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HENGXIN TECHNOLOGY LTD.
亨鑫科技有限公司*

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

(incorporated in Singapore with limited liability)

(Singapore Company Registration Number 200414927H)

(Hong Kong Stock Code: 1085)

(Singapore Stock Code: I85)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

FINANCIAL HIGHLIGHTS

1. Revenue for the six months ended 30 June 2015 increased by approximately 8.6% to approximately RMB785.2 million
2. Gross profit increased by approximately 25.4% to approximately RMB150.5 million
3. Net profit attributable to equity holders of the parent increased by approximately 4.5% to approximately RMB49.2 million
4. Basic earnings per share was RMB0.127
5. No payment of interim dividend for the six months ended 30 June 2015 has been recommended

* for identification purpose only

The board of directors (the “**Board**”) of Hengxin Technology Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively hereinafter referred as the “**Group**”) for the six months ended 30 June 2015 together with the comparative figures for the corresponding period in 2014 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

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

	<i>Notes</i>	1H2015 <i>RMB'000</i> (unaudited)	1H2014 <i>RMB'000</i> (unaudited)
Revenue	5	785,171	723,253
Cost of sales		(634,678)	(603,240)
Gross profit		150,493	120,013
Other income	6	2,957	6,130
Selling and distribution expenses		(42,200)	(34,561)
Administrative expenses		(23,544)	(16,754)
Other operating expenses		(24,704)	(15,167)
Finance costs	7	(4,364)	(2,349)
Profit before income tax	8	58,638	57,312
Income tax expense	9	(9,394)	(10,167)
Net profit attributable to equity holders of parent		49,244	47,145
Other comprehensive income			
Items that may be classified subsequently classified to profit or loss:			
Exchange difference arising from consolidation of foreign operations		(52)	623
Total comprehensive income attributable to equity holders of the parent		49,192	47,768
Earnings per share attributable to equity holders of the parent			
Basic and diluted (<i>RMB cents</i>)	12	12.7	12.2
Dividends per share (<i>RMB cents</i>)	10	N.A.	N.A.

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

	Group		<i>Change</i> %
	6 mths ended 30 Jun		
	2015	2014	
	RMB'000	RMB'000	
	(unaudited)	(unaudited)	
Allowance for inventory obsolescence	177	93	90.3%
Depreciation of property, plant and equipment	11,046	8,751	26.2%
Gain on disposal of available-for-sale investment	—	(48)	N.M.
Loss (gain) on disposal of property, plant and equipment	293	(19)	N.M.
Property, plant and equipment written off	—	32	-100.0%
Amortisation of leasehold land	677	346	95.7%
Foreign exchange losses (gains)	712	(540)	N.M.
Interest expense	4,364	2,349	85.8%
Interest income	(1,604)	(1,604)	—
Research and development expenses	23,170	14,652	58.1%

N.M.: Not Meaningful

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 June 2015	31 December 2014
	<i>Notes</i>	RMB'000 (unaudited)	RMB'000 (audited)
ASSETS			
Current assets			
Cash and bank balances		491,450	469,100
Pledged cash deposits		19,933	22,777
Trade receivables	14	679,879	639,331
Other receivables and prepayments		79,323	56,374
Inventories		173,391	153,041
Leasehold land		1,355	1,355
		<hr/>	<hr/>
Total current assets		1,445,331	1,341,978
Non-current assets			
Leasehold land		52,727	53,404
Available-for-sale investment		10,000	10,000
Property, plant and equipment		146,546	147,725
Deferred tax assets		2,685	2,648
		<hr/>	<hr/>
Total non-current assets		211,958	213,777
		<hr/>	<hr/>
Total assets		1,657,289	1,555,755
LIABILITIES AND EQUITY			
Current liabilities			
Short term loans		276,771	204,848
Trade payables	15	104,126	126,357
Other payables		32,773	33,175
Income tax payable		6,216	3,438
		<hr/>	<hr/>
Total current liabilities		419,886	367,818
		<hr/>	<hr/>
NET CURRENT ASSETS		1,025,445	974,160

		As at	
		30 June 2015	31 December 2014
	<i>Notes</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Non-current liabilities			
Deferred income		10,500	10,500
Deferred tax liabilities		4,230	3,956
Total non-current liabilities		<u>14,730</u>	<u>14,456</u>
TOTAL LIABILITIES		<u>434,616</u>	<u>382,274</u>
NET ASSETS		<u>1,222,673</u>	<u>1,173,481</u>
Equity attributable to equity holders of the parent			
Share capital	11	295,000	295,000
General reserves		172,047	163,829
Special reserve		(6,017)	(6,017)
Translation reserve		(882)	(830)
Accumulated profits		762,525	721,499
TOTAL EQUITY		<u>1,222,673</u>	<u>1,173,481</u>
TOTAL EQUITY AND LIABILITIES		<u>1,657,289</u>	<u>1,555,755</u>

