b>—</b>	5,760
Deferred tax assets		<b>2,648</b>	2,737
Total non-current assets		<b>213,777</b>	180,454
<b>Total assets</b>		<b>1,555,755</b>	1,433,607
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Short term loans		<b>204,848</b>	176,810
Trade payables	15	<b>126,357</b>	126,254
Other payables		<b>33,175</b>	34,822
Income tax payable		<b>3,438</b>	721
Total current liabilities		<b>367,818</b>	338,607
<b>NET CURRENT ASSETS</b>		<b>974,160</b>	914,546

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
<b>Non-current liabilities</b>		
Deferred income	10,500	7,500
Deferred tax liabilities	3,956	3,467
	<hr/>	<hr/>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>14,456</b>	10,967
	<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>	<b>382,274</b>	349,574
	<hr/>	<hr/>
<b>NET ASSETS</b>	<b>1,173,481</b>	1,084,033
	<hr/>	<hr/>
<b>Equity attributable to equity holders of the parent</b>		
Share capital	295,000	295,000
General reserves	163,829	149,215
Special reserve	(6,017)	(6,017)
Translation reserves	(830)	(1,320)
Accumulated profits	721,499	647,155
	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>1,173,481</b>	1,084,033
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## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

<b>Group</b>	<b>1 Jan 14 to</b>	1 Jan 13 to
<i>RMB'000</i>	<b>31 Dec 14</b>	31 Dec 13
<b>Operating activities</b>		
Profit before tax	<b>116,096</b>	103,113
Adjustments for:		
Depreciation of property, plant and equipment	<b>17,678</b>	19,033
Amortisation of leasehold land	<b>1,023</b>	560
Reversal of stock obsolescence	<b>(43)</b>	(1,180)
(Gain) loss on disposal of property, plant and equipment	<b>(102)</b>	339
Interest expense	<b>4,657</b>	4,241
Interest income	<b>(2,675)</b>	(2,815)
Gain on disposal of available-for-sale investments	<b>(48)</b>	—
Exchange differences arising on foreign currency translation	<b>704</b>	1,984
	<hr/>	<hr/>
Operating profit before working capital changes	<b>137,290</b>	125,275
Trade receivables	<b>17,464</b>	(38,443)
Other receivables and prepayments	<b>(11,502)</b>	(14,815)
Inventories	<b>29,551</b>	(73,128)
Trade payables	<b>103</b>	(30,039)
Other payables, accruals and deferred income	<b>1,353</b>	23,250
	<hr/>	<hr/>
Cash generated from (used in) operations	<b>174,259</b>	(7,900)
Interest paid	<b>(4,657)</b>	(4,241)
Interest income received	<b>2,675</b>	2,815
Income tax paid	<b>(15,714)</b>	(24,131)
	<hr/>	<hr/>
Net cash generated from (used in) operating activities	<b><u>156,563</u></b>	<b><u>(33,457)</u></b>
<b>Investing activities</b>		
Acquisition of property, plant and equipment	<b>(22,153)</b>	(11,075)
Acquisition of leasehold land	<b>(36,880)</b>	—
Proceeds from disposal of property, plant and equipment	<b>467</b>	44
Acquisition of available-for-sale investments	<b>(10,000)</b>	—
Proceeds from disposal of available-for-sale investments	<b>10,048</b>	—
	<hr/>	<hr/>
Net cash used in investing activities	<b><u>(58,518)</u></b>	<b><u>(11,031)</u></b>

<b>Group</b> <i>RMB'000</i>	<b>1 Jan 14 to 31 Dec 14</b>	1 Jan 13 to 31 Dec 13
<b>Financing activities</b>		
Repayment of short-term bank loans	<b>(176,810)</b>	(106,799)
Proceeds from short-term bank loans	<b>204,848</b>	241,610
(Increase) decrease in pledged bank deposits	<b>(20,817)</b>	18,210
Dividends paid	<b>(8,129)</b>	—
	<hr/>	<hr/>
Net cash (used in) generated from financing activities	<b>(908)</b>	153,021
	<hr/> <hr/>	<hr/> <hr/>
<b>Net increase in cash and cash equivalents</b>	<b>97,137</b>	108,533
<b>Effects of foreign exchange translation</b>	<b>(214)</b>	(2,209)
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>372,177</b>	265,853
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>469,100</b>	372,177
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## STATEMENT OF CHANGES IN EQUITY — GROUP

