HENGXIN TECHNOLOGY LTD
ANNUAL REPORT 2014

Stock Code 1085

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CORPORATE PROFILE

Hengxin Technology Ltd. ("Hengxin Technology" or the "Company" and together with its subsidiaries, the "Group") is one of the leading manufacturers of radio frequency ("RF") coaxial cables series for mobile communications in the People's Republic of China (the "PRC").

PRODUCT PORTFOLIO

RF coaxial cable series for mobile communications ("RF Coaxial Cables")

- Transmission of high-frequency signals between antenna and base station equipment in outdoor base station wireless signal coverage system and indoor wireless signal coverage system in buildings
- Used in radiating high frequency signals to surrounding environment through continuous small antenna elements along the cable in railways, highways, tunnels, underground car parks, elevators and high rise buildings

Coaxial cables for telecommunications equipment and accessories ("Accessories")

- Transmission of signals within microwave communications systems, radio broadcast wireless systems and air/sea radar systems
- Accessories to wireless signal coverage system for base stations

Other products

- High temperature resistant cables which are used as part of the raw material components for antennas
- Antennas adopted by telecom operators for use in signal transmission for wireless communications

Based in Yixing city in Jiangsu Province in the PRC, we have an aggregate annual production capacity of approximately 148,770 kilometres for RF coaxial cables for mobile communications.

We adopt a strategic regional sales system in the PRC and serve a blue-chip and established customer base comprising major telecommunications operators such as China Unicom, China Mobile, and China Telecom, as well as major telecommunications equipment manufacturers in the PRC. Outside the PRC, our products are also exported to the international markets within the Asian continent and beyond. We have also been generating sales to local Indian telecommunication operators through our wholly-owned subsidiary in India since 2010. Based on the sales volume of RF coaxial cables for the mobile communications sector, we have been one of the leading market players in the PRC in this market segment.

Following a secondary listing application and extraordinary general meeting held for shareholders approval in 2014, the Group is now primarily listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK"), with a secondary listing on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

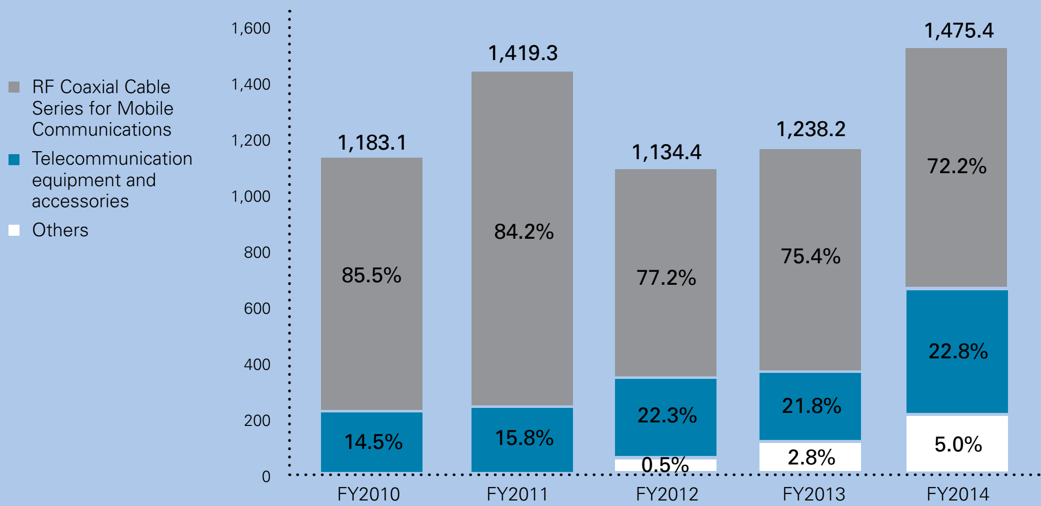
FIVE-YEAR FINANCIAL SUMMARY

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

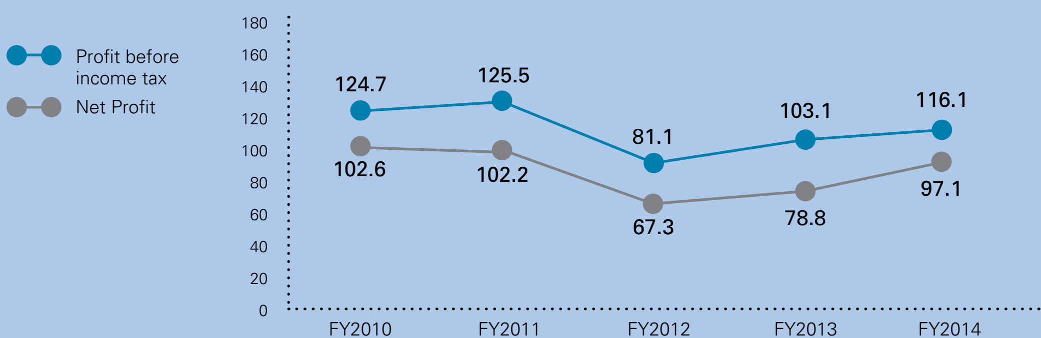
	Year ended 31 December				
	2010	**2011**	**2012**	**2013**	**2014**
	RMB '000	**RMB '000**	**RMB '000**	**RMB '000**	**RMB '000**
RESULTS					
REVENUE	1,183,131	1,419,327	1,134,343	1,238,209	1,475,410
Cost of sales	(961,470)	(1,157,224)	(925,952)	(996,042)	(1,213,829)
Gross profit	221,661	262,103	208,391	242,167	261,581
Other income	15,292	7,405	12,135	6,624	11,758
Selling and distribution expenses	(55,841)	(62,522)	(62,899)	(67,950)	(74,877)
Administrative expenses	(36,256)	(41,108)	(38,539)	(39,859)	(37,626)
Other operating expenses	(10,404)	(27,147)	(17,436)	(33,628)	(40,083)
Finance costs	(9,723)	(13,203)	(20,507)	(4,241)	(4,657)
Profit before income tax	124,729	125,528	81,145	103,113	116,096
Income tax expense	(22,174)	(23,279)	(13,867)	(24,306)	(19,009)
NET PROFIT	102,555	102,249	67,278	78,807	97,087
ASSETS AND LIABILITIES					
TOTAL ASSETS	1,249,548	1,471,549	1,227,709	1,433,607	1,555,755
TOTAL LIABILITIES	(396,839)	(532,575)	(222,261)	(349,574)	(382,274)
	852,709	938,974	1,005,448	1,084,033	1,173,481

FINANCIAL HIGHLIGHTS

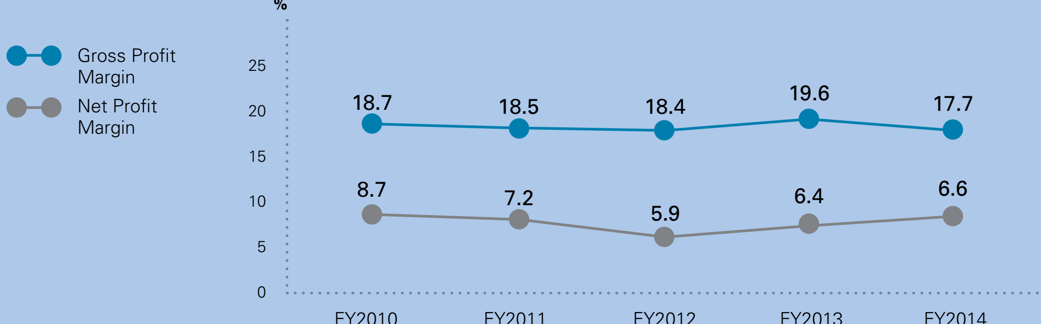
REVENUE
RMB' million



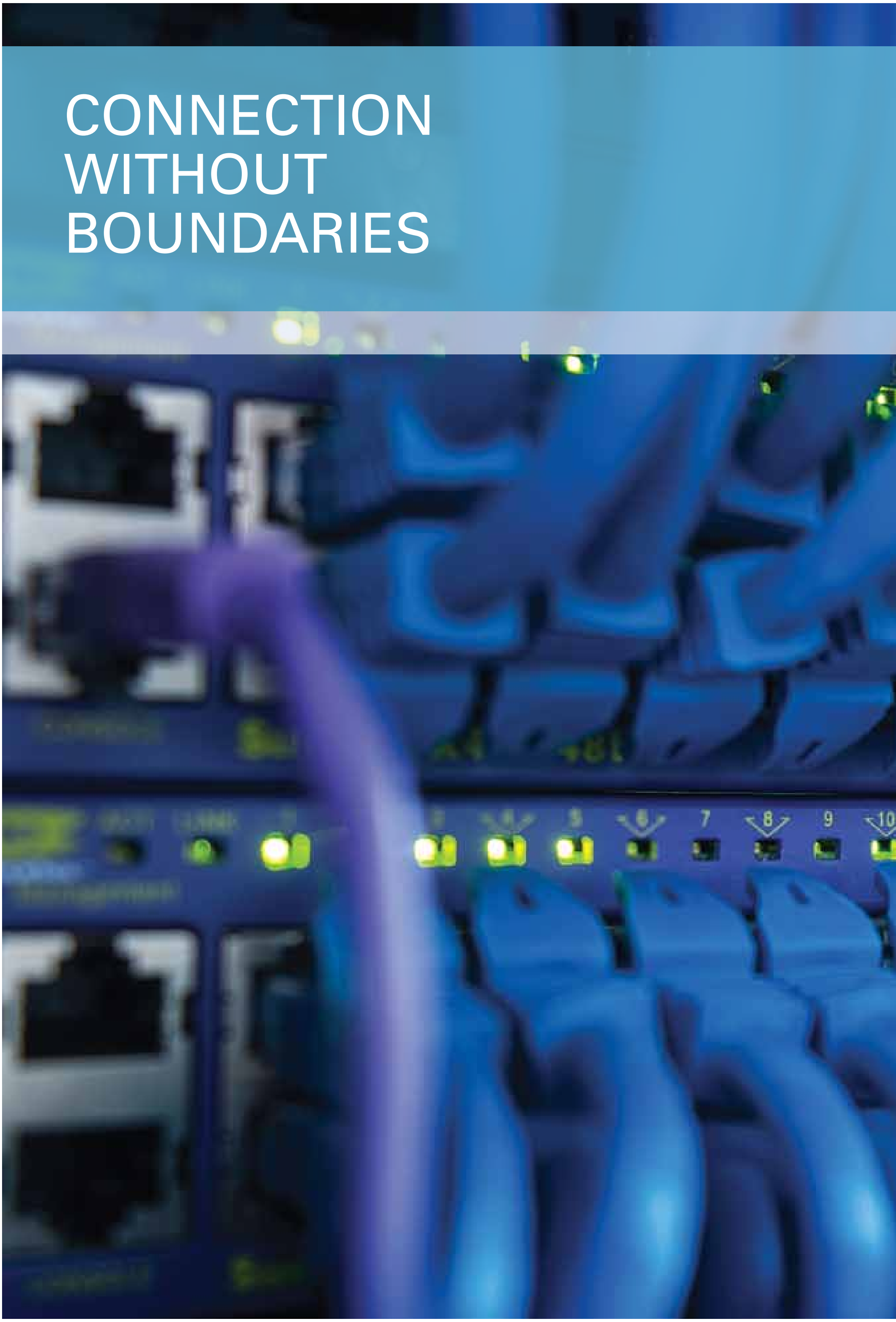
PROFITS
RMB' million



PROFIT MARGINS
%



CONNECTION WITHOUT BOUNDARIES

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FINANCIAL RATIOS & PERFORMANCE

FINANCIAL PERFORMANCE	UNIT	FY2010	FY2011	FY2012	FY2013	FY2014
Revenue	RMB '000	1,183,131	1,419,327	1,134,343	1,238,209	1,475,410
Gross margin	%	18.7	18.5	18.4	19.6	17.7
Profit before income tax	RMB '000	124,729	125,528	81,145	103,113	116,096
Income tax expense	RMB '000	22,174	23,279	13,867	24,306	19,009
Net profit	RMB '000	102,555	102,249	67,278	78,807	97,087

FINANCIAL POSITION	UNIT	FY2010	FY2011	FY2012	FY2013	FY2014
Net assets	RMB '000	852,709	938,974	1,005,448	1,084,033	1,173,481

FINANCIAL STATISTICS	NOTE	UNIT	FY2010	FY2011	FY2012	FY2013	FY2014
Earnings per share		RMB cents	30.4	26.4	17.3	20.3	25.0
Net asset per share		RMB	2.53	2.42	2.59	2.79	3.02
Return on total equity		%	12.0	10.9	6.7	7.3	8.3
Debit/equity ratio	a		(24.3)	(10.0)	(22.26)	(18.02)	(22.52)
Interest cover ratio	b	times	13.8	10.5	5.0	25.3	25.9
Current ratio	c	times	2.2	2.4	4.7	3.7	3.6
Trade receivables turnover		days	212	179	223	193	164
Inventory turnover		days	60	42	48	53	50

a Debt includes bank borrowings and bill payables
b Interest cover ratio = EBIT / Interest expense
c Current ratio = Current assets / Current liabilities

Dear shareholders,

The financial year 2014 kicked off positively for the Group in both our key markets, the People's Republic of China ("PRC") and India.

In China, the three major telecom operators – China Mobile, China Unicom and China Telecom – received the first 4G licence (TD-LTE protocol) issued by the Ministry of Industry and Information Technology ("MIIT") in December 2013. This led to a natural rise in our revenue in the first half of the year as a result of higher demand.

However, in July 2014, the same operators jointly established a single company known as China Communications Facilities Services Corporation Limited ("CCFSC") in order to, amongst others, enable resource sharing, optimise investment efficiency and reduce capital expenditure. Their consolidation as the new single entity CCFSC could signal a reduction in capital spending in the future.

We have also witnessed some growth in India where our sales increased during the year, largely due to the Indian government's continued push to pave the way for the ongoing expansion of 3G networks and better access in the remote parts of the country. In addition, our revenue was also buoyed by an approximately 24.1% increase in overall export sales – a result of our unwavering focus in marketing our products to other geographical markets.

As a result, our revenue for the full year rose approximately 19.2% to approximately RMB 1,475.4 million, compared to approximately RMB 1,238.2 million in 2013. Even though the overall sales exceeded that of last year's, our profit margins experienced the brunt of pricing pressures as a result of the overall keen competition. We closed the year with our gross profit margin during the year at approximately 17.7%, representing a slight dip from approximately 19.6% in 2013.

Despite the downward pressure on our gross profit margins and stiff competition due to various external factors beyond our control, we are constantly looking for ways to strengthen our underlying operations and protect our profitability.

We continued to ramp up our capabilities in the antennas segment through research and development. During the year, our indoor antenna-testing facility has been earmarked by China Unicom as one of only three such facilities available across the nation. 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. We have also developed a few types of 4G antennas to date, which can be tailored to our customers' needs and specifications.

With the approval of MIIT, China Telecom and China Unicom had been expanding its trials for the new FDD-LTE protocol in more cities in 2014 in anticipation of the impending award of the 4G licence. On 27 February 2015, the MIIT finally issued the much awaited licence to China Unicom and China Telecom. These licences pertain to the FDD-LTE protocol, and are likely to benefit China Unicom and China Telecom which have been operating on the same protocol. We are hopeful that the award of the 4G licences will continue to positively impact the demand for our products.

Our efforts to alleviate pricing pressure are also backed by our continual push to enhance production efficiency and optimise resource planning. We will also maintain our stringent selection process for suppliers whom we believe will consistently provide the best value and quality.

SEGMENTAL REVIEW

During the year, sales of RF coaxial cables increased by approximately 14.1% to approximately RMB 1,064.7 million, representing approximately 72.2% of the total revenue, down from approximately 75.4% in the last financial year. Accessories recorded an approximately 24.7% jump in revenue to approximately RMB 337.1 million, equivalent to approximately 22.8% of total revenue compared to approximately 21.8% in the last financial year.

Sales of antenna and High Temperature Resistant Cables ("HTRC") achieved approximately RMB 73.5 million in revenue compared to approximately RMB 34.8 million last year, which was due to increased orders for both antennas and HTRC during the year.

OTHER DEVELOPMENTS

On 8 September 2014, we successfully obtained approval from our shareholders in converting our primary listing status to a secondary listing status on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

We will continue to maintain our primary listing on The Stock Exchange of Hong Kong Limited ("HKEX"), and the shareholders in Singapore can be assured that they would not be adversely affected by the conversion. The ability of our shareholders to trade shares on the SGX-ST would not be prejudiced or affected in any way.

The conversion of our listing status represents an important milestone for the Group. Essentially, we will enjoy greater flexibility in our activities since a large proportion of our shareholder profile is already based on the HKEX. By the same token, since our business activities, operations and management are mainly concentrated in the PRC, we believe the conversion better reflects our geographical business profile.

Operationally, this positive move will enable us to better streamline our financial and human resources. In turn, we can concentrate on creating greater efficiencies that will be focused towards the core businesses, operations and growth.

In September 2014, we also witnessed a change in the Company's substantial shareholder holding as our Executive Chairman, Mr. Cui Genxiang, entered into a transaction to sell all of his shareholdings in the Company to Mr. Cui Wei. Mr. Cui Genxiang remains our Executive Chairman while Mr. Cui Wei has been appointed as a Non-Executive Director of the Company on 14 October 2014.

On 6 March 2015, Mr. Pu Hong and Dr. Li Jun have been appointed as Independent Non-Executive Directors of the Company.

The Board would like to take this opportunity to welcome Mr. Cui Wei, Mr. Pu Hong and Dr. Li Jun to the Board, and look forward to leveraging on their knowledge and expertise to help the Company drive further growth.

LOOKING AHEAD

We expect the mobile telecommunications industry to remain challenging amidst global uncertainties and intense competition. The long-term impact of the CCFSC joint venture on our Group still remains to be seen, as these are developments that will be subject to policy discussions and potential shifts in telecommunications capital spending by the Chinese government.

However, given that our foundation within PRC is firmly rooted in our strong reputation, consistent quality and reasonable pricing, we remain positive on our future performance. Alongside the fresh round of award of the 4G licences, we are hopeful that this move will lift the demand of our products and ultimately benefit the Company. We see that there is growing adoption of our 4G antenna products by our customers, and hope that this will culminate in a positive effect on the demand for our products.

