HENGXIN

HENGXIN TECHNOLOGY LTD

ANNUAL REPORT 2015

Stock Code 1085

CONTENTS

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**").

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.

The Group is 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**").

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

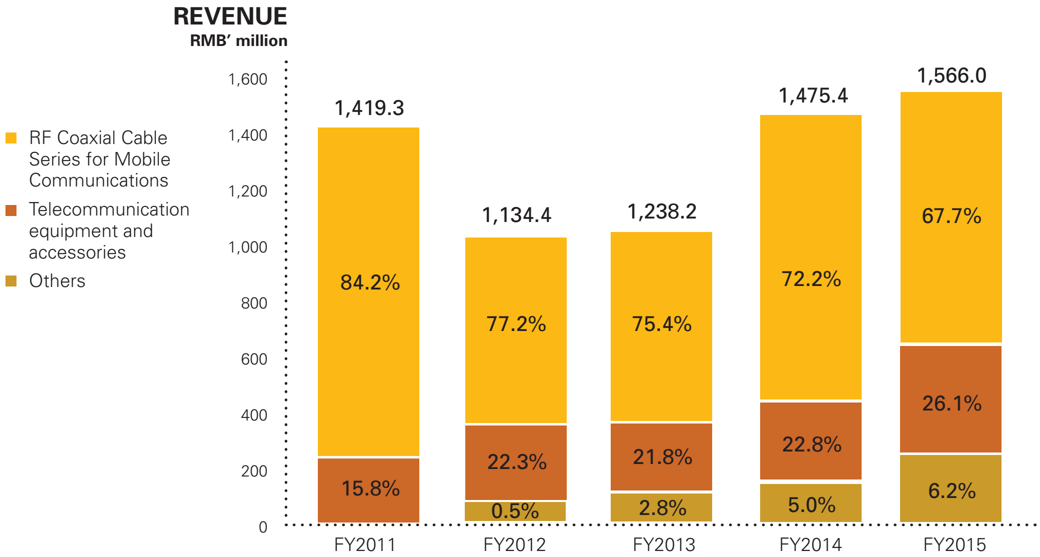
- High temperature resistant cables which are used as part of the raw material components for antennas
- Antennas adopted by telecom operators for use in signal transmission for wireless communications
- Antenna testing services

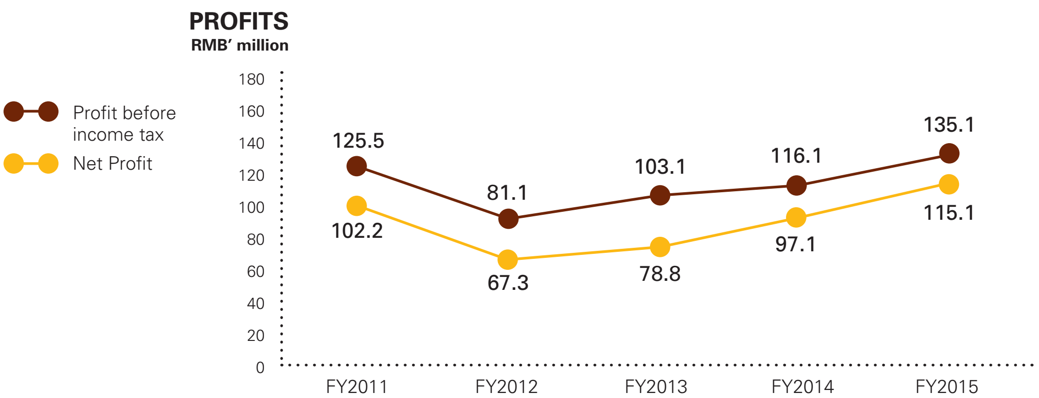
FIVE-YEAR FINANCIAL SUMMARY

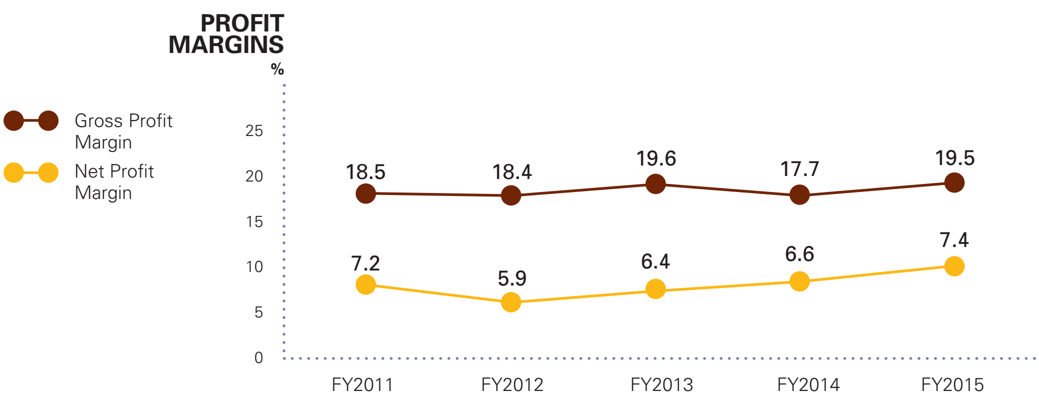
A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

	Year ended 31 December				
	2011	**2012**	**2013**	**2014**	**2015**
	RMB '000	**RMB '000**	**RMB '000**	**RMB '000**	**RMB '000**
RESULTS					
REVENUE	1,419,327	1,134,343	1,238,209	1,475,410	1,565,984
Cost of sales	(1,157,224)	(925,952)	(996,042)	(1,213,829)	(1,259,965)
Gross profit	262,103	208,391	242,167	261,581	306,019
Other income	7,405	12,135	6,624	11,758	20,573
Selling and distribution expenses	(62,522)	(62,899)	(67,950)	(74,877)	(87,693)
Administrative expenses	(41,108)	(38,539)	(39,859)	(37,626)	(44,399)
Other operating expenses	(27,147)	(17,436)	(33,628)	(40,083)	(52,328)
Finance costs	(13,203)	(20,507)	(4,241)	(4,657)	(7,001)
Profit before income tax	125,528	81,145	103,113	116,096	135,171
Income tax expense	(23,279)	(13,867)	(24,306)	(19,009)	(19,993)
NET PROFIT	102,249	67,278	78,807	97,087	115,178
ASSETS AND LIABILITIES					
TOTAL ASSETS	1,471,549	1,227,709	1,433,607	1,555,755	1,565,297
TOTAL LIABILITIES	(532,575)	(222,261)	(349,574)	(382,274)	(277,122)
	938,974	1,005,448	1,084,033	1,173,481	1,288,175

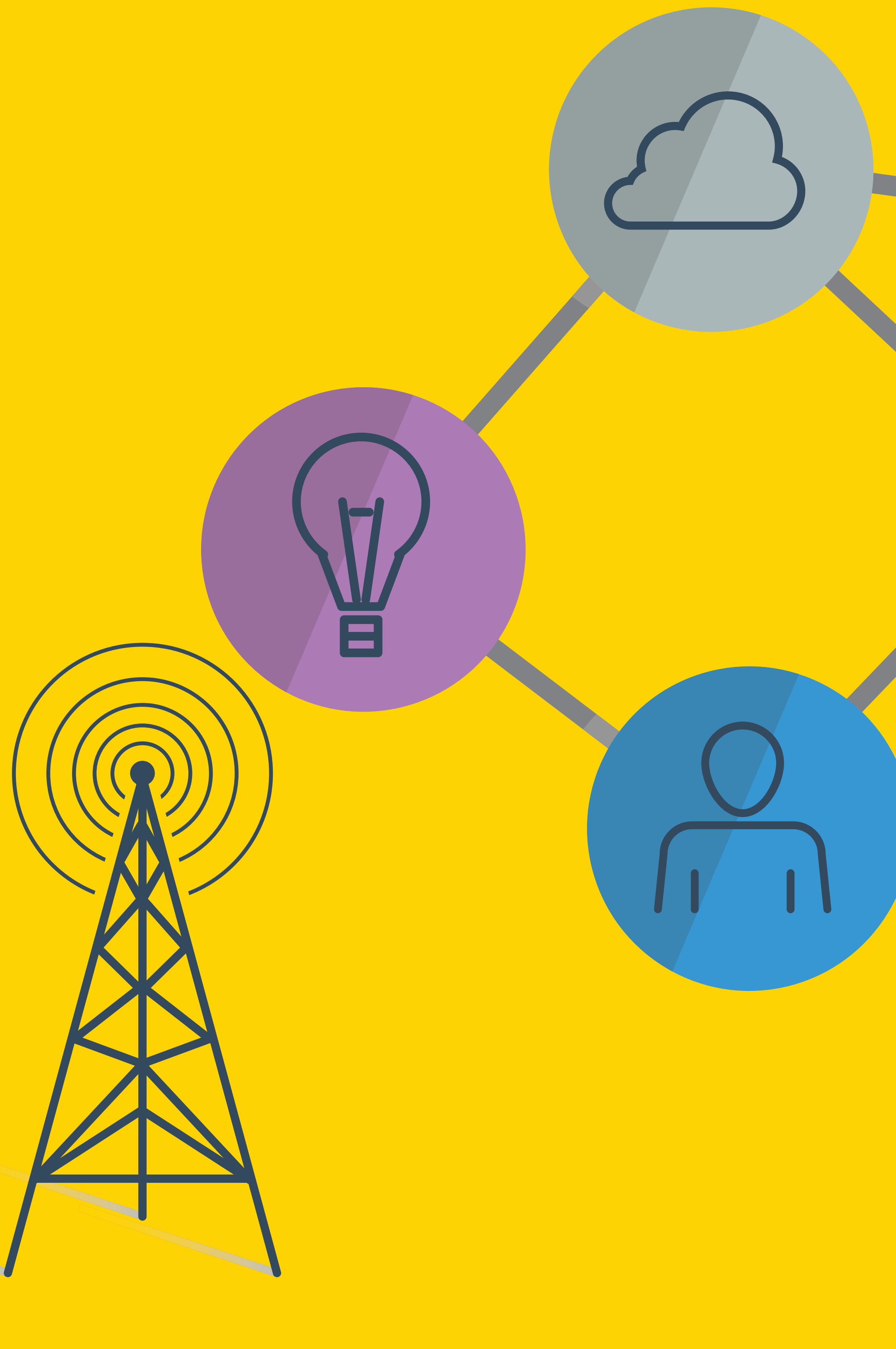
FINANCIAL HIGHLIGHTS







HENGXIN RESEARCH & DEVELOPMENT

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FINANCIAL RATIOS & PERFORMANCE

FINANCIAL PERFORMANCE	UNIT	FY2011	FY2012	FY2013	FY2014	FY2015
Revenue	RMB '000	1,419,327	1,134,343	1,238,209	1,475,410	1,565,984
Gross margin	%	18.5	18.4	19.6	17.7	19.5
Profit before income tax	RMB '000	125,528	81,145	103,113	116,096	135,171
Income tax expense	RMB '000	23,279	13,867	24,306	19,009	19,993
Net profit	RMB '000	102,249	67,278	78,807	97,087	115,178

FINANCIAL POSITION	UNIT	FY2011	FY2012	FY2013	FY2014	FY2015
Net assets	RMB '000	938,974	1,005,448	1,084,033	1,173,481	1,288,175

FINANCIAL RATIOS	NOTE	UNIT	FY2011	FY2012	FY2013	FY2014	FY2015
Earnings per share		RMB cents	26.4	17.3	20.3	25.0	29.7
Net asset per share		RMB	2.42	2.59	2.79	3.02	3.32
Return on total equity		%	10.9	6.7	7.3	8.3	8.9
Net debt/equity ratio	a	%	(10.0)	(22.26)	(18.02)	(22.52)	(37.92)
Interest cover ratio	b	times	10.5	5.0	25.3	25.9	20.3
Current ratio	c	times	2.4	4.7	3.7	3.6	5.0
Trade receivables turnover		days	179	223	193	164	140
Inventory turnover		days	42	48	53	50	39

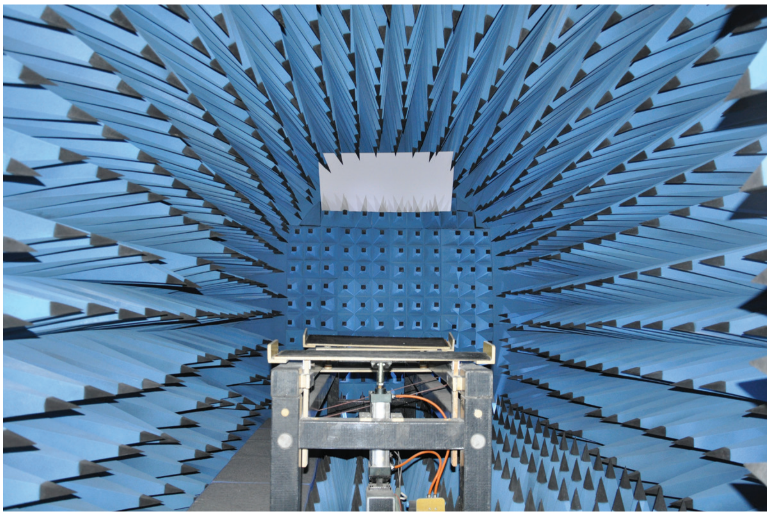
a Debt includes bank borrowings and bill payables
b Interest cover ratio = EBIT / Interest expense
c Current ratio = Current assets / Current liabilities

CHAIRMAN´S MESSAGE

In the 2015 financial year, the Group's business has achieved satisfactory results as well as an initial success in business transformation, with all the indicators showing a comprehensive and balanced growth.