STATEMENT OF FINANCIAL POSITION — COMPANY LEVEL

	As at	
	30 June 2015 <i>RMB'000</i> (unaudited)	31 December 2014 <i>RMB'000</i> (audited)
ASSETS		
Current assets		
Cash and bank balances	12,009	19,576
Other receivables and prepayments	76,813	75,167
Total current assets	<u>88,822</u>	<u>94,743</u>
Non-current assets		
Property, plant and equipment	11	13
Subsidiaries	392,544	392,544
Total non-current assets	<u>392,555</u>	<u>392,557</u>
Total assets	<u>481,377</u>	<u>487,300</u>
LIABILITIES AND EQUITY		
Current liabilities		
Other payables	1,288	2,302
Total current liabilities	<u>1,288</u>	<u>2,302</u>
NET CURRENT ASSETS	<u>87,534</u>	<u>92,441</u>
TOTAL LIABILITIES	<u>1,288</u>	<u>2,302</u>
NET ASSETS	<u>480,089</u>	<u>484,998</u>
Equity attributable to equity holders of the parent		
Share capital	295,000	295,000
Accumulated profits	185,089	189,998
TOTAL EQUITY	<u>480,089</u>	<u>484,998</u>
TOTAL EQUITY AND LIABILITIES	<u>481,377</u>	<u>487,300</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June

Group <i>RMB'000</i>	1 Jan 15 to 30 Jun 15 (unaudited)	1 Jan 14 to 30 Jun 14 (unaudited)
Operating activities		
Profit before income tax	58,638	57,312
Adjustments for:		
Depreciation of property, plant and equipment	11,046	8,751
Amortisation of leasehold land	677	346
Allowance for inventory obsolescence	177	92
Loss (gain) on disposal of property, plant and equipment	293	(19)
Property, plant and equipment written off	—	32
Interest expense	4,364	2,349
Interest income	(1,604)	(1,604)
Gain on disposal of available-for-sale investments	—	(48)
Exchange differences arising on foreign currency translation	852	5,592
Operating profit before working capital changes	74,443	72,803
Trade receivables	(40,548)	(98,130)
Other receivables and prepayments	(22,949)	(45,519)
Inventories	(20,527)	47,278
Trade and bill payables	(22,231)	(34,025)
Other payables and accruals	(402)	(10,656)
Cash used in operations	(32,214)	(68,249)
Interest paid	(4,364)	(2,349)
Interest income received	1,604	1,604
Income tax paid	(6,379)	(5,017)
Net cash used in operating activities	(41,353)	(74,011)

Group <i>RMB'000</i>	1 Jan 15 to 30 Jun 15 (unaudited)	1 Jan 14 to 30 Jun 14 (unaudited)
Investing activities		
Acquisition of leasehold land	—	(36,881)
Acquisition of property, plant and equipment	(10,340)	(13,925)
Proceeds from disposal of property, plant and equipment	180	63
Acquisition of available-for-sale investment	—	(10,000)
Proceeds from disposal of available-for-sale investment	—	10,048
	<hr/>	<hr/>
Net cash used in investing activities	(10,160)	(50,695)
	<hr/> <hr/>	<hr/> <hr/>
Financing activities		
Repayment of short-term bank loans	(41,806)	(176,810)
Proceeds from short-term bank loans	113,729	40,134
Decrease (increase) in pledged bank deposits	2,844	(20,804)
Dividends paid	—	(8,129)
	<hr/>	<hr/>
Net cash from (used in) financing activities	74,767	(165,609)
	<hr/> <hr/>	<hr/> <hr/>
Net increase (decrease) in cash and cash equivalents	23,254	(290,315)
Effects of foreign exchange translation	(904)	790
	<hr/>	<hr/>
Cash and cash equivalents at the beginning of the period	469,100	372,177
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	491,450	82,652
	<hr/> <hr/>	<hr/> <hr/>

STATEMENT OF CHANGES IN EQUITY*Consolidated Statement of Changes in Equity for the period ended 30 June 2015*

GROUP — RMB'000	Share capital	General reserve	Special reserve	Translation reserve	Accumulated profits	Total
Balance at 1 January 2015	295,000	163,829	(6,017)	(830)	721,499	1,173,481
Total comprehensive income for the period	—	—	—	(52)	49,244	49,192
Transfer to reserves	—	8,218	—	—	(8,218)	—
Balance at 30 June 2015	<u>295,000</u>	<u>172,047</u>	<u>(6,017)</u>	<u>(882)</u>	<u>762,525</u>	<u>1,222,673</u>