*Consolidated Statement of Changes in Equity for the year ended 31 December 2014*

	Share capital	General reserve	Special reserve	Translation reserve	Accumulated profits	Total
<i>RMB'000</i>						
<b>Balance at 1 January 2014</b>	<b>295,000</b>	<b>149,215</b>	<b>(6,017)</b>	<b>(1,320)</b>	<b>647,155</b>	<b>1,084,033</b>
Total comprehensive income for the year						
Profit for the year	—	—	—	—	97,087	97,087
Other comprehensive income for the year	—	—	—	490	—	490
Total	<b>295,000</b>	<b>149,215</b>	<b>(6,017)</b>	<b>(830)</b>	<b>744,242</b>	<b>1,181,610</b>
Transactions with owners, recognised directly in equity						
Dividends	—	—	—	—	(8,129)	(8,129)
Transfer to reserves	—	14,614	—	—	(14,614)	—
<b>Balance at 31 December 2014</b>	<b>295,000</b>	<b>163,829</b>	<b>(6,017)</b>	<b>(830)</b>	<b>721,499</b>	<b>1,173,481</b>

*Consolidated Statement of Changes in Equity for the year ended 31 December 2013*

	Share capital	General reserve	Special reserve	Translation reserve	Accumulated profits	Total
<i>RMB'000</i>						
<b>Balance at 1 January 2013</b>	295,000	134,381	(6,017)	(1,098)	583,182	1,005,448
Profit for the year	—	—	—	—	78,807	78,807
Other comprehensive income for the year	—	—	—	(222)	—	(222)
Total	295,000	134,381	(6,017)	(1,320)	661,989	1,084,033
Transactions with owners, recognised directly in equity						
Transfer to reserves	—	14,834	—	—	(14,834)	—
<b>Balance at 31 December 2013</b>	<b>295,000</b>	<b>149,215</b>	<b>(6,017)</b>	<b>(1,320)</b>	<b>647,155</b>	<b>1,084,033</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 primary-listed on Main Board of The Stock Exchange of Hong Kong Limited (the “SEHK”) and secondary-listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The registered office of the Company is located at 10 Anson Road #32-15, 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 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 consolidated financial statements are presented in Renminbi (“RMB”), being the functional currency of the Company and the presentation currency of the Group.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

These financial statements have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (“IFRSs”), amendments (hereinafter referred to as the “IFRS”) issued by the International Accounting Standards Board (“IASB”) that are effective for annual reporting periods beginning on or after 1 January 2014.

On January 1, 2014, the Group adopted IFRS in the preparation of these financial information (2013: Singapore Financial Reporting Standards). The first time adoption of IFRS did not result in any changes to the financial information in prior periods.

These financial statements have been prepared on a historical cost basis. These financial statements are presented in Renminbi (“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 2013.

## 3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group adopted the new and revised IFRS that are mandatory for the periods beginning on or after 1 January 2014.

The adoption of new and revised IFRS did not have any impact on the results of the Group for the current and prior financial years.



#### 4. SEGMENT INFORMATION

For management purposes, the Group is organised 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 Antennas and High Temperature Resistant Cables (“**HTRC**”))

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 three core product lines — radio frequency coaxial cables, telecommunications equipment and others. 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

Year ended 31 December	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>2014</b>					
Revenue	<u>1,064,740</u>	<u>337,130</u>	<u>73,540</u>	<u>—</u>	<u>1,475,410</u>
<b>Segment Results</b>					
Segment profit	84,377	26,645	5,844	(4,254)	112,612
Interest income	2,025	640	—	10	2,675
Finance costs	(3,539)	(1,118)	—	—	(4,657)
Other income					9,083
Other expenses*					<u>(3,617)</u>
<b>Profit before income tax</b>					<b>116,096</b>
Income tax					<u>(19,009)</u>
<b>Net profit for the year</b>					<u><b>97,087</b></u>
<b>2013</b>					
Revenue	<u>932,998</u>	<u>270,370</u>	<u>34,841</u>	<u>—</u>	<u>1,238,209</u>
<b>Segment Results</b>					
Segment profit	95,172	27,631	1,020	(18,087)	105,736
Interest income	2,165	629	—	21	2,815
Finance costs	(3,287)	(954)	—	—	(4,241)
Other income					3,809
Other expenses*					<u>(5,006)</u>
<b>Profit before income tax</b>					<b>103,113</b>
Income tax					<u>(24,306)</u>
<b>Net profit for the year</b>					<u><b>78,807</b></u>