Dear shareholders,

The environment we faced in 2015 was complex. On the one hand, the global macroeconomy was facing downward pressure with declining economic growth, while copper prices and currencies were subject to material fluctuation. On the other hand, the active development of China's internet industy which has been supporting the growth of telecommunication businesses, has continued to test our Group's ability to cope with such changes. Through the tireless efforts of every member of the Group, we have managed to better almost every financial indicator, particularly our accounts receivable turnover, gross margin and product mix, resulting in higher net profit achieved. This reflects an effective execution of our business operations, and lays a strong foundation for the Group's product mix adjustment, business development, potential acquisitions and transformation.



Following the launch of the "Broadband China" strategy in 2013, the Chinese government has again put forward an "Internet Plus" strategy in 2015. This was followed by the release of the Guidance on Accelerating the Construction of High-speed Broadband Network to Increase Internet Speed and Service Charges Reduction and the policy decision to narrow the digital gap through the improvement of broadband connections in rural and remote locations. These policies seek to drive economic growth by integrating the internet with traditional businesses such as manufacturing and service industries. Also, the promotion of internet data consumption and raising connection speeds through the upgrade of telecommunications infrastructure to boost data streaming ability provides a better environment for the development of the internet industry. All these initiatives will have a material positive impact on the telecommunications industry in China as well as our Group, as we will bear witness to the telecom operators' continual expansion and upgrade of its networks.

With the exponential growth of the online space, telecommunications networks continue to play a leading role within the industry. According to data released by the Ministry of Industry and Information Technology (MIIT), China's mobile Internet traffic for 2015 totalled approximately 3.76 million Terabytes, a year-on-year increase of approximately 109.9%, compared to previous year's increase of approximately 47.1%. The ongoing proliferation of communication devices such as smartphones and tablets – coupled with rapid subscriber growth, changing consumer behaviours such as e-commerce, e-banking and over-the-top services, and evolving business practices such as cloud computing, Internet of Things (IOT) infrastructure, machine to machine (M2M) and big data management – all of these will undoubtedly fuel growing demand for network infrastructure. In 2015, we successfully seized these opportunities through the approximately 20.3% increase in RF Coaxial Cables sales quantity despite the decline of copper prices. In addition, we were successfully awarded with tenders in respect of our RF Coaxial Cables and Accessories product series by one of China's major telecom operators. Two of the tenders ranked first and all products which were submitted for tender reached top three in rankings. These tenders would enable our Group to secure a top position in China's market share of its main products for the next 2 years. In terms of both revenue and sales quantity, it was the biggest winner in this integrated procurement exercise. The terms of the tenders will cover a period of 2 years from 2016 to 2017 with a continuing increase in demand, and is expected to have a positive impact on our results during these periods. Such awards are testament to our favourable rating by customers arising from our strong brand recognition and product reliability.

In the other product categories, we have also achieved positive developments. China's rail communications infrastructure is an area which the China government continues to regard as top priority for the long term. As part of China's continued plan to raise infrastructure standards, the government will focus investing in rail infrastructure locally and overseas. Following the Group's efforts in its research and development and expansion of its leaky coaxial cable series of products, we were successfully awarded with the tenders for the Jinhua-Wenzhou railway, Hefei subway and other railway mobile communication projects in China. The aggregate value of the tenders with respect to the aforesaid projects which the Group has been awarded was approximately RMB110 million and revenue for leaky coaxial cables as a whole increased by approximately 248.8% in 2015. 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 is working to be a part of.

In 2015, we also made strides on the antenna front with revenue increasing by approximately 69.1%. Our recently established antenna company was successfully awarded tenders for the sale of 4G antennas and sale of camouflage antennas in one of China's provinces, both of which were awarded by one of China's three telecom operators. Despite the relatively small tender, the camouflage antennas would eventually be a potentially larger market than traditional antennas as we are seeing a healthy demand amid our urban landscape. In addition, the Company's wholly-owned subsidiary, Jiangsu Hengxin Technology Co., Ltd. (江苏亨鑫科技有限公司), entered into a patent licensing agreement with one of the world's largest antenna manufacturers (an independent third party of the Company) with respect to a connector type. This signifies that our various internally-developed products can be commercially launched into the market – these consist of antenna panel high-temperature cable assemblies and antennas with new generation remote radio unit (RRU) with radio frequency (RF) connector assemblies of all types. The patent licensing framework raises the Group's connector assembly technology to a new level. We expect that the antenna business will become a new profitable point for the Group.

Over the years, our increasing emphasis on research and development has not only served to reduce production cost and improve the efficiency of our existing products, but also focuses on improvement and adjustment of the product structure. As part of the research process, we work closely with our customers to undertake joint strategic planning which ensures that we are aligned towards exploring emerging trends and technology. Our unwavering efforts on R&D have resulted in our achievement of several significant milestones during FY2015:

1. Successfully introduced 4G-capable antennas into the market, in particular camouflaged antennas which is potentially developing into a bigger market than traditional antennas;
2. Establishing ourselves as one of three antenna test centres appointed by one of China's three telecom operators;
3. Successful penetration of the Group's leaky coaxial cables into the railway communications market; and
4. Acceptance by International Electrotechnical Commission ("IEC") and publication of the proposed IEC standard 61196-4 on "Standard Specification of Radiating Cables". The issuance of such a Standard bespeak that the technological standard raised by Jiangsu Hengxin's coaxial cables products is recognised both locally and internationally. This development enhances our corporate profile which is central to gaining more customers' recognition at home and abroad. The Group through its research efforts, will continue its active involvement in shaping new standards and technologies.

Our venture into overseas markets has made 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 overseas during the financial year.

CORPORATE DEVELOPMENTS

During the first quarter of 2016, the Group acquired a 24% equity interest in Mianyang City Siemax Industrial Co., Ltd ("Siemax") for approximately RMB 72.0 million. The rationale for such an acquisition is two-fold: firstly, Siemax's current products are in the fibre optic communications, an industry which is well supported by the Broadband China strategy and Internet Plus strategy initiated by the Chinese government. In addition, the Company's vast marketing networks at home and abroad will create a synergistic effect for both entities. Secondly, the core technology of Siemax, which involves a method of injection moulding for nano zirconia ceramic, has broad applications in electronic, machinery, medical and other industries. We are confident this investment will create many new opportunities for the Group moving forward.

During the year, Mr. Chee Teck Kwong Patrick resigned as an independent non-executive director (the "Director") of the Company with effect from 27 April 2015 in order to devote more time to his other personal commitments.

On 31 December 2015, our Executive Chairman, Mr Cui Genxiang, resigned as he needs to devote more time for his personal commitments, and I have been appointed as the new Non-Executive Chairman. Mr Du Xiping has also been appointed as an Executive Director on the same day.

LOOKING AHEAD

Telecom operators continue to adopt a cautious approach in capital spending within and outside China. Compared to the old model of simply adding capacity due to increasing demand, which would inadvertently increase their capital expenditure, the operators have instead been exploring ways to use existing infrastructure and assets more efficiently. This invariably led to the establishment of the China Communications Facilities Services Corporation Limited, a joint venture by China's 3 telecom operators who own telecom infrastructure assets, and enables resource sharing and lower operating costs.

Despite the industry's conservative outlook, network growth in China continues to expand while supported by the growing demands of content-rich data throughput by the relatively robust growth of local 3G/4G mobile subscribers. In particular, 4G telecommunications require much higher data capacity, faster transmission rate and deeper network coverage, and this constraint has led to a larger number of smaller base stations being built, which cover a smaller area with higher transmission capacity. These newer base stations adopt smaller sized cables, which have lower selling prices compared to larger cables. The speed of technological evolvement means that other possible alternative products can also be used on these 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.

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.

WORDS OF APPRECIATION

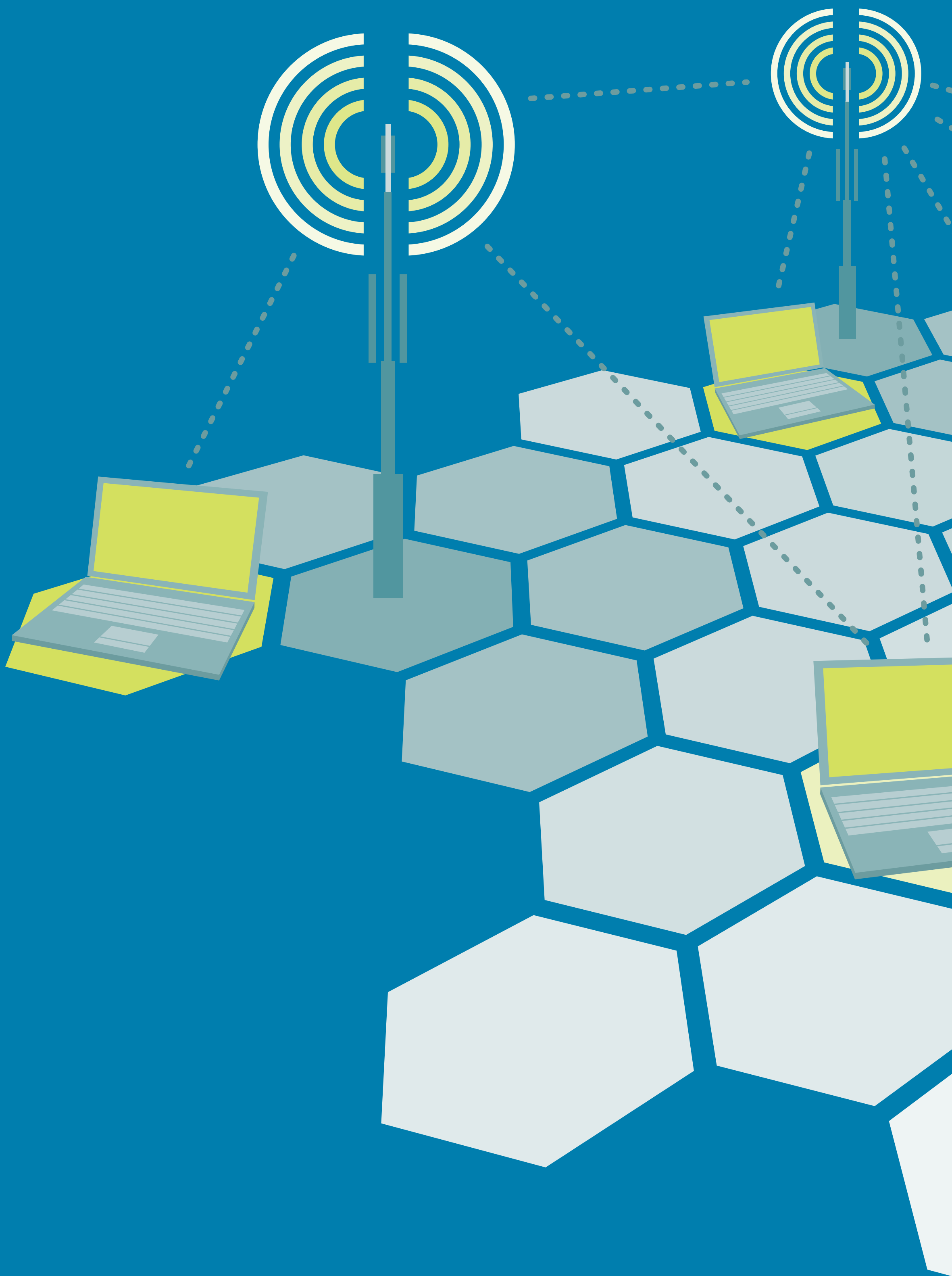
On behalf of the Board, I would like to thank Mr. Cui Genxiang for his foresight, fortitude and invaluable leadership as our outgoing Chairman. I would also like to thank Mr. Patrick Chee for his invaluable contributions and guidance to the Company during his tenure on the Board as our independent non-executive Director.

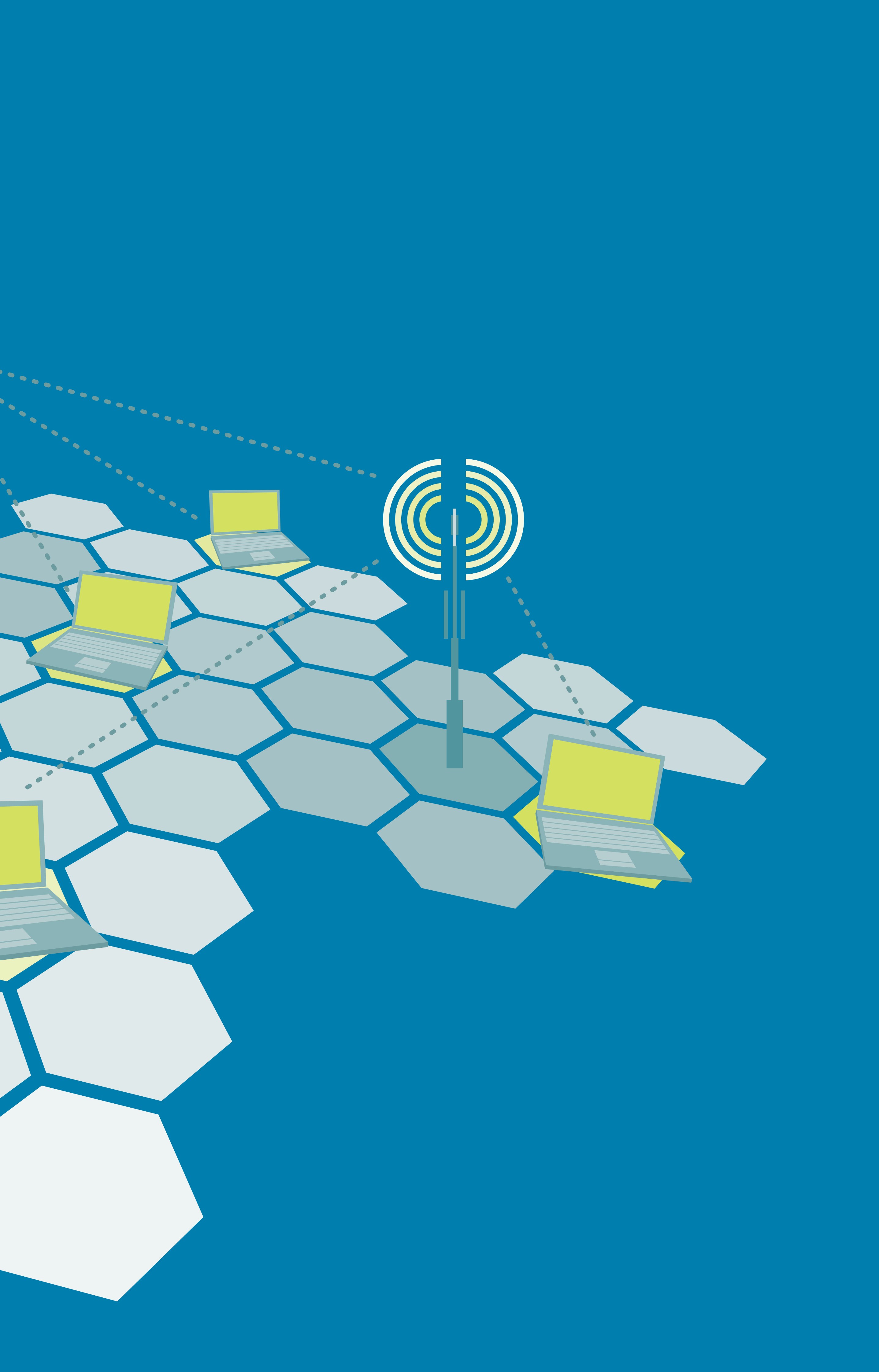
The Board welcomes Mr. Du Xiping to the Board this year, and we look forward to leveraging his knowledge and expertise to help the Company drive further growth.

