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HENGXIN TECHNOLOGY LTD.
亨鑫科技有限公司*

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

(incorporated in Singapore with limited liability)

(Singapore Company Registration Number 200414927H)

(Hong Kong Stock Code: 1085)

(Singapore Stock Code: I85)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016
AND
RECOMMENDATION FOR
DECLARATION AND PAYMENT OF FIRST AND FINAL DIVIDEND FOR 2016
AND
CLOSURE OF REGISTER OF MEMBERS**

FINANCIAL HIGHLIGHTS

1. Revenue decreased by approximately 2.2% to approximately RMB1,532.2 million
2. Gross profit increased by approximately 3.5% to approximately RMB316.8 million
3. Net profit attributable to equity holders of the Company decreased by approximately 13.4% to approximately RMB99.8 million
4. Basic earnings per share was RMB0.26
5. Proposed first and final dividend of RMB2.57 cents per share

The board of directors (the “**Director(s)**”) of Hengxin Technology Ltd. (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively hereinafter referred as the “**Group**”) for the year ended 31 December 2016 together with the comparative figures for the corresponding period in 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December (“FY”) 2016

	<i>Notes</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Revenue	5	1,532,161	1,565,984
Cost of sales		<u>(1,215,379)</u>	<u>(1,259,965)</u>
Gross profit		316,782	306,019
Other income	6	25,798	20,573
Selling and distribution expenses		(108,328)	(87,693)
Administrative expenses		(53,116)	(44,399)
Other operating expenses		(53,262)	(52,328)
Finance costs	7	(1,479)	(7,001)
Share of loss of associate, net of tax		<u>(4,936)</u>	<u>—</u>
Profit before income tax	8	121,459	135,171
Income tax expense	9	<u>(21,617)</u>	<u>(19,993)</u>
Net profit attributable to equity holders of the Company		99,842	115,178
Other comprehensive income			
<i>Items that may be classified subsequently to profit or loss:</i>			
Net change in fair value of available-for-sale financial asset		22,300	—
Exchange differences arising from consolidation of foreign operations		511	(484)
Related tax		<u>(3,345)</u>	<u>—</u>
Total comprehensive income attributable to equity holders of the Company		<u>119,308</u>	<u>114,694</u>
Earnings per share attributable to equity holders of the Company			
Basic and diluted (<i>RMB cents</i>)	12	<u>25.7</u>	<u>29.7</u>
Dividends per share (<i>RMB cents</i>)	10	<u>2.57</u>	<u>2.97</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2016 RMB'000	2015 RMB'000
ASSETS			
Current assets			
Cash and bank balances		554,209	605,907
Pledged bank deposits		6,019	19,177
Other investment		29,000	—
Trade receivables	14	515,022	535,093
Other receivables and prepayment		78,634	67,615
Inventories		170,296	115,694
Leasehold land		1,355	1,355
Total current assets		<u>1,354,535</u>	<u>1,344,841</u>
Non-current assets			
Leasehold land		50,695	52,049
Other receivables		22,872	—
Associate		20,592	—
Other investments		32,947	10,647
Property, plant and equipment		146,112	154,343
Deferred tax assets		77	3,417
Total non-current assets		<u>273,295</u>	<u>220,456</u>
Total assets		<u>1,627,830</u>	<u>1,565,297</u>
LIABILITIES AND EQUITY			
Current liabilities			
Short term loans		27,000	117,404
Trade payables	15	118,170	104,432
Other payables		70,466	41,871
Income tax payable		5,527	2,601
Total current liabilities		<u>221,163</u>	<u>266,308</u>
NET CURRENT ASSETS		<u>1,133,372</u>	<u>1,078,533</u>

	<i>Notes</i>	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Non-current liabilities			
Deferred income		5,203	6,231
Deferred tax liabilities		5,505	4,583
Total non-current liabilities		10,708	10,814
TOTAL LIABILITIES		231,871	277,122
NET ASSETS		1,395,959	1,288,175
Equity attributable to equity holders of the Company			
Share capital		295,000	295,000
General reserves		200,601	182,898
Special reserve		(6,017)	(6,017)
Fair value reserve		18,955	—
Translation reserves		(803)	(1,314)
Accumulated profits		888,223	817,608
TOTAL EQUITY		1,395,959	1,288,175

