



**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)**

**INTERIM REPORT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2017**

**FINANCIAL HIGHLIGHTS**

1. Revenue for the six months ended 30 June 2017 increased by approximately RMB124.8 million or 17.1% to approximately RMB852.8 million
2. Gross profit increased by approximately RMB37.9 million or 26.1% to approximately RMB183.4 million
3. Net profit attributable to owners of the Company increased by approximately RMB18.1 million or 35.8% to approximately RMB68.6 million
4. Basic earnings per share was RMB0.177
5. No payment of interim dividend for the six months ended 30 June 2017 has been recommended

\* *for identification purpose only*

The board (the “**Board**”) of directors (the “**Director(s)**”) of Hengxin Technology Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively hereinafter referred as the “**Group**”) for the six months ended 30 June 2017 together with the comparative figures for the corresponding period in 2016 as follows:

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

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

	<i>Notes</i>	<b>1H2017</b> <b>RMB’000</b> <b>(unaudited)</b>	1H2016 <b>RMB’000</b> <b>(unaudited)</b>
<b>Revenue</b>	5	<b>852,820</b>	728,015
Cost of sales		<u><b>(669,449)</b></u>	<u>(582,571)</u>
<b>Gross profit</b>		<b>183,371</b>	145,444
Other operating income	6	<b>11,394</b>	9,158
Selling and distribution expenses		<b>(51,639)</b>	(50,230)
Administrative expenses		<b>(30,269)</b>	(17,911)
Other operating expenses		<b>(30,774)</b>	(25,223)
Share of (losses)/profits of an associate		<b>(1,485)</b>	261
Finance costs	7	<u><b>(62)</b></u>	<u>(879)</u>
<b>Profit before tax</b>	8	<b>80,536</b>	60,620
Income tax expense	9	<u><b>(11,978)</b></u>	<u>(10,129)</u>
<b>Net profit attributable to owners of the Company</b>		<b>68,558</b>	50,491
<b>Other comprehensive income</b>			
<i>Items that may be classified subsequently classified to profit or loss:</i>			
Foreign operations — foreign currency translation differences		<u><b>324</b></u>	<u>35</u>
<b>Total comprehensive income attributable to owners of the Company</b>		<u><b>68,882</b></u>	<u>50,526</u>
<b>Earnings per share attributable to owners of the Company</b>			
<b>Basic and diluted (RMB)</b>	12	<u><b>0.177</b></u>	<u>0.130</u>
<b>Dividends per share (RMB)</b>	10	<u><b>N/A</b></u>	<u>N/A</u>

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

	<b>Group</b>		<b>Change</b>
	<b>6 months ended 30 June</b>		
	<b>2017</b>	<b>2016</b>	
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>	<b>%</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	
Reversal of allowance for doubtful trade receivables	<b>(1,045)</b>	(5,212)	-80.0
Write-down of inventory	<b>1,415</b>	31	4,464.5
Depreciation of property, plant and equipment	<b>11,199</b>	9,722	15.2
Gains on disposal of property, plant and equipment	<b>(54)</b>	(7)	671.4
Amortisation of lease prepayment	<b>677</b>	677	—
Net foreign exchange losses/(gains)	<b>2,009</b>	(460)	N/A
Interest expense	<b>62</b>	879	-92.9
Interest income	<b>(2,035)</b>	(4,599)	-55.8
Research and development expenses	<b>28,203</b>	24,620	14.6

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 June 2017	31 December 2016
<i>Notes</i>		<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Lease prepayment		1,355	1,355
Inventories		205,140	170,296
Other investments		50,000	29,000
Trade receivables	14	774,426	515,022
Other receivables and prepayments		75,839	78,634
Pledged cash deposits		5,856	6,019
Cash and bank balances		289,040	554,209
		<b>1,401,656</b>	1,354,535
<b>Total current assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	143,762	146,112
Lease prepayment		50,017	50,695
Other receivables		20,372	22,872
Associate		19,107	20,592
Other investments		32,947	32,947
Deferred tax assets		731	77
		<b>266,936</b>	273,295
<b>Total non-current assets</b>			
		<b>1,668,592</b>	1,627,830
<b>Total assets</b>			
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Short term loans		—	27,000
Trade payables	15	137,013	118,170
Other payables		59,636	70,466
Income tax payable		6,303	5,527
		<b>202,952</b>	221,163
<b>Total current liabilities</b>			
		<b>1,198,704</b>	1,133,372
<b>NET CURRENT ASSETS</b>			