\* *excludes research and development expenses*

Other segment information

GROUP

Year ended 31 December	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>2014</b>					
Capital expenditure	15,535	4,906	1,696	16	22,153
Depreciation expense	11,513	3,636	2,526	3	17,678
Amortisation of leasehold land	777	246	—	—	1,023
Allowance (reversal of) for inventory obsolescence	—	(16)	45	(72)	(43)
<b>2013</b>					
Capital expenditure	5,222	1,516	4,337	—	11,075
Depreciation expense	13,336	3,872	1,820	5	19,033
Amortisation of leasehold land	434	126	—	—	560
Reversal of inventory obsolescence	(839)	(243)	—	(98)	(1,180)
<b>Statement of net assets</b>					
As at 31 December	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>2014</b>					
<b>Assets:</b>					
Segment assets	1,136,023	358,744	41,245	—	1,536,012
Unallocated assets				19,743	19,743
Total assets					1,555,755
<b>Liabilities:</b>					
Segment liabilities	276,769	87,401	11,846	—	376,016
Unallocated liabilities				6,258	6,258
Total liabilities					382,274
<b>2013</b>					
<b>Assets:</b>					
Segment assets	1,057,875	330,048	28,297	—	1,416,220
Unallocated assets				17,387	17,387
Total assets					1,433,607
<b>Liabilities:</b>					
Segment liabilities	257,996	80,492	3,235	—	341,723
Unallocated liabilities				7,851	7,851
Total liabilities					349,574

## 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 People's Republic of China, India and Others.

	For the year ended 31 December			
	Revenue from external customers		Non-current assets*	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
People's Republic of China	1,320,575	1,113,436	201,107	167,376
India	82,810	47,431	9	341
Others	72,025	77,342	13	—
Total	<u>1,475,410</u>	<u>1,238,209</u>	<u>201,129</u>	<u>167,717</u>

\* excluding available-for-sale investment and deferred tax assets

## 5. 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	
	2014	2013
	RMB'000	RMB'000
Sale of goods	1,474,930	1,238,209
Service income	480	—
Total	<u>1,475,410</u>	<u>1,238,209</u>

## 6. OTHER INCOME

	For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Interest income	2,675	2,815
Compensation claims received	459	376
Government grants	8,063	3,252
Gain on disposal of available-for-sale investments	48	—
Gain on disposal of property, plant and equipment	102	—
Others	411	181
Total	<u>11,758</u>	<u>6,624</u>

## 7. FINANCE COSTS

	For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Interest on short term bank borrowings	<u>4,657</u>	<u>4,241</u>

## 8. PROFIT BEFORE INCOME TAX

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

	For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Cost of inventories recognised as expense (including effect of allowance of inventory obsolescence)	1,213,872	997,222
Depreciation of property, plant and equipment	17,678	19,033
Amortisation of leasehold land	1,023	560
Auditors' remuneration	1,250	1,228
Employee benefits expense	78,119	58,557
Cost of defined contribution plans	4,049	3,177
Directors' fees — directors of the Company	1,794	1,573
Directors' remuneration:		
Directors of the Company	2,423	1,972
Directors of the subsidiaries	37	38
Total staff costs	86,422	65,317
Research and development expenses (included in Other Operating Expenses)	36,466	28,622
Net foreign exchange losses	2,914	3,947
(Gain) loss on disposal of property, plant and equipment	(102)	339
Fair value gain on sale of available-for-sale financial assets	48	—

## 9. INCOME TAX EXPENSE

	For the year ended 31 December	
	2014	2013
	RMB'000	RMB'000
Current	17,450	22,426
Under provision of current tax in prior years	981	511
Deferred	578	1,369
	19,009	24,306

The Company is incorporated in Singapore and is subject to income tax rate of 17% for the year ended 31 December 2014 (2013: 17%).

Under the law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law"), the applicable corporate income tax rate of Jiangsu Hengxin Technology Co. Ltd (the Group's PRC incorporated key subsidiary) in 2014 is 25%. As it had previously been given the High-Tech Enterprise Award status, the applicable effective tax rate is 15% (2013: 15%) based on PRC Enterprise Income Tax laws. In 2014, the subsidiary renewed the status to enjoy a further three financial years starting from 31 December 2014.