Rather than focusing on external factors beyond our control, we will adopt a multi-pronged approach for the coming year largely from the vantage point of our internal lens. Our priorities will continue to be centered on prudent and tight capital management in order to safeguard and boost our profitability. At the same time, we will continue to optimise our product mix to yield healthier margins where possible, and channel efforts to research and development improvements as well as new product development to ensure that we keep abreast of this ever-evolving telecommunications industry. In our key markets PRC and India, we will join hands with our business partners to strengthen our brand position, and work hard to grow our export markets.

WORDS OF APPRECIATION

We will also see some changes to the Board in the coming year. Mr. Tay Ah Kong Bernard, who has been a director of the Company since 2007, has indicated that he does not wish to seek for re-election at the forthcoming general meeting. On behalf of the Board, I would like to thank Mr. Tay for his invaluable contributions and guidance given to the Company during his tenure on the Board.

On behalf of the Board of Directors, I would like to thank all our staff – their hard work and commitment are the reasons why we continue to strive to greater heights, and their efforts and contributions are deeply valued and appreciated. To our valued shareholders, bankers, customers and suppliers, we thank you for your continued belief and support and we look forward to connecting with you at our upcoming Annual General Meeting.

CUI GENXIANG
Executive Chairman

EXPANDING OUR REACH

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

Group revenue for the financial year ended 31 December 2014 ("FY2014") increased by approximately RMB 237.2 million, or approximately 19.2% from RMB 1,238.2 million in the previous financial year ("FY2013") to approximately RMB 1,475.4 million in FY2014. The Group experienced an increase in orders from telecom operators for our products during the financial year, and thus recording higher sales for the financial year.

RF COAXIAL CABLE

Revenue generated from RF Coaxial Cables increased by approximately RMB 131.7 million or approximately 14.1% from approximately RMB 933.0 million in FY2013 to approximately RMB 1,064.7 million in FY2014.

TELECOMMUNICATION EQUIPMENT AND ACCESSORIES ("ACCESSORIES")

Revenue generated from Accessories increased by approximately RMB 66.7 million or approximately 24.7% from approximately RMB 270.4 million in FY2013 to approximately RMB 337.1 million in FY2014.

OTHERS

Revenue generated from other products increased by approximately RMB 38.7 million or approximately 111.2% from approximately RMB 34.8 million in FY2013 to approximately RMB 73.5 million in FY2014.

GROSS PROFIT MARGIN

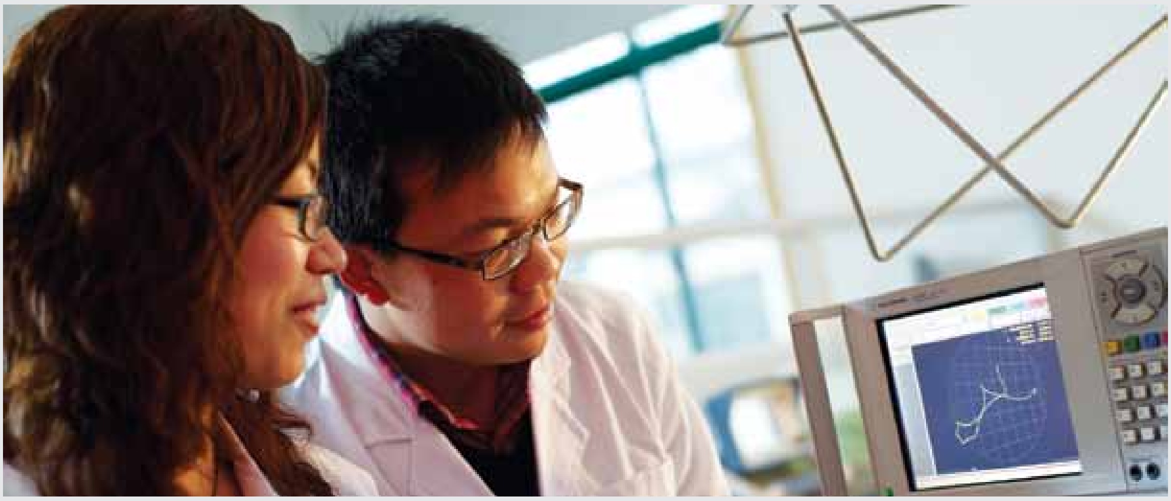
Gross profit margin for FY2014 was approximately 17.7%, compared to approximately 19.6% in FY2013. Increased competition has led to continuing pressure on the Group's selling prices during the period. The Group continues to monitor production efficiencies to ensure optimal raw materials and labour utilisation, stringent selection of suppliers in tender biddings to keep costs to a minimum. This effort is coupled with the efficient use of various resources to keep up with price pressure resulting from keen competition.

OTHER INCOME

Other income increased by approximately RMB 5.2 million or approximately 78.8% from approximately RMB 6.6 million in FY2013 to approximately RMB 11.8 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 RMB 6.9 million or approximately 10.1% from approximately RMB 68.0 million in FY2013 to approximately RMB 74.9 million in FY2014 in tandem with the increased revenue during the period.



ADMINISTRATIVE EXPENSES

Administrative expenses decreased by approximately RMB 2.3 million or approximately 5.8% from approximately RMB 39.9 million in FY2013 to approximately RMB 37.6 million in FY2014. This was due to the partial offset of certain cost reductions by the increase in staff costs during the year.

OTHER OPERATING EXPENSES

Other operating expenses increased by approximately RMB 6.4 million or approximately 19.0% from approximately RMB 33.6 million in FY2013 to approximately RMB 40.0 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 RMB 7.9 million in FY2014 compared to FY2013.

FINANCE COSTS

Finance costs increased by approximately RMB 0.5 million or approximately 11.9% from approximately RMB 4.2 million in FY2013 to approximately RMB 4.7 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 RMB 13.0 million or approximately 12.6% from approximately RMB 103.1 million in FY2013 to approximately RMB 116.1 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 RMB 5.3 million or approximately 21.8% from approximately RMB 24.3 million in FY2013 to approximately RMB 19.0 million in FY2014. The decrease is due to an absence of withholding taxes paid to the 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 RMB 18.3 million or approximately 23.2% from approximately RMB 78.8 million in FY2013 compared to approximately RMB 97.1 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 RMB 20.8 million or approximately 1,040.0% from approximately RMB 2.0 million as at 31 December 2013 to approximately RMB 22.8 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 RMB 17.5 million or approximately 2.7% from approximately RMB 656.8 million as at 31 December 2013 to approximately RMB 639.3 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 RMB 11.5 million or approximately 25.6% from approximately RMB 44.9 million as at 31 December 2013 to approximately RMB 56.4 million as at 31 December 2014. The increase mainly arose from an increase in advances made to suppliers to enable the Group to 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 RMB 29.5 million or approximately 16.2% from approximately RMB 182.5 million as at 31 December 2013 to approximately RMB 153.0 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 licence which was issued in the 4th quarter of 2013.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment increased by approximately RMB 4.1 million or approximately 2.9% from approximately RMB 143.6 million as at 31 December 2013 to approximately RMB 147.7 million as at 31 December 2014 mainly due to purchase of assets during the year.

LEASEHOLD LAND

Leasehold land increased by approximately RMB 35.9 million or approximately 189.9% from approximately RMB 18.9 million as at 31 December 2013 to approximately RMB 54.8 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 RMB 35.9 million in April 2014.

SHORT-TERM BANK LOANS

Short-term bank loans increased by approximately RMB 28.0 million or approximately 15.8% from approximately RMB 176.8 million as at 31 December 2013 to approximately RMB 204.8 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 by approximately RMB 0.1 million or approximately 0.1% from approximately RMB 126.3 million as at 31 December 2013 to approximately RMB 126.4 million as at 31 December 2014.

Other payables and accruals remained relatively constant, decreasing approximately by RMB 1.6 million or approximately 4.6% from approximately RMB 34.8 million as at 31 December 2013 to approximately RMB 33.2 million as at 31 December 2014.

DEFERRED INCOME

Deferred income increased by approximately RMB 3.0 million or approximately 40.0% from approximately RMB 7.5 million as at 31 December 2013 to approximately RMB 10.5 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 an advance tax payment made (based on estimated profit) in the prior financial year which reduced the overall tax payable.

CASH AND BANK BALANCES

Cash and bank balances increased by approximately RMB 96.9 million or approximately 26.0% from RMB 372.2 million as at 31 December 2013 to approximately RMB 469.1 million as at 31 December 2014 mainly due to improved collections from receivables and proceeds from additional loans obtained during the financial year.

SUBSIDIARIES

Details of the subsidiaries of the Company are set out in Note 12 to the financial statements.

FINANCIAL RESOURCES, LIQUIDITY AND LIABILITY POSITION

As at 31 December 2014, the Group's total assets were approximately RMB1,555,755,000 (2013: RMB1,433,607,000) (of which, current assets were approximately RMB1,341,978,000 (2013: RMB1,253,154,000), the total liabilities were approximately RMB382,274,000 (2013: RMB349,574,000) (of which, current liabilities were approximately RMB367,818,000 (2013: RMB338,607,000), non-current liabilities were approximately RMB14,456,000 (2013: RMB10,967,000)), and shareholder's equity reached approximately RMB1,173,481,000 (2013: RMB1,084,033,000).

In addition to its short-term interesting-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 the entities in the Group will be able to continue as a going concern while maximizing the return to its 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
	RMB'000	RMB'000
Net cash borrowings	**(264,252)**	(195,367)
Total equity	**1,173,481**	1,084,033
Net debt to equity ratio	**(22.52)**	(18.02)

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

As at 31 December 2014	
Secured	**Unsecured**
RMB'000	RMB'000
19,634	185,214

As at 31 December 2013	
Secured	**Unsecured**
RMB'000	RMB'000
-	176,810

There is no amount repayable after one year. The bank loan of approximately RMB 19.6 million is secured through bank deposits amounting to approximately RMB 21.1 million.

FOREIGN CURRENCY EXPOSURE

Renminbi ("RMB") is the functional currency of the Group. Currencies other than RMB expose the Group to foreign currency risk. We have foreign currency sales and some of our bank balances are denominated in United States dollar ("USD"), Singapore dollar ("SGD") and India Rupee ("INR"). The Group has set up a hedging policy to strike a balance between uncertainty and the risk of opportunity loss due to the growing significance of its exposures to fluctuations in foreign currency. Foreign exchange forward contracts may be used to eliminate the currency exposures. The Group has not entered into such forward contracts but monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

DONATION & CAPITAL COMMITMENTS

As at 31 December 2014, the capital commitments of the Group in respect of the purchase of property, plant and equipment, and a donation commitment to a charity association which is payable in equal installments over a period of 20 years at approximately RMB500,000 per annum, which had been contracted but not provided for in the financial year of FY2014, were approximately RMB5,305,000 (2013: approximately RMB73,000) and approximately RMB6,000,000 (2013: approximately RMB 6,500,000) respectively.

PLEDGE OF ASSETS

As at 31 December 2014, the Group pledged bank deposits amounting to approximately RMB 21.1 milliom (2013: Nil) as securities for a bank loan of approximately RMB 19.6 million (2013: Nil).

CONTINGENT LIABILITIES

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

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 report.

MATERIAL LITIGATION AND ARBITRATION

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

FUTURE PROSPECTS

The growth of OTT (Over-The-Top) services has 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 licences to the three major telecom operators in the PRC in December 2013. The licence 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, with the licence awarded only in February 2015. The issue of the first 4G licences, and the continuing expansion and construction of 4G telecom networks will largely drive the demand for our products. 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 the 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 the 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 has 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 evolvement 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 and 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.

CONTINUING CONNECTED TRANSACTIONS

The significant related party transactions set out in Note 5 to the financial statements constitute continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on SEHK (the "Listing Rules").

During the year, the Group had the following continuing connected transactions, details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

MATERIALS PURCHASE FRAMEWORK AGREEMENT

The Group entered into a Raw Materials Purchase Master Agreement (the "Purchase Agreement") with Suzhou Hengli Telecommunications Materials Co., Ltd ("Suzhou Hengli") on 2 November 2012 in relation to the purchase of raw materials for a term of three years commencing 1 January 2013 until 31 December 2015, under which Suzhou Hengli will supply metal plastic tape, aluminium plastic tape and other raw materials for the production of RF coaxial cables on terms no less favourable than those offered by independent third parties. On 30 October 2014, the Group renewed the Purchase Agreement with Suzhou Hengli for a term up to 31 December 2016. The annual cap in respect of the transactions under the renewed Purchase Agreement for each of the years ended 31 December 2014 and ending 31 December 2015 and 2016 will not exceed RMB 14,000,000, RMB 14,000,000 and RMB 14,000,000 respectively. The aggregate amount paid by the Group for the purchase of raw materials amounted to approximately RMB 9.2 million (excluding VAT payable to the State Administration of Taxation of the PRC amounted approximately RMB 1.6 million for the year ended 31 December 2014.

PRODUCT SALES FRAMEWORK AGREEMENT

On 30 October 2014, the Group entered into a Products Sale Master Agreement (the "Sale Agreement") with Suzhou Hengli, pursuant to which the Group will provide its products for sale to Suzhou Hengli on terms no less favourable than those offered by independent third parties. The annual cap in respect of the transactions under the Sale Agreement for each of the years ended 31 December 2014 and ending 31 December 2015 and 2016 will not exceed RMB 6,000,000, RMB 6,000,000 and RMB 6,000,000 respectively. The aggregate amount received by the Group for the sale of products amounted to approximately RMB 1.4 million (excluding VAT payable to the State Administration of Taxation of the PRC amounted approximately RMB 0.2 million) for the year ended 31 December 2014.

BACKGROUND OF SUZHOU HENGLI:

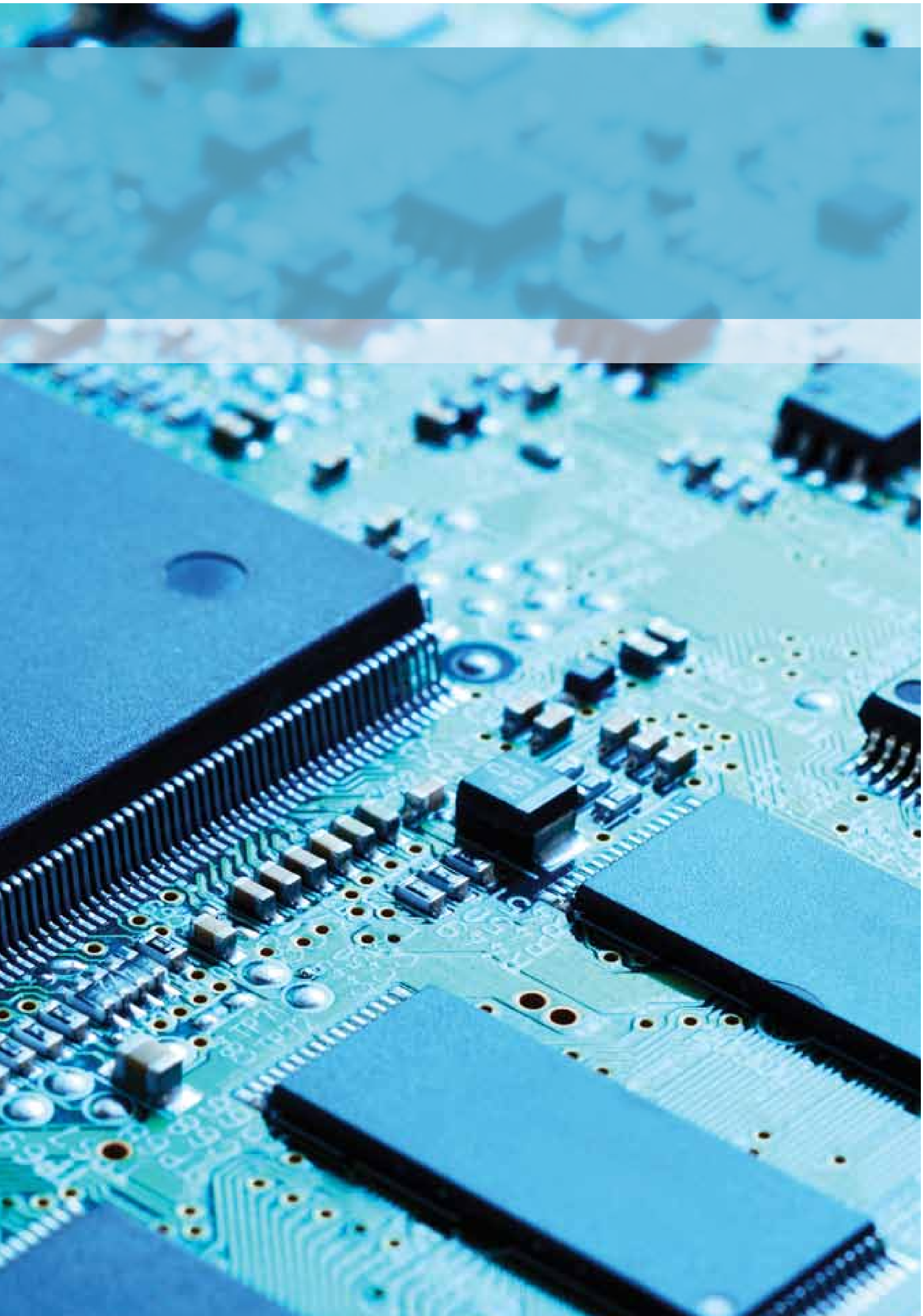
Suzhou Hengli is wholly owned by Jiangsu Hengtong Cable Technology Co., Ltd, which is in turn wholly owned by Hengtong Optic-Electric Co., Ltd. Hengtong Optic-Electric Co., Ltd is held at approximately 37.81% by Hengtong Group Co., Ltd, which is beneficially owned by Mr Cui Genliang, the elder brother of the Company's Executive Chairman, Mr Cui Genxiang, as to 90% of equity interest, and by the Company's Non-Executive Director Mr Cui Wei, as to 10% of the equity interest. Therefore, Suzhou Hengli, its subsidiaries and associates are deemed as the Group's connected persons under Rule 14A.07 of the Listing Rules.

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that such continuing connected transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;
(2) on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties; and
(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board has received a letter from the auditors which has confirmed the matters required under Rule 14A.56 of the Listing Rules.

EVOLVING WITH TECHNOLOGY



BOARD OF DIRECTORS

CUI GENXIANG
Executive Chairman

Mr. Cui Genxiang (崔根香), aged 46, is our Chairman and was appointed on 23 June 2005 and re-designated from non-executive Director and non-executive Chairman to our executive Director and executive Chairman on 11 January 2010. Mr. Cui was one of the founders and directors of Jiangsu Hengxin Technology Co., Ltd. since its establishment in June 2003. He was responsible for providing advice in relation to our overall corporate strategy and corporate management when he acted as our non-executive Director and non-executive Chairman.