I would also like to thank our valued staff members - without their passion, dedication and hard work, we would not be where we are today. Their efforts and contributions are deeply valued and appreciated. We also express our heartfelt appreciation to our valued shareholders, bankers, customers and suppliers for your continued support. We look forward to meeting you at our upcoming Annual General Meeting.

CUI WEI
Chairman

HENGXIN ACQUISITION





MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

The Group's revenue for the financial year ended 31 December 2015 ("FY2015" or the "Reporting Period") increased by approximately RMB90.6 million, or approximately 6.1% from approximately RMB1,475.4 million in the previous financial year ended 31 December 2014 ("FY2014") to approximately RMB1,566.0 million in FY2015. Despite the drop in copper prices during FY2015 which should result in a decrease in the unit price of the Group's major products, the Group experienced a material increase in orders from telecom operators for our products, generating higher revenue for the Reporting Period.

RF COAXIAL CABLE

Revenue generated from RF Coaxial Cables decreased by approximately RMB5.0 million or approximately 0.5% from approximately RMB1,064.7 million in FY2014 to approximately RMB1,059.7 million in FY2015.

TELECOMMUNICATION EQUIPMENT AND ACCESSORIES ("ACCESSORIES")

Revenue generated from Accessories increased by approximately RMB71.0 million or approximately 21.1% from approximately RMB337.1 million in FY2014 to approximately RMB408.1 million in FY2015.

OTHERS

Revenue generated from other products increased by approximately RMB24.7 million or approximately 33.6% from approximately RMB73.5 million in FY2014 to approximately RMB98.2 million in FY2015.

GROSS PROFIT MARGIN

Gross profit margin for FY2015 was approximately 19.5%, compared to approximately 17.7% in FY2014. Although the slide in copper prices will also result in a similar adjustment in selling prices, the Company's timing of entry in the purchase of copper during the Reporting Period 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 increased by approximately RMB8.9 million or approximately 76.1% from approximately RMB11.7 million in FY2014 to approximately RMB20.6 million in FY2015. The increase primarily arose from the following:

(i) higher interest income earned from certain deposits; and

(ii) foreign exchange gains recognised arising from the devaluation of the Renminbi in FY2015.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by approximately RMB12.8 million or approximately 17.1% from approximately RMB74.9 million in FY2014 to approximately RMB87.7 million in FY2015 in tandem with the increase in revenue during the Reporting Period.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately RMB6.8 million or approximately 18.1% from approximately RMB37.6 million in FY2014 to approximately RMB44.4

million in FY2015. This is due to a general increase in expenses during the Reporting Period, of which also includes an increase in payroll costs, entertainment, depreciation, advertising, amortisation of land and buildings which were purchased in FY2014, 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 RMB12.2 million or approximately 30.4% from approximately RMB40.1 million in FY2014 to approximately RMB52.3 million in FY2015. The increase was mainly due to R&D expenses from continuing R&D activities undertaken for new product specifications, increasing by approximately RMB13.2 million in FY2015 compared to FY2014.

FINANCE COSTS

Finance costs increased by approximately RMB2.3 million or approximately 48.9% from approximately RMB4.7 million in FY2014 to approximately RMB7.0 million in FY2015 due to a higher average loan outstanding throughout the Reporting Period.

PROFIT BEFORE INCOME TAX

Profit before income tax increased by approximately RMB19.1 million or approximately 16.5% from approximately RMB116.1 million in FY2014 to approximately RMB135.2 million in FY2015.

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 increased by approximately RMB1.0 million or approximately 5.3% from approximately RMB19.0 million in FY2014 to approximately RMB20.0 million in FY2015 due to an increase in profit before tax during the Reporting Period.

NET PROFIT

In view of the above, net profit attributable to equity holders of the Company increased approximately RMB18.1 million or approximately 18.6% from approximately RMB97.1 million in FY2014 compared to approximately RMB115.2 million in FY2015.

STATEMENT OF FINANCIAL POSITION

Material fluctuations of balance sheet items are explained below:

PLEDGED BANK DEPOSITS

Pledged bank deposits decreased by approximately RMB3.6 million or approximately 15.8% from approximately RMB22.8 million as at 31 December 2014 to approximately RMB19.2 million as at 31 December 2015 mainly due to a repayment of bank loan in which the corresponding security was no longer required.

TRADE RECEIVABLES

Trade receivables decreased by approximately RMB104.2 million or approximately 16.3% from approximately RMB639.3 million as at 31 December 2014 to approximately RMB535.1 million as at 31 December 2015.

Average trade receivables turnover days were 140 days as at 31 December 2015 compared to 164 days as at 31 December 2014.

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

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

OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments increased by approximately RMB11.2 million or approximately 19.9% from approximately RMB56.4 million as at 31 December 2014 to approximately RMB67.6 million as at 31 December 2015. The increase mainly arose from a rise in advances made to suppliers in enabling the Group to obtain better raw materials pricing.

INVENTORIES

Inventories (comprising raw materials, work-in-progress and finished goods) decreased by approximately RMB37.3 million or approximately 24.4% from approximately RMB153.0 million as at 31 December 2014 to approximately RMB115.7 million as at 31 December 2015. Controls were stepped up to reduce inventory levels, resulting in a lower inventory amount.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment increased by approximately RMB6.6 million or approximately 4.5% from approximately RMB147.7 million as at 31 December 2014 to approximately RMB154.3 million as at 31 December 2015 mainly due to acquisition of assets for the manufacture of different lines of products during the Reporting Period.

SHORT-TERM BANK LOANS

Short-term bank loans decreased by approximately RMB87.4 million or approximately 42.7% from approximately RMB204.8 million as at 31 December 2014 to approximately RMB117.4 million as at 31 December 2015 due to certain loans being repaid during the Reporting Period.

TRADE PAYABLES AND OTHER PAYABLES

Trade payables decreased by approximately RMB22.0 million or approximately 17.4% from approximately RMB126.4 million as at 31 December 2014 to approximately RMB104.4 million as at 31 December 2015. The Company adopted a cash payment terms for some of its bigger raw material suppliers in return for better pricing terms, thus reducing the overall trade payables balance.

Other payables and accruals increased by approximately RMB8.7 million or approximately 26.2% from approximately RMB33.2 million as at 31 December 2014 to approximately RMB41.9 million as at 31 December 2015 due to higher bonus accruals for FY2015.

DEFERRED INCOME

Deferred income decreased by approximately RMB4.3 million or approximately 41.0% from approximately RMB10.5 million as at 31 December 2014 to approximately RMB6.2 million as at 31 December 2015. This relates to grants with conditions attached requiring certain milestones to be met. As some of these conditions had been met, some of the deferred income had been recognised as other income.

CASH AND BANK BALANCES

Cash and bank balances increased by approximately RMB136.8 million or approximately 29.2% from RMB469.1 million as at 31 December 2014 to approximately RMB605.9 million as at 31 December 2015 mainly due to improved collections and a reduction in inventory levels, increasing overall bank balances.

SUBSIDIARIES

The subsidiaries of the Company are Jiangsu Hengxin Technology Co., Ltd, Jiangsu Hengxin Wireless Technology Co., Ltd, Hengxin Network Wireless (Shanghai) Co., Ltd and Hengxin Technology (India) Private Limited. 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 2015, the Group's total assets were approximately RMB1,565,297,000 (2014: RMB1,555,755,000) (of

which, current assets were approximately RMB1,344,841,000 (2014: RMB1,341,978,000), non-current assets were approximately RMB220,456,000 (2014: RMB213,777,000)), the total liabilities were approximately RMB277,122,000 (2014: RMB382,274,000) (of which, current liabilities were approximately RMB266,308,000 (2014: RMB367,818,000), non-current liabilities were approximately RMB10,814,000 (2014: RMB14,456,000)), and shareholder's equity reached approximately RMB1,288,175,000 (2014: RMB1,173,481,000).

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.

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 2015, 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 FY2015, were approximately RMB126,000 (2014: approximately RMB5,305,000) and approximately RMB5,500,000 (2014: approximately RMB 6,000,000) respectively.

PLEDGE OF ASSETS

As at 31 December 2015, the Group did not pledge any assets (2014: Nil) as securities for banking facilities granted by its bankers.

CONTINGENT LIABILITIES

There were no material contingent liabilities as at 31 December 2015.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, there were 982 (2014: 849) 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 2015, the Group was not involved in any material litigation or arbitration.

FUTURE PROSPECTS

Telecommunications networks continue to be a key in the internet evolution. The continued proliferation of communication devices such as smartphones and tablets, rapid subscriber growth, the change of lifestyle habits such as e-commerce, e-banking and over-the-top services, business practices such as cloud computing, IOT (Internet of Things) infrastructure, M2M (machine to machine) and big data management are placing increasing demands on network infrastructures. Many of these applications will be adopted using 4G network technology. With the emergence of VoLTE (voice over LTE) which provides diversified voice applications with more abundant contents, the three telecom operators in China have announced that such service

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Net cash borrowings	**(488,503)**	(264,252)
Total equity	**1,288,175**	1,173,481
Net debt to equity ratio (%)	**(37.92)**	(22.52)

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

As at 31 December 2015		As at 31 December 2014	
Secured RMB'000	**Unsecured** RMB'000	**Secured** RMB'000	**Unsecured** RMB'000
-	117,404	19,634	185,214

There is no amount repayable after one year. The bank loan of approximately RMB19.6 million as at 31 December 2014 was secured through bank deposits amounting to approximately RMB21.1 million.

will be commercially available in 2016 to 2017. For the first time, China's economic strategy is being centred round the internet with its "Internet Plus" effort, which was first announced in March 2015. The impact of these initiatives will greatly benefit the telecommunications industry in China and the Group, as we bear witness to telecom operators' continued expansion and upgrade of its networks.

The "Internet Plus" strategy also directly benefits the growth of rail communications infrastructure. Following the Group's successful penetration to the railway communications through its tender in the first half of 2015 to market its leaky cable series of products, we were being awarded tenders by China Mobile for the sale of leaky cables in December 2015. Such awards are testament to the Group's favourable rating by customers arising from its brand recognition and product reliability.
Over the years, we have placed increasing emphasis on research and development to improve and expand the range of our products. Part of the research is focused on lowering the cost of manufacturing existing and future products. As part of the research process, we maintain very close relationships with customers to explore emerging trends and technology.

As a result of the Group's relentless efforts to expand its marketing reach and influence, we have reached several milestones during FY2015:

1. Successfully introduced 4G-capable antennas into the market, especially camouflaged antennas which is potentially developing into a bigger market than traditional antennas;

2. Establishing itself as one of three antenna test centres by one of three telecom operators in China;

3. Successful penetration of the Group's leaky cables into the railway communications market; and

4. Acceptance by International Electrotechnical Commission ("IEC") and publication of the proposed IEC standard 61196-4 on "Standard Specification of Radiating Cables".

IEC is a non-profit, non-governmental international standards organization that prepares and publishes International Standards for all electrical, electronic and related technologies The acceptance by IEC on IEC standard 61196-4 is significant as this standard was proposed by China and jointly drafted by the Group and China Electronics Standardization Institute. It reflects the Group's domestic standing and influence in the RF Coaxial Cables sphere, and lays a solid foundation for the Group's recognition domestically and internationally. The Group, through its research efforts, will continue its active involvement in shaping next generation standards and technologies.

Despite the decline in copper prices, sales to overseas markets improved in FY2015, although absolute revenue rose by approximately 1.2% compared to FY2014. Our venture into overseas markets has made some headway with our products being endorsed by various international telecom 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 telecom equipment vendors and telecom operators during the first half of FY2015.