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

## 10. DIVIDENDS

In the financial year 2014, a first and final tax-exempt dividend of S\$0.0042 per ordinary share amounting to approximately S\$1,630,000 (approximately RMB7,876,000) was paid for the financial year ended 31 December 2013.

No dividend has been proposed for the current financial year.

## 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	S\$'000
Balance as at 31 December 2013 and 2014	<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 year by the weighted average number of ordinary shares outstanding during the year.

GROUP	Year ended	
	31-Dec-14	31-Dec-13
Earning per share ( <i>RMB</i> )		
— Basic	<u>0.25</u>	0.20
— Diluted	<u>0.25</u>	0.20
Weighted average no. of shares applicable to basic EPS ( <i>'000</i> )	<b>388,000</b>	388,000
Weighted average no. shares based on fully diluted basis ( <i>'000</i> )	<b>388,000</b>	388,000

There were no potential dilutive ordinary shares in existence during the two years ended 31 December 2013 and 2014.

## 13. PROPERTY, PLANT AND EQUIPMENT

During the financial year ended 31 December 2014, the Group's capital expenditure was approximately RMB22.2 million (2013: RMB11.1 million).

#### 14. TRADE RECEIVABLES

	As at 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	569,605	609,413
Allowance for doubtful debts	(15,762)	(15,762)
Sub-total	553,843	593,651
Notes receivable	85,488	63,144
Total	<u>639,331</u>	<u>656,795</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:

	As at 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 180 days	549,759	518,088
181 to 360 days	76,577	69,083
Over 360 days	12,995	69,624
	<u>639,331</u>	<u>656,795</u>

#### 15. TRADE PAYABLES

	As at 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables — Outside parties	<u>126,357</u>	<u>126,254</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 are as follows:

	As at 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	124,414	120,242
91 to 180 days	962	3,500
181 to 360 days	248	1,074
Over 360 days	733	1,438
	<u>126,357</u>	<u>126,254</u>

## 16. NET ASSET VALUE

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

	<b>Group</b>	
	<b>31-Dec-14</b>	31-Dec-13
Net Assets ( <i>RMB'000</i> )	<b>1,173,481</b>	1,084,033
Number of ordinary shares ( <i>'000</i> )	<b>388,000</b>	388,000
Net Asset Value per ordinary share ( <i>RMB</i> )	<b>3.02</b>	2.79

## 17. RELATED PARTY TRANSACTIONS

### (a) Transactions

During the financial year, the Group entered into the following significant transactions with Suzhou Hengli Telecommunications Materials Co. Ltd:

	<b>Year ended 31 December</b>	
	<b>2014</b>	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(unaudited)</b>	(unaudited)
Sale of finished goods	1,399	—
Purchase of raw materials	<b>9,216</b>	5,597

### (b) Compensation of key management personnel

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

	<b>Year ended 31 December</b>	
	<b>2014</b>	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(unaudited)</b>	(unaudited)
Short term benefits	5,300	4,408
Retirement benefits scheme contributions	105	101
Total	<b>5,405</b>	4,509

## 18. DONATIONS & CAPITAL COMMITMENTS

	<b>As at 31 December</b>	
	<b>2014</b>	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for:		
Property, plant and equipment	5,305	73
Donation commitment	6,000	6,500
Total	<b>11,305</b>	6,573

The PRC subsidiary has committed to donate RMB500,000 per annum from 2007 for a period of 20 years to a charitable organization in the PRC.

## 19. OPERATING LEASE ARRANGEMENTS

As at 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	As at 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	715	801
In the second to fifth years inclusive	803	302
	<u>1,518</u>	<u>1,103</u>

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**

### **Year-on-year performance — 12 months ended 31 December**

#### ***Revenue***

Group revenue for the financial year ended 31 December 2014 (“FY2014”) increased by approximately RMB237.2 million, or approximately 19.2% from RMB1,238.2 million in the previous financial year (“FY2013”) to approximately RMB1,475.4 million in FY2014. The Group experienced an increase in orders from telecom operators for our products during the financial year, recording higher sales for the financial year.

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

Revenue generated from RF Coaxial Cables increased by approximately RMB131.7 million or approximately 14.1% from approximately RMB933.0 million in FY2013 to approximately RMB1,064.7 million in FY2014.

#### ***Telecommunication equipment and accessories (“Accessories”)***

Revenue generated from Accessories increased by approximately RMB66.7 million or approximately 24.7% from approximately RMB270.4 million in FY2013 to approximately RMB337.1 million in FY2014.