Mr. Cui is also currently the chairman and general manager of Suzhou Nongkai Bio-products Co., Ltd. (苏州农凯生物制品有限公司), a company primarily engaged in the research and development and manufacture of biological products, the chairman and general manager of Wujiang Zhouji Penzhi Co. Ltd (吴江市洲际喷织有限公司), a company primarily engaged in the business of processing and weaving of chemical fibre fabrics and silk, and the general manager of Suzhou Saitong New Materials Co., Ltd. (苏州赛通新材料有限公司), a company primarily engaged in the business of processing of new materials.

From 1991 to 2000, Mr. Cui was doing sales and marketing at Hengtong Group Co., Ltd.. Between 1988 and 1990, Mr. Cui was in the non-ferrous metals business. Prior to that, Mr. Cui was head of production at Wujiang Qidu Knitted Clothing Factory (吴江市七都织服厂) from 1987 to 1988 and the vice factory head of Huzhou Sanchang Silk Weaving Factory (湖州市三长丝织厂) from 1985 to 1987. From 1983 to 1985, Mr. Cui was a technician at Wujiang Colour Woven Chemical Fibre Factory (吴江市色织化纤厂).

XU GUOQIANG
Executive Director

Mr. Xu Guoqiang (徐國强), aged 42, was appointed as our executive Director and General Manager of Jiangsu Hengxin on 20 December 2011, and assists Mr. Cui in respect of the business development of our Group. Prior to his appointment, Mr Xu was the Senior Deputy General Manager of Jiangsu Hengxin and was responsible for planning, implementing and overseeing the production of our products and technical related matters.

Mr. Xu obtained a Bachelor of Business Administration from Shanghai Jiaotong University in 2005 and an EMBA from Sichuan University in 2010. From 1994 to 1999, Mr. Xu worked in Wujiang Miao Du Cable Co., Ltd. as Workshop Supervisor. From 1999 to May 2006, he worked in Jiangsu Hengtong Photoelectric Co. Ltd. (a company listed on the Shanghai Stock Exchange, Stock Code: 600487) and held various positions including Quality Control Supervisor, Quality Control Assistant Manager and Production Manager. Prior to joining Jiangsu Hengxin in August 2010, Mr. Xu worked in Chengdu Hengtong Optic Communications Co. Ltd. as General Manager since 2006.

Mr. Xu has received several awards for his production and technical achievements, including an International Professional Manager Award and a nomination as National Enterprise Midlevel Management Talent in 2004.

ZHANG ZHONG
Non-Executive Director

Ms. Zhang Zhong (张钟), aged 60, is our non-executive Director and was appointed on 23 June 2005. Ms. Zhang was one of the founders and directors of Jiangsu Hengxin Technology Co., Ltd. since its establishment in June 2003.

Currently, Ms. Zhang is also the consultant of Sichuan Jiawei Materials Co., Ltd. (四川省佳炜物资有限公司), a company engaged in the sales of metals and construction materials, machinery and electronics equipment, which had no business activities with our Group. From 1988 to 2004, she was the manager of the metals branch at Sichuan Science and Industrial Trade Agricultural Machinery Co. Ltd (四川省科工贸农机公司金属材料分公司) and was responsible for the sales and marketing in the company.

Prior to that, between 1982 and 1988, she was the manager of the metals branch at Sichuan Agricultural Machinery Supply and Sales Co. Ltd (四川省农机供销总公司) and was responsible for the market development and sales in the company. Between 1972 and 1982, she worked at Sichuan Chain Factory (四川省链条厂).

CHEE TECK KWONG PATRICK

PBM, Independent Non-Executive Director

Mr. Chee Teck Kwong Patrick (徐泽光), PBM, aged 60, is our independent non-executive Director and was appointed on 18 January 2007. Mr. Chee holds a Bachelor of Laws (Hons) Degree from the University of Singapore. Mr. Chee was admitted as a Solicitor of the Senior Courts of England and Wales, and has been an advocate and solicitor of the Supreme Court of the Republic of Singapore since 1980. He is now practising as a senior legal consultant with KhattarWong, and is also a Notary Public and a Commissioner for Oaths in Singapore. He is a member of Singapore Institute of Arbitrators and Singapore Institute of Directors.

Mr. Chee had served several years in the sub-committee of the National Crime Prevention Council, Singapore and worked with the National Productivity Board, Singapore in developing and seeing the successful launch of some well known franchises in Singapore in the early 1990s.

Mr. Chee is also an honorary advisor to the Hospitality Purchasing Association Singapore and several big clans and trade associations in Singapore. He is the non-executive chairman of CSC Holdings Limited and also an independent director of several public companies listed on the Main Board of the Singapore Exchange Securities Trading Limited, namely China International Holdings Limited, Hai Leck Holdings Limited, Hanwell Holdings Limited, Ramba Energy Limited and Tat Seng Packaging Group Ltd..

Mr. Chee is active in community service and is the Vice Chairman of Teck Ghee Community Club Management Committee, which is the community management unit in electoral constituency of the Singapore Prime Minister, Lee Hsien Loong. He was the Organising Chairman of "the National Street Soccer League – Lee Hsien Loong's Challenge Trophy". Mr. Chee is the recipient of the National Day Awards 2003 – The Public Service Medal (Pingat Bakti Masayarakat) from the President of Republic of Singapore.

CUI WEI

Non-Executive Director

Mr. Cui Wei (崔巍), aged 28, is our non-executive Director and was appointed on 14 October 2014. He is the nephew of Mr. Cui Genxiang, the executive Director and the executive Chairman of the Company.

Mr Cui holds a bachelor degree in Mechanical Engineering from the Saint Louis University and a Masters degree in Engineering Management from the University of Southern California, and is currently an investment analyst of a subsidiary of a state-owned corporation which is triple-listed on the New York Stock Exchange, the Hong Kong Stock Exchange and the Shanghai Stock Exchange. Mr. Cui's experience is in direct investment, management of equity interests and debentures.

TAY AH KONG BERNARD

Independent Non-Executive Director

Mr. Tay Ah Kong Bernard, aged 65, was appointed as our independent non-executive Director on 18 January 2007. He is currently the Non-Executive Chairman of Crowe Horwath First Trust LLP, which is a Singapore Chartered Accountants firm and Chairman of the Risk Committee of RHT Capital Pte Ltd ("RHT"). RHT is an approved SGX-ST (Catalist) Continuing Sponsor's Company. Mr. Tay is an independent director of several public companies listed on the Main Board of SGX-ST (including a Secondary Listing) and Catalist of SGX-ST, including China Hongxing Sports Limited, OEL (Holdings) Limited (formerly known as Oakwell Engineering Limited), China Yongsheng Limited, Ramba Energy Limited and SIIC Environment Holdings Ltd.

Mr. Tay is the President of the Automobile Association of Singapore and Chairman of Singapore Road Safety Council. He is the Region 2 (Asia Pacific) Vice- President of the Federation Internationale de l'Automobile (FIA) and member of the World Council for Automobile & Tourism; concurrently he is also a member of the FIA Audit Committee. Currently, he is the Vice-President of the Singapore Productivity Association and a Member of the Ministry of Home Affairs - Community Involvement Steering Committee. He was appointed as the Senior Advisor to the Government of Huzhou City, Zhejiang Province of the People's Republic of China.

Mr. Tay is a recipient of the Service to Education Award and Community Service Medal and was conferred the Bintang Bakti Masyarakat (Public Service Star) and Pingat Bakti Masyarakat (Public Service Medal) by the President of Republic of Singapore.

In addition, Mr. Tay was a Member of the Resource Panel of the Government Parliamentary Committees for Home Affairs and Communications. He had also sat on several committees under the Accounting and Corporate Regulatory Authority which includes the Complaints and Disciplinary Panel - Public Accountants Oversight Committee, Standing Law Review Focus Group and Directors' Duties Study Team. He was also a Member of the Singapore Corporate Awards Judging Panel for the Best Annual Report Award.

Mr. Tay is a Fellow of the Association of Chartered Certified Accountants (U.K.), the Institute of Singapore Chartered Accountants and the Singapore Institute of Directors. He is also a Chartered Accountant of Malaysia.

Mr. Tay has a wide range of experience, from having worked in public accounting firms in the United Kingdom and Singapore, the Inland Revenue Authority of Singapore and companies in commerce, industry and management consulting for a period over 30 years.

TAM CHI KWAN MICHAEL

Independent Non-Executive Director

Mr. Tam Chi Kwan Michael (譚志昆), aged 51, is our independent non-executive Director and was appointed on 10 December 2010. Mr. Tam is currently the managing director of TLC CPA Limited, a firm of certified public accountants in Hong Kong and has more than 20 years of experience in tax consulting and auditing. He holds an Honours Diploma in Accountancy from Lingnan University (formerly Lingnan College) in Hong Kong and a Bachelor of Laws (Hons) degree from the University of Wolverhampton in the United Kingdom.

Mr. Tam is a Certified Public Accountant (practising) and a Registered Certified Tax Advisor in Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Accountants (England and Wales) and the Taxation Institute of Hong Kong.

LI JUN

Independent Non-Executive Director

Dr. Li Jun (李珺博士), aged 53, is our independent non-executive Director and was appointed on 6 March 2015. Dr. Li obtained his doctorate degree of philosophy in Political Economy from Oxford University in the United Kingdom in 1994. He was a senior manager and director of a number of securities and investment companies in Hong Kong and had an extensive experience in international financial market.Dr. Li was appointed as an independent non-executive director of Sun Century Group Limited (formerly known as Hong Long Holdings Limited) (stock code: 1383) until 1 June 2012 and an independent non-executive director of Zhejiang Glass Company Limited (stock code: 739) until 31 May 2013. He is currently an independent non-executive director of CMMB Vision Holdings Limited (stock code: 0471).

PU HONG

Independent Non-Executive Director

Mr. Pu Hong (浦洪), aged 50, is our independent non-executive Director and was appointed on 6 March 2015. Mr. Pu holds a Masters in Accounting and Finance obtained from Anhui Finance and Economics College, a Masters of Finance obtained from the Cass Business School of City University London, and a Doctorate from the China University of Politics and Law. Mr. Pu is currently a senior partner and company securities lawyer with Deheng Law Offices (Shenzhen). His main areas of practice encompasses a wide range of corporate advisory work such as mergers and acquisitions, corporate restructuring and initial public offerings.

KEY MANAGEMENT

LEOW CHIN BOON
Chief Financial Officer

Mr. Leow Chin Boon, aged 38, joined our Group in June 2007. He is the Chief Financial Officer and is responsible for the finance, legal, tax, compliance and reporting functions of the Group. From 2004 to 2007, Mr. Leow was with another company listed on the Main Board of the SGX-ST. Prior to this, Mr. Leow was with Deloitte & Touche Singapore since 1999. Mr. Leow obtained a Bachelor of Commerce (Accounting and Finance) with a minor in Law from the University of Western Australia. Mr. Leow is currently a Certified Practising Accountant of CPA Australia and a Chartered Accountant of the Institute of Singapore Chartered Accountants.

DI HAI
Deputy General Manager - Sales and Marketing

Mr. Di Hai (狄海), aged 42, joined our Group in July 2003. He is the deputy general manager of Jiangsu Hengxin Technology Co., Ltd. and is responsible for the sales and marketing business of the group. From 2002 to June 2003, Mr. Di worked as the director of the service department and the commerce department of Hengtong Cable. From 1997 to 2001, Mr. Di worked as the manager of the production department and the technical quality department of Hengtong. Mr. Di obtained an associate degree in Public Relations from Shanxi Normal University in 1997.

SUN YULIANG
Assistant to Deputy General Manager - Production Equipments

Mr. Sun Yuliang (孙余良), aged 43, joined our Group in May 2003. He is the assistant to deputy general manager of Jiangsu Hengxin Technology Co., Ltd. and is responsible for production equipments. From 1999 to 2003, Mr. Sun worked as technical manager of the equipment department of Hengtong Cable. From 1994 to 1999, Mr. Sun worked as the head of the quality control department of Jiangsu Shenying Group (江苏神鹰集团). Mr. Sun obtained a Bachelor Degree in Manufacturing Technology of Machine and Equipment from Jiangnan University in 1994.

CORPORATE INFORMATION

REGISTERED OFFICE
10 Anson Road #32-15
International Plaza
Singapore 079903

HEADQUARTERS IN THE PRC
No. 138 Taodu Road
Dingshu Town, Yixing City
Jiangsu Province, The PRC

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE
7 Temasek Boulevard #04-02B
Suntec Tower One
Singapore 038987

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE HONG KONG COMPANIES ORDINANCE
Stephenson Harwood
18th Floor, United Centre
95 Queensway
Hong Kong

BOARD OF DIRECTORS
Executive directors
Mr. Cui Genxiang (Chairman)
Mr. Xu Guoqiang

Non-executive directors
Mr. Cui Wei
Ms. Zhang Zhong

Independent non-executive directors
Mr. Tam Chi Kwan Michael
Mr. Tay Ah Kong Bernard
Mr. Chee Teck Kwong Patrick
Dr. Li Jun
Mr. Pu Hong

AUDIT COMMITTEE
Mr. Tam Chi Kwan Michael (Chairman)
Mr. Cui Wei
Ms. Zhang Zhong
Dr. Li Jun
Mr. Pu Hong

REMUNERATION COMMITTEE
Dr. Li Jun (Chairman)
Ms. Zhang Zhong
Mr. Cui Wei
Mr. Tam Chi Kwan Michael
Mr. Pu Hong

NOMINATING COMMITTEE
Mr. Cui Genxiang (Chairman)
Ms. Zhang Zhong
Mr. Tam Chi Kwan Michael
Dr. Li Jun
Mr. Pu Hong

AUTHORISED REPRESENTATIVES
Mr. Cui Genxiang
Ms. Wong Wai Han

JOINT COMPANY SECRETARIES
Ms. Shirley Lim Guat Hua (ACIS) (Singapore)
Ms. Wong Wai Han (Practising Solicitor) (Hong Kong)

LEGAL ADVISORS
Stephenson Harwood
18th Floor, United Centre
95 Queensway
Hong Kong

AUDITORS
Deloitte & Touche LLP
Certified Public Accountants
6 Shenton Way
OUE Downtown 2
#32-00
Singapore 068809
Partner-in-charge: Chua How Kiat
(Appointed since 24 August 2012)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS
China Construction Bank Corporation,
Yixing Branch
No. 158 Renminzhong Road
Yicheng Town Yixing City
Jiangsu Province, The PRC

Agricultural Bank of China, Yixing Branch
No. 160 Renminzhong Road
Yicheng Town, Yixing City
Jiangsu Province, The PRC

STOCK CODE
Singapore Stock Code: I85
Hong Kong Stock Code: 1085

WEBSITE OF THE COMPANY
www.hengxin.com.sg

CORPORATE GOVERNANCE REPORT

The Company is committed to setting in place corporate governance practices to provide the structure through which the objectives of protection of shareholders' interests and enhancement of long term shareholder value are met.

The Company is dual listed on both the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") and the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). On 8 September 2014, the Company converted its listing status from a primary listing to a secondary listing on the Main Board of the SGX-ST. Throughout the financial year ended 31 December 2014 ("FY2014"), the Company has adopted, for corporate governance purposes, the code provisions as set out in the Corporate Governance Code (Appendix 14 of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules")) (the "Hong Kong Code"), and has complied with the code provisions as set out in the Hong Kong Code. During the period from 1 January 2014 to 7 September 2014, the Company had also adopted the provisions under the Singapore Code of Corporate Governance.

(A) BOARD MATTERS

The Board's Conduct of Affairs

The Board comprises two Executive Directors, two Non-executive Directors, and five Independent Non-executive Directors, all having the right core competencies and diversity in skills, knowledge, experience and perspectives which enable them to effectively contribute to the Company.

The Board's primary role is to protect and enhance long-term shareholder's value. It sets the overall strategy for the Company and its subsidiaries (the "Group") and supervises the executive management. To fulfill this role, the Board is responsible for implementing effective controls and the overall corporate governance of the Group including setting its strategic direction, establishing goals for the Management and monitoring the Management's performance towards the achievement of these goals.

Board Processes

To assist in the execution of its responsibilities, the Board has established a number of Board Committees including a Nominating Committee, a Remuneration Committee, and an Audit Committee. The effectiveness of each committee is also constantly monitored. The Board has also established a framework for the Management of the Group including a system of internal controls and the establishment of appropriate ethical standards.

Board meetings are conducted regularly on a quarterly basis and ad-hoc meetings are convened whenever they are deemed necessary to address any specific issue of significance that may arise. Some important matters concerning the Group are also put to the Board for its decision by way of written resolutions. A Board meeting may also be conducted by way of tele-conference and video conference.

The agenda for meetings is prepared in consultation with the Executive Chairman. The agenda items include the management report, financial reports, strategic matters, governance, business risk issues and compliance. Executives of the Group are regularly invited to attend Board meetings to provide updates on operational matters.

The Board conducts an annual review of its processes to ensure that it is able to carry out its functions in the most effective manner.

CORPORATE GOVERNANCE REPORT (CONT'D)

In the course of the year under review, as at 31 December 2014, the number of general meetings, Board and other Committee meetings held and the attendance by each member at these meetings are set out as follows:

Name	General Meeting		Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Cui Genxiang[1]	2	2	8	8	NA	NA	NA	NA	2	2
Cui Wei[2]	NA	NA	8	1	NA	NA	NA	NA	NA	NA
Zhang Zhong	2	1	8	7	4	4	2	2	2	2
Tay Ah Kong Bernard	2	2	8	8	4	4	2	2	2	2
Chee Teck Kwong Patrick	2	2	8	8	4	4	2	2	2	2
Tam Chi Kwan Michael[3]	2	2	8	8	4	4	2	1	2	1
Xu Guoqiang	2	2	8	8	NA	NA	NA	NA	NA	NA
Pu Hong[4]	-	-	-	-	-	-	-	-	-	-
Dr. Li Jun[5]	-	-	-	-	-	-	-	-	-	-

NA: Not applicable
Notes:

1. Mr. Cui Genxiang was appointed as the Chairman of the Nominating Committee on 6 March 2015.

2. Mr. Cui Wei was appointed as a non-executive Director on 14 October 2014 and appointed as a member of each of the Audit Committee and the Remuneration Committee on 6 March 2015.