Consolidated Statement of Changes in Equity for the period ended 30 June 2014

GROUP — RMB'000	Share capital	General reserve	Special reserve	Translation reserve	Accumulated profits	Total
Balance at 1 January 2014	295,000	149,215	(6,017)	(1,320)	647,155	1,084,033
Total comprehensive income for the period	—	—	—	623	47,145	47,768
Dividends	—	—	—	—	(8,129)	(8,129)
Transfer to reserves	—	7,072	—	—	(7,072)	—
Balance at 30 June 2014	<u>295,000</u>	<u>156,287</u>	<u>(6,017)</u>	<u>(697)</u>	<u>679,099</u>	<u>1,123,672</u>

STATEMENT OF CHANGES IN EQUITY

Statement of Changes in Equity of the Company for the period ended 30 June 2015

COMPANY — RMB'000	Share capital	Accumulated profits	Total
Balance at 1 January 2015	295,000	189,998	484,998
Total comprehensive income for the period	—	(4,909)	(4,909)
Balance at 30 June 2015	295,000	185,089	480,089

Statement of Changes in Equity of the Company for the period ended 30 June 2014

COMPANY — RMB'000	Share capital	Accumulated profits	Total
Balance at 1 January 2014	295,000	202,992	497,992
Total comprehensive income for the period	—	(1,726)	(1,726)
Dividends	—	(8,129)	(8,129)
Balance at 30 June 2014	295,000	193,137	488,137

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Singapore on 18 November 2004 under the Singapore Companies Act and its shares are primary-listed on Main Board of The Stock Exchange of Hong Kong Limited (the “SEHK”) and secondary-listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The registered office of the Company is located at 10 Anson Road #32-15, International Plaza, Singapore 079903. The principal place of business of the Group is located at No. 138 Taodu Road, Dingshu Town, Yixing City, Jiangsu Province, the People’s Republic of China (the “PRC”).

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

The consolidated financial statements are presented in Renminbi (“RMB”), being the functional currency of the Company and the presentation currency of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared in accordance with the measurement and recognition criteria of the International Financial Reporting Standards (“IFRSs”), amendments (hereinafter referred to as the “IFRS”) issued by the International Accounting Standards Board (“IASB”) that are effective for annual reporting periods beginning on or after 1 January 2015.

These financial statements have been prepared on a historical cost basis. These financial statements are presented in RMB and all values are rounded to the nearest thousand (“RMB’000”) except when otherwise indicated.

Accounting policies

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period reported on, as in the recently audited consolidated financial statements for the financial year ended 31 December 2014.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group adopted the new and revised IFRS that are mandatory for the financial periods beginning on or after 1 January 2015.

The adoption of new and revised IFRS did not have any impact on the results of the Group for the financial period ended 30 June 2015.

4. SEGMENT INFORMATION

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

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

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

Segment revenues and results

For management purpose, the Group is currently organised into three distinct core product lines — radio frequency coaxial cables, telecommunications equipment and accessories, and others (which includes Antennas and High Temperature Resistant Cables). These product lines are the basis on which the Group reports its primary segment information.

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

GROUP	Radio frequency coaxial cables	Telecommunication equipment and accessories	Others	Unallocated	Total
Six months ended 30 June	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2015					
Revenue	531,892	197,442	55,837	—	785,171
Segment Results					
Segment profit	45,017	16,690	4,788	(4,916)	61,579
Interest income	1,164	433	—	7	1,604
Finance costs	(3,181)	(1,183)	—	—	(4,364)
Other income					1,353
Other expenses*					(1,534)
Profit before income tax					58,638
Income tax					(9,394)
Net profit for the period					49,244
2014					
Revenue	530,054	173,920	19,279	—	723,253
Segment Results					
Segment profit	40,887	13,387	1,506	(1,733)	54,047
Interest income	1,203	394	—	7	1,604
Finance costs	(1,769)	(580)	—	—	(2,349)
Other income					4,526
Other expenses*					(516)
Profit before income tax					57,312
Income tax					(10,167)
Net profit for the period					47,145

* exclude research and development expenses

Other segment information

GROUP

Six months ended 30 June	Radio frequency coaxial cables <i>RMB'000</i>	Telecommunication equipment and accessories <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
2015					
Capital expenditure	209	636	9,424	71	10,340
Depreciation expense	6,931	2,576	1,537	2	11,046
Amortisation of leasehold land	458	170	49	—	677
Allowance for inventory obsolescence	9	36	72	60	177
2014					
Capital expenditure	10,354	3,396	167	8	13,925
Depreciation expense	5,346	1,753	1,652	—	8,751
Amortisation of leasehold land	254	83	9	—	346
Allowance for (reversal of) inventory obsolescence	48	(3)	—	47	92