#### ***Others***

Revenue generated from other products increased by approximately RMB38.7 million or approximately 111.2% from approximately RMB34.8 million in FY2013 to approximately RMB73.5 million in FY2014.

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

Gross profit margin for FY2014 was approximately 17.7%, compared to approximately 19.6% in FY2013. Increased competition has led to continuing pressures on the Group’s selling prices during the period. The Group continues 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 pressures resulting from keen competition.

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

Other income increased by approximately RMB5.2 million or approximately 78.8% from approximately RMB6.6 million in FY2013 to approximately RMB11.8 million in FY2014. The increase primarily arose from higher outright government grants received by the Group’s key subsidiary, Jiangsu Hengxin Technology Co. Ltd during the year.

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

Selling and distribution expenses increased by approximately RMB6.9 million or approximately 10.1% from approximately RMB68.0 million in FY2013 to approximately RMB74.9 million in FY2014 in tandem with increased revenue during the period.

### ***Administrative expenses***

Administrative expenses decreased by approximately RMB2.3 million or approximately 5.8% from approximately RMB39.9 million in FY2013 to approximately RMB37.6 million in FY2014. This was due to certain cost reductions partially offset by increase in staff costs during the year.

### ***Other operating expenses***

Other operating expenses increased by approximately RMB6.4 million or approximately 19.0% from approximately RMB33.6 million in FY2013 to approximately RMB40.0 million in FY2014. The increase was mainly due to R&D expenses from continuing R&D activities undertaken for new product specifications, increasing by approximately RMB7.9 million in FY2014 compared to FY2013.

### ***Finance costs***

Finance costs increased by approximately RMB0.5 million or approximately 11.9% from approximately RMB4.2 million in FY2013 to approximately RMB4.7 million in FY2014 due to a higher average loan outstanding throughout the year and a slightly higher average cost of financing during the financial year.

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

Profit before income tax increased by approximately RMB13.0 million or approximately 12.6% from approximately RMB103.1 million in FY2013 to approximately RMB116.1 million in FY2014.

### ***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. It had been awarded the same status in FY2014 for a further three years.

Income tax expense decreased by approximately RMB5.3 million or approximately 21.8% from approximately RMB24.3 million in FY2013 to approximately RMB19.0 million in FY2014. The decrease is due to an absence of withholding taxes paid to China tax authorities in FY2013 for dividends declared by one of the Group's China subsidiary to its holding company in Singapore.

### ***Net profit***

In view of the above, net profit attributable to equity holders of the parent increased approximately RMB18.3 million or approximately 23.2% from approximately RMB78.8 million in FY2013 compared to approximately RMB97.1 million in FY2014.

## **Statement of financial position**

Material fluctuations of balance sheet items are explained below:

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

Pledged bank deposits increased by approximately RMB20.8 million or approximately 1,040.0% from approximately RMB2.0 million as at 31 December 2013 to approximately RMB22.8 million as at 31 December 2014 mainly due to funds being pledged to a bank for a bank borrowing during the financial year.

### ***Trade receivables***

Trade receivables decreased by approximately RMB17.5 million or approximately 2.7% from approximately RMB656.8 million as at 31 December 2013 to approximately RMB639.3 million as at 31 December 2014.

Average trade receivables turnover days are 164 days as at 31 December 2014 compared to 193 days as at 31 December 2013.

Most of the trade receivables balances are recent sales which are within the average credit period given to our customers.

For amounts due more than six months and longer, these mainly pertain to final payment (upon project completion) owed by the three main PRC telecom operators. These outstanding balances relate to projects undertaken by these operators which had longer project completion date than as initially anticipated. These operators have been the Group's long-time customers and the Group has been receiving regular payments from them. In addition, the majority of these outstanding balances pertain to one of the telecom operators in the PRC. In view of the Group's long-standing dealings with them and the regular receipts it had obtained from these customers, the Group does not foresee any issue in the collection of these receivables. Efforts will continue be focused on collection of the Group's outstanding trade receivables.

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

Other receivables and prepayments increased by approximately RMB11.5 million or approximately 25.6% from approximately RMB44.9 million as at 31 December 2013 to approximately RMB56.4 million as at 31 December 2014. The increase mainly arose from an increase in advances made to suppliers to enable the Group obtain better raw materials pricing and tender deposits made to customers during the year.