3. Mr Tam Chi Kwan Michael was appointed as a member of each of the Nominating Committee, the Remuneration Committee on 5 March 2014, and was appointed the Chairman of the Audit Committee on 6 March 2015.

4. Mr. Pu Hong was appointed as an independent non-executive Director and appointed as a member of each of the Audit Committee, the Nominating Committee and Remuneration Committee on 6 March 2015.

5. Dr. Li Jun was appointed as an independent non-executive Director and appointed as a member of each of the Audit Committee and Nominating Committee, as well as the Chairman of the Remuneration Committee on 6 March 2015.

Matters Reserved for Board Approval

The Board's approval is required for matters such as corporate restructuring, mergers and acquisitions, major investments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, the release of the Group's half-yearly results, full year results, annual report, review of the annual budget, connected transactions, the declaration of interim dividends and the proposal of final dividends.

All other matters are delegated to committees whose actions are reported to and monitored by the Board.

Training of Directors

The Directors are responsible for their own training needs. Any newly appointed Director shall receive appropriate induction training and coaching to develop individual skills as required. During FY2014, the Directors have participated in continuous professional development to develop and refresh their knowledge and skills, including the training course provided by the legal advisor of the Company.

Board Composition and Guidance

The Board comprises the following:

Name of Directors	Designation	Date of first appointment	Date of last re-election	Due for re-election at forthcoming AGM
Cui Genxiang[1]	Executive Chairman	23 June 2005	24 April 2013	NA
Zhang Zhong	Non-executive Director	23 June 2005	23 April 2014	NA
Tay Ah Kong Bernard	Independent Non-executive Director	18 January 2007	26 April 2012	27 April 2015
Chee Teck Kwong Patrick	Independent Non-executive Director	18 January 2007	24 April 2013	NA
Tam Chi Kwan Michael	Independent Non-executive Director	10 December 2010	23 April 2014	NA
Xu Guoqiang	Executive Director	20 December 2011	26 April 2012	27 April 2015
Cui Wei[1]	Non-executive Director	14 October 2014	-	27 April 2015
Pu Hong	Independent Non-executive Director	6 March 2015	-	27 April 2015
Dr. Li Jun	Independent Non-executive Director	6 March 2015	-	27 April 2015

Note:

1. Mr. Cui Wei is a nephew of Mr. Cui Genxiang.

The criterion of independence is based on the guidelines set out in the Listing Rules. The Board considers an "independent" director as one who has no relationship with the Company, its related companies, its shareholders who have 10% or more interest in the issued share capital of the Company or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent judgement of the conduct of the Group's affairs. The independence of the Company's Independent Non-executive Directors does not fail to meet the guidelines set out in Rule 3.13 of the Listing Rules.

The composition of the Board is determined in accordance with the following principles:

- the Board should comprise a sufficient number of Directors to fulfill its responsibilities (This number may be increased where the Board feels that additional expertise is required in specific areas, or when an outstanding candidate is identified.);

- the Board should have enough Directors to serve on various committees of the Board without over burdening the Directors or making it difficult for them to fully discharge their responsibilities; and

- the Board should consider its diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service according to the Board Diversity Policy which has been adopted by the Board and has been made available on the website of the Company for better transparency and governance. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nominating Committee conducts an annual review of the Director's independence. Based on the guidelines in the Listing Rules regarding independence, the Nominating Committee is of the view that the five Independent Non-executive Directors, namely Mr. Tam Chi Kwan Michael, Dr. Li Jun, Mr. Pu Hong, Mr. Tay Ah Kong Bernard and Mr. Chee Teck Kwong Patrick are deemed independent.

With five out of nine Directors deemed to be independent, the Board is able to exercise independent judgement on corporate affairs and provide the Management with a diverse and objective perspective on issues. Furthermore, the Board will be able to interact and work with the management team through a robust exchange of ideas and views to help shape the Company's strategic direction.

The composition of the Board will be reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate size, diversity of skills, knowledge, experience and perspectives, and collectively possess the necessary core competencies for effective functioning and informed decision-making. When a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Nominating Committee, in consultation with the Board, will determine the selection criteria and select candidates with the appropriate expertise and experience for the position. Pursuant to the Articles of Association of the Company (the "Articles"), any Director appointed by the Board to fill a casual vacancy shall hold office until the next Annual General Meeting (the "AGM") of the Company after his appointment and be subject to re-election at such meeting. As such, Mr. Cui Wei, Mr. Pu Hong and Dr. Li Jun who were appointed by the Board during the year, will be subject to re-election in the forthcoming AGM.

The duties and responsibilities of the Executive Directors are clearly set out in their service agreements and the duties and responsibilities of the Non-executive Directors are clearly set out in their letters of appointment.

The Non-executive and Independent Non-executive members of the Board exercise no management functions in the Company or its subsidiaries. Although all the Directors have equal responsibility for performance of the Group, the role of the Non-executive and Independent Non-executive Directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and rigorously examined, having taking into account the long-term interests of not only the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business.

The Board considers its Non-executive and Independent Non-executive Directors to be of sufficient calibre and number and their views to be of sufficient weight that no individual or small group can dominate the Board's decision-making processes. The Non-executive and Independent Non-executive Directors have no financial or contractual interests in the Group other than by way of their fees and shareholdings as set out in the Report of the Directors in this Annual Report.

The Board is of the view that its current composition is appropriate taking into account the scope and nature of the operations of the Company and the Group.

Other key information of the Directors is set out in pages 22 to 25 of this Annual Report. Their shareholdings in the Company are also disclosed in the Report of the Directors. None of the directors hold shares in the Company's subsidiaries.

Chairman and Chief Executive Officer

The two Executive Directors of the Company are responsible for the daily operations of the Company. There is a clear division of responsibilities between the Executive Chairman, Mr. Cui Genxiang and the Executive Director, Mr. Xu Guoqiang.

Mr. Cui Genxiang, the Executive Chairman of the Company, oversees the business directions and operational decisions of the Company and its subsidiaries and plays a pivotal role in steering the strategic direction and growth of the business, since he has considerable business experience. The Executive Chairman will ensure that all Directors are properly briefed on issues arising at Board meetings and will also ensure information flow between the Management and the Board. During the year, the Executive Chairman had a meeting with Non-executive Directors, including the Independent Non-executive Directors, without the Executive Director present.

The Company has no intention to appoint a Chief Executive Officer in the near future.

Nominating Committee
Board Membership

The Company adopts a formal and transparent process of appointing new directors to the Board and ensures that all directors submit themselves for re-nomination and re-election at regular intervals. The Nominating Committee oversees this aspect of corporate governance, and comprises the following members:-

Cui Genxiang	Chairman,	Independent Non-executive Director
Tam Chi Kwan Michael	Member,	Independent Non-executive Director
Dr. Li Jun	Member,	Independent Non-executive Director (appointed on 6 March 2015)
Pu Hong	Member,	Independent Non-executive Director (appointed on 6 March 2015)
Zhang Zhong	Member,	Non-executive Director
Tay Ah Kong Bernard	Member,	Independent Non-executive Director (up to 6 March 2015)
Chee Teck Kwong Patrick	Member,	Independent Non-executive Director (up to 6 March 2015)

The Nominating Committee holds at least one meeting per year. The Nominating Committee has convened two meetings during FY2014 to review the Directors' independence as well as the composition of the Board. The key functions of the Nominating Committee under the Terms of Reference are, inter alia:¬-

(a) to establish procedures for and make recommendations to the Board on all board appointments, including re-nominations, having regard to the director's contribution and performance (e.g. attendance, preparedness, participation and candour);

(b) to determine annually whether or not a director is independent, bearing in mind the circumstances set forth in the Listing Rules and any other salient factors;

(c) in respect of a director who has multiple board representations on various companies, to decide whether or not such director is able to and has been adequately carrying out his/her duties as director, having regard to the competing time commitments that are faced when serving on multiple boards;

(d) to decide how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board that allows comparison with its industry peers, and address how the Board has enhanced long term shareholders' value; and

(e) to review the board succession plans for the Directors.

The Terms of Reference of the Nominating Committee are posted on the websites of the Company and the SEHK. As the Company converted its listing status from a primary listing to a secondary listing on the Main Board of the SGX-ST, the Terms of Reference of the Nominating Committee has been amended and are posted on the websites of the Company and the SEHK on 10 February 2015.

The Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Under the Articles, one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each AGM of the Company. Each Director shall abstain from voting on any resolutions in respect of his or her re-appointment as a Director.

Pursuant to Article 89 of the Articles, Mr. Xu Guoqiang and Mr. Tay Ah Kong, Bernard shall retire at the forthcoming AGM of the Company. Except for Mr. Tay Ah Kong, Bernard who has decided not to offer himself for re-election, the other retiring Director, Mr. Xu Guoqiang, being eligible will offer himself for re-election at the forthcoming AGM.

Pursuant to Article 88 of the Articles, Mr. Cui Wei, Mr. Pu Hong and Dr. Li Jun were appointed by the Board as additional Directors and shall hold office only until the forthcoming AGM of the Company and, being eligible, will offer themselves for re-election at such meeting.

Their profiles are shown on pages 23 and 25 of the Annual Report.

The Nominating Committee has considered the commitments faced when the Directors serve on multiple boards. For the current financial year, the Board is satisfied that each Director has allocated sufficient time and resources to the affairs of the Company.

Board Performance

The Nominating Committee, when considering the re-appointment of a Director, will evaluate such Director's contribution and performance, such as his or her attendance at meetings of the Board and Board committees, where applicable, participation, candour and any special contributions.

The Nominating Committee is tasked with the assessment of the Board's performance and will adopt performance criteria which will take into consideration quantitative and qualitative criteria such as the success of the strategic and long-term objectives set by the Board.

The Nominating Committee has formulated evaluation procedures and the performance criteria for the assessment of the Board's performance as a whole. It had conducted a Board performance evaluation for FY2014.

The Nominating Committee has established a process for assessing the effectiveness of the Board as a whole. The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, the Board's processes and the Board's performance in relation to discharging its principal responsibilities in terms of the financial indicators. The factors taken into considerations for the re-nomination of the Directors for the current year are based on the Directors' attendance at meetings held during the year and the contributions made by the Directors at the meetings.

The Board and the Nominating Committee will endeavour to ensure that the Directors appointed to the Board possess the experience, knowledge and skills critical to the Group's business, so as to enable the Board to make sound and well-considered decisions.

Access to Information

The Directors receive regular supply of information from the Management about the Group so that they are equipped to play a full role in Board meetings. Detailed Board papers are prepared for each meeting of the Board. The Board papers include sufficient information from the Management on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at Board meetings. Information provided include background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and internal financial statements.

All Directors have unrestricted access to the Company's records and information and receive detailed financial and operational reports from the senior management during the year to enable them to carry out their duties. Directors also liaise with the senior management as required, and may consult with other employees and seek additional information on request.

All Directors have separate and independent access to the Joint Company Secretaries. The Company Secretaries or their representatives administer, attend and prepare minutes of Board meetings, and assist the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and the rules and regulations that are applicable to the Company, including requirements of the Singapore Companies Act and SEHK are complied with.

The Board has separate and independent access to the Management and the Joint Company Secretaries at all times. Should Directors, whether as a group or individually, need independent professional advice in the furtherance of their duties, the costs of such professional advice will be borne by the Company.

Under the Articles, the decision to appoint or remove the Joint Company Secretaries can only be taken by the Board as a whole.

(B) REMUNERATION MATTERS

Remuneration Committee

Procedures for Developing Remuneration Policies

The Remuneration Committee comprises the following members:-

Dr. Li Jun	Chairman,	Independent Non-executive Director (appointed on 6 March 2015)
Cui Wei	Member,	Non-executive Director
Tam Chi Kwan Michael	Member,	Independent Non-executive Director
Pu Hong	Member,	Independent Non-executive Director (appointed on 6 March 2015)
Zhang Zhong	Member,	Non-executive Director
Tay Ah Kong Bernard	Member,	Independent Non-executive Director (up to 6 March 2015)
Chee Teck Kwong Patrick	Member,	Independent Non-executive Director (up to 6 March 2015)

The Remuneration Committee holds at least one meeting per year. The key functions of the Remuneration Committee under the Terms of Reference are, inter alia:-

(a) to recommend to the Board on the remuneration packages of the Executive Directors and senior management, and to determine specific remuneration packages for each Executive Director; such recommendations to be submitted for endorsement by the entire Board and should cover all aspects of remuneration, including but not limited to the Director's fees, salaries, allowances, bonuses, options, and benefits in kind;

(b) in the case of service contracts, to consider what compensation commitments the Directors' contracts of service, if any, would entail in the event of early termination with a view to be fair and avoid rewarding poor performance; and

(c) in respect of any share option schemes, to consider whether the Directors should be eligible for benefits under such incentive schemes.

The Terms of Reference of the Remuneration Committee are posted on the websites of the Company and the SEHK. As the Company converted its listing status from a primary listing to a secondary listing on the Main Board of the SGX-ST, the Terms of Reference of the Remuneration Committee has been amended and posted on the websites of the Company and the SEHK on 10 February 2015.

The members of the Remuneration Committee shall not participate in any decision concerning their own remuneration. No Director will be involved in determining his or her own remuneration. During FY2014, the Remuneration Committee has convened two meetings.

Level and Mix of Remuneration

In setting the remuneration packages, the Company will take into account the pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individual Directors.

All the Non-executive and Independent Non-executive Directors receive directors' fees in accordance with their contributions, having taking into account factors such as effort and time spent and their responsibilities. The directors' fees will be subject to approval at the forthcoming AGM.

The Executive Directors do not receive directors' fees. The remuneration for the Executive Directors and key senior executives comprise a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance.

The annual review of the compensation of the Directors and the senior management will be carried out by the Remuneration Committee to ensure that the remuneration of the Executive Directors and the senior management commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group. The performance of the Executive Directors (together with other senior executives) will be reviewed periodically by the Remuneration Committee and the Board.

Please refer to the financial statements for further details on remuneration disclosure.

Share Options

The Share Option Scheme of the Company (the "Scheme") was approved by the Company's shareholders at the Company's extraordinary general meeting held on 27 October 2010.

The Scheme is administered by the Remuneration Committee.

No options were granted since the commencement of the Scheme on 27 October 2010 to the end of the FY2014 to the Directors and the controlling shareholder of the Company and their associates.

(C) ACCOUNTABILITY AND AUDIT

Accountability

After the Company converted its listing status from a primary listing to a secondary listing on the Main Board of the SGX-ST, it presents its financial statements on a half-yearly basis instead of quarterly basis. In presenting the annual financial statements and half-yearly announcements to shareholders, it is the aim of the Board to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects. The Management currently provides the Board with management accounts of the Group's performance, position and prospects on a monthly basis.

Risk Management and internal controls

The Board recognises that it is responsible for maintaining a system of internal control processes to safeguard the shareholders' investments and the Group's business and assets. The effectiveness of the internal financial control systems and procedures are monitored by the Management.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee has assisted the Board to conduct periodic reviews on the adequacy of the system of internal controls of the Group, which reviews include the areas of financial, operational and compliance risks.

Audit Committee

The Audit Committee comprises the following members:-

Tam Chi Kwan Michael	Chairman,	Independent Non-executive Director
Dr. Li Jun	Member,	Independent Non-executive Director (appointed on 6 March 2015)
Pu Hong	Member,	Independent Non-executive Director (appointed on 6 March 2015)
Cui Wei	Member,	Non-executive Director
Zhang Zhong	Member,	Non-executive Director
Tay Ah Kong Bernard	Member,	Independent Non-executive Director (up to 6 March 2015)
Chee Teck Kwong Patrick	Member,	Independent Non-executive Director (up to 6 March 2015)

The Board is of the view that the members of the Audit Committee are appropriately qualified as they have sufficient accounting or related financial management expertise and experience to discharge the Audit Committee's function.

The Audit Committee will assist the Board with regard to discharging its responsibility to safeguard the Company's assets, maintain adequate accounting records, and develop and maintain effective systems of internal control with an overall objective to ensure that the Management has created and maintained an effective control environment in the Company, and that the Management demonstrates and stimulates the necessary aspect of the Group's internal control structure among all parties.

The Audit Committee will meet at least quarterly to discuss and review the following where applicable:

(a) in connection with the external audit of the financial statements of the Group for FY2014, the external auditors, Deloitte & Touche LLP ("Deloitte") have reviewed aspects of the books, records, and internal accounting controls of the Group and have not noted any material internal control weakness;

(b) review the interim and annual financial statements, the statement of financial position and the statement of profit or loss and other comprehensive income before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

(c) review the clarity and completeness of disclosures in the financial statements, interim reports, preliminary announcements and related formal statements and press releases;

(d) implement and review the internal controls and procedures (including establishment of internal audit functions ("IA Function")) and ensure co-ordination between the external auditors and the Management, assess the independence of the IA Function by reviewing the establishment of the IA Function and ongoing review of its reporting and remuneration arrangements, reviewing the assistance given by the Management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the Management where necessary);

(e) review and discuss with the external auditors (or such other parties) any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and the Management's response;

(f) consider the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors;

(g) review transactions falling within the scope of Chapters 14 and 14A of the Listing Rules;

(h) undertake such other reviews and projects as may be requested by the Board and will report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee; and

(i) generally undertake such other functions and duties as may be required by the Listing Rules and by such amendments made thereto from time to time.

The Terms of Reference of Audit Committee are posted on the websites of the Company and the SEHK. As the Company converted its listing status from a primary listing to a secondary listing on the Main Board of the SGX-ST, the Terms of Reference of Audit Committee has been amended and posted on the websites of the Company and the SEHK on 10 February 2015.

The Audit Committee meets with the Group's external and internal auditors and its executive management to review the accounting, auditing and financial reporting matters so as to ensure that an effective control environment is maintained in the Group.

The Audit Committee is primarily responsible for the selection and approval of the appointment or dismissal of the internal auditor. The internal auditor's primary line of reporting is to the Chairman of the Audit Committee.

Apart from the responsibilities set out above, the Audit Committee also review, implement and administer the Group's Fraud and Whistle-Blowing Policy which sets out the provisions by which employees and other persons may, in confidence, raise serious concerns about possible incorrect financial reporting or other matters that could have a large impact on the Company and is authorised to do such acts as are necessary to ensure, inter alia, that (i) independent investigations are carried out in an appropriate and timely manner, (ii) appropriate action is taken to correct the weaknesses in internal controls and policies which had allowed such incidences to occur and to prevent a recurrence and (iii) administrative, disciplinary, civil or other actions that are initiated following the completion of investigations are appropriately balanced and fair.