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

Group	2016	2015
<i>RMB'000</i>		
Operating activities		
Profit before tax	121,459	135,171
Adjustments for:		
Share of loss of associate, net of tax	4,936	—
Depreciation of property, plant and equipment	21,002	21,334
Amortisation of leasehold land	1,354	1,355
Allowance for (Reversal of) doubtful trade receivables	325	(1,649)
Allowance of stock obsolescence	24	234
Loss on disposal of property, plant and equipment	14	1,943
Interest expense	1,479	7,001
Interest income	(8,256)	(6,883)
Unrealised foreign exchange gain	(9,773)	(12,322)
Operating profit before working capital changes	132,564	146,184
Trade receivables	20,733	105,887
Other receivables and prepayments	(8,911)	(11,241)
Inventories	(54,142)	37,113
Trade payables	12,287	(21,925)
Other payables, accruals and deferred income	27,482	4,427
Cash generated from operations	130,013	260,445
Interest received	8,256	6,883
Income tax paid	(17,774)	(20,972)
Net cash generated from operating activities	120,495	246,356
Investing activities		
Acquisition of property, plant and equipment	(16,582)	(30,212)
Acquisition of associate	(25,528)	—
Loans to the associate	(24,872)	—
Proceeds from disposal of property, plant and equipment	3,797	317
Acquisition of other investment	(29,000)	(647)
Net cash used in investing activities	(92,185)	(30,542)

Group	2016	2015
<i>RMB'000</i>		
Financing activities		
Repayment of short-term bank loans	(118,274)	(253,157)
Proceeds from short-term bank loans	27,870	165,713
Decrease in pledged bank deposits	13,158	3,600
Interest paid	(1,479)	(7,001)
Dividends paid	(11,524)	—
	<hr/>	<hr/>
Net cash used in financing activities	(90,249)	(90,845)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(61,939)	124,969
Effects of foreign exchange translation	10,241	11,838
Cash and cash equivalents at the beginning of the financial year	605,907	469,100
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Cash and cash equivalents at the end of the financial year	554,209	605,907
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STATEMENT OF CHANGES IN EQUITY — GROUP

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

<i>RMB'000</i>	Share capital	General reserves	Special reserve	Fair value reserve	Translation reserves	Accumulated profits	Total
Balance at 1 January 2015	295,000	163,829	(6,017)	—	(830)	721,499	1,173,481
Total comprehensive income for the year							
Profit for the year	—	—	—	—	—	115,178	115,178
Other comprehensive income for the year	—	—	—	—	(484)	—	(484)
Total	—	—	—	—	(484)	115,178	114,694
Transfer to reserves	—	19,069	—	—	—	(19,069)	—
Balance at 31 December 2015	295,000	182,898	(6,017)	—	(1,314)	817,608	1,288,175
Total comprehensive income for the year							
Profit for the year	—	—	—	—	—	99,842	99,842
Other comprehensive income for the year	—	—	—	18,955	511	—	19,466
Total	—	—	—	18,955	511	99,842	119,308
Transactions with owners, recognised directly in equity							
Dividends paid	—	—	—	—	—	(11,524)	(11,524)
Total transactions with owners of the Company	—	—	—	—	—	(11,524)	(11,524)
Transfer to reserves	—	17,703	—	—	—	(17,703)	—
Balance at 31 December 2016	<u>295,000</u>	<u>200,601</u>	<u>(6,017)</u>	<u>18,955</u>	<u>(803)</u>	<u>888,223</u>	<u>1,395,959</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Singapore on 18 November 2004 under the Singapore Companies Act and its shares are primary-listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “SEHK”) and secondary-listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The registered office of the Company is located at 55 Market Street #08-01, Singapore 048941. The principal place of business of the Group is located at No. 138 Taodu Road, Dingshu Town, Yixing City, Jiangsu Province, the People’s Republic of China (the “PRC”).

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (“IFRSs”), amendments (hereinafter referred to as the “IFRS”) issued by the International Accounting Standards Board (“IASB”) that are effective for annual reporting periods beginning on or after 1 January 2016.

These financial statements have been prepared on a historical cost basis except for the available-for-sale investments, which are measured at fair value on each reporting date.

These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (“RMB’000”) except when otherwise indicated.

Accounting policies

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period reported on, as in the recently audited consolidated financial statements for the financial year ended 31 December 2015.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group adopted the new and revised IFRS that are mandatory for the periods beginning on or after 1 January 2016.

The adoption of new and revised IFRS did not have any impact on the results of the Group for the financial period ended 31 December 2016.