### ***Inventories***

Inventories (comprising raw materials, work-in-progress and finished goods) decreased by approximately RMB29.5 million or approximately 16.2% from approximately RMB182.5 million as at 31 December 2013 to approximately RMB153.0 million as at 31 December 2014. The decrease is due to the Group's higher inventory stockings in the previous financial year, primarily due to the 4G license which was issued in the 4th quarter of 2013.

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

Property, plant and equipment increased by approximately RMB4.1 million or approximately 2.9% from approximately RMB143.6 million as at 31 December 2013 to approximately RMB147.7 million as at 31 December 2014 mainly due to purchase of assets during the year.

### ***Leasehold land***

Leasehold land increased by approximately RMB35.9 million or approximately 189.9% from approximately RMB18.9 million as at 31 December 2013 to approximately RMB54.8 million as at 31 December 2014. The increase follows the purchase of the land use rights for the No. 5 land and dormitory land parcel for approximately RMB35.8 million in April 2014.

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

Short-term bank loans increased by approximately RMB28.0 million or approximately 15.8% from approximately RMB176.8 million as at 31 December 2013 to approximately RMB204.8 million as at 31 December 2014 due to additional loans obtained during the year.

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

Trade payables remained relatively constant, increasing approximately RMB0.1 million or approximately 0.1% from approximately RMB126.3 million as at 31 December 2013 to approximately RMB126.4 million as at 31 December 2014.

Other payables and accruals remained relatively constant, decreasing approximately RMB1.6 million or approximately 4.6% from approximately RMB34.8 million as at 31 December 2013 to approximately RMB33.2 million as at 31 December 2014.

### ***Deferred income***

Deferred income increased by approximately RMB3.0 million or approximately 40.0% from approximately RMB7.5 million as at 31 December 2013 to approximately RMB10.5 million as at 31 December 2014 due to additional government grants given to the Group in relation to certain projects to be completed with certain conditions to be fulfilled within 3 years commencing September 2013.

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

Income tax payable increased by approximately RMB2.7 million or approximately 385.7% from RMB0.7 million as at 31 December 2013 to RMB3.4 million as at 31 December 2014 due to a higher profit before tax in the current financial year and in the prior financial year, an advance tax payment was made (based on estimated profit) which reduced overall tax payable.

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

Cash and bank balances increased by approximately RMB96.9 million or approximately 26.0% from RMB372.2 million as at 31 December 2013 to approximately RMB469.1 million as at 31 December 2014 mainly due to improved collections from receivables and proceeds from additional loans obtained during the financial year.

## (II) LIQUIDITY, FINANCIAL RESOURCES

In addition to its short-term interest-bearing 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 entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimisation of debt and equity balance.

The Management 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 31 December	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash borrowings	<b>(264,252)</b>	(195,367)
Total equity	<b>1,173,481</b>	1,084,033
Net debt to equity ratio (%)	<b><u>(22.52)</u></b>	<u>(18.02)</u>

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

As at 31 December 2014		As at 31 December 2013	
Secured	Unsecured	Secured	Unsecured
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>19,634</b>	<b>185,214</b>	—	176,810

There is no amount repayable after one year. The bank loan of approximately RMB19.6 million is secured through bank deposits amounting to approximately RMB21.1 million.

**(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 growth of OTT (Over-The-Top) services have continued to change the broad telecommunications landscape, witnessing a trend of telecommunication services gradually using alternative technologies, such as through ISPs (Internet Service Providers). As a result, the rate of revenue increase from telecommunications services has tapered over the years. Telecom operators therefore are adopting a more conservative approach in capital spending.

China's Ministry of Industry and Information Technology ("MIIT") issued 4G licenses to the three major telecom operators in the PRC in December 2013. The license relates to the TD-LTE protocol, which is a network protocol adopted only by China Mobile. On the other hand, China Telecom and China Unicom had obtained approvals to conduct trials on their adopted hybrid TDD-FDD LTE network in many Chinese cities during 2014, but the licence has yet to be awarded. The issue of the first 4G licence, the ongoing network trials, and the continuing expansion and construction of 4G telecom networks largely drove the demand for our products during the year. Nonetheless, the adoption of the old model of simply adding capacity due to increasing demand would inadvertently increase telecom operators' capital expenditure. In this aspect, telecom operators have been exploring efficient uses of existing infrastructure and assets, which could potentially affect the demand for our products.