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

		As at	
		30 June 2017	31 December 2016
	<i>Note</i>	<b>RMB'000</b> <b>(unaudited)</b>	<b>RMB'000</b> <b>(audited)</b>
<b>Non-current liabilities</b>			
Deferred income		4,689	5,203
Deferred tax liabilities		<u>6,082</u>	<u>5,505</u>
Total non-current liabilities		<u>10,771</u>	<u>10,708</u>
<b>TOTAL LIABILITIES</b>		<u>213,723</u>	<u>231,871</u>
<b>NET ASSETS</b>		<u>1,454,869</u>	<u>1,395,959</u>
<b>Equity attributable to owners of the Company</b>			
Share capital	11	295,000	295,000
General reserves		211,225	200,601
Special reserve		(6,017)	(6,017)
Fair value reserve		18,955	18,955
Translation reserves		(479)	(803)
Accumulated profits		<u>936,185</u>	<u>888,223</u>
<b>TOTAL EQUITY</b>		<u>1,454,869</u>	<u>1,395,959</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1,668,592</u>	<u>1,627,830</u>

**STATEMENT OF FINANCIAL POSITION — COMPANY LEVEL**

	As at	
	30 June 2017	31 December 2016
	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Other receivables and prepayments	40,290	15,153
Cash and bank balances	10,452	5,607
	<u>50,742</u>	<u>20,760</u>
<b>Total current assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	22	8
Other receivables and prepayments	—	42,675
Subsidiaries	392,544	396,385
	<u>392,566</u>	<u>439,068</u>
<b>Total non-current assets</b>		
<b>Total assets</b>		
	<u>443,308</u>	<u>459,828</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Other payables	1,024	1,461
	<u>1,024</u>	<u>1,461</u>
<b>Total current liabilities</b>		
<b>NET CURRENT ASSETS</b>		
	<u>49,718</u>	19,299
<b>TOTAL LIABILITIES</b>		
	<u>1,024</u>	1,461
<b>NET ASSETS</b>		
	<u>442,284</u>	458,367
<b>Equity attributable to owners of the Company</b>		
Share capital	295,000	295,000
Accumulated profits	147,284	163,367
	<u>442,284</u>	<u>458,367</u>
<b>TOTAL EQUITY</b>		
	<u>442,284</u>	458,367
<b>TOTAL EQUITY AND LIABILITIES</b>		
	<u>443,308</u>	<u>459,828</u>

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June

	1H 2017 <i>RMB'000</i> (unaudited)	1H 2016 <i>RMB'000</i> (unaudited)
<b>Operating activities</b>		
Profit before tax	80,536	60,620
Adjustments for:		
Depreciation of property, plant and equipment	11,199	9,722
Amortisation of lease prepayment	677	677
Reversal of allowance for doubtful trade receivables	(1,045)	(5,212)
Write-down of inventory	1,415	31
Gains on disposal of property, plant and equipment	(54)	(7)
Finance costs	62	879
Interest income	(2,035)	(4,599)
Share of losses/(profits) of an associate	1,485	(261)
Investment income	(272)	—
Unrealised foreign exchange losses/(gains)	2,303	(2,964)
	<u>94,271</u>	<u>58,886</u>
Changes in:		
Trade receivables	(258,359)	(109,395)
Other receivables and prepayments	5,295	(172)
Inventories	(36,259)	20,747
Trade payables	18,843	3,584
Other payables	(11,344)	(3,225)
Cash used in operating activities	(187,553)	(29,575)
Interest paid	(62)	(879)
Interest income received	2,035	4,599
Income tax paid	(11,279)	(7,834)
Net cash used in operating activities	<u>(196,859)</u>	<u>(33,689)</u>
<b>Investing activities</b>		
Acquisition of property, plant and equipment	(9,107)	(10,223)
Proceeds from disposal of property, plant and equipment	359	3,428
Acquisition of other investments	(50,000)	—
Proceeds from disposal of other investments	29,272	—
Acquisition of equity interest in an associate	—	(36,000)
Net cash used in investing activities	<u>(29,476)</u>	<u>(42,795)</u>
<b>Financing activities</b>		
Repayment of short-term bank loans	(27,000)	(118,274)
Proceeds from short-term bank loans	—	27,870
Decrease in pledged bank deposits	163	14,458
Dividends paid	(9,972)	(11,524)
Net cash used in financing activities	<u>(36,809)</u>	<u>(87,470)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(263,144)</b>	<b>(163,954)</b>
<b>Effects of movements in exchange rates on cash held</b>	<b>(2,025)</b>	<b>2,999</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>554,209</b>	<b>605,907</b>
<b>Cash and cash equivalents at the end of the period</b>	<b><u>289,040</u></b>	<b><u>444,952</u></b>