In addition, all future transactions with connected persons shall comply with the requirements of the Listing Rules. The Directors shall abstain from voting in any contract or arrangement, or proposed contract or arrangement in which he has a personal material interest.

The Audit Committee is authorised to investigate any matter within its Terms of Reference, and has full access to the Management and resources which are necessary to enable it to discharge its functions properly. It also has full discretion to invite any Executive Director or executives to attend its meetings.

The Audit Committee also meets with the external auditors, without the presence of the Management, and reviews the adequacy of audit arrangement, with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the auditors.

The external auditors provides regular updates and periodic briefings to the Audit Committee on changes or amendments to accounting standards to enable the members of the Audit Committee to keep abreast of such changes and their corresponding impact on the financial statements, if any.

The Company has appointed a suitable auditing firm to meet its audit obligations, having regard to the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit.

The auditors of the Company's subsidiaries are disclosed in note 12 to the financial statements in this annual report.

The Audit Committee is satisfied with the independence and objectivity of the external auditors during the financial year and has recommended to the Board the re-appointment of Deloitte as the external auditors at the forthcoming AGM.

During FY2014, the Audit Committee has convened four meetings.

Directors' and Auditors' Responsibilities for Financial Statements

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the financial statements for FY2014, the Directors have selected appropriate accounting policies and applied them consistently, and have prepared the financial statements on a going concern basis. The responsibilities of the external auditors are set out in the Independent Auditor's Report to the shareholders of the Company on page 52 of the Annual Report.

Auditors' Remuneration

Deloitte, the external auditors of the Company, were responsible for providing services in connection with the audit of the financial statements of the Group for FY2014.

For FY2014, the total remuneration in respect of the review and audit services provided by Deloitte & Touche LLP, Singapore and Deloitte affiliated firms for the Group amounted to approximately RMB1.10 million and in respect of non-audit services provided by Deloitte amounted to approximately less than RMB0.33 million.

The Audit Committee has undertaken a review of all non-audit services provided by the external auditors and is satisfied that the nature and extent of such services do not affect the independence of the external auditors.

Internal Audit

The Company had appointed Yang Lee & Associates as the internal auditors to carry out internal audits covering the review of key internal controls in selected areas based on key operational, financial and compliance risks as identified under the Framework of Risk Management and as advised by the Audit Committee and the Management. The internal auditors have a direct and primary reporting line to the Audit Committee and assist the Board in monitoring and managing risks and internal controls of the Group.

The internal auditors will plan their internal audit schedules in consultation with, but independent of the Management. The audit plan will be submitted to the Audit Committee for approval prior to the commencement of the audit. The Audit Committee will review the activities of the internal auditors on a regular basis, including overseeing and monitoring the implementation of improvements on the weaknesses of the internal control .

The internal auditors have conducted an annual review in accordance with their audit plan, of the effectiveness of the Company's material internal controls. Material non-compliance or failures in internal controls and recommendations for improvements (if any) will be reported to the Audit Committee.

The Audit Committee has also reviewed the effectiveness and adequacy of the IA Function and the Audit Committee is satisfied that the IA Function is adequately resourced and has appropriate standing within the Group.

(D) SHAREHOLDERS' RIGHTS AND RESPONSIBILITIES

Shareholders' Rights, Communication with Shareholders and Conduct of Shareholders' Meetings

In line with the Hong Kong Code, the following information would be communicated to the shareholders of the Company from time to time:

- any significant changes in the Articles ;
- details of shareholders by type and their aggregate shareholding;
- details of the last shareholders' meeting, including the time and venue, major items discussed and voting particulars;
- indication of important shareholders' dates in the coming financial years; and
- public float capitalisation as at the end of the year.

The Company does not have a dividend policy. However, the Company will work towards maintaining a balance between meeting shareholders' expectations and prudent capital management.

In line with continuous disclosure obligations of the Company, pursuant to the Singapore Companies Act and the Listing Rules, the Board's policy is that shareholders are informed of all major developments that impact the Group. The Board will review the shareholders' communication policy from time to time as appropriate.

Information is disseminated to the shareholders of the Company on a timely basis. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable. Communication is made through:

- annual reports that are prepared and issued to all shareholders;
- half-yearly financial statements containing a summary of the financial information and affairs of the Group for the period;
- notices of and explanatory memoranda for annual general meetings and extraordinary general meetings;
- press and analyst briefings for the Group's interim and annual results as well as other briefings, as appropriate;
- press releases on major developments of the Group;
- corporate announcements to the SGX-ST and the SEHK;
- the Group's websites at http://www.hengxin.com.sg at which shareholders can access information on the Group. The website provides, inter alia, corporate announcements, press releases, annual reports, contact details and profiles of the Group;
- Shareholders may refer to the Articles in relation to their rights together with the detailed requirements and procedures for requesting the Board to convene an extraordinary general meeting or putting forward proposals at general meetings. The Articles is posted on the websites of the Company and the SEHK; and
- Shareholders may also direct their questions to the Company by writing to the Senior General Executive at hengxin@listedcompany.com (by email).

In addition, shareholders are encouraged to attend the AGM to ensure a high level of accountability and to stay informed of the Group's strategy and goals. The AGM is the principal forum for dialogue with shareholders.

The notice of the AGM will be despatched to shareholders, together with explanatory notes or a circular on items of special business before the meeting. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the AGM. The Chairmen of the Audit, Remuneration and Nominating Committees and external auditors will normally be available at general meetings to answer questions relating to the work of these committees.

Each item of special business included in the notice of the meeting will be accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions will be proposed for substantially separate issues at the meeting.

All resolutions in general meetings have been voted by poll and the detailed results showing the number of votes cast for and against each resolution and the respective percentages have been communicated to the shareholders accordingly.

(E) DEALING IN SECURITIES

The Company has adopted its own code of best practices on securities transactions by the Company and its officers with respect to dealings in securities by the Directors and the senior management of the Group (the "Best Practices Code"). The Best Practices Code is no less exacting than the required standard in the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") as set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all Directors and the senior management of the Group, all Directors and the senior management of the Group have complied with the required standard set out in the Model Code and the Company's code of conduct regarding securities transactions by Directors and the senior management during FY2014.

Under the Best Practices Code, directors, the management and officers of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in the Company's securities during the period commencing 30 days before the announcement of Company's half-year results, or if shorter, the period from the end of the relevant half-year period up to the announcement of the Company's half-year results, and 60 days before the announcement of the Company's full year results, or if shorter, the period from the end of the relevant full year period up to the announcement of the Company's full year results.

Directors and officers are also prohibited from dealing in the Company's securities when they are in possession of unpublished price sensitive information of the Group. Directors and officers are also advised not to deal in the Company's securities for short term considerations and are expected to observe insider-trading laws at all times.

The Company issues regular internal memorandums to the Directors and officers of the Group to remind them of the aforementioned prohibition.

(F) CONNECTED TRANSACTIONS

The Company does not have any shareholders' mandate for connected transactions.

Details of connected transactions for FY2014 which fall under Chapter 14A of the Listing Rules are set out in the section headed "Continuing Connected Transactions" in this annual report.

(G) MATERIAL CONTRACTS

There are no material contracts of the Group involving the interests of any Directors or substantial shareholders of the Company subsisting at the end of FY2014.

(H) USE OF PROCEEDS OF INITIAL PUBLIC OFFERING ("IPO")

The Company launched its IPO in Hong Kong and listed 52,000,000 new ordinary shares on the SEHK on 23 December 2010. The net proceeds from the IPO were approximately HK$95 million. The Directors have the intention to utilise the net proceeds for the following:

- approximately HK$8.6 million or 9.1% of the net proceeds for further expanding the Group's sales network into overseas market;

- approximately HK$41.4 million or 43.6% of the net proceeds for the diversification of the Group's product portfolio to antennas, among which, (i) approximately HK$10.4 million for purchasing of machinery; (ii) approximately HK$8.6 million for acquisition of land and construction of buildings; (iii) approximately HK$16.4 million for research and development; and (iv) approximately HK$6.0 million for sales and marketing;

- approximately HK$27.6 million or 29.1% of the net proceeds for the diversification of the Group's product portfolio to high temperature resistant cables, among which, (i) approximately HK$13.4 million for purchasing of manufacturing equipments; (ii) approximately HK$2.8 million for reconstruction of the Group's warehouse, part of which to be used as production plant; (iii) approximately HK$7.8 million for research and development; and (iv) approximately HK$3.6 million for sales and marketing;

- approximately HK$8.6 million or 9.1% of the net proceeds for enhancing the Group's research and development team; and

- approximately HK$8.6 million or 9.1% of the net proceeds for general working capital of our Group.

Pursuant to the announcement made by the Company on 9 October 2012, the Company has resolved to adjust the allocation of the utilisation of proceeds due to a change in its operations and business environment. As at 31 December 2014, the Company has fully utilised the net proceeds.

(I) CONSTITUTIONAL DOCUMENTS

During FY2014, there were material amendments to the Articles as to the conversion of the Company's listing status from a primary listing to a secondary listing on the Main Board of the SGX-ST, and such material amendments were approved by passing a special resolution proposed at the extraordinary general meeting held on 2 September 2014. The amended Articles is available on the websites of the Company and the SEHK.

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REPORT OF THE DIRECTORS

The directors of Hengxin Technology Ltd. (the "Company") present their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2014.

1 DIRECTORS

The directors of the Company in office at the date of this report are:

Cui Genxiang	(Executive Chairman)
Xu Guoqiang	(Executive Director)
Cui Wei	(Non-executive Director)
Zhang Zhong	(Non-executive Director)
Tay Ah Kong Bernard	(Independent Non-executive Director)
Chee Teck Kwong Patrick	(Independent Non-executive Director)
Tam Chi Kwan Michael	(Independent Non-executive Director)
Dr. Li Jun	(Independent Non-executive Director, appointed on 6 March 2015)
Pu Hong	(Independent Non-executive Director, appointed on 6 March 2015)

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

Neither at the end of the financial year nor at any time during the financial year 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.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

	Shareholdings registered in name of director		Shareholdings in which a director is deemed to have an interest	
	At 1 January 2014	At 31 December 2014	At 1 January 2014	At 31 December 2014
The Company (Ordinary shares)				
Cui Genxiang	-	-	90,294,662	-
Zhang Zhong	-	-	28,082,525	28,082,525
Cui Wei	-	-	-	90,294,662

By virtue of Section 7 of the Singapore Companies Act, Cui Wei is deemed to have an interest in the Company and all the related corporations of the Company.

The directors' interests in the shares of the Company at 21 January 2015, were the same at 31 December 2014.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5 SHARE OPTIONS

(a) The Hengxin Share Option Scheme ("the Share Option Scheme"), as approved at an extraordinary general meeting on October 27, 2010, is administered by the Remuneration Committee which comprises:

Dr. Li Jun (Chairman)	(appointed on 6 March 2015)
Cui Wei	
Zhang Zhong	
Tam Chi Kwan Michael	
Pu Hong	(appointed on 6 March 2015)
Tay Ah Kong Bernard	(up to 6 March 2015)
Chee Teck Kwong Patrick	(up to 6 March 2015)

Under the Share Option Scheme, an option entitles the option holder to subscribe for a specific number of new ordinary shares in the Company. The option has an exercise price* per share determined with reference to the market price of the shares at the time of grant of the option. The consideration for the grant of an option is S$1.00. Options granted with the exercise price set at the market price shall only be exercised after the first anniversary but before the ten anniversary of the date of grant of that option. The shares under option may be exercised in whole or in part on the payment of the relevant exercise price (provided that an option may be exercised in part only in respect of a board lot or any integral multiple thereof). Options granted will lapse when the option holder ceases to be a full-time employee of the Company or any company of the Group subject to certain exceptions at the discretion of the Remuneration Committee.

There were no unissued shares of the Company under options granted pursuant to the Share Option Scheme.

* *exercise price or subscription price shall be at least the highest of:*

(i) the closing price of the shares as stated in the daily quotation sheet issued by The Stock Exchange of Hong Kong Limited ("SEHK") or the Singapore Exchange Securities Trading Limited ("SGX-ST") (whichever is higher) on the offer date, which must be a business day; and

(ii) the average closing price of the shares as stated in the daily quotation sheet issued by the SEHK or the SGX-ST for the five consecutive business days immediately preceding the offer date (whichever is higher).

(b) During the financial year, no options to take up unissued shares of any subsidiary were granted and there were no shares of any subsidiary issued by virtue of the exercise of an option to take up unissued shares.

(c) At the end of the financial year, there were no unissued shares of any subsidiary under option.

6 AUDIT COMMITTEE

The Board has adopted the principles of corporate governance as described in the Code of Corporate Governance formulated by the SEHK with regards to the Audit Committee.

The Audit Committee of the Company comprises three Independent Non-executive Directors, Tam Chi Kwan Michael (Chairman), Dr. Li Jun and Pu Hong, and two Non-executive Directors, Cui Wei and Zhang Zhong.

During the financial year, the Audit Committee has reviewed the following, where relevant, with the executive directors and external and internal auditors of the company:

(a) the audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

6 AUDIT COMMITTEE (cont'd)

(b) the Group's financial and operating results and accounting policies;

(c) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company before their submission to the directors of the Company and the external auditors' report on those financial statements;

(d) the quarterly and annual announcements as well as the related press release on the results and financial position of the Company and the Group;

(e) the co-operation and assistance given by the management to the Group's external auditors;

(f) the re-appointment of the external auditors of the Company;

(g) interested person transactions; and

(h) all non-audit services provided by the Group's external auditors.

The Audit Committee has full access to and co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for the re-appointment as external auditors of the Company at the forthcoming annual general meeting of the Company.

7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

8 ADDITIONAL INFORMATION

The Directors are pleased to present in the report the following additional information as required under the Companies Ordinance (Chapter 622, the Laws of Hong Kong) and other relevant laws and regulations governed in Hong Kong.

ADOPTION OF TRADING NAME

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 27 October 2010, the Company has adopted "HX Singapore Ltd" as its trading name for carrying on business in Hong Kong.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the 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.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2014 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 53 to 98 of this annual report.

No dividends have been recommended for the financial year ended 31 December 2014.

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years is set out on page 2 of this annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 19 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association (the "Articles") or the laws of Singapore, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to the existing Shareholders.

PURCHASE, REDEMPTION OR SALE OF SHARES

Neither the Company, nor its subsidiary, purchased, redeemed or sold its equity securities during the financial year.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all of the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, Mr. Cui Genxiang and Mr. Xu Guoqiang, entered into a service contract with the Company for a term of three years commencing on 1 January 2010 and 20 December 2011 respectively, renewable in writing for any successive terms upon the date of expiry of the first three-year period, unless terminated in accordance with the provisions of the service contract by either party giving to the other not less than six months' prior notice in writing at the end of the initial term or at any time thereafter. The service agreement for Mr. Cui Genxiang and Mr. Xu Guoqiang had been renewed for a term of another three years commencing 1 January 2013 and 20 December 2014 respectively.

Save as disclosed above, none of the Directors has or is proposed to have entered into any service contracts with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation other than statutory obligations.

No Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' REMUNERATION

Directors' remuneration is subject to approval by the remuneration committee of the Company with reference to the Directors' duties, responsibilities and performance and the results of the Group. Details of the Directors' remuneration are set out in Note 5 of the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Details of the connected transactions and related party transactions are set out in the Corporate Governance Report and Note 5 to the financial statements.

Save as disclosed above, no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at any time during the year or at the end of the year.

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 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 (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 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:

	Number of issued shares in the Company			
	Personal interests	**Corporate interests**	**Total interests**	**Percentage of the Company's issued share capital**
Cui Wei[1]	-	90,294,662	90,294,662	23.27%
Zhang Zhong[2]	-	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.

There was no change in any of the above-mentioned interests between the end of the financial year of 2014 and 21 January 2015.

Saved as disclosed above, as at 31 December 2014, none of the Directors 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 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, the following 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 the SFO:

Long positions:

Name	Capacity and nature of interests	Number of ordinary shares held	Percentage of the Company's issued share capital
Kingever Enterprises Limited ("Kingever") (Note (a))	Registered owner and beneficially owned	90,294,662	23.27%
Cui Wei (Note (a))	Deemed interest and interest in controlled company	90,294,662	23.27%
Wellahead Holdings Limited ("Wellahead") (Note (b))	Registered owner and beneficially owned	28,082,525	7.24%
Zhang Zhong (Note (b))	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 section "Directors' interests and chief executive's 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.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in notes 20 and 21 to the financial statements.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders as at 31 December 2014 amounted to approximately RMB189,998,000 (2013 : RMB202,992,000).

DONATIONS

The Group had made donations amounting approximately RMB 500,000 (2013: approximately RMB 500,000) which is part of a donation commitment to a charity association and payable in equal annual installments over a period of 20 years commencing from 2007.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

In the financial year ended 31 December 2014, sales to the Group's five largest customers accounted for approximately 69.7% of the total sales for the year and sales to the largest customer included therein amounted to approximately 39.5%. Purchases from the Group's five largest suppliers accounted for approximately 37.5% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 12.6%.

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

REPORT OF THE DIRECTORS (CONT'D)

ON BEHALF OF THE DIRECTORS

....

Cui Genxiang

....

Xu Guoqiang
12 March 2015

STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 53 to 98 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

....

Cui Genxiang

....

Xu Guoqiang
12 March 2015

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF HENGXIN TECHNOLOGY LTD.