4. SEGMENT INFORMATION

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

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

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

Segment revenues and results

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

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

GROUP

Year ended 31 December	Radio frequency coaxial cables <i>RMB'000</i>	Telecommunication equipment and accessories <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
2016					
Revenue	<u>1,050,555</u>	<u>376,303</u>	<u>105,303</u>	<u>—</u>	<u>1,532,161</u>
Segment Results					
Segment profit	76,416	27,372	7,660	(8,540)	102,908
Interest income	5,661	2,028	567	—	8,256
Finance costs	(1,014)	(363)	(102)	—	(1,479)
Other income					17,542
Other expenses*					(832)
Share of loss of associate, net of tax					(4,936)
Profit before income tax					121,459
Income tax					(21,617)
Net profit for the year					99,842
2015					
Revenue	<u>1,059,713</u>	<u>408,058</u>	<u>98,213</u>	<u>—</u>	<u>1,565,984</u>
Segment Results					
Segment profit	89,979	34,689	8,240	(8,606)	124,302
Interest income	4,656	1,795	426	6	6,883
Finance costs	(4,740)	(1,827)	(434)	—	(7,001)
Other income					13,690
Other expenses*					(2,703)
Profit before income tax					135,171
Income tax					(19,993)
Net profit for the year					115,178

* excludes research and development expenses

Other segment information

GROUP

Year ended 31 December	Radio frequency coaxial cables RMB'000	Telecommunication equipment and accessories RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
2016					
Capital expenditure	11,370	4,072	1,140	—	16,582
Depreciation expense	14,395	5,156	1,442	9	21,002
Amortisation of leasehold land	929	333	92	—	1,354
Allowance for doubtful trade receivables	325	—	—	—	325
Allowance/(reversal of) for inventory obsolescence	—	—	33	(9)	24
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 leasehold land	917	354	84	—	1,355
Reversal of doubtful trade receivables	(1,649)	—	—	—	(1,649)
Reversal of inventory obsolescence	—	—	293	(59)	234

Statement of net assets

As at 31 December	Radio frequency coaxial cables RMB'000	Telecommunication equipment and accessories RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
2016					
Assets:					
Segment assets	1,112,099	398,348	111,472	—	1,621,918
Unallocated assets				5,911	5,911
Total assets					1,627,830
Liabilities:					
Segment liabilities	157,985	56,589	15,836	—	230,410
Unallocated liabilities				1,461	1,461
Total liabilities					231,871
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

Geographical segment

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

	For the year ended 31 December			
	Revenue from external customers		Non-current assets*	
	2016	2015	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
PRC	1,355,403	1,409,304	240,260	206,369
India	80,815	78,988	3	6
Others	95,943	77,692	8	17
Total	<u>1,532,161</u>	<u>1,565,984</u>	<u>240,271</u>	<u>206,392</u>

* excluding other investments and deferred tax assets

5. REVENUE

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

	For the year ended 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Sale of goods	1,531,962	1,565,168
Service income	199	816
Total	<u>1,532,161</u>	<u>1,565,984</u>

6. OTHER INCOME

	For the year ended 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	8,256	6,883
Government grants	6,688	7,059
Net foreign exchange gains	6,051	5,748
Rental income	2,857	—
Compensation claims received	669	551
Others	1,277	332
Total	<u>25,798</u>	<u>20,573</u>

7. FINANCE COSTS

	For the year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Interest on short term bank borrowings	<u>1,479</u>	<u>7,001</u>

8. PROFIT BEFORE INCOME TAX

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

	For the year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Cost of inventories recognised as expense (including effect of allowance of inventory obsolescence)	1,215,404	1,260,199
Depreciation of property, plant and equipment	21,002	21,334
Amortisation of leasehold land	1,354	1,355
Allowance for/(reversal of) doubtful trade receivables	325	(1,649)
Auditors' remuneration	1,488	1,433
Employee benefits expense	122,673	102,632
Cost of defined contribution plans	5,216	5,865
Directors' fees — directors of the Company	1,590	1,862
Directors' remuneration:		
Directors of the Company	1,944	2,148
Directors of the subsidiaries	3	36
Total staff costs	<u>131,426</u>	<u>112,543</u>
Research and development expenses (included in other operating expenses)	52,430	49,625
Net foreign exchange gains	(6,051)	(5,748)
Loss on disposal of property, plant and equipment	14	1,943
Fair value gain on sale of available-for-sale financial assets	—	48

9. INCOME TAX EXPENSE

	For the year ended 31 December	
	2016	2015
	RMB'000	RMB'000
Current	20,780	20,578
Over provision of current tax in prior years	(80)	(443)
Deferred tax expense	917	(142)
	<u>21,617</u>	<u>19,993</u>

The Company is incorporated in Singapore and is subject to income tax rate of 17% for the year ended 31 December 2016 (2015: 17%).