On 2 February 2016, the Company, through its wholly-owned subsidiary, Jiangsu Hengxin Technology Co., Ltd., entered into a sale and purchase agreement to acquire a 24% equity interest in Mianyang City Siemax Industrial Co., Ltd, ("Mianyang Siemax") for RMB72.0 million. The rationale for such an acquisition is two-fold: Firstly, adopting its competitive advantage of deriving high quality zirconia ceramics products with its self-developed technology, Mianyang Siemax rides on these strengths and is able to manufacture products at competitive costs with product quality that is in line with industry requirements. Nano zirconia ceramic is found in many parts and components, such as mobile phone components, precision machinery parts and electrical components. Mianyang Siemax will initially focus its business development in the area of telecommunications, specifically for the supply of fibre optic ceramic ferrules. Secondly, as part of China's "Internet Plus" plans to improve broadband connections and fuel growth, the demand for fibre optic connectors will continue to be robust. As fibre optic ceramic ferrules form a main component of fibre optic connectors, the Company views it as an opportune time for such an investment as the Company's vast marketing networks in the same industry can serve as a bridge for Mianyang Siemax's business strategy. This synergistic effect is in line with the Company's focus to extend its operating footprint in the telecommunications industry. In addition, the Group's solid foundation and its resources in terms of funding, technology and marketing allow Mianyang Siemax to implement its expansion plan, while continuing research and development work on advanced ceramics. In the medium term, this will bring added-value for the Company and its shareholders.

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 three telecom operators owning telecom infrastructure assets, to enable resources 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 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 is likely to impose a ceiling on our product margins.

Despite technology evolvement 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 its products both in terms of substance and value during the Reporting Period, despite sustained lower copper prices during FY2015 which resulted in a decrease in the unit price of the Group's major products.

Looking ahead, although the telecom 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.

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

Jiangsu Hengxin Technology Co., Ltd ("Hengxin Jiangsu") entered into a Raw Materials Purchase Master Agreement (the "Purchase Agreement") with Suzhou Hengli Telecommunications Materials Co., Ltd ("Suzhou Hengli") on 30 October 2014 in relation to the purchase of raw materials for a term up to 31 December 2016, 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. The annual cap in respect of the transactions for each of the years ended 31 December 2014 and 2015 and the year ending 31 December 2016 was RMB14,000,000, RMB14,000,000 and RMB14,000,000 respectively. On 20 August 2015, Hengxin (Jiangsu) entered into a revised raw materials purchase agreement with Suzhou Hengli to revise the annual cap in respect of the transactions under the Purchase Agreement for each of the years ended 31 December 2015 and ending 31 December 2016 from RMB 14,000,000 and RMB 14,000,000 respectively to RMB 27,000,000 and RMB 27,000,000 respectively. The aggregate amount paid by the Group for the purchase of raw materials amounted to approximately RMB 20.1 million (excluding VAT payable to the State Administration of Taxation of the PRC which amounted to approximately RMB 3.4 million for FY2015.)

PRODUCT SALES FRAMEWORK AGREEMENT

On 30 October 2014, Hengxin (Jiangsu) 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 caps in respect of the transactions under the Sale Agreement for each of the years ended 31 December 2014 and 2015 and the year ending 31 December 2016 was 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 1.2 million (excluding VAT payable to the State Administration of Taxation of the PRC which amounted to approximately RMB 0.2 million for FY2015.)

BACKGROUND OF SUZHOU HENGLI:

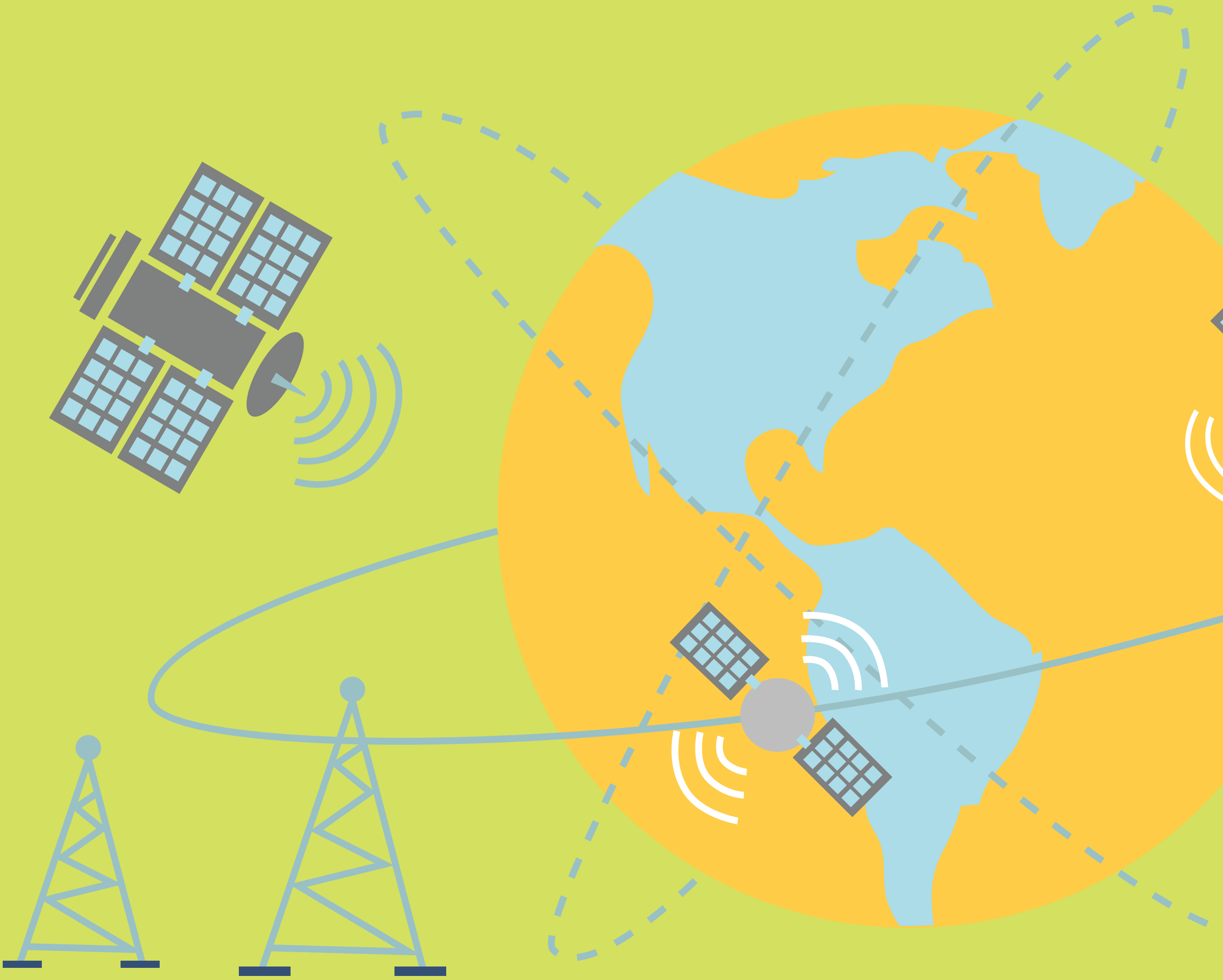
Suzhou Hengli is wholly owned by Jiangsu Hengtong Cable Technology Co., Ltd, which is in turn wholly owned by Hengtong Optic-Electric Co., Ltd. Hengtong Optic-Electric Co., Ltd is held at approximately 37.81% by Hengtong Group Co., Ltd, which is beneficially owned by Mr Cui Genliang, the father of the Company's Non-Executive Chairman, Mr Cui Wei, as to 90% of equity interest, and by 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.

HENGXIN EVOLUTION



BOARD OF DIRECTORS

CUI WEI

Non-Executive Chairman

Mr. Cui Wei (崔巍), aged 29, is our Chairman and was appointed as a non-executive Director on 14 October 2014, and was appointed as the chairman of the Company on 31 December 2015.

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 Hongkong subsidiary of a state-owned corporation. Mr. Cui's experience is in direct investment, management of equity interests and debentures.

DU XIPING

Executive Director

Mr. Du Xiping (杜西平), aged 53, is our executive Director and was appointed on 31 December 2015. Mr. Du holds a Bachelor of Science from the Department of Astronomy in Nanjing University and a Master's Degree in Economics from the Graduate School of Chinese Academy of Social Science. Mr. Du possesses a wide range of experience over the years covering economics research, trade, finance and investment.

Mr. Du was the general manager of Shenzhen Dong Fang Hongda Investment Co., Ltd. (深圳市東方泓達投资有限公司), Shenzhen Shuangxin Investment Co., Ltd. (深圳市雙信投資有限公司) and the trust department of New Industrial Investment Co., Ltd. (新產業投資股份有限公司), all of which are principally engaged in the business of trust and asset management, and during this tenure, Mr. Du had been appointed as the fund manager for the Hope Project.

As the very first batch of securities practitioners after China's reform and opening up, Mr. Du was the general manager of the securities department of Industrial and Commercial Bank of China's United Financial Corporation Securities Unit Trust, Pearl River Delta Region (工商銀行珠江三角洲金融信托聯合總公司), mainly focusing on the securities and trust business.

XU GUOQIANG

Executive Director

Mr. Xu Guoqiang (徐國强), aged 43, 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, a nomination as National Enterprise Midlevel Management Talent in 2004 and China Economy Top 10 Innovation Award in 2012.

ZHANG ZHONG

Non-Executive Director

Ms. Zhang Zhong (张钟), aged 61, 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).

TAM CHI KWAN MICHAEL

Independent Non-Executive Director

Mr. Tam Chi Kwan Michael (譚志昆), aged 52, 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 54, 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. 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 51, 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 On-The-Job 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 39, 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 SGX Mainboard. 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.

JIN HUIYI (金惠义)
Deputy General Manager- Overseas Marketing

Ms. Jin Huiyi, aged 39, joined our Group in November 2005. She is the Deputy General Manager of Jiangsu Hengxin Technology Co. Ltd., and is responsible for overseas marketing. Since 2005, Ms. Jin had been the vice president of overseas marketing of the Group. From 2001 to 2005, Ms. Jin worked as an assistant to general manager of Yixing Chenyang Ceramics Co., Ltd. Ms. Jin obtained an associate degree in Computer Application and Maintenance from Yancheng Institute Of Technology in 1998 and a title of Senior Economist in 2012.

SUN YULIANG (孙余良)
Assistant to Deputy General Manager - Production Equipments

Mr. Sun Yuliang (孙余良), aged 44, 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
55 Market Street, #08-01
Singapore 048941

HEADQUARTERS IN THE PRC
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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
Stephenson Harwood
18th Floor, United Centre
95 Queensway
Hong Kong

BOARD OF DIRECTORS
Executive directors
Mr. Du Xiping
(appointed on 31 December 2015)
Mr Xu Guoqiang
Mr. Cui Genxiang (Chairman)
(resigned on 31 December 2015)

Non-executive director
Mr. Cui Wei (Chairman)
(appointed on 31 December 2015)
Ms. Zhang Zhong

Independent non-executive directors
Mr. Tam Chi Kwan Michael
Dr. Li Jun
Mr. Pu Hong
Mr. Chee Teck Kwong Patrick
(resigned on 27 April 2015)
Mr. Tay Ah Kong Bernard
(retired on 27 April 2015)

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

REMUNERATION COMMITTEE
Dr. Li Jun (Chairman)
(appointed on 6 March 2015)
Mr. Cui Wei
(appointed on 6 March 2015)
Mr. Xu Guoqiang
(appointed on 31 December 2015)
Mr. Tam Chi Kwan Michael
Mr. Pu Hong
(appointed on 6 March 2015)
Ms. Zhang Zhong
(up to 31 December 2015)
Mr. Chee Teck Kwong Patrick
(Chairman)
(up to 6 March 2015)
Mr. Tay Ah Kong Bernard
(up to 6 March 2015)

NOMINATING COMMITTEE
Mr. Cui Wei (Chairman)
(appointed on 31 December 2015)
Mr. Du Xiping
(appointed on 31 December 2015)
Mr. Tam Chi Kwan Michael
Dr. Li Jun
(appointed on 6 March 2015)
Mr. Pu Hong
(appointed on 6 March 2015)
Ms. Zhang Zhong
(up to 31 December 2015)
Mr. Cui Genxiang (Chairman)
(up to 31 December 2015)
Mr. Chee Teck Kwong Patrick
(up to 6 March 2015)
Mr. Tay Ah Kong Bernard
(up to 6 March 2015)