Report on the Financial Statements

We have audited the accompanying financial statements of Hengxin Technology Ltd. (the "company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the company as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 53 to 98.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and International Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche
Public Accountants and
Chartered Accountants
Singapore

12 March 2015

STATEMENTS OF FINANCIAL POSITION

31 December 2014

	Note	Group		Company	
		2014	**2013**	**2014**	**2013**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
ASSETS					
Current assets					
Cash and cash equivalents	6	469,100	372,177	19,576	17,215
Pledged bank deposits	6	22,777	1,960	-	-
Trade receivables	7	639,331	656,795	-	-
Other receivables and prepayments	8	56,374	39,113	75,167	96,086
Inventories	9	153,041	182,549	-	-
Leasehold land	11	1,355	560	-	-
Total current assets		1,341,978	1,253,154	94,743	113,301
Non-current assets					
Other receivables and prepayment	8	-	5,760	-	-
Available-for-sale investments	10	10,000	10,000	-	-
Leasehold land	11	53,404	18,341	-	-
Subsidiaries	12	-	-	392,544	392,544
Property, plant and equipment	13	147,725	143,615	13	-
Deferred tax assets	14	2,648	2,737	-	-
Total non-current assets		213,777	180,453	392,557	392,544
Total assets		1,555,755	1,433,607	487,300	505,845
LIABILITIES AND EQUITY					
Current liabilities					
Short-term loans	15	204,848	176,810	-	-
Trade payables	16	126,357	126,254	-	-
Other payables	17	33,175	34,822	2,302	7,853
Income tax payable		3,438	721	-	-
Total current liabilities		367,818	338,607	2,302	7,853
Non-current liabilities					
Deferred income	18	10,500	7,500	-	-
Deferred tax liabilities	14	3,956	3,467	-	-
Total non-current liabilities		14,456	10,967	-	-
Capital and reserves					
Share capital	19	295,000	295,000	295,000	295,000
General reserves	20	163,829	149,215	-	-
Special reserve	21	(6,017)	(6,017)	-	-
Translation reserves		(830)	(1,320)	-	-
Accumulated profits		721,499	647,155	189,998	202,992
Total equity		1,173,481	1,084,033	484,998	497,992
Total liabilities and equity		1,555,755	1,433,607	487,300	505,845

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Financial year ended 31 December 2014

		Group	
	Note	**2014**	**2013**
		RMB'000	**RMB'000**
Revenue	22	1,475,410	1,238,209
Cost of sales		(1,213,829)	(996,042)
Gross profit		261,581	242,167
Other operating income	23	11,758	6,624
Selling and distribution expenses		(74,877)	(67,950)
Administrative expenses		(37,626)	(39,859)
Other operating expenses	24	(40,083)	(33,628)
Finance costs	25	(4,657)	(4,241)
Profit before income tax	26	116,096	103,113
Income tax	27	(19,009)	(24,306)
Profit for the year attributable to owners of the Company		97,087	78,807
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation		490	(222)
Total comprehensive income for the year attributable to owners of the Company		97,577	78,585
Earnings per share (RMB cents)			
- basic	28	25.0	20.3
- diluted	28	25.0	20.3

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY
Financial year ended 31 December 2014

Group	Share capital RMB'000	General reserves RMB'000	Special reserve RMB'000	Translation reserves RMB'000	Accumulated profits RMB'000	Total RMB'000
Balance at 1 January 2013	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 comprehensive income for the year	-	-	-	(222)	78,807	78,585
Transfer to general reserves	-	14,834	-	-	(14,834)	-
Balance at 31 December 2013	295,000	149,215	(6,017)	(1,320)	647,155	1,084,033
Profit for the year	-	-	-	-	97,087	97,087
Other comprehensive income for the year	-	-	-	490	-	490
Total comprehensive income for the year	-	-	-	490	97,087	97,577
Transactions with owners, recognised directly in equity						
Dividends paid (Note 32)	-	-	-	-	(8,129)	(8,129)
Transfer to general reserves	-	14,614	-	-	(14,614)	-
Balance at 31 December 2014	295,000	163,829	(6,017)	(830)	721,499	1,173,481

Company	Share capital RMB'000	Accumulated profits RMB'000	Total RMB'000
Balance at 1 January 2013	295,000	122,082	417,082
Profit for the year representing total comprehensive income for the year	-	80,910	80,910
Balance at 31 December 2013	295,000	202,992	497,992
Transactions with owners, recognised directly in equity			
Dividends paid (Note 32)	-	(8,129)	(8,129)
Loss for the year representing total comprehensive income for the year	-	(4,865)	(4,865)
Balance at 31 December 2014	295,000	189,998	484,998

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Financial year ended 31 December 2014

	Note	Group 2014 RMB'000	Group 2013 RMB'000
Operating activities			
Profit before income tax		116,096	103,113
Adjustments for:			
Depreciation of property, plant and equipment		17,678	19,033
Interest expense		4,657	4,241
Net foreign exchange loss (gain)		704	(385)
(Gain) Loss on disposal of property, plant and equipment		(102)	339
Amortisation of leasehold land		1,022	560
Reversal of inventory obsolescence		(44)	(1,180)
Gain on disposal of available-for-sale investments		(48)	-
Interest income		(2,675)	(2,815)
Operating cash flows before working capital changes		137,288	122,906
Inventories		29,552	(73,128)
Trade receivables		17,464	(38,443)
Other receivables and prepayments		(17,261)	(14,816)
Trade payables		103	(30,039)
Other payables and deferred income		1,353	23,248
Cash generated from (used in) operations		168,499	(10,272)
Interest received		2,675	2,815
Income tax paid		(15,714)	(24,132)
Net cash from (used in) operating activities		155,460	(31,589)
Investing activities			
Acquisition of property, plant and equipment		(22,154)	(11,075)
Acquisition of leasehold land	A	(31,120)	
Proceeds on disposal of available-for-sale investments		10,048	-
Purchase of available-for-sale investments		(10,000)	-
Proceeds from disposal of property, plant and equipment		468	44
Net cash used in investing activities		(52,758)	(11,031)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

Financial year ended 31 December 2014

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Financing activities		
(Increase) Decrease in pledged bank deposits	(20,817)	18,210
Interest paid	(4,657)	(4,241)
Proceeds from short-term bank loans	204,848	241,610
Repayment of short-term bank loans	(176,810)	(106,799)
Dividends paid	(8,129)	-
Net cash (used in) from financing activities	(5,565)	148,780
Net increase in cash and cash equivalents	97,137	106,160
Cash and cash equivalents at beginning of year	372,177	265,853
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies	(214)	164
Cash and cash equivalents at end of year (Note 6)	469,100	372,177

Note A

During the financial year, the Group acquired leasehold land of a total amount of RMB36,880,000 (2013 : RMBNil) of which RMB5,760,000 (2013 : RMBNil) was transferred from prepayments to leasehold land. Cash payments of RMB31,120,000 (2013 : RMBNil) was made for the acquisition.

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2014

1 GENERAL

The Company (Registration No. 200414927H) is incorporated in the Republic of Singapore with its principal place of business at 7 Temasek Boulevard, #04-02B, Suntec Tower One, Singapore 038987 and registered office at 10 Anson Road #32-15, International Plaza, Singapore 079903. The Company is primarily listed on the main board of The Stock Exchange of Hong Kong Limited with a secondary listing on the Main Board of the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Renminbi.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

As at December 31 2014, the Group's current assets less current liabilities and total assets less current liabilities amounted to RMB974,160,000 (2013 : RMB914,547,000) and RMB1,187,937,000 (2013 : RMB1,095,000,000) respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2014 were authorised for issue by the Board of Directors on 12 March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE – The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the provisions of the Singapore Companies Act.

FIRST TIME ADOPTION OF IFRS – On 1 January 2014, the Group adopted IFRS for the first time for the financial year ended 31 December 2014. Previously, the Group presented its financial statements in accordance with Singapore Financial Reporting Standards ("SFRS"). The adoption of IFRS does not result in any changes in prior period comparatives as the differences between IFRS and SFRS are not significant to the Group and accordingly, no third statement of financial position for 31 December 2012 and reconciliation to IFRS are presented.

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS – In the current year, the Group has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014. The adoption of these new/revised IFRSs and amendments to IFRSs does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years.

At the date of authorisation of the financial statements, the Directors anticipate that the adoption of the IFRS, IFRIC and amendments to IFRS that were issued but effective only in future periods is not expected to have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption, except as follows:

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets: IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a)impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective I to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dated to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non- financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of IFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group undertakes a detailed review.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- identify the contract(s) with a customer
- identify the performance obligations in the contract
- determine the transaction price
- allocate the transaction price to the performance obligations in the contract
- recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

IFRS 15 will take effect from financial years beginning on or after 1 January 2017. The group is currently evaluating the impact of the changes in the period of initial adoption.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the company and entities (including structured entities) controlled by the company and its subsidiaries. Control is achieved when the company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- The size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the group's accounting policies.

In the company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 Financial Instruments: Recognition and Measurement, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the IFRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date - and is subject to a maximum of one year from acquisition date.

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs.

Financial assets are classified into the following specified categories: "loans and receivables" and "available-for-sale" financial assets. The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Loan and other receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Trade and other receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Available-for-sale financial assets

Certain shares and debt securities held by the Group are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in Note 2 to the financial statements. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the other comprehensive income and accumulated in revaluation reserves is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its costs is considered to be objective evidence of impairment.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 180 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserves. In respect of available-for sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, if the Group neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the assets and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policies for borrowing costs.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realised or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

LEASEHOLD LAND – The cost of acquiring land use rights in the People's Republic of China ("PRC") are classified as leasehold land and amortised on a straight line basis over the period of 42 - 48 years, which represents the relevant land use rights that have been granted to the Group.

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets less residual value over their estimated useful lives, using the straight-line method, on the following bases:

Building	-	20 years
Plant and machinery	-	10 years
Office equipment	-	5 years
Motor vehicles	-	5 years

Construction-in-progress includes property, plant and equipment in the course of construction for production or for its own use. Construction-in-progress is carried at cost less any recognised impairment loss. Construction-in-progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

IMPAIRMENT OF TANGIBLE ASSETS - At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

BORROWING COSTS - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when the goods are delivered and legal title is passed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Service income

Services income is recognised when the services are rendered.

Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

RETIREMENT BENEFIT COSTS - Pursuant to the relevant regulations of the People's Republic of China ("PRC") government, the PRC subsidiaries of the Group ("PRC Subsidiaries") has participated in central pension schemes ("the Schemes") operated by local municipal government whereby the PRC subsidiary is required to contribute a certain percentage of the basic salaries of its employees to the Schemes to fund their retirement benefits. The local municipal government undertake to assume the retirement benefit obligations of all existing and future retired employees of the PRC subsidiary. The only obligation of the PRC subsidiary with respect to the Scheme is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to profit or loss as incurred.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

RESEARCH AND DEVELOPMENT EXPENDITURE - Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively).

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Chinese Renminbi ("RMB"), which is the functional currency of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in statement of profit or loss and other comprehensive income for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements of the Group, the assets and liabilities of the Group's non-PRC foreign operations (including comparatives) are expressed in RMB using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve. Such translation differences are recognised in statement of comprehensive income in the period in which the foreign operation is disposed.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

GENERAL RESERVES - Pursuant to the relevant laws and regulations in the PRC applicable to foreign investment enterprises and the Articles of Association of the PRC subsidiaries, the subsidiaries are required to maintain a statutory surplus reserve fund. Appropriations to these funds are made out of net profit after taxation as reported in the PRC statutory financial statements of the subsidiary (the "PRC Accounting Profit").

The subsidiary is required to transfer 15% of its PRC Accounting Profit to the statutory surplus reserve fund until the balance reaches 50% of the registered capital of the PRC subsidiary. The statutory surplus reserve fund may be used to make up prior year losses incurred and to increase capital.

The Group did not resolve to appropriate any fund to the staff welfare and bonus fund since its establishment.

Appropriation from profit after taxation as reported in the PRC statutory financial statements to the staff welfare and bonus fund is at the discretion of the subsidiary at rates determined by the subsidiary. The amount transferred to the staff welfare and bonus fund in the PRC statutory financial statements has been adjusted in these financial statements as an operating expense as in the opinion of the directors, this fund will be used to pay for staff benefits of the subsidiaries.

CASH AND CASH EQUIVALENTS - Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid assets that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

(i) Critical judgements in applying the Group's accounting policies

Management is of the opinion that there are no instances of the critical judgement, apart from those involving estimations (see below), that Management has made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(ii) Key sources of estimation uncertainty

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

Allowances for trade receivables

Trade receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade receivables. Allowances are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amounts of trade receivables at the end of the reporting period are disclosed in Note 7 to the financial statements.

Allowances for inventory obsolescence

Inventories are valued at the lower of cost and net realisable value. Also, the Group regularly inspects and reviews its inventories to identify slow-moving and obsolete inventories. The amount of the impairment loss is measured as the difference between inventories' cost and net realisable value.

The identification of impairment of inventories requires the use of judgement and estimate of expected net realisable value. Where the net realisable value is lower than the cost, a material impairment loss may arise. The carrying amounts of inventories at the end of the reporting period are disclosed in Note 9 to the financial statements.

Deferred tax for unremitted profits of overseas subsidiary

The Group makes provisions for deferred taxes for expected withholding tax payable on the undistributed profits on its overseas subsidiary. Estimating the deferred tax liability requires management to estimate the amount of profits to be remitted for head office expenses and dividend distribution. Management currently estimates 10% of its overseas subsidiary's profits will be remitted for each financial year. The carrying amount of the deferred tax liability is disclosed in Note 14.

Fair value of available-for-sale equity investment and embedded derivative

Determining the fair value of the available-for-sale equity instrument and the embedded derivative required the use of valuation method. The valuation method require the use of estimates such as projected future cash flows, weighted average cost of capital, expected dividend yield, etc. See Note 4(c)(vi) The carrying amount of the available-for-sale equity instrument and relevant disclosures about the embedded derivative are disclosed in Note 10.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

Impairment of investment in subsidiary

Determining whether investment in subsidiary is impaired requires an estimation of the value in use of those investments. The value in use calculation requires the Company to estimate the future cash-flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash-flows. Management has evaluated the recoverability of those investments based on such estimates and is confident that the allowance for impairment, where necessary, is adequate. The carrying amount of the investment in subsidiary is disclosed in Note 12 to the financial statements.

Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the financial year, management is satisfied that there is no change in the estimated useful lives of the property, plant and equipment from prior year. The carrying amounts of property, plant and equipment at the end of the reporting period are disclosed in Note 13 to the financial statements.

Impairment of property, plant and equipment and leasehold land

At the end of the reporting period, management reviews the carrying amounts of its property, plant and equipment and leasehold land to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, management carried out impairment reviews of its property, plant and equipment and leasehold land. In making its judgement, management considered the future cash flows expected to arise from the cash generating unit and suitable discount rates in order to calculate the present value. Management has performed an assessment in 2014 and 2013 and determined that there is no indicator of impairment. The carrying amounts of property, plant and equipment and leasehold land at the end of the reporting period are disclosed in Notes 13 and 11 to the financial statements respectively.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance, and to ensure that all externally imposed capital requirements are complied with.

The capital structure of the Group consists of debt, which includes the bank borrowings and equity attributable to equity holders of the Company, comprising paid up capital, accumulated profits and other reserves.

The Group's management reviews the capital structure on an on-going basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

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

The Group's overall strategy remains unchanged from prior year. As at the end of the reporting period, the Group is in compliance with all capital requirements on its external borrowings.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(a) Capital risk management policies and objectives (cont'd)

The gearing ratio at the end of the reporting period is as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Net cash borrowings	(264,252)	(195,367)
Total equity	1,173,481	1,084,033
Net debt to equity ratio	(22.52)	(18.02)

(b) Categories of financial instruments

The carrying amounts of financial assets and financial liabilities are as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Group		
Financial assets		
Loans and receivables (including cash and cash equivalents)	1,159,100	1,045,289
Available-for-sale financial assets	10,000	10,000
Financial liabilities		
Borrowings and payables, at amortised cost	364,380	337,886
Company		
Financial assets		
Loans and receivables (including cash and cash equivalents)	94,743	113,270
Financial liabilities		
Payables at amortised cost	2,302	7,853

(c) Financial risk management policies and objectives

The Group's major financial instruments include trade and other receivables, trade and other payables, available-for-sale financial assets, short-term bank loans, cash and cash equivalents and pledged bank deposits. Details of these financial instruments are disclosed in respective notes.

The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Market risk management*

The Group's activities are exposed primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Management monitors risks associated with changes in foreign currency exchanges rates and interest rates and will consider appropriate measures should the need arises.

There has been no significant change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

4 **FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)**

(c) **Financial risk management policies and objectives (cont'd)**

(ii) ***Foreign currency risk management***

The primary economic environment in which the principal subsidiary of the Company operates is in PRC and its functional currency is RMB. However, certain sales and purchases of the Group are denominated in United States dollars ("US$"), Singapore dollars ("S$"), Hong Kong dollars (HKD) and Euro, which are currencies other than the functional currency of the relevant group entities and expose the Group to foreign currency risk.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the respective reporting periods are as follows:

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
USD				
Cash and cash equivalents	225,764	1,714	4,573	1,508
Trade receivables	1,117	2,831	-	-
Other receivables and prepayments	1,630	5	-	914
Short term loans	(184,848)	(176,810)	-	-
Trade payables	(438)	-	-	-
Net	43,225	(172,260)	4,573	2,422
SGD				
Cash and cash equivalents	14,871	15,569	14,871	15,569
Other receivables and prepayments	167	172	167	172
Other payables	(1,946)	(7,853)	(1,946)	(7,853)
Net	13,092	7,888	13,092	7,888
HKD				
Cash and cash equivalents	132	138	132	138

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Euro				
Cash and cash equivalents	3,740	737	-	-
Trade receivables	119	197	-	-
Other receivables and prepayments	-	224	-	-
Total	3,859	1,158	-	-

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(ii) *Foreign currency risk management* (cont'd)

The Group has set up policy to strike a balance between uncertainty and the risk of opportunity loss due to the growing significance of its exposures to fluctuations in foreign currency. Foreign exchange forward contracts can be used to eliminate the currency exposures. The Group has not entered into such forward contracts but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the Renminbi ("RMB") against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currencies rates. A positive (negative) number below indicates an increase (decrease) in profit where RMB strengthens 10% against the relevant currency. For a 10% weakening of the RMB against the relevant currency, there would be an equal and opposite impact on the profit for the year.

	USD impact		SGD impact		HKD impact		Euro impact	
	2014	2013	2014	2013	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit or loss								
Group	(4,323)	17,226	(1,308)	(789)	(13)	(14)	(386)	(116)
Company	(457)	(242)	(1,309)	(789)	(13)	(14)	-	-

The Group's sensitivity to foreign exchange rate changes has decreased (2013: increased) during the current period mainly due to a decrease (2013: increase) in monetary liabilities denominated in foreign currency during the current period.

(iii) *Interest rate risk management*

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's interest rate exposure relates primarily to its bank loans as detailed in Note 15 to the financial statements. The Group's monitors the interest rates on borrowings closely to ensure that the borrowings are maintained at favourable rate.

Surplus funds are placed with reputable banks.