Under the law of the PRC on Enterprise Income Tax (the “EIT Law”), the applicable corporate income tax rate of Jiangsu Hengxin Technology Co. Ltd (the Group's PRC incorporated key subsidiary) in 2016 is 25% (2015: 25%). As it had previously been given the High-Tech Enterprise Award status, the applicable effective tax rate is 15% (2015: 15%) based on PRC Enterprise Income Tax laws. In 2014, the subsidiary renewed the status to enjoy a further three financial years starting from 31 December 2014.

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

10. DIVIDENDS

	2016 <i>RMB'000</i>	2015 <i>RMB'000</i>
Proposed first and final tax-exempt cash dividend of RMB2.57 cents (2015: 2.97 cents) per ordinary share	<u>9,972</u>	<u>11,524</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. SHARE CAPITAL

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

Share capital — Ordinary Shares	<i>No. of shares '000</i>	<i>RMB'000</i>	<i>S\$'000</i>
Balance as at 31 December 2015 and 2016	<u>388,000</u>	<u>295,000</u>	<u>58,342</u>

In accordance with the Constitution of the Company, treasury shares are not allowed in the Company.

12. EARNINGS PER SHARE

GROUP

	Year ended	
	31 December 2016	31 December 2015
Earning per share (<i>RMB cents</i>)		
— Basic	<u>0.26</u>	<u>0.30</u>
— Diluted	<u>0.26</u>	<u>0.30</u>
Weighted average no. of shares applicable to basic EPS (<i>'000</i>)	388,000	388,000
Weighted average no. shares based on fully diluted basis (<i>'000</i>)	388,000	388,000

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

There were no potential dilutive ordinary shares in existence during the two years ended 31 December 2015 and 2016.

13. PROPERTY, PLANT AND EQUIPMENT

During the financial year ended 31 December 2016, the Group's capital expenditure was approximately RMB16.6 million (2015: RMB30.2 million).

14. TRADE RECEIVABLES

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	463,781	505,576
Allowance for doubtful trade receivables	(14,438)	(14,113)
Sub-total	449,343	491,463
Notes receivable	65,679	43,630
Total	<u>515,022</u>	<u>535,093</u>

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

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Not past due	469,456	495,639
1 to 90 days	28,108	—
91 to 180 days	13,819	29,170
Over 180 days	3,639	10,284
	<u>515,022</u>	<u>535,093</u>

The movement in allowance for doubtful trade receivable is as follows:

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	14,113	15,762
Allowance for the year	325	—
Reversal to profit and loss	—	(1,649)
At 31 December	<u>14,438</u>	<u>14,113</u>

15. TRADE PAYABLES

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables — Outside parties	<u>118,170</u>	<u>104,432</u>

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

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	117,519	100,819
91 to 180 days	9	2,273
181 to 360 days	—	587
Over 360 days	642	753
	118,170	104,432

16. NET ASSET VALUE

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

	Group	
	31-Dec-16	31-Dec-15
Net Assets (<i>RMB'000</i>)	1,395,959	1,288,175
Number of ordinary shares (<i>'000</i>)	388,000	388,000
Net Asset Value per ordinary share (<i>RMB</i>)	3.60	3.32

17. RELATED PARTY TRANSACTIONS

(a) Transactions

	Year ended 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Sale of finished goods	204	1,238
Purchase of raw materials	26,817	20,111

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

(b) Compensation of key management personnel

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

	Year ended 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Short term benefits	6,306	5,413
Retirement benefits scheme contributions	125	109
Total	6,431	5,522

18. DONATIONS & CAPITAL COMMITMENTS

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for:		
Property, plant and equipment	8,451	126
Donation commitment	5,000	5,500
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Total	13,451	5,626
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The PRC subsidiary has committed to donate RMB500,000 per annum from 2007 for a period of 20 years to a charitable organization in the PRC.

19. OPERATING LEASE ARRANGEMENTS

As at 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	943	731
In the second to fifth years inclusive	759	196
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	1,702	927
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Operating lease payments represent rentals payable by the Group and Company for certain of its office and workshop properties. Leases are negotiated for an average of 1 to 3 years.

(I) MANAGEMENT DISCUSSION AND ANALYSIS

Year-on-year performance — 12 months ended 31 December 2016

Revenue

The Group's revenue for the financial year ended 31 December 2016 ("FY2016" or the "Reporting Period") decreased by approximately RMB33.8 million, or approximately 2.2% from approximately RMB1,566.0 million in the previous financial year ended 31 December 2015 ("FY2015") to approximately RMB1,532.2 million in FY2016. The drop in copper prices and reduced orders for the Group's products under the segment of Accessories (i.e. telecommunication equipment and accessories) during FY2016 resulted in a slight decrease in the overall revenue of the Group.