AUTHORISED REPRESENTATIVES
Mr. Du Xiping
Ms. Wong Wai Han

JOINT COMPANY SECRETARIES
Mr. Chua Kern LLB (Hons)
(Singapore)
Ms. Wong Wai Han LLB (Hons)
(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
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
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PRINCIPAL BANKERS
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Corporation, Yixing Branch
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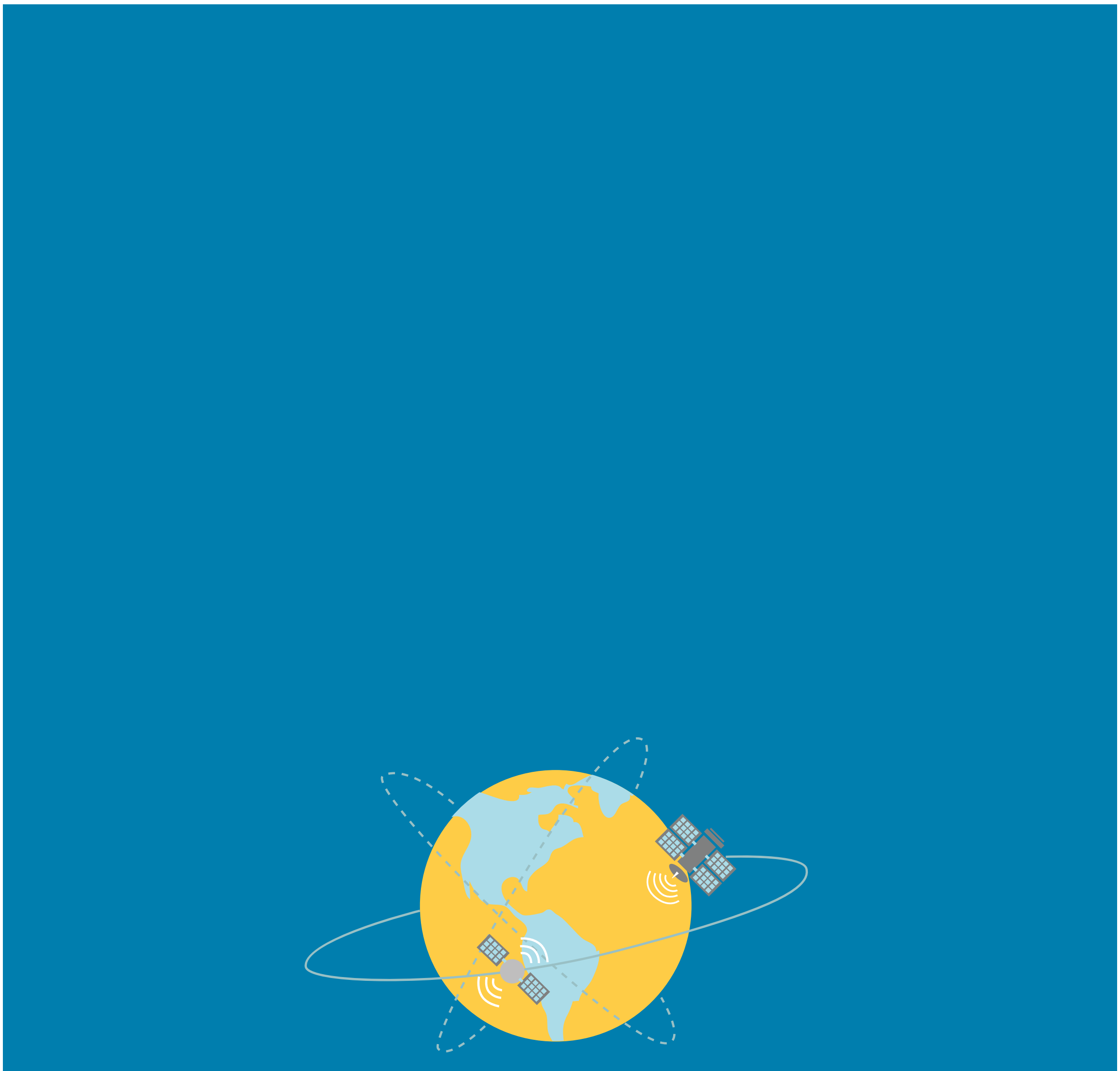
Yicheng Town Yixing City
Jiangsu Province, The PRC

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

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

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 primarily listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") and is secondary listed on the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). Throughout the financial year ended 31 December 2015 ("FY2015"), 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.

(A) BOARD MATTERS

The Board's Conduct of Affairs

As at 31 December 2015, the Board comprises two Executive Directors, two Non-executive Directors, and three Independent Non-executive Directors. During FY2015, all the Executive Directors, Non-executive Directors, and Independent Non-executive Directors have 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 shareholders' 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 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)

During FY2015 and as of 31 December 2015, the number of general meetings, Board and other Board 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 Meeting Held	No. of Meeting 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 Wei[1]	1	1	7	3	NA	NA	3	1	3	-
Cui Genxiang[2]	1	1	7	7	NA	NA	NA	NA	3	3
Du Xiping[3]	1	-	7	-	NA	NA	NA	NA	3	-
Zhang Zhong[4]	1	1	7	7	4	4	3	3	3	2
Tam Chi Kwan Michael[5]	1	1	7	7	4	4	3	3	3	3
Xu Guoqiang[6]	1	1	7	6	NA	NA	3	-	NA	NA
Pu Hong[7]	1	1	7	5	4	3	3	1	3	1
Dr. Li Jun[8]	1	1	7	5	4	3	3	1	3	1
Tay Ah Kong Bernard[9]	1	1	7	2	4	1	3	2	3	2
Chee Teck Kwong Patrick[10]	1	1	7	2	4	1	3	2	3	2

NA: Not applicable
Notes:

1 Mr. Cui Wei was appointed as the Chairman of the Nominating Committee on 31 December 2015, and was appointed as a member of each of the Audit Committee and the Remuneration Committee on 6 March 2015. Mr. Cui Wei is a nephew of Mr. Cui Genxiang.

2 Mr. Cui Genxiang was appointed as the Chairman of the Nominating Committee on 6 March 2015 up to 31 December 2015.

3 Mr. Du Xiping was appointed as an Executive Director and a member of the Nominating Committee on 31 December 2015.

4 Ms. Zhang Zhong retired as a member of each of the Remuneration Committee and Nominating Committee on 31 December 2015.

5 Mr. Tam Chi Kwan Michael was appointed the Chairman of the Audit Committee on 6 March 2015.

6 Mr. Xu Guoqiang was appointed as a member of the Remuneration Committee on 31 December 2015.

7 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.

8 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.

9 Mr. Tay Ah Kong Bernard retired as an independent non-executive Director on 27 April 2015.

10 Mr. Chee Teck Kwong Patrick resigned as an independent non-executive Director on 27 April 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, interim report, 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 FY2015, 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

During FY2015, 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	Date of resignation or retirement
Cui Genxiang	Executive Director	23 June 2005	24 April 2013	NA	31 December 2015
Cui Wei	Non-executive Director	14 October 2014	27 April 2015	NA	NA
Du Xiping	Executive Director	31 December 2015	-	28 April 2016	NA
Zhang Zhong	Non-executive Director	23 June 2005	23 April 2014	28 April 2016	NA
Tam Chi Kwan Michael	Independent Non-executive Director	10 December 2010	23 April 2014	28 April 2016	NA
Xu Guoqiang	Executive Director	20 December 2011	27 April 2015	NA	NA
Tay Ah Kong Bernard	Independent Non-executive Director	18 January 2007	26 April 2012	NA	27 April 2015
Chee Teck Kwong Patrick	Independent Non-executive Director	18 January 2007	24 April 2013	NA	27 April 2015
Pu Hong	Independent Non-executive Director	6 March 2015	27 April 2015	NA	NA
Dr. Li Jun	Independent Non-executive Director	6 March 2015	27 April 2015	NA	NA

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 judgment 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.

Corporate Governance Report (cont´d)

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 Independent Non-executive Directors, during their terms of office with the Company, are deemed independent.

With the Independent Non-executive Directors, the Board is able to exercise independent judgment 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 Constitution of the Company (the "Constitution"), 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.

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 Directors 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 the 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 24 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

Code Provision A.2.1 stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual. Mr. Cui Wei was appointed as the Chairman of the Board on 31 December 2015. The Chairman shall focus on overall corporate development and strategic direction of the Group and oversee the efficient functioning of the Board. The 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.

The Executive Directors are responsible for the daily operations of the Company while the Non-executive and Independent Non-executive Directors exercise no management functions in the Company or its subsidiaries. Such division of responsibilities helps to reinforce their independence and to ensure a balance of power and authority. During FY2015, the Executive Chairman had a meeting with the Non-executive Directors, including the Independent Non-executive Directors, without the other Executive Directors present.

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

(B) 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, Executive Director (up to 31 December 2015)
Cui Wei	Chairman, Non-executive Director (appointed on 31 December 2015)
Tam Chi Kwan Michael	Member, Independent 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)
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 (up to 31 December 2015)
Du Xiping	Member, Executive Director (appointed on 31 December 2015)

The Nominating Committee holds at least one meeting per year. The Nominating Committee has convened three meetings during FY2015 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

Corporate Governance Report (cont´d)

(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.

The Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Under the Constitution, 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 Constitution, Ms. Zhang Zhong and Mr. Tam Chi Kwan Michael shall retire at the forthcoming AGM of the Company and, being eligible will offer themselves for re-election at such meeting.

Pursuant to Article 88 of the Constitution, Mr. Du Xiping was appointed to the Board as an executive Director and he shall hold office only until the forthcoming AGM of the Company and, being eligible, will offer himself for re-election at such meeting.

Their profiles are shown on pages 24 and 25 of the Annual Report.

The non-executive Directors are appointed for a term of three years, subject to retirement by rotation at the AGM and being eligible, to offer themselves for re-election.

The Nominating Committee has considered the commitments faced when the Directors serve on multiple boards. For FY2015, the Board is satisfied that each Director has allocated sufficient time and resources to the affairs of the Company during their term of office with 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 FY2015.

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 FY2016 are based on the Directors' attendance at meetings held during FY2015 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 FY2015 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 furtherance of their duties, the costs of such professional advice will be borne by the Company.

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

(C) REMUNERATION MATTERS

Remuneration Committee

Procedures for Developing Remuneration Policies

The Remuneration Committee comprises the following members:-

Chee Teck Kwong Patrick	Chairman, Independent Non-executive Director (up to 6 March 2015)
Dr. Li Jun	Chairman, Independent Non-executive Director (appointed on 6 March 2015)
Cui Wei	Member, Non-executive Director (appointed on 6 March 2015)
Tam Chi Kwan Michael	Member, Independent Non-executive Director
Tay Ah Kong Bernard	Member, Independent Non-executive Director (up to 6 March 2015)
Pu Hong	Member, Independent Non-executive Director (appointed on 6 March 2015)
Zhang Zhong	Member, Non-executive Director (up to 31 December 2015)
Xu Guoqiang	Member, Executive Director (appointed on 31 December 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.

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 FY2015, the Remuneration Committee has convened three meetings.

Corporate Governance Report (cont´d)

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 FY2015 to the Directors and the controlling shareholder of the Company and their associates.

(D) ACCOUNTABILITY AND AUDIT

Accountability

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. During FY2015, the Board has reviewed the effectiveness of the Group's internal control systems and is satisfied with such systems.

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
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)
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 (appointed on 6 March 2015)
Zhang Zhong	Member, Non-executive Director

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 FY2015, 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;

Corporate Governance Report (cont´d)

(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.

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 FY2015 and has recommended to the Board the re-appointment of Deloitte as the external auditors at the forthcoming AGM.

During FY2015, 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 FY2015, 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 50 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 FY2015.

For FY2015, 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 RMB1.15 million and in respect of non-audit services provided by Deloitte amounted to approximately less than RMB0.29 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.

(E) 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 Constitution;
- 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 financial year.

Corporate Governance Report (cont´d)

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 published on 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, interim reports, contact details and profiles of the Group;
- shareholders may refer to the Constitution 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 Constitution 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 the external auditors will normally be available at general meetings to answer questions relating to the work of these Board 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 held during FY2015 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.

(F) 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 Best Practices Code during FY2015.

Under the Best Practices Code, Directors, the Management and officers of the Group who have access to price-sensitive, financial or confidential or inside 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 or inside 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 memoranda to the Directors and officers of the Group to remind them of the aforementioned prohibition.

(G) CONNECTED TRANSACTIONS

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

Details of connected transactions for FY2015 which fall under Chapter 14A of the Listing Rules are set out in the section headed "Continuing Connected Transactions" in this Annual Report.

(H) 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 FY2015.

FINANCIAL CONTENTS

Directors´ Statement

The directors present their report together with the audited 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 2015.

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 51 to 104 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015, and the financial performance, changes in equity and cash flows of 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 debt when they fall due.

1 DIRECTORS

The directors of the Company in office during the financial year ended 31 December 2015 are:

Cui Wei	(Non-executive Chairman, appointed on 31 December 2015)
Xu Guoqiang	(Executive Director)
Du Xiping	(Executive Director appointed on 31 December 2015)
Cui Genxiang	(Executive Director, resigned on 31 December 2015)
Zhang Zhong	(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)
Chee Teck Kwong Patrick	(Independent Non-executive Director, resigned on 27 April 2015)
Tay Ah Kong Bernard	(Independent Non-executive Director, retired on 27 April 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, except for the options mentioned in paragraph 3 of the Directors' statement.

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 2015 Or date of appointment, if later	At 31 December 2015	At 1 January 2015 Or date of appointment, if later	At 31 December 2015
The Company (Ordinary shares)				
Zhang Zhong	-	-	28,082,525	28,082,525
Cui Wei	-	-	90,294,662	90,294,662
Du Xiping	11,468,000	11,468,000	-	-

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 2016 were the same at 31 December 2015.

Directors´ Statement (cont´d)

4 SHARE OPTIONS

(a) Options to take up unissued shares

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

Dr. Li Jun (Chairman) (appointed on 6 March 2015)
Cui Wei (appointed on 6 March 2015)
Zhang Zhong (up to 31 December 2015)
Xu Guoqiang (appointed on 31 December 2015)
Tam Chi Kwan Michael
Pu Hong
Chee Teck Kwong Patrick (Chairman) (up to 6 March 2015)
Tay Ah Kong Bernard (up to 6 March 2015)

The Share Option Scheme is valid and effective for a period of 10 years from 27 October 2010. The purpose of the Share Option Scheme is 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 interest with the interest of the Group and thereby 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, have contributed to the Group. 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 total number of shares issued and to be issued upon exercise of the options granted to a grantee (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the shares in issue at such time unless approved by the shareholders of the Company in general meeting at which the relevant participant and his/her associates shall abstain from voting. 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 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. The period within which the options may be exercised under the Share Option Scheme shall not be more than 10 years from the date of grant of the relevant option.

There were no unissued shares of the Company under options granted pursuant to the Share Option Scheme. As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme is 33,600,000 shares, representing approximately 8.66% of the shares in issue (i.e. 388,000,000 shares) as at the date of this annual report.

* 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) Unissued shares under option and options exercised

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted. There were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) Unissued shares under option

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under options.