Statement of net assets

	Radio frequency coaxial cables <i>RMB'000</i>	Telecommunication equipment and accessories <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
As at 30 June 2015					
Assets:					
Segment assets	1,168,190	434,266	42,529	—	1,644,985
Unallocated assets				12,304	12,304
Total assets					1,657,289
Liabilities:					
Segment liabilities	312,646	116,223	230	—	429,099
Unallocated liabilities				5,517	5,517
Total liabilities					434,616
As at 31 December 2014					
Assets:					
Segment assets	1,136,023	358,744	41,245	—	1,536,012
Unallocated assets				19,743	19,743
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

Geographical segment

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

	Revenue from external customer		Non-current assets*	
	For the six months ended		As at	
	30 June		30 June	31 December
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Central Asia	707,169	669,711	199,255	201,107
South Asia	38,420	28,631	7	9
Others	39,582	24,911	11	13
	<u>785,171</u>	<u>723,253</u>	<u>199,273</u>	<u>201,129</u>
Total	<u>785,171</u>	<u>723,253</u>	<u>199,273</u>	<u>201,129</u>

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

5. REVENUE

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

	For the six months ended	
	30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sale of goods	<u>785,171</u>	<u>723,253</u>

6. OTHER INCOME

	For the six months ended	
	30 June	
	2015	2014
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grants	973	3,527
Interest income	1,604	1,604
Compensation claims received	190	156
Foreign exchange gains	—	540
Gain on disposal of available-for-sale investment	—	48
Others	190	255
	<u>2,957</u>	<u>6,130</u>
Total	<u>2,957</u>	<u>6,130</u>

7. FINANCE COSTS

For the six months ended
30 June
2015 2014
RMB'000 *RMB'000*
(unaudited) (unaudited)

Interest on short term bank borrowings	4,364	2,349
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8. PROFIT BEFORE INCOME TAX

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

For the six months ended
30 June
2015 2014
RMB'000 *RMB'000*
(unaudited) (unaudited)

Cost of inventories recognised as expense (including allowance of inventory obsolescence)	634,501	603,147
Depreciation of property, plant and equipment	11,046	8,751
Amortisation of leasehold land	677	346
Employee benefits expense	52,042	39,413
Cost of defined contribution plans	2,690	1,860
Directors' fees — directors of the Company	1,148	872
Directors' remuneration:		
Directors of the Company	1,199	1,083
Directors of the subsidiaries	18	18
 Total staff costs	 57,097	 43,246
 Net foreign exchange loss (gain)	 712	 (540)
Loss (gain) on disposal of property, plant and equipment	293	(19)
Property, plant and equipment written off	—	32
Gain on disposal of available-for-sale investment	—	(48)
	712	(540)

9. INCOME TAX EXPENSE

For the six months ended
30 June
2015 2014
RMB'000 *RMB'000*
(unaudited) (unaudited)

Current	8,906	9,959
Deferred	488	208
	9,394	10,167

The Company is incorporated in Singapore and is subject to income tax rate of 17% for the six months ended 30 June 2015 (2014: 17%).

Under the law of the People's Republic of China on Enterprise Income Tax (the "EIT Law"), applicable income tax rate of Jiangsu Hengxin Technology Co. Ltd, the Group's PRC incorporated key subsidiary, in 2015 is 15% (2014: 15%).

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

10. DIVIDENDS

The Company did not recommend or declare any interim dividend for the six months ended 30 June 2015 and 30 June 2014.

11. SHARE CAPITAL

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

Share capital — Ordinary Shares	No. of shares		
	'000	RMB'000	S\$'000
Balance as at 31 December 2014 and 30 June 2015	<u>388,000</u>	<u>295,000</u>	<u>58,342</u>

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

12. EARNINGS PER SHARE

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

	Group	
	6 months ended	6 months ended
	30-Jun-15	30-Jun-14
	(unaudited)	(unaudited)
Earnings per share (<i>RMB</i>)		
— Basic	<u>12.7</u>	<u>12.2</u>
— Diluted	<u>12.7</u>	<u>12.2</u>
Weighted average no. of shares applicable to basic EPS (<i>'000</i>)	388,000	388,000
Weighted average no. of shares based on fully diluted basis (<i>'000</i>)	388,000	388,000

There were no potential dilutive ordinary shares in existence during the period ended 30 June 2014 and 2015.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2015, the Group's capital expenditure was approximately RMB10.3 million (2014: RMB13.9 million).