RF Coaxial Cables

Revenue generated from the segment of RF Coaxial Cables decreased by approximately RMB9.1 million or approximately 0.9% from approximately RMB1,059.7 million in FY2015 to approximately RMB1,050.6 million in FY2016.

Accessories (telecommunication equipment and accessories)

Revenue generated from the segment of Accessories decreased by approximately RMB31.8 million or approximately 7.8% from approximately RMB408.1 million in FY2015 to approximately RMB376.3 million in FY2016.

Others

Revenue generated from other products increased by approximately RMB7.1 million or approximately 7.2% from approximately RMB98.2 million in FY2015 to approximately RMB105.3 million in FY2016.

Gross profit margin

Gross profit margin for FY2016 was approximately 20.7%, compared to approximately 19.5% in FY2015. The higher margins achieved by the products under the segments of Accessories and Others helped lift the Group's overall gross profit margin. The Group continues to monitor production efficiencies to ensure optimal raw materials and labour utilisation, stringent selection of suppliers in tender biddings to keep costs to a minimum, coupled with efficient use of various resources to keep up with price pressures resulting from keen competition.

Other income

Other income increased by approximately RMB5.2 million or approximately 25.2% from approximately RMB20.6 million in FY2015 to approximately RMB25.8 million in FY2016. The increase primarily arose from the following:

- (i) higher interest income earned from certain fixed deposits; and
- (ii) rental income earned from the lease of the Group's testing facilities.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB20.6 million or approximately 23.5% from approximately RMB87.7 million in FY2015 to approximately RMB108.3 million in FY2016 due to the increase in salary expenses for marketing personnel and the increase in marketing expenses as part of the Group's broader push to launch its antenna and leaky cable products.

Administrative expenses

Administrative expenses increased by approximately RMB8.7 million or approximately 19.6% from approximately RMB44.4 million in FY2015 to approximately RMB53.1 million in FY2016. This is due to:

- (i) a general increase in salary costs during the Reporting Period; and
- (ii) an additional allowance for doubtful trade receivables in FY2016 instead of a reversal of allowance for doubtful trade receivables in FY2015.

Other operating expenses

Other operating expenses increased by approximately RMB1.0 million or approximately 1.9% from approximately RMB52.3 million in FY2015 to approximately RMB53.3 million in FY2016. The slight increase is due to the research and development (“R&D”) expenses incurred from continuing R&D activities undertaken for the Group's new and current products.

Acquisition of associate and share of loss of associate

During the Reporting Period, Jiangsu Hengxin Technology Co., Ltd. (“**Hengxin (Jiangsu)**”), a wholly-owned subsidiary of the Company, acquired 24% equity interest in Mianyang Xintong Industrial Co., Ltd.* (綿陽鑫通實業有限公司, formerly known as Mianyang City Siemax Industrial Co., Ltd.*, “**Mianyang Xintong**”), a limited liability company established in the PRC at the final consideration of approximately RMB25.53 million. The amount of approximately RMB4.9 million represents the Group's proportionate share of loss incurred by Mianyang Xintong (after tax) recognised from the completion date of acquisition to 31 December 2016.

Finance costs

Finance costs decreased by approximately RMB5.5 million or approximately 78.6% from approximately RMB7.0 million in FY2015 to approximately RMB1.5 million in FY2016 as the Group substantially reduced its borrowings during the Reporting Period.

Profit before income tax

Profit before income tax decreased by approximately RMB13.7 million or approximately 10.1% from approximately RMB135.2 million in FY2015 to approximately RMB121.5 million in FY2016.

Income tax expense

The Group's main subsidiary, Hengxin (Jiangsu), 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 RMB1.6 million or approximately 8.0% from approximately RMB20.0 million in FY2015 to approximately RMB21.6 million in FY2016, mainly due to the movement in deferred taxes during the Reporting Period.

Net profit

In view of the above, net profit attributable to equity holders of the Company decreased approximately RMB15.4 million or approximately 13.4% from approximately RMB115.2 million in FY2015 compared to approximately RMB99.8 million in FY2016.

STATEMENT OF FINANCIAL POSITION

Material fluctuations of balance sheet items are explained below:

Pledged bank deposits

Pledged bank deposits decreased by approximately RMB13.2 million or approximately 68.8% from approximately RMB19.2 million as at 31 December 2015 to approximately RMB6.0 million as at 31 December 2016, mainly due to a repayment of bank loan in which the corresponding security was no longer required.

Trade receivables

Trade receivables decreased by approximately RMB20.1 million or approximately 3.8% from approximately RMB535.1 million as at 31 December 2015 to approximately RMB515.0 million as at 31 December 2016.