5 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 the following members:

Tam Chi Kwan Michael	Chairman, Independent 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)
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 (appointed on 6 March 2015)
Zhang Zhong	Member, Non-executive Director

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;

(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.

6 AUDITORS

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

Directors' Statement (cont'd)

7 ADDITION 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 AND BUSINESS REVIEW

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.

Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis as set out on pages 14 to 20 of this annual report. These discussions form part of this directors' statement.

RESULTS AND DIVIDENDS

The Group's profit for FY2015 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 51 to 104 of this annual report.

No interim dividend was paid (2014: Nil) during FY2015. The Directors recommend the payment of a first and final dividend of RMB2.97 cents (2014: Nil) per Share in respect of the FY2015 to shareholders of the Company (the "Shareholders") whose names appear on the Company's register of members on 16 May 2016, and such dividend will be paid out on 30 May 2016. Upon approval by the Shareholders, the payment will be incorporated in the financial statements as an allocation from accumulated profits within the equity section of the statement of financial position.

BOARD COMPOSITION

As at 31 December 2015, the Board comprises Mr. Du Xiping and Mr. Xu Guoqiang as executive Directors, Mr. Cui Wei and Ms. Zhang Zhong as non-executive Directors, and Mr. Tam Chi Kwan Michael, Dr. Li Jun and Mr. Pu Hong as independent non-executive Directors.

The Board composition and its movement during FY2015 are set out in the Corporate Governance Report on pages 29 to 41 of this annual report.

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 pages 2 to 3 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 FY2015 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 Constitution (the "Constitution") 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 FY2015.

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. Du Xiping and Mr. Xu Guoqiang, entered into a service contract with the Company for a term of three years commencing on 31 December 2015 and 20 December 2011 respectively, renewable automatically for any successive terms upon the date of expiry of each three-year period, unless terminated in accordance with the provisions of the service contract by either party giving to the other not less than three months' prior notice in writing at the end of the initial term or at any time thereafter. The service agreement for Mr. Xu Guoqiang had been renewed for a term of another three years commencing 20 December 2014.

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 transaction, arrangement or 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 FY2015 or at the end of FY2015.

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

As at 31 December 2015, 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%
Du Xiping	11,468,000	-	11,468,000	2.96%

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.

Directors´ Statement (cont´d)

(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 2015 and 21 January 2016.

Saved as disclosed above, as at 31 December 2015, 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 2015, 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 (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 (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 2015, 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 under section 336 of the SFO.

RESERVES

Details of movements in the reserves of the Company and the Group during FY2015 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 2015 amounted to approximately RMB181,390,000 (2014: approximately RMB189,998,000).

DONATIONS

The Group had made donations amounting approximately RMB500,000 (2014: approximately RMB500,000) 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 FY2015, sales to the Group's five largest customers accounted for approximately 66.6% of the total sales for the year and sales to the largest customer included therein amounted to approximately 30.0%. Purchases from the Group's five largest suppliers accounted for approximately 41.8% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 11.8%.

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.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group strives to operate in compliance with applicable environmental laws as well as to protect the environment by minimising the negative impact of the Group's existing business activities on the environment and supporting natural and environmental protection schemes.

The Company obtained the certification of OHSAS 18000 for assessment of environment system by effectively controlling the usage of water and electricity and raw materials, formulating assessment procedures on water and electricity consumption by equipment department and assessment system of utilization rate of raw materials by production department. Besides, the Group's key operating subsidiary, Jiangsu Hengxin Technology Co., Ltd, has obtained the ISO 14001:2004 certification for Environmental Management Systems since 2007, and has always been in compliance with China's national environmental policies.

COMPLIANCE WITH LAWS AND REGULATIONS

Throughout FY2015, to the best knowledge, information and belief, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the Company.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout FY 2015. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

ON BEHALF OF THE DIRECTORS

Du Xiping

Xu Guoqiang

10 March 2016

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 2015, 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 51 to 104.

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 financial statements 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 in accordance with the provisions of the Act and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, 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 LLP
Public Accountants and
Chartered Accountants
Singapore

10 March 2016

Statements of Financial Position

31 December 2015

	Note	Group		Company	
		2015	2014	2015	2014
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	6	605,907	469,100	9,072	19,576
Pledged bank deposits	6	19,177	22,777	-	-
Trade receivables	7	535,093	639,331	-	-
Other receivables and prepayments	8	67,615	56,374	16,904	75,167
Inventories	9	115,694	153,041	-	-
Prepaid lease payments	11	1,355	1,355	-	-
Total current assets		1,344,841	1,341,978	25,976	94,743
Non-current assets					
Other receivables and prepayments	8	-	-	56,159	-
Available-for-sale investments	10	10,647	10,000	-	-
Prepaid lease payments	11	52,049	53,404	-	-
Subsidiaries	12	-	-	396,385	392,544
Property, plant and equipment	13	154,343	147,725	17	13
Deferred tax assets	14	3,417	2,648	-	-
Total non-current assets		220,456	213,777	452,561	392,557
Total assets		1,565,297	1,555,755	478,537	487,300
LIABILITIES AND EQUITY					
Current liabilities					
Short-term loans	15	117,404	204,848	-	-
Trade payables	16	104,432	126,357	-	-
Other payables	17	41,871	33,175	2,147	2,302
Income tax payable		2,601	3,438	-	-
Total current liabilities		266,308	367,818	2,147	2,302
Non-current liabilities					
Deferred income	18	6,231	10,500	-	-
Deferred tax liabilities	14	4,583	3,956	-	-
Total non-current liabilities		10,814	14,456	-	-
Capital and reserves					
Share capital	19	295,000	295,000	295,000	295,000
General reserves	20	182,898	163,829	-	-
Special reserve	21	(6,017)	(6,017)	-	-
Translation reserves		(1,314)	(830)	-	-
Accumulated profits		817,608	721,499	181,390	189,998
Total equity		1,288,175	1,173,481	476,390	484,998
Total liabilities and equity		1,565,297	1,555,755	478,537	487,300

See accompanying notes to financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Financial year ended 31 December 2015

	Note	Group 2015 RMB'000	Group 2014 RMB'000
Revenue	22	1,565,984	1,475,410
Cost of sales		(1,259,965)	(1,213,829)
Gross profit		306,019	261,581
Other operating income	23	20,573	11,758
Selling and distribution expenses		(87,693)	(74,877)
Administrative expenses		(44,399)	(37,626)
Other operating expenses	24	(52,328)	(40,083)
Finance costs	25	(7,001)	(4,657)
Profit before income tax	26	135,171	116,096
Income tax	27	(19,993)	(19,009)
Profit for the year attributable to owners of the Company		115,178	97,087
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation		(484)	490
Total comprehensive income for the year attributable to owners of the Company		114,694	97,577
Earnings per share (RMB cents)			
– basic	28	29.7	25.0
– diluted	28	29.7	25.0

See accompanying notes to financial statements.

Statements of Changes in Equity

Financial year ended 31 December 2015

	Share capital RMB'000	General reserves RMB'000	Special reserve RMB'000	Translation reserves RMB'000	Accumulated profits RMB'000	Total RMB'000
Group						
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
Profit for the year	-	-	-	-	115,178	115,178
Other comprehensive income for the year	-	-	-	(484)	-	(484)
Total comprehensive income for the year	-	-	-	(484)	115,178	114,694
Transactions with owners, recognised directly in equity						
Dividends paid (Note 32)	-	-	-	-	-	-
Transfer to general reserves	-	19,069	-	-	(19,069)	-
Balance at 31 December 2015	295,000	182,898	(6,017)	(1,314)	817,608	1,288,175

Statements of Changes in Equity (cont´d)

Financial year ended 31 December 2015

	Share capital RMB'000	Accumulated profits RMB'000	Total RMB'000
Company			
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
Transactions with owners, recognised directly in equity			
Dividends paid (Note 32)	-	-	-
Loss for the year representing total comprehensive income for the year	-	(8,608)	(8,608)
Balance at 31 December 2015	295,000	181,390	476,390

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Financial year ended 31 December 2015

	Note	Group 2015 RMB'000	Group 2014 RMB'000
Operating activities			
Profit before income tax		135,171	116,096
Adjustments for:			
Depreciation of property, plant and equipment		21,334	17,678
Interest expense		7,001	4,657
Net foreign exchange (gain) loss		(12,322)	704
Reversal of allowance for doubtful trade receivables		(1,649)	-
Loss (Gain) on disposal of property, plant and equipment		1,943	(102)
Amortisation of prepaid lease payments		1,355	1,022
Allowance for (Reversal of) inventory obsolescence		234	(44)
Gain on disposal of available-for-sale investments		-	(48)
Interest income		(6,883)	(2,675)
Operating cash flows before working capital changes		146,184	137,288
Inventories		37,113	29,552
Trade receivables		105,887	17,464
Other receivables and prepayments		(11,241)	(17,261)
Trade payables		(21,925)	103
Other payables and deferred income		4,427	1,353
Cash generated from operations		260,445	168,499
Interest received		6,883	2,675
Income tax paid		(20,972)	(15,714)
Net cash from operating activities		246,356	155,460
Investing activities			
Acquisition of property, plant and equipment		(30,212)	(22,154)
Acquisition of prepaid lease payments	A	-	(31,120)
Proceeds from disposal of available-for-sale investments		-	10,048
Purchase of available-for-sale investments		(647)	(10,000)
Proceeds from disposal of property, plant and equipment		317	468
Net cash used in investing activities		(30,542)	(52,758)

Consolidated Statement of Cash Flows (cont´d)

Financial year ended 31 December 2015

	Note	Group 2015 RMB'000	2014 RMB'000
Financing activities			
Decrease (Increase) in pledged bank deposits		3,600	(20,817)
Interest paid		(7,001)	(4,657)
Proceeds from short-term bank loans		165,713	204,848
Repayment of short-term bank loans		(253,157)	(176,810)
Dividends paid		-	(8,129)
Net cash used in financing activities		(90,845)	(5,565)
Net increase in cash and cash equivalents		124,969	97,137
Cash and cash equivalents at beginning of year		469,100	372,177
Effects of foreign exchange rate changes on the balance of cash held in foreign currencies		11,838	(214)
Cash and cash equivalents at end of year (Note 6)		605,907	469,100

Note A

In 2014, the Group acquired prepaid lease payments for a total amount of RMB36,880,000 of which RMB5,760,000 was transferred from prepayments to prepaid lease payments. Cash payment of RMB31,120,000 was made for the acquisition.

See accompanying notes to financial statements.

Notes to Financial Statements

31 December 2015

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 55 Market Street, #08-01, Singapore 048941. 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.

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 2015 were authorised for issue by the Board of Directors on 10 March 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to certain provisions of the new Hong Kong Companies Ordinance (Cap 622) ("CO") regarding preparation of accounts and directors' reports and to streamline with IFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

BASIS OF PREPARATION – The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained 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 if market participants would take those characteristic 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 issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015. 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 these new/revised IFRSs and amendments to IFRSs 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 2014 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 is 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 that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally 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. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to 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; and

- 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 and will be effective 1 January 2017. IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. In September 2015, a revised version of IFRS 15 was issued, aimed solely at changing the mandatory effective date of IFRS 15 from annual periods beginning on or after 1 January 2017 to annual periods beginning on or after 1 January 2018.

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:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: 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 2018. The Group is currently evaluating the impact of the changes in the period of initial adoption and it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group undertakes a detailed review.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it supersedes IAS 17 *Leases* and its associated interpretative guidance.

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). IFRS 16 maintains substantially the lessor accounting approach under the predecessor IAS 17.

IFRS 16 will take effect from financial years beginning on or after 1 January 2019. The Group is currently evaluating the impact of the changes in the period of initial adoption and it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until the Group undertakes a detailed review.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group to the former owners of the acquire and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised profit 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.

When the consideration transferred by the Group in a business combination included assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as port of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustment against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

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 within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, 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 equity interest in the acquiree is remeasured to its acquisition-date 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.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "held-to-maturity" investments, "available-for-sale" (AFS) financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

Loans and receivables

Receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Receivables (including trade and other receivable, bank balances and cash) are initially measured at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

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 4 to the financial statements. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency rates (see below), interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised profit or loss when the Group's right to receive payments is established. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment is disposed of or is determined to impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

Available-for-sale financial assets (cont'd)

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, 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 affected.

For available-for-sale equity investment, a significant or prolonged decline in the fair value of the security below its costs is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty;
- Breach of contract, such as a default or delinquency in interest or principal payments;
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. 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 loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial assets 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 receivables, where the carrying amount is reduced through the use of an allowance account. When a trade 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 investment 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 increase in fair value subsequent to 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)

Financial assets (cont'd)

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains, substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset 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.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocated the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in according with the substance of the contractual arrangements 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 an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recorded at the proceeds received, net of direct issue costs.

Other Financial liabilities

Borrowings and trade and other payables are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected lift of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration and the consideration paid and payable is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity instruments (cont'd)

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 through 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.

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 recognised as an expense on a straight-line basis over the lease term, except 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.

PREPAID LEASE PAYMENTS – The cost of acquiring land use rights in the People's Republic of China ("PRC") are classified as prepaid lease payments 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 of inventories are determined on a weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are stated at cost less accumulated depreciation and 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 the goods are delivered and titles have passed, at which time 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 Group; 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.

Service income

Service income is recognised when the service is rendered.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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.

Notes to Financial Statements (cont´d)

31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 before tax" as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or tax deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Deferred tax liabilities are recognised for taxable temporary differences associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to 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.

Notes to Financial Statements (cont´d)

31 December 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 these consolidated financial statements, the assets and liabilities of the Group's non-PRC foreign operations are translated into RMB using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate 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 equity.