14. TRADE RECEIVABLES

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Trade receivables	644,592	569,605
Allowance for doubtful debts	(15,762)	(15,762)
Net	628,830	553,843
Notes receivable	51,049	85,488
Total	679,879	639,331

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

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
0 to 180 days	597,591	549,759
181 to 360 days	82,288	76,577
Over 360 days	0	12,995
	679,879	639,331

15. TRADE PAYABLES

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
Trade payables	104,126	126,357

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

	30 June 2015 RMB'000 (unaudited)	31 December 2014 RMB'000 (audited)
0 to 90 days	101,103	124,414
91 to 180 days	341	962
181 to 360 days	1,938	248
Over 360 days	744	733
	104,126	126,357

16. NET ASSET VALUE

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

	Group		Company	
	30-Jun-15 (unaudited)	31-Dec-14 (audited)	30-Jun-15 (unaudited)	31-Dec-14 (audited)
Net Assets (<i>RMB'000</i>)	1,222,673	1,173,481	480,089	484,998
Number of ordinary shares (<i>'000</i>)	388,000	388,000	388,000	388,000
Net Asset Value per ordinary share (<i>RMB</i>)	<u>3.15</u>	<u>3.02</u>	<u>1.24</u>	<u>1.25</u>

17. RELATED PARTY TRANSACTIONS

(a) Transactions

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

	For the six months ended 30 June	
	2015 <i>RMB'000</i> (unaudited)	2014 <i>RMB'000</i> (unaudited)
Purchase of raw materials	<u>11,378</u>	<u>5,475</u>

(b) Compensation of key management personnel

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

	For the six months ended 30 June	
	2015 <i>RMB'000</i> (unaudited)	2014 <i>RMB'000</i> (unaudited)
Short term benefits	2,959	2,178
Retirement benefits scheme contribution	<u>63</u>	<u>61</u>
Total	<u>3,022</u>	<u>2,239</u>

18. DONATIONS & CAPITAL COMMITMENTS

	As at	
	30 June 2015 <i>RMB'000</i>	31 December 2014 <i>RMB'000</i>
Contracted but not provided for:		
Property, plant and equipment	8,003	5,305
Donation commitment	5,500	6,000
Total	<u>13,503</u>	<u>11,305</u>

19. OPERATING LEASE ARRANGEMENTS

As at 30 June 2015, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	As at	
	30 June 2015 <i>RMB'000</i>	31 December 2014 <i>RMB'000</i>
Within one year	844	715
In the second to fifth years inclusive	504	803
	<u>1,348</u>	<u>1,518</u>

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

(I) MANAGEMENT DISCUSSION AND ANALYSIS

Half year performance — Six months ended 30 June 2015

Material changes are explained below:

Revenue

Revenue increased by approximately RMB61.9 million, or approximately 8.6% from approximately RMB723.3 million in the six months ended 30 June 2014 (“1H2014”) to approximately RMB785.2 million in the six months ended 30 June 2015 (“1H2015” or the “Reporting Period”) due to increased orders for the Group’s products during the Reporting Period.

RF Coaxial Cable

Revenue generated from RF Coaxial Cables increased by approximately RMB1.8 million or approximately 0.3% from approximately RMB530.1 million in 1H2014 to approximately RMB531.9 million in 1H2015.

Telecommunication equipment and accessories

Revenue generated from Accessories increased by approximately RMB23.5 million or approximately 13.5% from approximately RMB173.9 million in 1H2014 to approximately RMB197.4 million in 1H2015.

Others (HTRC and Antenna)

Revenue generated in this segment increased by approximately RMB36.6 million or approximately 189.6% from approximately RMB19.3 million in 1H2014 to approximately RMB55.9 million in 1H2015.

Gross profit margin

The Group achieved an overall gross profit margin of approximately 19.2% in 1H2015 compared to approximately 16.6% in 1H2014. The slide in copper prices during the Reporting Period has generally helped lift gross margins higher. The Group continues to monitor production efficiencies to ensure optimal raw materials and labour utilisation, stringent selection of suppliers in tender biddings to keep costs to a minimum, coupled with efficient use of various resources to keep up with price pressures resulting from keen competition.

Other income

Other income decreased by approximately RMB3.1 million or approximately 51.7% from approximately RMB6.1 million in 1H2014 to approximately RMB3.0 million in 1H2015, which is due to lower government grants awarded to the Group’s key subsidiary, Jiangsu Hengxin Technology Co., Ltd. and a foreign exchange gain in 1H2014 compared to a loss in 1H2015.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB7.6 million or approximately 22.0% from approximately RMB34.6 million in 1H2014 to approximately RMB42.2 million in 1H2015, which is in line with the Group's higher sales during the Reporting Period. The reason for the higher rate of increase is two-fold: it is due to bulkier products and shipment of goods to more remote regions within the PRC.

Administrative expenses

Administrative expenses increased by approximately RMB6.7 million or approximately 39.9% from approximately RMB16.8 million in 1H2014 to approximately RMB23.5 million in 1H2015. This is due to a general increase in expenses during the Reporting Period, of which also includes an increase in payroll costs, depreciation, advertising, amortisation of land and buildings which were purchased in the previous financial year, and an one-time administrative charge with respect to an additional loan obtained during the Reporting Period.