Interest rate sensitivity

In 2014, if USD interest rates had been 20 basis points lower/higher with all other variables held constant, the Group's profit would have been RMB410,000 (2013: RMB354,000) higher/lower, arising mainly as a result of lower/higher interest expense on its variable rates borrowings. A 20 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iv) *Credit risk management*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Before accepting any new customer, the Group has to assess the potential customer's credit quality and defines credit limits by customer. The Group uses publicly available financial information and its own trading records to rate its major customers. The Group only transacts with customers that have good credit quality. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the management.

The Group's credit risk primarily relates to the Group's trade and other receivables, advance payments to suppliers, cash and cash equivalents and pledged bank deposits. There is significant concentration of credit risk as the top five biggest customers account for over approximately 72% (2013: 77%) of the carrying amounts of trade receivables as at 31 December 2014. Most of these customers have long standing relationship with the Group and are of sound credit quality. The management of the Group generally grants credit only to customers with good credit ratings and also closely monitors overdue trade debts. The recoverable amount of each individual trade debt is reviewed at the end of each reporting period and adequate impairment for doubtful debts has been made for irrecoverable amounts. In this regard, the management of the Group considers that the credit risk associated with the Group's trade receivable and trade prepayments is significantly reduced.

Further details of credit risks on trade and other receivables are disclosed in Notes 7 and 8 to the financial statements respectively.

The credit risk in relation to the Group's cash and cash equivalents, and pledged bank deposits is not significant as the corresponding banks are reputable banking institutions in the PRC, Singapore and India.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the statements of financial position.

(v) *Liquidity risk management*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowing and ensure compliance with loan covenants, if any.

Undrawn credit facilities with financial institutions are disclosed in Note 15 to the financial statements.

Liquidity and interest risk analyses

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets excluding available-for-sale financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(v) Liquidity risk management (cont'd)

	Weighted average effective interest rate %	On demand or less than 1 year RMB'000	Adjustment RMB'000	Total carrying amount RMB'000
Group				
2014				
Trade receivables	-	639,331	-	639,331
Other receivables	-	27,892	-	27,892
Fixed deposits	7.02	1,344	(70)	1,274
Cash and cash equivalents	2.59	469,880	(2,054)	467,826
Pledged bank deposits	3.12	23,416	(639)	22,777
Total		1,161,863	(2,763)	1,159,100
2013				
Trade receivables	-	656,795	-	656,795
Other receivables	-	14,357	-	14,357
Fixed deposits	2.09	7,868	(177)	7,691
Cash and cash equivalents	1.18	368,787	(4,301)	364,486
Pledged bank deposits	2.80	2,015	(55)	1,960
Total		1,049,822	(4,533)	1,045,289
Company				
2014				
Other receivables	-	75,167	-	75,167
Cash and cash equivalents	0.06	19,307	(12)	19,295
Fixed deposits	0.05	281	-	281
Total		94,755	- (12)	94,743
2013				
Other receivables	-	96,055	-	96,055
Cash and cash equivalents	0.12	11,181	(13)	11,168
Fixed deposits	0.05	6,050	(3)	6,047
Total		113,286	(16)	113,270

Non-derivative financial liabilities

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date in which the Group and the Company can be required to pay. The tables include both interest and principal cash flows.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(v) *Liquidity risk management (cont'd)*

	Weighted average effective interest rate %	On demand or less than 1 months RMB'000	Between 1 to 3 months RMB'000	Between 3 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Group						
2014						
Trade and other payables	-	96,470	31,252	31,810	159,532	159,532
Short-term bank loans	3.41	-	2,707	208,991	211,698	204,848
Total		96,470	33,959	240,801	371,230	364,380
2013						
Trade and other payables	-	73,486	15,055	72,535	161,076	161,076
Short-term bank loans	2.50	-	1,090	177,839	178,929	176,810
Total		73,486	16,145	250,374	340,005	337,886
Company						
2014						
Other payables	-	2,302	-	-	2,302	2,302
2013						
Other payables	-	7,853	-	-	7,853	7,853

(vi) *Fair value of financial assets and financial liabilities*

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(vi) *Fair value of financial assets and financial liabilities* (cont'd)

Financial instruments measured at fair value

	Group			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
2014				
Financial assets				
Available-for-sale equity instruments	-	-	10,000	10,000
Embedded derivatives*	-	-	*	*
	-	-	10,000	10,000
2013				
Financial assets				
Available-for-sale equity instruments	-	-	10,000	10,000
Embedded derivatives*	-	-	*	*
	-	-	10,000	10,000

* The fair value of embedded derivatives has been determined to be immaterial by management. Please see further disclosures in Note 10.

Significant assumptions in determining fair value of financial assets and liabilities

(i) Unquoted equity shares – available-for-sale

Fair value is estimated using the discounted cash flow model, which includes significant assumptions that are not supportable by observable market prices or rates. In determining fair value, earnings growth factor between 10% to 50% and a weighted average cost of capital of 19% is used. Changes in these assumptions are not expected to be significant to total assets of the Group.

(ii) Unquoted embedded derivatives

Fair value is estimated using the Black-Scholes Option Pricing Model, which includes significant assumptions which are not supportable by observable market prices or rates. In determining fair value, an estimated exercise prices, dividend yield and volatility of share prices are used. Changes in these assumptions are not expected to be significant to total assets of the Group.

There is no transfer between levels during the financial year.

Other financial assets and financial liabilities

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values due to their relative short term maturity profile.

5 RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the bases determined between the parties is reflected in the financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Significant related party transactions

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
With Suzhou Hengli Telecommunications Materials Co., Ltd		
Sale of finished goods	1,399	-
Purchase of raw materials	9,216	5,597

Note: Suzhou Hengli Telecommunication Materials Co., Ltd is a subsidiary of Hengtong Group Co., Ltd, a Company controlled by a sibling of the Executive Chairman of the Company. Cui Wei, the Non-Executive Director of the Company, and a nephew of the Executive Chairman, is also a substantial shareholder of the Company.

Compensation of directors and key management personnel

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

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Remuneration to executive directors:		
Short term benefits	2,423	1,972
Remuneration to key management personnel:		
Short term benefits	2,876	2,436
Retirement benefits scheme contributions	105	101
Total	2,981	2,537
Total remuneration	5,404	4,509

5 **RELATED PARTY TRANSACTIONS (cont'd)**

Compensation of directors and key management personnel (cont'd)

(a) **Details of the directors' remuneration are as follows:**

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Non-executive directors' fees	1,794	1,573
Executive directors' fees:		
Salaries, allowances and benefits in kind	1,796	1,630
Performance related bonuses	627	342
Total executive directors' fees	2,423	1,972
Total directors' remuneration	4,217	3,545

(i) **The fees paid to independent non-executive directors were as follow:**

	2014	**2013**
	RMB'000	**RMB'000**
Tay Ah Kong Bernard	589	565
Chee Teck Kwong Patrick	540	516
Tam Chi Kwan Michael	302	246
Total	1,431	1,327

(ii) **The fees paid to non-executive directors were as follow:**

	2014	**2013**
	RMB'000	**RMB'000**
Cui Wei	61	-
Zhang Zhong	302	246
Total	363	246

5 RELATED PARTY TRANSACTIONS (cont'd)

Compensation of directors and key management personnel (cont'd)

(a) Details of the directors' remuneration are as follows: (cont'd)

(iii) Executive directors (equivalent to Chief Executive)

The benefits paid to executive directors were as follow:

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Total RMB'000
2014			
Cui Genxiang	877	239	1,116
Xu Guoqiang	919	388	1,307
Total	1,796	627	2,423
2013			
Cui Genxiang	708	-	708
Xu Guoqiang	922	342	1,264
Total	1,630	342	1,972

There were no arrangements under which any directors waived or agreed to waive any remuneration for the financial year ended 31 December 2014 and 2013.

No remuneration was paid by the Group to any directors as an inducement for join or upon join the Group or as compensation for loss of office.

6 CASH AND CASH EQUIVALENTS/PLEDGED BANK DEPOSITS

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
Cash at bank	467,826	364,486	19,295	11,168
Fixed deposits	1,274	7,691	281	6,047
Cash and cash equivalents	469,100	372,177	19,576	17,215
Pledged bank deposits	22,777	1,960	-	-
Total	491,877	374,137	19,576	17,215
Bank deposits are pledged in relation to:				
Other banking facilities	22,777	1,960	-	-

Certain of the pledged bank deposits bear interest at an average effective interest rates at 3.135% (2013 : 2.800%) per annum and for a tenure of approximately 3 months (2013 : 3 months).

The Group's and the Company's fixed deposits bear average effective interest rates ranging from 0.01% to 7.02% (2013 : 0.05% to 9.91%) per annum and for a tenure of not more than 3 months (2013 : not more than 3 months).

7 TRADE RECEIVABLES

	Group	
	2014	2013
	RMB'000	RMB'000
Outside parties	569,605	609,413
Less: Allowance for doubtful debts	(15,762)	(15,762)
Net	553,843	593,651
Notes receivables	85,488	63,144
Total	639,331	656,795
Movement in the above allowance:		
At beginning and end of year	15,762	15,762

The average credit period on sales of goods is 180 days (2013: 180 days) after delivery. The Group has provided fully for certain long-outstanding receivables over 2 years because historical experience is such that receivables may not be recoverable. Trade receivables between 1 to 2 years are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Before accepting any new customer, the Group assesses the potential customers' credit quality and defines credit limits by customer. Limits and credit quality attributed to customers are reviewed periodically. At 31 December 2014, approximately 67% (2013 : 77%) of gross trade receivables were related to China Unicom Group of companies, China Mobile Group of companies and three other major customers of the Group. Approximately 96% (2013 : 96%) of trade receivables are attributable to customers in the PRC. There are no other customers who represent more than 5% of the total balance of trade receivables. The trade receivables that are neither past due nor impaired are receivables from customers with long standing relationship and are of sound credit quality. The amount is still recoverable.

Included in the Group's trade receivable balance are debtors with a carrying amount of RMB89,572,000 (2013 : RMB138,707,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The aging for trade receivables which are past due and not impaired are those shown in the table below for the receivables between 181 days to 2 years.

The table below is an analysis of trade receivables net of allowance for doubtful debts presented based on the invoice dates, which approximates the respective revenue recognition dates, at the end of the reporting period, is as follows:

	Group	
	2014	2013
	RMB'000	RMB'000
Ageing of trade receivables which are not impaired:		
0 to 180 days	549,759	518,088
181 to 360 days	76,577	69,083
1 to 2 years	12,995	69,624
Total	639,331	656,795

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Accordingly, the Management believe that there is no further allowance required in excess of the allowance for doubtful debts.

8 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Advance payment to suppliers	16,319	10,000	-	-
Deposit paid for acquisition of land use rights	-	5,760	-	-
Refundable deposits	18,094	217	144	141
Tax recoverables	11,785	14,395	-	-
Advances to staff	5,236	3,225	-	-
Prepayments	378	361	-	31
Due from subsidiaries (Note 12)	-	-	75,000	95,914
Others	4,562	10,915	23	-
Total	56,374	44,873	75,167	96,086

Included in the refundable deposits are tender deposits that are for bidding of supplier contracts.

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Presentation in Statements of Financial Position:				
Current asset	56,374	39,113	75,167	96,086
Non-current asset	-	5,760	-	-
Total	56,374	44,873	75,167	96,086

The advances to staff are unsecured, interest-free and repayable on demand.

9 INVENTORIES

	2014	2013
	RMB'000	RMB'000
Raw materials	23,548	24,707
Work-in-progress	9,470	9,135
Finished goods	120,197	148,925
	153,215	182,767
Less: Allowance for inventory obsolescence	(174)	(218)
Net	153,041	182,549
Movement in the above allowance:		
At beginning of year	218	1,398
Charge	44	-
Reversed	(88)	(1,180)
At end of year	174	218

The cost of inventories recognised as an expense includes RMB 44,000 (2013 : RMB Nil) in respect of write-down of inventory to net realisable value, and has been reduced by RMB 88,000 (2013 : RMB1,180,000) in respect of the reversal of such write-downs. Previous write-downs were reversed as the inventories were sold above their carrying amounts.

10 AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Non-current asset		
Unquoted equity security, at fair value	10,000	10,000

The unquoted security relate to an equity investment in a private Company ("investee") in the People's Republic of China. Included in the investment agreement are the following conditions:

(i) The investee company is to attain RMB 10.5 million net profit for the financial year ended 31 December 2012, with deviation allowed up to 30%. Net profit with deviation more than 30% will result in certain shareholders compensating the Group at 10% of the amount of profit not achieved based on its share of investment – in shares of the investee company or in cash; and

(ii) If the shares of the investee company is not publicly traded by 31 December 2015, the Group has the option to sell back the total equity investment of RMB10,000,000 to certain shareholders of the investee company with a 6% annual interest.

For condition (i), management has assessed and determined in 2012 that the investee company has met the conditions with no compensations due to the Group.

For condition (ii), it has been determined to be an embedded derivative which is required to be fair valued through profit or loss in accordance with IAS 39. Based on a third party independent valuation,

(i) the fair value of the equity investment is approximately RMB12,200,000 (2013 : RMB10,400,000); and

(ii) the value of the options have been determined to be an asset with value of approximately RMB1,600,000 (RMB3,000,000).

If the fair value of the equity instrument and embedded derivative had been adjusted, it would have resulted in an increase in total assets of RMB3,800,000 (2013 : RMB3,400,000), decrease in profit of RMB1,400,000 and an increase in other comprehensive income of RMB1,800,000.

Management is of the opinion that the changes to the fair value of the equity investment RMB2,200,000 (2013 : RMB400,000) and the fair value of the embedded derivative of RMB1,600,000 (2013 : RMB3,000,000) are not material and therefore the unquoted equity security is recorded at a fair value which approximates the cost of investment.

11 LEASEHOLD LAND

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Cost		
At beginning of the year	24,376	24,376
Additions	36,880	-
At end of the year	61,256	24,376
Accumulated amortisation		
At beginning of the year	5,475	4,915
Amortisation	1,022	560
At end of the year	6,497	5,475
Carrying amount	54,759	18,901

11 LEASEHOLD LAND (cont'd)

	Group 2014 RMB'000	Group 2013 RMB'000
Presentation in Statements of Financial Position:		
Current asset	1,355	560
Non-current asset	53,404	18,341
Total	54,759	18,901

The amount represents land use rights located in the mainland People's Republic of China ("PRC") and is amortised on a straight line basis over 42 to 48 years and are classified as medium- term leases. The amortisation period is in line with the operating period stipulated in the business licence of the subsidiary.

12 SUBSIDIARIES

	Company 2014 RMB'000	Company 2013 RMB'000
Unquoted shares, at cost	392,544	392,544

Name of subsidiary	Place of business and incorporation/ establishment	Paid up Registered Capital RMB	Principal activities	Effective equity interest and voting power 2014 %	Effective equity interest and voting power 2013 %
Jiangsu Hengxin Technology Co., Ltd[1]	People's Republic of China	384,883,000	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	100	100
Hengxin Technology (India) Pvt Ltd	India	7,661,000	Marketing and trading of the Group's products to the Indian telecommunication operators	100	100
Held by subsidiary					
Jiangsu Hengxin Wireless Technology Co., Ltd[2]	People's Republic of China	5,000,000	Research, design, development and manufacture sale and technical services of antennas and related telecommunications products for mobile communications systems	100	100
Hengxin Network Wireless (Shanghai) Co., Ltd[2]	People's Republic of China	-	Research, design, development and manufacture sale and technical services of antennas and related telecommunications products for mobile communications systems	100	-

1 Wholly owned foreign enterprise (WOFE) registered under PRC law

2 Wholly owned by Jiangsu Hengxin Technology Co., Ltd

12 SUBSIDIARIES (cont'd)

The PRC subsidiaries are audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, Nanjing Branch for consolidation purposes. The principal place of business of its subsidiary is No. 138, Taodu Road, Dingshu Town, Yixing City, Jiangsu Province, PRC.

The India subsidiary is audited by Deloitte & Touche LLP, Singapore for consolidation purposes. The principal place of business of its subsidiary is in 91B Aggrawal Trade Centre, Plot No.62, Sector 11, CBD Belapur, Navi Mumbai, 400614, India.

The balances with subsidiaries are unsecured, interest free and repayable on demand unless otherwise stated.

None of the subsidiaries had issued any debt securities at the end of the year.

13 PROPERTY, PLANT AND EQUIPMENT

	Building	Plant and machinery	Office equipment	Motor vehicles	Construction-in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<u>Group</u>						
Cost						
At 1 January 2013	67,997	155,474	16,493	5,061	5,444	250,469
Exchange realignment	-	(3)	(18)	-	-	(21)
Additions	332	5,685	2,566	-	2,492	11,075
Transfers	4,917	-	41	860	(5,818)	-
Disposals	-	(2,713)	(373)	(161)	-	(3,247)
At 31 December 2013	73,246	158,443	18,709	5,760	2,118	258,276
Additions	793	3,607	3,544	1,482	12,728	22,154
Transfers	7,458	655	57	-	(8,170)	-
Disposals	-	(1,282)	(328)	(1,090)	-	(2,700)
At 31 December 2014	81,497	161,423	21,982	6,152	6,676	277,730
Accumulated depreciation						
At 1 January 2013	12,508	75,470	6,623	3,911	-	98,512
Exchange realignment	-	(2)	(18)	-	-	(20)
Depreciation	3,240	13,177	2,264	352	-	19,033
Disposals	-	(2,391)	(329)	(144)	-	(2,864)
At 31 December 2013	15,748	86,254	8,540	4,119	-	114,661
Depreciation	3,649	10,594	2,982	453	-	17,678
Disposals	-	(1,059)	(294)	(981)	-	(2,334)
At 31 December 2014	19,397	95,789	11,228	3,591	-	130,005
Carrying amount						
At 31 December 2013	57,498	72,189	10,169	1,641	2,118	143,615
At 31 December 2014	62,100	65,634	10,754	2,561	6,676	147,725

13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Office equipment RMB'000
Company	
Cost	
At 1 January 2013 and 31 December 2013	29
Additions	15
At 31 December 2014	44
Accumulated depreciation	
At 1 January 2013 and 31 December 2013	29
Depreciation	2
At 31 December 2014	31
Carrying amount	
At 31 December 2013	-
At 31 December 2014	13

14 DEFERRED TAX ASSETS (LIABILITIES)

(a) Deferred tax asset

The following are the deferred tax assets recognised by the Group and the movements thereon during the current year:

	Unrealised exchange loss RMB'000	Allowance for doubtful receivables RMB'000	Allowance for inventory obsolescence RMB'000	Total RMB'000
Group				
At 1 January 2013	1,045	2,364	209	3,618
Charge to profit or loss	(705)	-	(176)	(881)
At 31 December 2013	340	2,364	33	2,737
Charge to profit or loss	(87)	-	(2)	(89)
At 31 December 2014	253	2,364	31	2,648

(b) Deferred tax liabilities

	Group 2014 RMB'000	Group 2013 RMB'000
At beginning of year	3,467	2,979
Charge to profit or loss	489	488
At end of year	3,956	3,467

The deferred tax liabilities relate to undistributed reserves of the PRC subsidiaries. The total undistributed profits of the PRC subsidiaries are RMB 528,936,000 (2013 : RMB 445,794,000). No deferred tax liability has been recognised for undistributed profits of RMB 449,816,000 (2013 : RMB 376,454,000) as the Group is of the opinion that these reserves will not be remitted back to the holding Company in the foreseeable future.