Average trade receivables turnover days were 128 days as at 31 December 2016 compared to 140 days as at 31 December 2015. Although collections of trade receivables for certain customers of the Group have been stretched longer as some adopted the payment by bank bills of exchange which have a longer period of maturity, the Group focused on other collections which reduced the overall turnover days.

Most of the trade receivables balances are recent sales which are within the average credit period given to the Group's 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 main telecom operators in the PRC. In view of the Group's long-standing dealings with them and the regular receipts of payments from these customers, the Group does not foresee any issue in the collection of these receivables. Efforts will continue to be focused on collection of the Group's outstanding trade receivables.

Other receivables and prepayments

Other receivables and prepayments increased by approximately RMB11.0 million or approximately 16.3% from approximately RMB67.6 million as at 31 December 2015 to approximately RMB78.6 million as at 31 December 2016. The increase mainly arose from an increase in value-add tax receivables and a slight increase in advances made to suppliers.

Inventories

Inventories (comprising raw materials, work-in-progress and finished goods) increased by approximately RMB54.6 million or approximately 47.2% from approximately RMB115.7 million as at 31 December 2015 to approximately RMB170.3 million as at 31 December 2016. This is due to an increase in finished goods in transit, most of which are antenna line of products.

Other investments (non-current and current assets)

Other investments (non-current assets) increased by approximately RMB22.3 million or approximately 210.4% from approximately RMB10.6 million as at 31 December 2015 to approximately RMB32.9 million as at 31 December 2016. The increase is mainly due to an upward revaluation of an equity investment held by the Group.

The RMB29.0 million other investment (current assets) as at 31 December 2016 comprises short-term investment in a wealth management product. It offers the Group the opportunity for return through dividend income. The investment fund has an investment duration of 3 months.

Property, plant and equipment

Property, plant and equipment decreased by approximately RMB8.2 million or approximately 5.3% from approximately RMB154.3 million as at 31 December 2015 to approximately RMB146.1 million as at 31 December 2016. The decrease is mainly due to normal charges of depreciation, which is slightly offset by additions during FY2016.

Other receivables (non-current assets)

Other receivables (non-current assets) amounting approximately RMB22.9 million pertains to the non-current portion of the loan to the Group's associate, Mianyang Xintong.

Deferred tax assets

Deferred tax assets decreased by approximately RMB3.3 million or approximately 97.1% from approximately RMB3.4 million as at 31 December 2015 to approximately RMB0.1 million as at 31 December 2016, due to an increase in deferred tax liability arising from the revaluation of available-for-sale investment, effectively reducing the amount of deferred tax assets.

Short-term bank loans

Short-term bank loans decreased by approximately RMB90.4 million or approximately 77.0% from approximately RMB117.4 million as at 31 December 2015 to approximately RMB27.0 million as at 31 December 2016. The decrease is due to most loans being repaid during the Reporting Period.

Trade payables and other payables

Trade payables increased by approximately RMB13.8 million or approximately 13.2% from approximately RMB104.4 million as at 31 December 2015 to approximately RMB118.2 million as at 31 December 2016. This is in line with the increase in the inventory levels arising from the increase in the Group's purchases of raw materials.

Other payables and accruals increased by approximately RMB28.6 million or approximately 68.3% from approximately RMB41.9 million as at 31 December 2015 to approximately RMB70.5 million as at 31 December 2016, due to the higher bonus accruals for FY2016 and increase in advances given by customers for orders of the Group's products.

Income tax payable

Income tax payable increased by approximately RMB2.9 million or approximately 111.5% from RMB2.6 million as at 31 December 2015 to approximately RMB5.5 million as at 31 December 2016. The increase mainly arose from the timing differences in the payment of income taxes.

Deferred income

Deferred income decreased by approximately RMB1.0 million or approximately 16.1% from approximately RMB6.2 million as at 31 December 2015 to approximately RMB5.2 million as at 31 December 2016. This relates to the 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.

Deferred tax liability

Deferred tax liability ("DTL") increased by approximately RMB0.9 million or approximately 19.6% from approximately RMB4.6 million as at 31 December 2015 to approximately RMB5.5 million as at 31 December 2016 due to the increase in DTL arising from the upward revaluation of the Group's equity investment.

Cash and bank balances

Cash and bank balances decreased by approximately RMB51.7 million or approximately 8.5% from approximately RMB605.9 million as at 31 December 2015 to approximately RMB554.2 million as at 31 December 2016. The decrease is mainly due to an increase in inventory levels, investment in Mianyang Xintong, increase in other receivables due from Mianyang Xintong, repayment of bank loans and outflow of funds towards an investment fund held by the Group, which is offset by higher payables and better collections.