Other operating expenses

Other operating expenses increased by approximately RMB9.5 million or approximately 62.5% from approximately RMB15.2 million in 1H2014 to approximately RMB24.7 million in 1H2015. The increase is due to higher R&D expenses incurred from continued customer requests for new product specifications during the Reporting Period.

Finance costs

Finance costs increased by approximately RMB2.1 million or approximately 91.3% from approximately RMB2.3 million in 1H2014 to approximately RMB4.4 million in 1H2015 due to higher level of borrowings during the Reporting Period.

Profit before income tax

Profit before income tax increased by approximately RMB1.3 million or approximately 2.3% from approximately RMB57.3 million in 1H2014 to approximately RMB58.6 million in 1H2015 due to increased revenue during the Reporting Period.

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 2014.

Income tax expense decreased by approximately RMB0.8 million or approximately 7.8% from approximately RMB10.2 million in 1H2014 to approximately RMB9.4 million in 1H2015. This is due to an additional income tax being recognised in 1H2014, which resulted in higher income tax expenses in 1H2014 compared to 1H2015.

Net profit

In view of the above, net profit attributable to equity holders of the parent increased by approximately RMB2.1 million or approximately 4.5% from approximately RMB47.1 million in 1H2014 compared to approximately RMB49.2 million in 1H2015.

Statement of Financial Position

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

Pledged bank deposits

Pledged bank deposits are used as security for commercial bills used for payment to suppliers and as security for bank borrowings. Pledged bank deposits decreased by approximately RMB2.9 million or approximately 12.7% from approximately RMB22.8 million as at 31 December 2014 to approximately RMB19.9 million as at 30 June 2015 mainly due to a repayment of bank loan in which the corresponding security was no longer required.

Trade receivables

Trade receivables increased by approximately RMB40.6 million or approximately 6.4% from approximately RMB639.3 million as at 31 December 2014 to approximately RMB679.9 million as at 30 June 2015.

Average trade receivables turnover days are 170 days as at 30 June 2015 compared to 164 days as at 31 December 2014.

Nonetheless, most trade receivables balances are recent sales which are well 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 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.

The Group will endeavour in its collection efforts on the outstanding balances.

Other receivables and prepayments

Other receivables and prepayments increased by approximately RMB22.9 million or approximately 40.6% from approximately RMB56.4 million as at 31 December 2014 to approximately RMB79.3 million as at 30 June 2015. The increase is mainly due to an increase in advances made to raw material suppliers and an increase in VAT receivable.

Inventories

Inventories (comprising raw materials, work-in-progress and finished goods) increased by approximately RMB20.4 million or approximately 13.3% from approximately RMB153.0 million as at 31 December 2014 to approximately RMB173.4 million as at 30 June 2015. The increase is in response to an anticipation of relatively higher orders from customers.

Property, plant and equipment

Property, plant and equipment increased by approximately RMB1.2 million or approximately 0.8% from approximately RMB147.7 million as at 31 December 2014 to approximately RMB146.5 million as at 30 June 2015. Depreciation expenses were partially offset by certain asset and equipment additions, accounting for the slight increase.

Short-term bank loans

Short-term bank loans increased by approximately RMB72.0 million or approximately 35.2% from approximately RMB204.8 million as at 31 December 2014 to approximately RMB276.8 million as at 30 June 2015 mainly due to an additional loan obtained during the Reporting Period.

Trade payables and Other payables

Trade payables decreased by approximately RMB22.3 million or approximately 17.6% from approximately RMB126.4 million as at 31 December 2014 to approximately RMB104.1 million as at 30 June 2015. Payment period to suppliers has broadly been reduced as part of the Group's negotiations with suppliers to obtain lower raw material pricing, which explains the lower trade payables balance at the end of the Reporting Period.

Other payables have remained largely the same, from approximately RMB33.2 million as at 31 December 2014 to approximately RMB32.8 million as at 30 June 2015.

Income tax payable

Income tax payable increased by approximately RMB2.8 million or approximately 82.4% from approximately RMB3.4 million as at 31 December 2014 to approximately RMB6.2 million as at 30 June 2015 mainly due to timing differences in the payment of taxes in these periods.

Cash and bank balances

Cash and bank balances increased by approximately RMB22.4 million or approximately 4.8% from approximately RMB469.1 million as at 31 December 2014 to approximately RMB491.5 million as at 30 June 2015 mainly due to an additional loan obtained during the Reporting Period.

(II) LIQUIDITY, FINANCIAL RESOURCES

In addition to its short-term interest-bearing facilities, the Group generally finances its operations from cash flows generated internally.