## STATEMENT OF CHANGES IN EQUITY

*Consolidated Statement of Changes in Equity for the six months ended 30 June 2017*

<b>GROUP — RMB'000</b>	<b>Share capital</b>	<b>General reserves</b>	<b>Special reserve</b>	<b>Fair value reserve</b>	<b>Translation reserves</b>	<b>Accumulated profits</b>	<b>Total</b>
<b>Balance at 1 January 2017</b>	<b>295,000</b>	<b>200,601</b>	<b>(6,017)</b>	<b>18,955</b>	<b>(803)</b>	<b>888,223</b>	<b>1,395,959</b>
Total comprehensive income for the period	—	—	—	—	324	68,558	68,882
Dividends paid	—	—	—	—	—	(9,972)	(9,972)
Transfer to reserves	—	10,624	—	—	—	(10,624)	—
<b>Balance at 30 June 2017</b>	<b>295,000</b>	<b>211,225</b>	<b>(6,017)</b>	<b>18,955</b>	<b>(479)</b>	<b>936,185</b>	<b>1,454,869</b>

*Consolidated Statement of Changes in Equity for the six months ended 30 June 2016*

<b>GROUP — RMB'000</b>	<b>Share capital</b>	<b>General reserve</b>	<b>Special reserve</b>	<b>Translation reserve</b>	<b>Accumulated profits</b>	<b>Total</b>
<b>Balance at 1 January 2016</b>	<b>295,000</b>	<b>182,898</b>	<b>(6,017)</b>	<b>(1,314)</b>	<b>817,608</b>	<b>1,288,175</b>
Total comprehensive income for the period	—	—	—	35	50,491	50,526
Dividends paid	—	—	—	—	(11,524)	(11,524)
Transfer to reserves	—	7,803	—	—	(7,803)	—
<b>Balance at 30 June 2016</b>	<b>295,000</b>	<b>190,701</b>	<b>(6,017)</b>	<b>(1,279)</b>	<b>848,772</b>	<b>1,327,177</b>

*Statement of Changes in Equity of the Company for the six months ended 30 June 2017*

<b>COMPANY — RMB'000</b>	<b>Share capital</b>	<b>Accumulated profits</b>	<b>Total</b>
<b>Balance at 1 January 2017</b>	<b>295,000</b>	<b>161,851</b>	<b>456,851</b>
Total comprehensive income for the period	—	(4,595)	—
Dividends paid	—	(9,972)	(9,972)
<b>Balance at 30 June 2017</b>	<b>295,000</b>	<b>147,284</b>	<b>442,284</b>

*Statement of Changes in Equity of the Company for the six months ended 30 June 2016*

<b>COMPANY — RMB'000</b>	<b>Share capital</b>	<b>Accumulated profits</b>	<b>Total</b>
<b>Balance at 1 January 2016</b>	<b>295,000</b>	<b>181,390</b>	<b>476,390</b>
Total comprehensive income for the period	—	(2,676)	(2,676)
Dividends paid	—	(11,524)	(11,524)
<b>Balance at 30 June 2016</b>	<b>295,000</b>	<b>167,190</b>	<b>462,190</b>



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Singapore on 18 November 2004 under the Singapore Companies Act and its shares are primary-listed on Main Board of The Stock Exchange of Hong Kong Limited (the “SEHK”) and secondary-listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The registered office of the Company is located at 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 measurement and recognition criteria of the International Financial Reporting Standards (“IFRSs”), amendments (hereinafter referred to as the “IFRS”) issued by the International Accounting Standards Board (“IASB”) that are effective for annual reporting periods beginning on or after 1 January 2017.

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

### Accounting policies

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period reported on, as in the recently audited consolidated financial statements for the financial year ended 31 December 2016.

## 3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group adopted the new and revised IFRS that are mandatory for the financial periods beginning on or after 1 January 2017.

The adoption of new and revised IFRS did not have any impact on the results of the Group for the financial period ended 30 June 2017.