(II) LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

	As at 31 December	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash borrowings	(527,209)	(488,503)
Total equity	1,395,959	1,288,175
Net debt to equity ratio (%)	(37.77)	(37.92)

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

As at 31 December 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
—	27,000	—	117,404

There is no amount repayable after one year.

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

The economic environment remained complex in 2016. From a macro perspective, China's GDP growth had witnessed a progressively downward trend in the past few years, and only slightly stabilised towards the end of the Reporting Period. The industrial value-add over the years had been hovering at a low rate. The amount of capital investment within the telecommunications industry in the PRC fell approximately 4.2% in January to December 2016. The trend of structural divergence has also been unprecedented, with the dominance of optic fibres over copper cables growing over the years. As key raw material, copper had experienced a long period of price slump and rose rapidly towards the end of FY2016. Besides, Renminbi continued to decline and the unforeseen price war experienced by the Group's associate, Mianyang Xintong, which was recently invested by the Group, was unexpected.

FY2016, the Group stepped up its pace in business transformation amidst the gradual adoption of optic fibres over copper cables. Through intensive R&D efforts, the Group has developed 32 types of antennas. In particular, the following products which were adopted by China Telecom, including the 800M LTE2, 4-ports and 8-ports antenna products, were all developed, certified, ordered and sold (exceeding tens of millions in Renminbi) within the same year.

The Group lifted its overall antenna product competitiveness with the introduction of a high temperature resistant cable component module. In addition, following the State-supported strategy of national high-speed railway and city metro development in China, the Group also introduced its leaky cable series for wireless signal coverage, increasing its market share and lifting leaky cable revenue by approximately 36.5% over FY2015.

Traditional telecommunications business and its business model are in a state of irreversible decline. Under the backdrop of the growing adoption of optic fibres over copper cables, optic fibres are gradually being extended to end users, including fibre to home and fibre to desktop. The decline in copper cables' adoption has led to the Group's inevitable decision to commence measures for its business transformation. In 2017, the Group will focus on strengthening its existing market position, continue its track record of manufacturing quality products, and actively expand overseas markets and key customers. The Group will further expand the footprint of leaky cables through entering into metro networks and high speed passenger rail networks of key cities. For high temperature resistant cables, the Group will strive for a swift introduction of low-loss cables and cable-plus products so as to accelerate the build-up of the Group's market share. In meeting the technological requirements of 5G, the Group has begun exploring the development of thin and extra-fine RF Coaxial Cables and increasing its R&D efforts towards antenna line of products.

The fifth generation of mobile communications technology 5G, being an extension of 4G, is still under study. At present, there is no standard-setting organisation (such as 3GPP, Wi MAX Forum and ITU-R) with published specifications or official documents on the exact network requirements of 5G. China has commenced 5G technology research trials, and is targeting to put 5G into commercial use in 2020. Although 5G communications is unlikely to bring a material impact to the Group in 2017, the Group will invest R&D towards a series of ultra-high-speed communications products which will be developed surrounding 5G communication technology requirements. It is a start of a long journey in the Group's transformation process.

Currently, 5G wireless communications is still at the initial stage of development without any standard protocol, specifically defined equipment standards or specific frequency band, yet we believe that it is likely to be close to high frequency and ultra high frequency ("UHF"). Under 5G, the number of base stations will experience a geometric growth trend and communication equipment such as cables and component products will dramatically reduce in size. As such, the era of 5G communications will bring with opportunities and challenges. The Group will need to explore the development of thin and extra-fine coaxial cables, and consider capital spending on equipment which accommodates the production of high-frequency and UHF cable products. Nevertheless, in 2017, telecom operators in China are expected to continue to expand their 4G network construction, and on this basis the Group will not be materially affected during this period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 December 2016, the interests and short positions of the Directors and chief executives of the Company in shares and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”), which are required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which are required to be entered into, as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the SEHK (the “Listing Rules”), were as follows:

Long positions in the Company:

Name of Directors	Capacity and nature of interests	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Mr. Cui Wei ⁽¹⁾	Deemed interest and interest in controlled corporation	90,294,662	23.27%
Ms. Zhang Zhong ⁽²⁾	Deemed interest and interest in controlled corporation	28,082,525	7.24%
Mr. Du Xiping	Beneficial owner	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.
- ⁽²⁾ Ms. Zhang Zhong beneficially owns the entire issued share capital of Wellahead Holdings Limited (“Wellahead”), and Wellahead in turn holds approximately 7.24% of the total issued shares in the Company.