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 to identifiable assets acquired and liabilities through the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 and in bank, 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 following are 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.

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.

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

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

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. 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 investment 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) to the financial statements. The carrying amount of the available-for-sale equity instrument and relevant disclosures about the embedded derivative are disclosed in Note 10 to the financial statements.

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 prepaid lease payments

At the end of the reporting period, management reviews the carrying amounts of its property, plant and equipment and prepaid lease payments 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 prepaid lease payments. 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 2015 and 2014 and determined that there is no indicator of impairment. The carrying amounts of property, plant and equipment and prepaid lease payments 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 Group's overall strategy remains unchanged from prior year.

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.

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

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

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Net cash borrowings	(488,503)	(264,252)
Total equity	1,288,175	1,173,481
Net debt to equity ratio	(37.92)	(22.52)

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

(b) Categories of financial instruments

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

	Group 2015 RMB'000	Group 2014 RMB'000
Group		
Financial assets		
Loans and receivables (including cash and cash equivalents)	1,188,284	1,159,100
Available-for-sale financial assets	10,647	10,000
Financial liabilities		
Borrowings and payables, at amortised cost	263,707	364,380
Company		
Financial assets		
Loans and receivables (including cash and cash equivalents)	82,135	94,743
Financial liabilities		
Payables at amortised cost	2,147	2,302

(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.

(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 ("USD"), Singapore dollars ("SGD"), Hong Kong dollars ("HKD"), Euro and India Rupiah ("INR"), which are currencies other than the functional currency of the relevant group entities and expose the Group to foreign currency 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 (cont'd)

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

	Group		Company	
	2015 RMB'000	**2014 RMB'000**	**2015 RMB'000**	**2014 RMB'000**
USD				
Cash and cash equivalents	183,187	225,764	3,228	4,573
Trade receivables	21,330	1,117	-	-
Other receivables and prepayments	5	1,630	-	-
Short-term loans	(97,404)	(184,848)	-	-
Trade payables	(198)	(438)	-	-
Net	106,920	43,225	3,228	4,573
SGD				
Cash and cash equivalents	5,545	14,871	5,545	14,871
Other receivables and prepayments	281	167	281	167
Trade payables	(17)	-	-	-
Other payables	(2,144)	(1,946)	(2,144)	(1,946)
Net	3,665	13,092	3,682	13,092
HKD				
Cash and cash equivalents	298	132	298	132
Other payables	(3)	-	(3)	-
Net	295	132	295	132
Euro				
Cash and cash equivalents	1,947	3,740	-	-
Trade receivables	479	119	-	-
Other receivables and prepayments	5	-	-	-
Net	2,431	3,859	-	-
INR				
Cash and cash equivalents	11,251	1,615	-	-
Trade receivables	15,993	29,783	-	-
Other receivables and prepayments	5,810	3,543	-	-
Other Payables	(282)	(990)	-	-
Net	32,772	33,951	-	-

Notes to Financial Statements (cont´d)

31 December 2015

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 Group's sensitivity to a 10% increase and decrease in 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 RMB against the relevant currency, there would be a comparable impact on the profit or equity, and the balances below would be negative.

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
USD Impact	(10,692)	(4,323)	(323)	(457)
SGD Impact	(367)	(1,309)	(368)	(1,309)
HKD Impact	(30)	(13)	(30)	(13)
EUR Impact	(243)	(386)	-	-
INR Impact	(3,277)	(3,395)	-	-

The Group's sensitivity to foreign exchange rate changes has increased (2014: decreased) during the current period mainly due to an increase (2014: decrease) in monetary assets 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 2015, if USD interest rates had been 20 basis points lower/higher with all other variables held constant, the Group's profit would have been RMB235,000 (2014: RMB410,000) 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 a 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, bank balances and cash, and pledged bank deposits. There is significant concentration of credit risk as the top five biggest customers account for over approximately 71% (2014: 72%) of the carrying amounts of trade receivables as at 31 December 2015. 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 receivables 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 bank balances and cash, 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 ensures 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 Group's and the Company's expected maturity for its non-derivative financial assets excluding available for sale financial assets. The table below has 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.

Notes to Financial Statements (cont´d)

31 December 2015

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)

Liquidity and interest risk analyses (cont'd)

Non-derivative financial assets (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				
2015				
Trade receivables	-	535,093	-	535,093
Other receivables	-	28,107	-	28,107
Fixed deposits	7.97	10,491	(343)	10,148
Cash and cash equivalents	1.48	597,822	(2,063)	595,759
Pledged bank deposits	1.79	19,394	(217)	19,177
Total		1,190,907	(2,623)	1,188,284
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
Company				
2015				
Other receivables	-	73,063	-	73,063
Cash and cash equivalents	0.04	8,798	(1)	8,797
Fixed deposits	0.05	275	-	275
Total		82,136	(1)	82,135
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

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)

Liquidity and interest risk analyses (cont'd)

Non-derivative financial liabilities

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has 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 table include both interest and principal cash flows.

	Weighted average effective interest rate	On demand or less than 1 months	Between 1 to 3 months	Between 3 months to 1 year	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group						
2015						
Trade and other payables	-	60,084	44,747	41,472	146,303	146,303
Short-term bank loans	3.40	206	97,702	20,047	117,955	117,404
Total		60,290	142,449	61,519	264,258	263,707
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
Company						
2015						
Other payables	-	2,147	-	-	2,147	2,147
2014						
Other payables	-	2,302	-	-	2,302	2,302

(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

Notes to Financial Statements (cont´d)

31 December 2015

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)

- 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 is disclosed in Note 2 to the financial statements.

Financial instruments measured at fair value

	Group			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
2015				
Financial assets				
Available-for-sale equity instruments	647	-	10,000	10,647
2014				
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 5% to 30% (2014: 10% to 50%) and a weighted average cost of capital of 18% (2014: 19%) is used. Changes in these assumptions are not expected to be significant to total assets of the Group.

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)

Significant assumptions in determining fair value of financial assets and liabilities (cont'd)

(ii) Unquoted embedded derivatives

Fair value is estimated using the Black-Scholes Put Option 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

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The significant related party transactions set out in this note 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.

Significant related party transactions

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
With Suzhou Hengli Telecommunications Materials Co., Ltd		
Sale of finished goods	1,238	1,399
Purchase of raw materials	20,111	9,216

Note: Suzhou Hengli Telecommunication Materials Co., Ltd is a subsidiary of Hengtong Group Co., Ltd., a Company in which the father of Cui Wei, the Non-Executive Chairman of the Company, is a substantial shareholder of.

Cui Wei is a substantial shareholder with shareholding of 23.27% of the total issued shares in the Company and has significant influence over the Company.

Notes to Financial Statements (cont´d)

31 December 2015

5 RELATED PARTY TRANSACTIONS (cont'd)

Compensation of directors and key management personnel

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

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Remuneration to executive directors:		
Short term benefits	2,148	2,423
Remuneration to key management personnel:		
Short term benefits	3,265	2,876
Retirement benefits scheme contributions	109	105
Total	3,374	2,981
Total remuneration	5,522	5,404

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

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Non-executive directors' fees	1,862	1,794
Executive directors' remuneration:		
Salaries, allowances and benefits in kind	1,473	1,796
Performance related bonuses	675	627
Total executive directors' remuneration	2,148	2,423
Total directors' remuneration	4,010	4,217

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

	2015	**2014**
	RMB'000	**RMB'000**
Tay Ah Kong Bernard (Retired 27 April 2015)	278	589
Chee Teck Kwong Patrick (Resigned 27 April 2015)	255	540
Tam Chee Kwan Michael	325	302
Dr. Li Jun	200	-
Pu Hong	200	-
Total	1,258	1,431

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)

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

	2015 RMB'000	2014 RMB'000
Cui Wei	297	61
Zhang Zhong	307	302
Total	604	363

(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
2015			
Cui Genxiang (Resigned 31 December 2015)	823	272	1,095
Xu Guoqiang	646	404	1,050
Du Xiping	3	-	3
Total	1,472	676	2,148
2014			
Cui Genxiang (Resigned 31 December 2015)	877	239	1,116
Xu Guoqiang	919	388	1,307
Total	1,796	627	2,423

There were no arrangements under which any directors waived or agreed to waive any remuneration for the financial year ended 31 December 2015 and 2014.

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

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

Notes to Financial Statements (cont´d)

31 December 2015

6 CASH AND CASH EQUIVALENTS/PLEDGED BANK DEPOSITS

	Group		Company	
	2015	2014	2015	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	595,759	467,826	8,797	19,295
Fixed deposits	10,148	1,274	275	281
Cash and cash equivalents	605,907	469,100	9,072	19,576
Pledged bank deposits	19,177	22,777	-	-
Total	625,084	491,877	9,072	19,576
Bank deposits are pledged in relation to:				
Other banking facilities	19,177	22,777	-	-

Certain of the pledged bank deposits bear interest at an average effective interest rates at 1.788% (2014: 3.135%) per annum and for a tenure of approximately 6 to 12 months (2014: 3 months).

The Group's and the Company's fixed deposits bear average effective interest rates ranging from 0.27% to 5.24% (2014: 0.01% to 7.02%) per annum and for a tenure of not more than 6 to 12 months (2014: 3 months).

7 TRADE RECEIVABLES

	Group	
	2015	2014
	RMB'000	RMB'000
Outside parties	505,576	569,605
Less: Allowance for doubtful debts	(14,113)	(15,762)
Net	491,463	553,843
Notes receivables	43,630	85,488
Total	535,093	639,331
Movement in the above allowance:		
At beginning of year	15,762	15,762
Credited to profit and loss	(1,649)	-
At end of year	14,113	15,762

7 TRADE RECEIVABLES (cont'd)

The average credit period on sales of goods is 180 days (2014: 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 2015, approximately 69% (2014: 67%) 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 91% (2014: 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 RMB39,454,000 (2014: RMB89,572,000) 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	
	2015	**2014**
	RMB'000	**RMB'000**
Ageing of trade receivables which are not impaired:		
0 to 180 days	495,639	549,759
181 to 360 days	29,170	76,577
1 to 2 years	10,284	12,995
Total	535,093	639,331

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.

Notes to Financial Statements (cont´d)

31 December 2015

8 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Advance payment to suppliers	29,190	16,319	-	-
Refundable deposits	19,484	18,094	141	144
Tax recoverables	9,749	11,785	-	-
Advances to staff	5,815	5,236	-	-
Prepayments	569	378	-	-
Due from subsidiaries (Note 12)	-	-	72,782	75,000
Others	2,808	4,562	140	23
Total	67,615	56,374	73,063	75,167

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

The amount due from subsidiaries is unsecured, bears no interest and is repayable in five annual instalments with the first annual payment by 31 March 2016. The amount due from subsidiaries is recognised initially at fair value. The difference between the fair value and the absolute amount due from subsidiaries represents equity contribution to the subsidiaries.

	Group		Company	
	2015	**2014**	**2015**	**2014**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Presentation in Statements of Financial Position:				
Current asset	67,615	56,374	16,904	75,167
Non-current asset	-	-	56,159	-
Total	67,615	56,374	73,603	75,167

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

9 INVENTORIES

	2015 RMB'000	2014 RMB'000
Raw materials	20,542	23,548
Work-in-progress	6,590	9,470
Finished goods	88,970	120,197
	116,102	153,215
Less: Allowance for inventory obsolescence	(408)	(174)
Net	115,694	153,041
Movement in the above allowance:		
At beginning of year	174	218
Charge	234	44
Reversed	-	(88)
At end of year	408	174

The cost of inventories recognised as an expense includes RMB234,000 (2014: RMB44,000) in respect of write-down of inventory to net realisable value. In 2014, this had been reduced by RMB88,000 in respect of the reversal of such write-downs.

10 AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2015 RMB'000	2014 RMB'000
Non-current asset		
Unquoted equity security, at fair value	10,000	10,000
Quoted equity shares, at fair value	647	-
Total	10,647	10,000

The unquoted security relates 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 RMB10.5 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. Management did not exercise the option which lapsed on 31 December 2015 and therefore, the fair value of the option is RMB Nil.

10 AVAILABLE-FOR-SALE INVESTMENTS (cont'd)

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 RMB16,300,000 (2014: RMB12,200,000); and

(ii) the value of the options have been determined to be an asset with value of approximately RMB Nil (2014: RMB1,600,000).

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 RMB6,300,000 (2014: RMB3,800,000), decrease in profit of RMB1,600,000 (2014: Increase RMB1,600,000), impact on beginning retained earnings and an increase in other comprehensive income of RMB4,700,000 (2014: RMB1,800,000).

Management is of the opinion that the changes to the fair value of the equity investment of RMB6,300,000 (2014: RMB2,200,000) and the fair value of the embedded derivative of RMB Nil (2014: RMB1,600,000) are not material and therefore the unquoted equity security is recorded at a fair value which approximates the cost of investment.

The investments in quoted equity shares offer the Group the opportunity for return through dividend income and fair value gains. The fair value of the equity shares are based on the quoted closing market prices on the last market day of the financial year.

The investment in quoted equity securities also includes an equity interest in China Reinsurance (Group) Corporation ("China Re"), a company involved in the provision of various insurance and reinsurance products and services. Management does not consider that the Group is able to exercise significant influence over China Re as the majority of its ordinary share capital is held by one shareholder, which also manages the day-to-day operations of that company.