#### 4. SEGMENT INFORMATION

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

- Manufacturing and sale of radio frequency coaxial cable for mobile communications (“**RF Coaxial Cables**”)
- Telecommunication equipment and accessories (“**Accessories**”)
- Manufacturing and sale of antennas (“**Antennas**”)
- Others (includes leaky cables, high temperature resistant cables (“**HTRC**”) and antenna testing services)

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

##### **Segment revenues and results**

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

Based on the segment information reported to the Executive Directors, the Group is organised into five product lines — radio frequency coaxial cables, telecommunication equipment and accessories, high temperature resistant cables, antennas and antenna testing services.

The Group has presented the three main products, radio frequency coaxial cables, telecommunication equipment and accessories and antennas, as reportable segments for the six months ended 30 June 2017. As for the six months ended 30 June 2016, the Group has presented the two main products, radio frequency coaxial cables and telecommunication equipment and accessories, as reportable segments. The other products do not meet any of the quantitative thresholds for determining reportable segments for the six months ended 30 June 2017 and 2016 and have therefore been combined.

Information related to each reportable segment is set out below. Segment profit (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

	<b>Reportable segments</b>					<b>Total</b>
	<b>Radio frequency coaxial cables</b>	<b>Telecom- munication equipment and accessories</b>	<b>Antennas</b>	<b>Total reportable segments</b>	<b>All other segments</b>	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Group</b>						
<b>Six months ended 30 June 2017</b>						
Revenue	416,568	227,885	154,111	798,564	54,256	852,820
Segment profit before tax <i>(Note 1)</i>	25,247	44,395	2,966	72,608	6,997	79,605
Interest income	994	544	368	1,906	129	2,035
Finance costs	(30)	(17)	(11)	(58)	(4)	(62)
Amortisation of lease prepayment	331	181	122	634	43	677
Write-down of inventory	83	3	1,320	1,405	9	1,415
Depreciation expenses	5,468	2,991	2,023	10,482	712	11,194
<b>Segment assets as at 30 June 2017</b>						
<i>(Note 2)</i>	809,668	442,931	299,539	1,552,138	105,456	1,657,594
Capital expenditure <i>(Note 3)</i>	4,448	2,434	1,646	8,528	579	9,107
<b>Segment liabilities as at 30 June 2017</b>						
<i>(Note 2)</i>	103,895	56,836	38,436	199,167	13,532	212,699

	Reportable segments				Total RMB'000
	Radio frequency coaxial cables RMB'000	Telecom- munication equipment and accessories RMB'000	Total reportable segments RMB'000	All other segments RMB'000	
<b>Group</b>					
<b>Six months ended 30 June 2016</b>					
Revenue	496,205	186,962	683,167	44,848	728,015
Segment profit before tax <i>(Note 1)</i>	29,746	29,603	59,349	898	60,247
Interest income	3,137	1,182	4,319	280	4,599
Finance costs	(599)	(226)	(825)	(54)	(879)
Amortisation of lease prepayment	462	174	636	41	677
Write-down of inventory	—	—	—	31	31
Depreciation expenses	6,623	2,496	9,119	599	9,718
<b>Segment assets as at 31 December 2016 <i>(Note 2)</i></b>	1,112,099	398,348	1,510,447	111,472	1,621,919
Capital expenditure <i>(Note 3)</i>	6,967	2,625	9,592	630	10,222
<b>Segment liabilities as at 31 December 2016 <i>(Note 2)</i></b>	157,985	56,589	214,574	15,836	230,410

*Note 1:*

Segment profit before tax 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.

*Note 2:*

Segment assets represent property, plant and equipment, lease prepayment, associate, other investments, deferred tax assets, inventories, trade and other receivables and prepayment, cash and cash equivalents which are attributable to each operating segments. Segment liabilities represent deferred income, deferred tax liabilities, short-term loans, trade and other payables, and income tax payable, which are attributable to each operating segments.

*Note 3:*

Segment capital expenditure is the total cost incurred during the reporting period to acquire property, plant and equipment, and intangible assets other than goodwill.

## Reconciliation of information on reportable segments to IFRS measures

	<b>Group</b>	
	<b>For the six months ended 30 June</b>	
	2017	2016
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit before tax</b>		
Total profit before tax for reportable segments	72,608	59,349
Profit before tax for other segments	6,997	898
Unallocated amounts :		
— Other income	9,359	4,559
— Other expenses <i>(Note 4)</i>	(2,572)	(602)
— Share of (losses)/profits of an associate	(1,485)	261
— Other unallocated amounts	(4,371)	(3,845)
	<b>80,536</b>	<b>60,620</b>

	<b>Group</b>	
	<b>As at</b>	
	30 June	31 December
	2017	2016
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Assets</b>		
Total assets for reportable segments	1,552,139	1,510,447
Assets for other segments	105,456	111,472
Other unallocated amounts <i>(Note 5)</i>	10,997	5,911
	<b>1,668,592</b>	<b>1,627,830</b>
<b>Consolidated total assets</b>		
<b>Liabilities</b>		
Total liabilities for reportable segments	199,167	214,574
liabilities for other segments	13,532	15,836
Other unallocated amounts <i>(Note 5)</i>	1,024	1,461
	<b>213,723</b>	<b>231,871</b>
<b>Consolidated total liabilities</b>		

*Note 4:*

Excluding research and development expenses.