15 SHORT-TERM LOANS

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Bank loan – unsecured (Note a)	-	176,810
Bank loan – secured (Note b)	19,635	-
Bank loan – unsecured (Note c)	20,000	-
Bank loan – unsecured (Note d)	165,213	-
Total	204,848	176,810

Note:

(a) As at 31 December 2013, the unsecured bank loan of the Group amounting to RMB176,810,000 bore interest of 1.3% per annum above LIBOR. The loan was denominated in United States Dollars.

(b) As at 31 December 2014, the bank loan of the Group amounting RMB19,635,000 is secured by a fixed deposit and bears fixed interest of 2.57% per annum. The loan is denominated in United States Dollars.

(c) As at 31 December 2014, the unsecured bank loan of the Group amounting to RMB20,000,000 bears fixed interest of 6.0% per annum. The loan is denominated in Renminbi.

(d) As at 31 December 2014, the unsecured bank loan of the Group amounting to RMB165,213,000 bears interest of 1.5% per annum above LIBOR. The loan is denominated in United States Dollars.

At 31 December 2014, the Group had RMB922,777,000 (2013 : RMB1,018,772,000) of unutilised committed borrowing facilities for which all conditions precedent had been met.

16 TRADE PAYABLES

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Outside parties	126,357	126,254

Trade payables comprise amounts outstanding for trade purchases. No interest is charged on overdue balances. Payment terms with suppliers are mainly on credit terms of 90 days (2013 : 90 days) from the invoice date. The aging of trade payables are as follows:

	Group	
	2014	**2013**
	RMB'000	**RMB'000**
Ageing based on invoice date:		
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
Total	126,357	126,254

17 OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued operating expenses	2,987	7,966	1,329	7,309
Other payables	30,188	26,856	973	544
Total	33,175	34,822	2,302	7,853

18 DEFERRED INCOME

At 31 December 2014, the amount represents deferred revenue arising as a result of the special fund received from local government to support the Group's project of transformation of science and technology achievements in the People's Republic of China. The grants are related to assets and will be offset against relevant cost incurred in profit or loss within the next three years.

19 SHARE CAPITAL

	Group and Company			
	2014	2013	2014	2013
	Number of ordinary shares ('000)		S$'000	S$'000
Issued and paid-up:				
At beginning and end of year	388,000	388,000	58,342	58,342
Equivalent to approximately (RMB'000)			295,000	295,000

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

20 GENERAL RESERVES

	Group	
	2014	2013
	RMB'000	RMB'000
Statutory surplus reserve fund:		
At beginning of year	149,215	134,381
Transfer from accumulated profits	14,614	14,834
At end of year	163,829	149,215

21 SPECIAL RESERVE

The special reserve represents the difference between the acquisition cost and carrying amount of net assets of the PRC subsidiary arising from the acquisition of PRC subsidiary in 2004.

22 REVENUE

	Group	
	2014	2013
	RMB'000	RMB'000
Sales of goods:		
Radio frequency coaxial cables	1,064,740	932,998
Telecommunication equipment and accessories	337,130	270,370
Service income	480	-
Others	73,060	34,841
Total	1,475,410	1,238,209

23 OTHER OPERATING INCOME

	Group	
	2014	2013
	RMB'000	RMB'000
Interest income	2,675	2,815
Compensation claims received	459	376
Gain on disposal of property, plant and equipment	102	-
Government grants	8,063	3,252
Others	459	181
Total	11,758	6,624

24 OTHER OPERATING EXPENSES

	Group	
	2014	2013
	RMB'000	RMB'000
Research and development expenses	36,466	28,622
Foreign exchange loss	2,914	3,947
Donation	700	715
Loss on disposal of property, plant and equipment	-	339
Others	3	5
Total	40,083	33,628

25 FINANCE COSTS

	Group	
	2014	2013
	RMB'000	RMB'000
Interest expense on bank loans wholly repayable within five years	4,657	4,241

26 PROFIT BEFORE INCOME TAX

This is determined after charging (crediting) the following:

	Group	
	2014	2013
	RMB'000	RMB'000
Reversal of allowance for inventory obsolescence	(44)	(1,180)
Amortisation of leasehold land	1,022	560
Audit and related services fees paid:		
- to the auditors of the Company	435	444
- to the other auditors	665	769
Non-audit fees paid:		
- to auditors of the Company	85	87
- to the other auditors	250	300
Cost of inventories recognised as an expense (including effect of allowance for inventory obsolescence)	1,213,873	997,222
Cost of defined contribution plans (included in employee benefits expenses below)	4,049	3,177
Depreciation of property, plant and equipment	17,678	19,033
Executive directors' remuneration		
- directors of Company	2,423	1,972
- directors of the subsidiaries	37	38
Directors' fees - directors of the Company	1,794	1,573
Employee benefits expense	82,168	58,557
Net foreign exchange loss	2,914	3,947
(Gain) Loss on disposal of property, plant and equipment	(102)	339
Research and development expenses *	36,466	28,622

* included in other operating expenses

Pursuant to the relevant regulations of the PRC government, the PRC subsidiaries have participated in central pension schemes ("the Schemes") operated by local municipal government whereby the subsidiary is required to contribute 24% of the basic salaries of their employees to the Schemes to fund their retirement benefits. The local municipal government undertake to assume the retirement benefit obligations of all existing and future retired employees of the subsidiary. The only obligation of the subsidiaries with respect to the Scheme is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to profit or loss as incurred.

As at 31 December 2014, the contributions due in respect of the year that had not been paid over to the schemes were approximately RMB536,000 (2013: RMB440,000). The amounts were paid subsequent to the end of the reporting period.

Five employees who received the highest remuneration

Five employees who received the highest remuneration in the Group for the year included 2 directors (2013 : 2 directors). Details of the remuneration paid to the director are set out in Note 5 to the financial statements.

26 PROFIT BEFORE INCOME TAX (cont'd)

Details of the remuneration paid to the 3 non-director employees (2013 : 3) who received the highest remuneration in the Group for the year were as follows:

	2014 RMB'000	2013 RMB'000
Salaries, allowances and benefits in kind	1,570	1,458
Performance related bonuses	1,002	638
Pension scheme contributions	92	90
Total	2,664	2,186

No amount is paid to any of the five highest paid employees (including the director) during the year as an inducement to join or upon joining the Company.

The number of non-director employees whose remuneration fell within the following bands were as follows:

	Number of employees	
	2014	2013
RMB1,000,001 to RMB1,500,000	1	1
RMB Nil to RMB1,000,000	2	2
Total	3	3

27 INCOME TAX

	Group	
	2014 RMB'000	2013 RMB'000
Current	17,450	22,425
Underprovision of current tax in prior years	981	512
Deferred tax expense (Note 14)	578	1,369
Income tax expense	19,009	24,306

The reconciliation of the tax expense and the product of profit before income tax multiplied by the statutory tax rate are as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Profit before income tax	116,096	103,113
Tax at PRC statutory tax rate of 25% (2013 : 25%)	29,024	25,778
Tax effect of expenses not deductible	3,437	9,869
Effect of PRC Enterprise Income Tax concessions	(14,433)	(12,165)
Tax effect of tax losses not recognised	-	312
Underprovision of current tax in prior years	981	512
Effective tax expense	19,009	24,306

27 INCOME TAX (cont'd)

The Company

The Company has no taxable income during the financial year ended 31 December 2014 and 2013. The statutory income tax rate applicable to the Company is 17.0% (2013 : 17.0%).

Subsidiaries

a) Jiangsu Hengxin Technology Co., Ltd

The subsidiary, a wholly foreign-owned enterprise ("WFOE"), established in the city of the coastal open economic zone, and is subjected to a PRC corporate tax rate of 25%. In 2008, the subsidiary has been given the High-Tech Enterprise Award status and the applicable effective tax rate will be 15% based on PRC Enterprise Income Tax laws and for the three financial years starting from 31 December 2008. In 2011, the subsidiary renewed the status to enjoy a further three financial years starting from 31 December 2011. In 2014, the subsidiary was awarded a further 3 years of the concession tax rate of 15%.

The effective tax rate for the subsidiary is 15.0% (2013 : 15.0%).

b) Jiangsu Hengxin Wireless Technology Co., Ltd and Hengxin Network Wireless (Shanghai) Co., Ltd

The applicable PRC statutory tax rate is 25% (2013 : 25%).

c) Hengxin Technology (India) Pvt Ltd

The subsidiary is subjected to a statutory tax rate of 30.9% (2013 : 30.9%) for taxable income below INR 10 million and 32.4% (2013 : 32.4%) for taxable income above INR 10 million.

28 EARNINGS PER SHARE

The calculations of earnings per share are based on the profits and numbers of shares shown below.

	Group	
	2014	**2013**
Profit attributable to shareholders of the Company (RMB'000)	97,087	78,807
Weighted average number of shares ('000)	388,000	388,000
Earnings per share (RMB cents) – Basic	25.0	20.3

In 2014 and 2013, there are no potential ordinary shares in issue and/or granted.

29 OPERATING LEASE ARRANGEMENTS

	Group	
	2014	2013
	RMB'000	RMB'000
Minimum lease payments under operating leases recognised as an expense in the year	1,086	1,039

At the end of the reporting period, the Group and Company have outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	715	801	593	589
In the second to fifth years inclusive	803	302	803	196
Total	1,518	1,103	1,396	785

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 (2013 : 1 to 3 years).

30 SEGMENT INFORMATION

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Group is organised into business units based on their products and services, based on which information is prepared and reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance.

For management purposes, the Group is organised into three core product lines - radio frequency coaxial cables, telecommunication equipment and accessories and others. These products are the basis on which the Group reports its primary segment information.

The accounting policies of the operating segments are the same as the Group's accounting policies describe in Note 2 to the financial statements. Segment results represent the profits earned by each segment without allocation of central administration costs, independent directors' fees, interest income, foreign exchange gains and losses and finance costs at corporate level.

30 SEGMENT INFORMATION (cont'd)

Segment information about the Group's operating segments are presented below:

	Radio frequency coaxial cables RMB'000	Telecommunication equipment and accessories RMB'000	Other RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenues and results					
2014					
Revenue	1,064,740	337,130	73,540	-	1,475,410
Segment results					
Segment profit	84,377	26,645	5,844	(4,254)	112,612
Interest income	2,025	640	-	10	2,675
Other income					9,083
Other expenses*					(3,617)
Finance costs	(3,539)	(1,118)	-	-	(4,657)
Profit before income tax per consolidated statement of profit or loss					116,096
Income tax					(19,009)
Profit for the year per consolidated statement of profit or loss					97,087
2013					
Revenue	932,998	270,370	34,841	-	1,238,209
Segment results					
Segment profit	95,172	27,631	1,020	(18,087)	105,736
Interest income	2,165	629	-	21	2,815
Other income					3,809
Other expenses*					(5,006)
Finance costs	(3,287)	(954)	-	-	(4,241)
Profit before income tax per consolidated statement of profit or loss					103,113
Income tax					(24,306)
Profit for the year per consolidated statement of profit or loss					78,807

* excluding research and development expenses

Segment assets represent cash and bank balances, trade receivables, other receivables and prepayment, inventories, available-for-sale investments, leasehold land, property, plant and equipment, and deferred tax assets, which are attributable to each operating segments. Segment liabilities represent short-term loans, trade payables, other payables, income tax payable, deferred income and deferred tax liabilities, which are attributable to each operating segments.

30 SEGMENT INFORMATION (cont'd)

Statement of Net Assets	Radio frequency coaxial cables RMB'000	Telecommunication equipment and accessories RMB'000	Other RMB'000	Unallocated RMB'000	Total RMB'000
2014					
Assets:					
Segment assets	1,136,013	358,741	41,245	-	1,535,999
Unallocated assets				19,756	19,756
Total assets					1,555,755
Liabilities:					
Segment liabilities	276,769	87,401	11,846	-	376,016
Unallocated liabilities				6,258	6,258
Total liabilities					382,274
2013					
Assets:					
Segment assets	1,057,875	330,048	28,297	-	1,416,220
Unallocated assets				17,387	17,387
Total assets					1,433,607
Liabilities:					
Segment liabilities	252,942	82,080	3,233	-	338,255
Unallocated liabilities				11,319	11,319
Total liabilities					349,574

Unallocated corporate assets mainly represent cash and cash equivalents, other receivables and prepayments and property, plant and equipment at corporate level.

Unallocated corporate liabilities represent deferred tax liabilities and other payables at corporate level.

Other segment information	Radio frequency coaxial cables RMB'000	Telecommunication equipment and accessories RMB'000	Other RMB'000	Unallocated RMB'000	Total RMB'000
2014					
Capital expenditure	15,535	4,906	1,696	17	22,154
Depreciation expense	11,513	3,636	2,526	3	17,678
Amortisation of leasehold land	777	245	-	-	1,022
(Reversal of) Allowance for inventory obsolescence	-	(16)	45	(73)	(44)

30 SEGMENT INFORMATION (cont'd)

	Radio frequency coaxial cables RMB'000	Telecommunication equipment and accessories RMB'000	Other RMB'000	Unallocated RMB'000	Total RMB'000
Other segment information					
2013					
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 allowance	(839)	(243)	-	(98)	(1,180)

Geographical segment

The geographical regions of the customers of the Group principally comprise the People's Republic of China, India and others.

The Group's revenue from external customers and information about its non-current segment assets by geographical location are detailed below:

	Revenue from external customer		Non-current assets*	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 RMB'000
People's Republic of China	1,320,575	1,113,436	201,107	167,375
India	82,810	47,431	9	341
Others	72,025	77,342	13	-
Total	1,475,410	1,238,209	201,129	167,716

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

Information about major customers

Revenue from major customers which accounts for 10% or more of the Group's revenue are as follows:

	2014 RMB'000	2013 RMB'000
Customer A[1]	582,169	378,696
Customer B[1]	152,883	153,073
Total	735,052	531,769

[1] Revenue from radio frequency coaxial cables.

31 COMMITMENTS

	Group		Company	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for:				
Property, plant and equipment	5,305	73	-	-
Donation commitment	6,000	6,500	-	-
Total	11,305	6,573	-	-

In 2013, included in building in Note 13 to the financial statements was approximately RMB 26,531,000 which represents constructions costs incurred on a building, built on a piece of land located in the PRC (the "No. 5 Land") which the Group had paid RMB5,760,000 classified as deposit for the acquisition of land from the owner but the Group had not yet obtained the land certificate. In 2014, the Group acquired the above mentioned land and another piece of land for a total consideration of RMB 36,880,000.

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

32 DIVIDENDS

In 2014, the Company paid a final dividend of RMB 0.021 per share total amounting to RMB 8,129,000 in respect of the financial year ended 31 December 2013.

No dividend was paid in 2013.

STATISTICS OF SHAREHOLDINGS

As at 4 March 2015

Class of shares	:	Ordinary shares
No. of shares (excluding treasury shares)	:	388,000,000
Voting rights	:	One vote per share

As at 4 March 2015, the Company did not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	3	0.27	32	0.00
100 - 1,000	21	1.90	20,001	0.01
1,001 - 10,000	443	40.16	3,113,000	0.80
10,001 - 1,000,000	630	57.12	41,336,280	10.65
1,000,001 and above	6	0.55	343,530,687	88.54
Total	1,103	100.00	388,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

	Name	No. of Shares	%
1	HKSCC NOMINEES LIMITED	328,413,187	84.64
2	CHUA BENG CHENG	6,955,000	1.79
3	OCBC SECURITIES PRIVATE LIMITED	2,820,000	0.73
4	SOH BENG HUAT	1,828,000	0.47
5	UOB KAY HIAN PRIVATE LIMITED	1,766,000	0.46
6	CITIBANK NOMINEES SINGAPORE PTE LTD	1,748,500	0.45
7	LEE WOAN CHIOU	1,000,000	0.26
8	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	962,000	0.25
9	HENG TOCK HIN	880,000	0.23
10	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	852,000	0.22
11	CIMB SECURITIES (SINGAPORE) PTE. LTD.	800,000	0.21
12	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	790,000	0.20
13	CHIANG LIEW CHIN	700,000	0.18
14	SOH ENG TAI	693,000	0.18
15	DBS NOMINEES (PRIVATE) LIMITED	681,000	0.18
16	TAN SENG KEE	660,000	0.17
17	NG SOK MENG EVELYN	639,000	0.16
18	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	611,000	0.16
19	TSIANG SHU FANG @ CHIANG SHIH FANG	500,000	0.13
20	CHEW LEY GUAT CATHERINE	465,000	0.12
	TOTAL	353,763,687	91.19

STATISTICS OF SHAREHOLDINGS (CONT'D)

As at 4 March 2015

SUBSTANTIAL SHAREHOLDERS AS AT 4 MARCH 2015

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Kingever Enterprises Limited	90,294,662	23.27	-	-
Wellahead Holdings Limited	28,082,525	7.24	-	-
Cui Wei	-	-	90,294,662 (1)	23.27
Zhang Zhong	-	-	28,082,525 (2)	7.24

Notes:

(1) Cui Wei is deemed to be interested in the shares held by Kingever Enterprises Limited by virtue of his 100% ownership in Kingever Enterprises Limited.

(2) Zhang Zhong is deemed to be interested in the shares held by Wellahead Holdings Limited by virtue of her 100% ownership in Wellahead Holdings Limited.

PUBLIC FLOAT

As at 4 March 2015, approximately 69.49% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 8.08 of the Listing Rules of SEHK.

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