11 PREPAID LEASE PAYMENTS

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Cost		
At beginning of the year	61,256	24,376
Additions	-	36,880
At end of the year	61,256	61,256
Accumulated amortisation		
At beginning of the year	6,497	5,475
Amortisation	1,355	1,022
At end of the year	7,852	6,497
Carrying amount	53,404	54,759

11 PREPAID LEASE PAYMENTS (cont'd)

	Group	
	2015	2014
	RMB'000	RMB'000
Presentation in Statements of Financial Position:		
Current asset	1,355	1,355
Non-current asset	52,049	53,404
Total	53,404	54,759

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	
	2015	2014
	RMB'000	RMB'000
Unquoted shares, at cost	392,544	392,544
Discount on amount due from subsidiary (Note 8)	3,841	-
At end of year	396,385	392,544

Notes to Financial Statements (cont´d)

31 December 2015

12 SUBSIDIARIES (cont'd)

Name of subsidiary	Place of business and incorporation/ establishment	Paid up Registered Capital	Principal activities	Effective equity interest and voting power 2015	2014
		RMB		%	%
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	20,000	Research, design, development and manufacture sale and technical services of antennas and related telecommunications products for mobile communications systems	100	100

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

[2] Wholly-owned by Jiangsu Hengxin Technology Co., Ltd

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 located at No. 138, Taodu Road, Dingshu Town, Yixing City, Jiangsu Province, PRC.

The India subsidiary is reviewed by Deloitte & Touche LLP, Singapore for consolidation purposes. The principal place of business of its subsidiary is located at 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 RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
Group						
Cost						
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
Additions	1,880	7,086	2,395	124	18,727	30,212
Transfers	-	11,122	1,211	-	(12,333)	-
Disposals	-	(16,258)	(796)	(76)	-	(17,130)
At 31 December 2015	83,377	163,373	24,792	6,200	13,070	290,812
Accumulated depreciation						
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
Depreciation	4,007	10,976	5,795	556	-	21,334
Disposals	-	(14,087)	(714)	(69)	-	(14,870)
At 31 December 2015	23,404	92,678	16,309	4,078	-	136,469
Carrying amount						
At 31 December 2014	62,100	65,634	10,754	2,561	6,676	147,725
At 31 December 2015	59,973	70,695	8,483	2,122	13,070	154,343

Notes to Financial Statements (cont'd)

31 December 2015

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
Additions	10
At 31 December 2015	54
Accumulated depreciation	
At 1 January 2013 and 31 December 2013	29
Depreciation	2
At 31 December 2014	31
Depreciation	6
At 31 December 2015	37
Carrying amount	
At 31 December 2014	13
At 31 December 2015	17

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:

	Deferred income RMB'000	Unrealised exchange loss RMB'000	Allowance for doubtful receivables RMB'000	Allowance for inventory obsolescence RMB'000	Total RMB'000
Group					
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
Charge to profit or loss	934	(236)	-	71	769
At 31 December 2015	934	17	2,364	102	3,417

14 DEFERRED TAX ASSETS (LIABILITIES) (cont'd)

(b) Deferred tax liabilities

	Group	
	2015	2014
	RMB'000	RMB'000
At beginning of year	3,956	3,467
Charge to profit or loss	627	489
At end of year	4,583	3,956

The deferred tax liabilities relate to undistributed reserves of the PRC subsidiaries. The total undistributed profits of the PRC subsidiaries are RMB635,273,000 (2014: RMB528,936,000). No deferred tax liability has been recognised for undistributed profits of RMB437,276,000 (2014: RMB449,816,000) 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	
	2015	2014
	RMB'000	RMB'000
Bank loan – secured (Note a)	-	19,635
Bank loan – unsecured (Note b)	20,000	20,000
Bank loan – unsecured (Note c)	97,404	165,213
Total	117,404	204,848

Note:

(a) 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 was denominated in United States Dollars.

(b) As at 31 December 2015, the unsecured bank loan of the Group amounting to RMB20,000,000 bears fixed interest of 5.35% (2014: 6.0%) per annum. The loan is denominated in Renminbi.

(c) As at 31 December 2015, the unsecured bank loan of the Group amounting to RMB97,404,000 (2014: RMB165,213,000) bears interest of 1.46% (2014: 1.5%) per annum above LIBOR. The loan is denominated in United States Dollars.

At 31 December 2015, the Group had RMB1,344,499,000 (2014: RMB922,777,000) of unutilised committed borrowing facilities for which all conditions precedent had been met.

Notes to Financial Statements (cont´d)

31 December 2015

16 TRADE PAYABLES

	Group 2015 RMB'000	Group 2014 RMB'000
Outside parties	104,432	126,357

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 (2014: 90 days) from the invoice date. The aging of trade payables are as follows:

	Group 2015 RMB'000	Group 2014 RMB'000
Ageing based on invoice date:		
0 to 90 days	100,819	124,414
91 to 180 days	2,273	962
181 to 360 days	587	248
Over 360 days	753	733
Total	104,432	126,357

17 OTHER PAYABLES

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Accrued operating expenses	1,785	2,987	1,586	1,329
Other payables	40,086	30,188	561	973
Total	41,871	33,175	2,147	2,302

18 DEFERRED INCOME

At 31 December 2015, 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 two years (2014: next three years).

19 SHARE CAPITAL

	Group and Company			
	2015	2014	2015	2014
	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	
	2015	2014
	RMB'000	RMB'000
Statutory surplus reserve fund:		
At beginning of year	163,829	149,215
Transfer from accumulated profits	19,069	14,614
At end of year	182,898	163,829

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	
	2015	2014
	RMB'000	RMB'000
Sales of goods:		
Radio frequency coaxial cables	1,059,713	1,064,740
Telecommunication equipment and accessories	408,058	337,130
Service income	816	480
Others	97,397	73,060
Total	1,565,984	1,475,410

Notes to Financial Statements (cont´d)

31 December 2015

23 OTHER OPERATING INCOME

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Interest income	6,883	2,675
Compensation claims received	551	459
Gain on disposal of property, plant and equipment	-	102
Government grants	7,059	8,063
Others	332	459
Foreign exchange gain	5,748	-
Total	20,573	11,758

24 OTHER OPERATING EXPENSES

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Research and development expenses	49,625	36,466
Foreign exchange loss	-	2,914
Donation	700	700
Loss on disposal of property, plant and equipment	1,943	-
Others	60	3
Total	52,328	40,083

25 FINANCE COSTS

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Interest expense on bank loans		
– wholly repayable within five years	7,001	4,657

26 PROFIT BEFORE INCOME TAX

This is determined after charging (crediting) the following:

	Group	
	2015	**2014**
	RMB'000	**RMB'000**
Allowance for (Reversal of) inventory obsolescence	234	(44)
Amortisation of prepaid lease payments	1,355	1,022
Audit and related services fees paid:		
– to the auditors of the Company	426	435
– to the other auditors	720	665
Non-audit fees paid:		
– to auditors of the Company	37	85
– to the other auditors	250	250
Cost of inventories recognised as an expense (including effect of allowance for inventory obsolescence)	1,260,199	1,213,873
Cost of defined contribution plans (included in employee benefits expenses below)	5,865	4,049
Depreciation of property, plant and equipment	21,334	17,678
Executive directors' remuneration		
– directors of Company	2,148	2,423
– directors of the subsidiaries	36	37
Directors' fees – directors of the Company	1,862	1,794
Employee benefits expense	102,632	82,168
Net foreign exchange (gain) loss	(5,748)	2,914
Loss (Gain) on disposal of property, plant and equipment	1,943	(102)
Reversal of allowance for doubtful debts	(1,649)	-
Research and development expenses *	49,625	36,466

* included in other operating expenses. These research and development expenses were not capitalised as the Group cannot demonstrate that an intangible asset exists that will generate probable future economic benefits.

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 2015, the contributions due in respect of the year that had not been paid over to the schemes were approximately RMB785,000 (2014: RMB536,000). 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 (2014: 2 directors). The directors include Cui Genxiang who resigned on 31 December 2015. Details of the remuneration paid to the directors are set out in Note 5 to the financial statements.

Notes to Financial Statements (cont´d)

31 December 2015

26 PROFIT BEFORE INCOME TAX (cont'd)

Five employees who received the highest remuneration (cont'd)

Details of the remuneration paid to the 3 non-director employees (2014: 3) who received the highest remuneration in the Group for the year were as follows:

	2015 RMB'000	2014 RMB'000
Salaries, allowances and benefits in kind	1,473	1,570
Performance related bonuses	1,095	1,002
Pension scheme contributions	80	92
Total	2,648	2,664

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	
	2015	2014
HK$1,000,001 to HK$1,500,000 (equivalent to RMB834,901 to RMB1,252,350)	1	1
HK$ Nil to HK$1,000,000 to RMB Nil to RMB834,900)	2	2
Total	3	3

27 INCOME TAX

	Group	
	2015 RMB'000	2014 RMB'000
Current	20,578	17,450
(Over) Under provision of current tax in prior years	(443)	981
Deferred tax expense (Note 14)	(142)	578
Income tax expense	19,993	19,009

27 INCOME TAX (cont'd)

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

	Group	
	2015 RMB'000	2014 RMB'000
Profit before income tax	135,171	116,096
Tax at PRC statutory tax rate of 25% (2014: 25%)	33,792	29,024
Tax effect of expenses not deductible	2,500	3,437
Effect of PRC Enterprise Income Tax concessions	(15,856)	(14,433)
(Over) Under provision of current tax in prior years	(443)	981
Income tax expense	19,993	19,009

The Company

The Company has no taxable income during the financial year ended 31 December 2015 and 2014. The statutory income tax rate applicable to the Company is 17.0% (2014: 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% (2014: 15.0%).

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

The applicable PRC statutory tax rate is 25% (2014: 25%).

c) **Hengxin Technology (India) Pvt Ltd**

The subsidiary is subjected to a statutory tax rate of 32.4% (2014: 30.9%) for taxable income below INR10 million and 32.4% (2014: 32.4%) for taxable income above INR10 million.

28 EARNINGS PER SHARE

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

	Group	
	2015	2014
Profit attributable to shareholders of the Company (RMB'000)	115,178	97,087
Weighted average number of shares ('000)	388,000	388,000
Earnings per share (RMB cents) – Basic	29.7	25.0

In 2015 and 2014, there are no potential ordinary shares in issue and/or granted.

Notes to Financial Statements (cont´d)

31 December 2015

29 OPERATING LEASE ARRANGEMENTS

	Group	
	2015 RMB'000	2014 RMB'000
Minimum lease payments under operating leases recognised as an expense in the year	1,057	1,086

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	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Within one year	731	715	589	593
In the second to fifth years inclusive	196	803	196	803
Total	927	1,518	785	1,396

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 (2014: 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					
2015					
Revenue	1,059,713	408,058	98,213	-	1,565,984
Segment results					
Segment profit	89,979	34,689	8,240	(8,606)	124,302
Interest income	4,656	1,795	426	6	6,883
Other income	-	-	-	-	13,690
Other expenses *	-	-	-	-	(2,703)
Finance costs	(4,740)	(1,827)	(434)	-	(7,001)
Profit before income tax per consolidated statement of profit or loss					135,171
Income tax					(19,993)
Profit for the year per consolidated statement of profit or loss					115,178
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

* excluding research and development expenses

Notes to Financial Statements (cont´d)

31 December 2015

30 SEGMENT INFORMATION (cont'd)

Segment assets represent cash and bank balances, trade receivables, other receivables and prepayment, inventories, available-for-sale investments, prepaid lease payments, 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.

	Radio frequency coaxial cables RMB'000	Telecommunication equipment and accessories RMB'000	Other RMB'000	Unallocated RMB'000	Total RMB'000
Statement of Net Assets					
2015					
Assets					
Segment assets	1,053,363	406,097	96,468	-	1,555,928
Unallocated assets	-	-	-	9,369	9,369
Total assets					1,565,297
Liabilities:					
Segment liabilities	186,158	71,768	17,049	-	274,975
Unallocated liabilities	-	-	-	2,147	2,147
Total liabilities					277,122
2014					
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

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.

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					
2015					
Capital expenditure	8,859	3,415	17,928	10	30,212
Depreciation expense	12,625	4,861	3,842	6	21,334
Amortisation of prepaid lease payments	917	354	84	-	1,355
Allowance for (Reversal of) inventory obsolescence	-	-	293	(59)	234
Other segment information					
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 prepaid lease payments	777	245	-	-	1,022
(Reversal of) Allowance for inventory obsolescence	-	(16)	45	(73)	(44)

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 *	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
People's Republic of China	1,409,304	1,320,575	206,369	201,107
India	78,988	82,810	6	9
Others	77,692	72,025	17	13
Total	1,565,984	1,475,410	206,392	201,129

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

Notes to Financial Statements (cont´d)

31 December 2015

30 SEGMENT INFORMATION (cont'd)

Information about major customers

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

	2015 RMB'000	2014 RMB'000
Customer A [1]	469,672	582,169
Customer B [1]	226,260	130,624
Customer C [1]	211,389	152,883
Total	907,321	865,676

[1] Revenue from radio frequency coaxial cables.

31 COMMITMENTS

	Group		Company	
	2015 RMB'000	2014 RMB'000	2015 RMB'000	2014 RMB'000
Contracted but not provided for:				
Property, plant and equipment	126	5,305	-	-
Donation commitment	5,500	6,000	-	-
Total	5,626	11,305	-	-

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 RMB0.021 per share total amounting to RMB8,129,000 in respect of the financial year ended 31 December 2013.

No dividend was paid in 2015.

33 EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, a first and final dividend of RMB0.0297 per share amounting to RMB11,524,000 was proposed in respect of the financial year ended 31 December 2015.

On 2 February 2016, Jiangsu Hengxin Technology Co., Ltd ("Hengxin (Jiangsu)"), a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with the vendors and Mianyang City Siemax Industrial Co., Ltd ("Mianyang Siemax"), pursuant to which the vendors had conditionally agreed to sell and Hengxin (Jiangsu) had conditionally agreed to purchase an equity interest at a total consideration of RMB72,000,000 representing 24% equity interest in Mianyang Siemax. The transaction was completed on 19 February 2016.

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