Saved as disclosed above, as at 31 December 2016, none of the Directors and chief executives of the Company nor their associates had or deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to Section 352 of Part XV of the SFO or which has been notified to the Company and the SEHK pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, insofar as is known to the Directors, the following shareholders having interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long positions in the Company:

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

Notes:

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

Saved as disclosed above, as at 31 December 2016, no person, other than the Directors, whose interests are set out in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures" above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

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

Neither at the end of the Reporting Period nor at any time during the Reporting Period did there subsist any arrangement which objective is to enable the Directors of the Company to acquire benefits by means of acquisition of shares or debentures in the Company or any other body corporate, except for the share option scheme (the "Share Option Scheme") adopted by the Company at its extraordinary general meeting held on 27 October 2010.

(IV) SUPPLEMENTARY INFORMATION

1. Operational and Financial Risk Management

(i) Market risk

The major market risks that the Group is exposed to include business risks relating to the global state of economy, industry risks relating to certain policies and its product adoption approaches, technology risks relating to changes in technology and credit risks relating to the non-payment by the Group's customers.

(ii) Commodity price risk

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

(iii) Interest rate risk

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

(iv) Foreign currency risk

The Group's revenue and costs are denominated in Renminbi, Indian Rupees ("INR") and United States Dollars. Some costs may be denominated in Hong Kong Dollars, INR and Singapore Dollars.

2. Contingent liabilities

There were no material contingent liabilities as at 31 December 2016.

3. Employees and Remuneration Policies

As at 31 December 2016, there were 966 (31 December 2015: 982) employees in the Group. Staff remuneration packages are determined in consideration of the market conditions and the performance of the individual 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 its extraordinary general meeting held on 27 October 2010. No option has been granted under the Share Option Scheme since its adoption and up to the date of this announcement.

4. Material Litigation and Arbitration

As at 31 December 2016, the Group was not involved in any material litigation or arbitration.

5. Audit Committee

The Company's audit committee members are Mr. Tam Chi Kwan Michael, Mr. Cui Wei, Ms. Zhang Zhong, Dr. Li Jun and Mr. Pu Hong. The audit committee, which is chaired by Mr. Tam Chi Kwan Michael, has reviewed the annual results of the Group for the year ended 31 December 2016.

6. Compliance with Corporate Governance Code

The Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2016.

7. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuer

Having made specific enquiries with all the Directors, the Directors have confirmed that they have complied with the required standards of the Model Code during the Reporting Period.

8. Annual General Meeting

The 2016 annual general meeting of the Company will be held on 28 April 2017 in Hong Kong. For further details of the annual general meeting, please refer to the Notice of Annual General Meeting, which will be published and despatched by the Company in due course.

9. Review of financial results

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

The figures in respect of this results announcement of the Group for the year ended 31 December 2016 have been checked by the Company's auditors, KPMG LLP. The work performed by KPMG LLP in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements and consequently no assurance has been expressed by KPMG LLP on this results announcement.

10. Dividends

(a) Dividend recommended for the Reporting Period

Name of Dividend:	First and Final
Dividend Type:	Cash
Dividend Rate:	RMB2.57 cents per share
Number of shares:	388,000,000
Total amount:	RMB9,971,600

(b) Dividend recommended for FY2015

Name of Dividend:	First and Final
Dividend Type:	Cash
Dividend Rate:	RMB2.97 cents per share
Number of shares:	388,000,000
Total amount:	RMB11,523,600

(c) Record date and dividend payment date

Subject to the approval by shareholders of the Company at the forthcoming annual general meeting to be held on Friday, 28 April 2017, the first and final dividend for FY2016 will be distributed on or about Monday, 29 May 2017 to shareholders whose names appear on the Company's register of members on Tuesday, 16 May 2017 (the record date).

(d) Book closure date

In order to determine the entitlement to the proposed first and final dividend for FY2016 (subject to the approval by the shareholders at the forthcoming annual general meeting), the Company's register of members will be closed on Tuesday, 16 May 2017, on which date no transfer of shares will be registered. In order to qualify for the proposed first and final dividend for FY2016, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Principal Share Registrar in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 (for shareholders in Singapore), or at the office of the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for shareholders in Hong Kong) not later than 4:30 p.m. on Monday, 15 May 2017. Any removal of shares of the Company between the Company's Principal Share Registrar in Singapore and Branch Share Registrar in Hong Kong shall be made not later than 4:30 p.m. on Thursday, 4 May 2017.

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

For the year ended 31 December 2016, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the securities of the Company.

12. Disclosure on the Websites of the Exchanges and the Company

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

By Order of the Board of
Hengxin Technology Ltd.
Cui Wei
Chairman

Singapore, 16 February 2017

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

* *For identification purposes only*