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

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

	As at	
	30 June 2015	31 December 2014
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Net cash borrowings	(214,679)	(264,252)
Total equity	1,222,673	1,173,481
Net debt to equity ratio (%)	<u>(17.56)</u>	<u>(22.52)</u>

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

As at 30 June 2015		As at 31 December 2014	
Secured	Unsecured	Secured	Unsecured
<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
<u>91,704</u>	<u>185,067</u>	<u>19,634</u>	<u>185,214</u>

As at 30 June 2015, the secured bank borrowing is secured by way of a deposit being pledged with the same bank.

There is no amount repayable after one year.

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

With the second batch of 4G licences being issued in February 2015, China's 3 telecom operators are now officially on the 4G bandwagon.

According to data released by the Ministry of Industry and Information Technology (MIIT), China's mobile Internet traffic totalled approximately 2.05 million Terabytes, a year-on-year increase of approximately 47.1%. As the digital connectivity's effect in driving commerce continues to be one of the key pillars to China's economic growth, the Chinese government had, in March 2015, launched an "Internet Plus" action plan that seeks to drive economic growth through the integration of internet with traditional businesses such as manufacturing and agriculture. One of its policy goals is to promote information consumption and raise connection speeds in the coming years through the upgrade of telecommunications infrastructure to boost data streaming ability, especially in remote and rural areas. These policies are expected to have a positive bearing on our Group for the next few years.

Infrastructure development remains a top priority for China's government. As part of China's continued plan to raise infrastructure standards, the government will focus investing in rail infrastructure locally, and overseas. In the first half of this financial year, the Group was successfully awarded a tender with one of the railway companies to market its leaky cable series (under our RF Cables products) for use in railway mobile communications infrastructure. In addition, the Group had successfully tendered for mobile communications projects for urban rail transit in two of China's cities. This is a significant milestone as railway communications is a new domain with a large market potential for the Group and may pave opportunities for future

railway and urban rail transit construction projects. On the policy front, the government is also encouraging Chinese companies to participate in overseas infrastructure projects, of which the Group hopes to be a part of. We are cautiously optimistic on the positive effects these policies will have on our Group.

The Group has also made strides on the antenna front through the successful tender of its 4G antennas with one of China's three telecom operators in the first half of this financial year. The deepening of our antenna footprint has also encouraged us to develop into new areas such as camouflage antennas, as the trend of usage is increasingly palpable in urban landscape. The Group anticipates this would eventually be a potentially larger market than traditional antennas. In the first half of this year, we have successfully tendered for a camouflage antenna project in one of China's provinces with one of the three telecom operators, albeit a small one. Nevertheless, this marks the first time the Group is entering into a new antenna business segment. The Group will continue efforts to grow this business segment.

Sales to overseas market has improved in the first six months over the previous period, increasing approximately 45.7%. Our venture into overseas markets has made some headway with our products being endorsed by various international telecoms equipment vendors, evident from the continued orders from these vendors. Such recognition together with the Group's consistent product quality has also contributed to the major tenders which were awarded to the Group by large telecoms equipment vendors and telecom operators during the first half of this financial year.

Telecom operators continue to adopt a cautious approach in capital spending within and outside China. The old model of simply adding capacity due to increasing demand would inadvertently increase telecom operators' capital expenditure. In this aspect, telecom operators have been exploring efficient uses of existing infrastructure and assets, which invariably led to the establishment of the China Communications Facilities Services Corporation Limited, which is a joint venture by China's 3 telecom operators owning telecom infrastructure assets, to enable resource sharing and lower operating costs.

4G telecommunications require a much higher data capacity and transmission, and this constraint has led to smaller but a larger number of base stations being built but covering a smaller area with higher transmission capacity. These newer base stations adopt smaller sized cables, which have lower selling prices compared to larger cables. However, technology evolution has also led to other possible alternative products to be used on base stations. The combination of the above elements, coupled with rising competition between telecom operators and telecom equipment suppliers is likely to impose a ceiling on our product margins.

Despite technology evolution and the industry's cautious spending, network growth in China continues to be on an expansion phase supported by the growing demands of content-rich data throughput by the relatively robust growth of local 3G/4G mobile subscribers. The Group witnessed growth in demand for its products during this period, albeit an evolving product mix from changes in technology and trends.

Our orders have continued to hold up well during the first six months of this financial period as a result of several successful tenders with major equipment vendors and telecom operators. From the orders received to date, the Group remains optimistic that its results for the current financial year, barring unforeseen circumstances, may perform better compared to the previous financial year.

Looking ahead, although the telecoms industry particularly in the area of wireless systems remains challenging due to a host of factors such as competition, changing technology and talent retention, the Group remains committed on its efforts to improve and execute its business strategies amidst a new era in mobile communications in China.

Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures

As at 30 June 2015, the interests and short positions of the directors (the “**Directors**”) and chief executives of the Company in shares and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”), which are required to be notified to the Company and SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which are required to be entered into, as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), were as follows:

Long positions in the Company:

Name of Directors	Capacity and nature of interests	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Mr. Cui Wei ⁽¹⁾	Deemed interest and interest in controlled corporation	90,294,662	23.27%
Ms. Zhang Zhong ⁽²⁾	Deemed interest and interest in controlled corporation	28,082,525	7.24%

Notes:

- (1) Mr. Cui Wei beneficially owns the entire issued share capital of Kingever Enterprises Limited (“**Kingever**”), and Kingever in turn holds approximately 23.27% of the total issued shares in the Company.
- (2) Ms. Zhang Zhong beneficially owns the entire issued share capital of Wellahead Holdings Limited (“**Wellahead**”), and Wellahead in turn holds approximately 7.24% of the total issued shares in the Company.

Saved as disclosed above, as at 30 June 2015, none of the Directors and chief executives of the Company nor their associates had or deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to Section 352 of Part XV of the SFO or which has been notified to the Company and SEHK pursuant to the Model Code.

Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

As at 30 June 2015, insofar as is known to the Directors and chief executives of the Company, the following shareholders having interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long positions in the Company:

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

Notes:

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

Saved as disclosed above, as at 30 June 2015, no person, other than the Directors or chief executives of the Company, whose interests are set out in the paragraph headed "Directors' and chief executives' interests and short positions in shares and underlying shares and debentures" above, has an interest or short position in the shares or underlying shares of the Company that was required to be recorded.

Arrangements to Enable Directors to Acquire Benefits by Means of the Acquisition of Shares and Debentures

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

(IV) SUPPLEMENTARY INFORMATION

1. Audit Committee

The Company's audit committee members are Mr. Tam Chi Kwan Michael, Mr. Cui Wei, Dr. Li Jun, Mr. Pu Hong and Ms. Zhang Zhong. The audit committee, which is chaired by Mr. Tam Chi Kwan Michael, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2015.

2. Compliance with Corporate Governance Code

The Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2015.

3. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Board confirms, having made specific enquiries with all directors of the Company that during the six months ended 30 June 2015, all the directors have complied with the required standards of the Model Code as set out in Appendix 10 of the Listing Rules.

4. Dividends

No dividend has been recommended by the Company for the six months ended 30 June 2015.

5. Review of financial results

The consolidated interim results of the Group for the six months ended 30 June 2015 have not been audited or reviewed by the Company's auditors.

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

For the six months ended 30 June 2015, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the securities of the Company.

7. Disclosure on the Website of the Exchanges

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

SHARE OPTION SCHEME

Reference is made to the Company's annual report for the year ended 31 December 2014 published by the Company on 20 March 2015.

The Company adopted a share option scheme (the "Share Option Scheme") on 27 October 2010, as approved by its shareholders at an extraordinary general meeting held on the same date. The Share Option Scheme is valid and effective for a period of 10 years from 27 October 2010. It is a share incentive scheme and is established to provide the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus linking their interests with the Group's interest and providing them with an incentive to work better for the interest of the Group. Pursuant to the Share Option Scheme, the Board may, at its discretion, offer to grant an option to all Directors (whether executive or non-executive and whether independent or not), any employee (whether full time or part time) of the Group (whether on an employment or contractual

or honorary basis and whether paid or unpaid), who in the absolute opinion of the remuneration committee of the Company (the “**Remuneration Committee**”), have contributed to the Group. An option granted under the Share Option Scheme entitles the option holder to subscribe for a specific number of new ordinary shares in the Company.

The Share Option Scheme 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)

The total number of the shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes must not in aggregate exceed 10% of the shares of the Company in issue on 27 October 2010 (i.e. 33,600,000 shares), representing approximately 8.60% of the total number of the issued shares of the Company as at 31 December 2014.

The total number of the shares issued and to be issued upon exercise of the options granted under the Share Option Scheme to any eligible participants (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares of the Company in issue, unless approved by the shareholders of the Company in general meeting at which the relevant participant and his/her associates shall abstain from voting.

Pursuant to the Share Option Scheme, 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, payable to the Company within 28 days from the offer date (or such other period as the Remuneration Committee may determine). Options granted with the exercise price set at the market price shall only be exercised after the first anniversary but before the tenth 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.

* *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 SEHK or 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 SEHK or SGX-ST for the five consecutive business days immediately preceding the offer date (whichever is higher).

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

During the financial year ended 31 December 2014 and the six months ended 30 June 2015, 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.

At the end of the financial year ended 31 December 2014 and the six months ended 30 June 2015, there were no unissued shares of any subsidiary under option.

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

Singapore, 19 August 2015

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