In July 2014, China's three telecom operators jointly established a company known as China Communications Facilities Services Corporation Limited ("CCFSC") to enable resource sharing and lower operating costs. The long-term impact of the CCFSC joint venture on our Group remains to be seen, as these developments are subject to policy discussions and potential shifts in telecommunications capital spending as desired by the Chinese government. However the increased adoption of mobile internet and data transmission requirements by consumers will, at this juncture, continue to propel 4G networks proliferation and have a positive impact on the demand of our products

The Group has also made progress in its antenna segment. Our indoor antenna-testing facility has been earmarked as one of only three such facilities available nationwide by China Unicom in 2014. This is largely aligned with China Unicom's move to streamline its quality checks for all antenna purchases, and is testament to our unwavering dedication towards developing our antenna capabilities and our facilities. Progress in research and development have led to the Group's launch of 4G antennas, all of which can be tailored to our customers' needs and specifications.

4G telecommunications require a much higher data capacity and transmission, and this constraint has led to a larger number of base stations being built but covering a smaller area with higher transmission capacity. These base stations adopt smaller-sized cables, which generally translate to lower selling prices compared to larger cables. In addition, technology evolution has also led to other possible alternative products to be used on base stations. The combination of the above elements, coupled with rising competition between telecom operators and telecom equipment suppliers alike are exerting an impact on our margins moving forward.

Looking ahead, the telecoms industry especially in the area of RF cabling systems will remain challenging. The Group will press on with efforts to monitor changing market conditions closely, make proactive refinements on the business strategies. Resources will also be devoted to broadening its product variety, enhancing its branding and increase its overseas contribution to the Group.

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

As at 31 December 2014, 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 Wei <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 Wei 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 31 December 2014, 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 31 December 2014, insofar as is known to the Directors and chief executives of the Company, 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:

<b>Name</b>	<b>Capacity and nature of interests</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of the Company's issued share capital</b>
Kingever ( <i>Note (a)</i> )	Registered owner and beneficially owned	90,294,662	23.27%
Mr Cui Wei ( <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 Wei.
- (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 31 December 2014, 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. Operational and Financial Risk Management**

#### *(i) Market risk*

The major market risks the Group is exposed to include changes in the sale prices of key products, changes in the costs of raw materials (mainly copper) and fluctuations in interest and foreign exchange rates.

#### *(ii) Commodity price risk*

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

#### *(iii) Interest rate risk*

The major market interest rate risk that the Group is exposed to includes the Group's short-term debt obligations which are subject to variable interest rates.

#### *(iv) Foreign currency risk*

The Group's revenue and costs are denominated in RMB, Indian Rupees ("INR") and United States Dollars ("USD"). Some costs may be denominated in HKD, INR and Singapore Dollars ("SGD").

### **2. Contingent liabilities**

There are no material contingent liabilities as at 31 December 2014.

### **3. Employees and Remuneration Policies**

As at 31 December 2014, there were 849 (2013: 735) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals 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 and share options to eligible staff based on their performance and contributions to the Group.

The Company adopted the share option scheme for its employees at an extraordinary general meeting held on 27 October 2010 (the "Scheme"). No option has been granted under the Scheme since its adoption and up to the date of this announcement.

### **4. Material Litigation and Arbitration**

As at 31 December 2014, the Group was not involved in any material litigation or arbitration.

### **5. 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 annual results of the Group for the year ended 31 December 2014.

## **6. 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 of the Listing Rules for the year ended 31 December 2014.

## **7. 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 12 months ended 31 December 2014, all the directors have complied with the required standards of the Model Code as set out in Appendix 10 of the Listing Rules.

## **8. Annual General Meeting**

The 2014 annual general meeting of the Company will be held on 27 April 2015 in Singapore. For further details of the annual general meeting, please refer to the Notice of Annual General Meeting, which will be despatched in due course.

## **9. Review of financial results**

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

## **10. Dividends**

No dividend has been recommended by the Company for the financial year ended 31 December 2014.

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

For the year ended 31 December 2014, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the securities of the Company.

## **12. Disclosure on the Website of the Exchanges**

This announcement shall be published on the website 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>).

## **13. Use of IPO proceeds**

As at the date of the financial year reported on, the Company has fully utilised the net proceeds raised from the dual primary listing on the Stock Exchange of Hong Kong Limited.

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

10 February 2015

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

\* *for identification purpose only.*