*Note 5:*

Unallocated assets mainly represent cash and cash equivalents, other receivables and prepayments and property, plant and equipment at Company level. Unallocated liabilities represent deferred tax liabilities and other payables at Company level.

## Other material items

	Reportable and all other segment totals <i>RMB'000</i>	Adjustments <i>RMB'000</i>	Consolidated totals <i>RMB'000</i>
<b>For the six months ended 30 June 2017</b>			
Depreciation expense	11,194	5	11,199
<b>For the six months ended 30 June 2016</b>			
Depreciation expense	9,718	4	9,722

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

	Revenue from external customer		Non-current assets*	
	For the six months ended 30 June		As at	
	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>	30 June 2017 <i>RMB'000</i>	31 December 2016 <i>RMB'000</i>
People's Republic of China	731,760	640,621	231,989	241,260
India	42,807	38,928	1,247	3
Others	78,253	48,466	22	8
Total	<u>852,820</u>	<u>728,015</u>	<u>233,258</u>	<u>241,271</u>

\* *excludes 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 six months ended 30 June	
	2017 <i>RMB'000</i> (unaudited)	2016 <i>RMB'000</i> (unaudited)
Sale of goods	852,811	727,998
Service income	9	17
	<u>852,820</u>	<u>728,015</u>

## 6. OTHER OPERATING INCOME

	For the six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Government grants	8,320	2,667
Interest income	2,035	4,599
Compensation claims received	288	783
Investment income	272	—
Net foreign exchange gains	—	460
Gains on disposal of property, plant and equipment	54	7
Others	425	642
	<u>11,394</u>	<u>9,158</u>
Total	<u>11,394</u>	<u>9,158</u>

## 7. FINANCE COSTS

	For the six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interest on short term bank borrowings	62	879
	<u>62</u>	<u>879</u>

## 8. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Cost of inventories sold (including write-down of inventory)	668,034	582,540
Depreciation of property, plant and equipment	11,199	9,722
Amortisation of lease prepayment	677	677
Reversal of allowance for doubtful trade receivables	(1,045)	(5,212)
Employee benefits expense	88,422	69,539
Total staff costs		
Cost of defined contribution plans	2,904	3,632
Directors' fees — directors of the Company	822	782
Directors' remuneration:		
Directors of the Company	1,112	931
Directors of the subsidiaries	—	3
Net foreign exchange gains, included in other operating income	—	(460)
Net foreign exchange losses, included in other operating expenses	2,009	—
Gains on disposal of property, plant and equipment	(54)	(7)
	<u>(54)</u>	<u>(7)</u>

## 9. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Current	13,061	9,087
Deferred	(1,083)	1,042
	<u>11,978</u>	<u>10,129</u>

The Company is incorporated in Singapore and is subject to income tax rate of 17% for the six months ended 30 June 2017 (2016: 17%).

Under the law of the PRC on Enterprise Income Tax, applicable income tax rate of Jiangsu Hengxin Technology Co. Ltd. (“**Hengxin (Jiangsu)**”), the Group’s PRC incorporated wholly-owned subsidiary, in 2017 is 15% (2016: 15%).

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

## 10. DIVIDENDS

The Company did not recommend or declare any interim dividend for the six months ended 30 June 2017 and 30 June 2016.

## 11. SHARE CAPITAL

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

Share capital — Ordinary Shares	No. of shares <i>'000</i>	RMB'000	S\$'000
Balance as at 31 December 2016 and 30 June 2017	<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

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

	Group	
	6 months ended	
	30 June 2017	30 June 2016
	(unaudited)	(unaudited)
Earnings per share ( <i>RMB</i> )		
— Basic	<u>0.177</u>	<u>0.130</u>
— Diluted	<u>0.177</u>	<u>0.130</u>
Weighted average no. of shares applicable to basic EPS ( <i>'000</i> )	388,000	388,000
Weighted average no. of shares based on fully diluted basis ( <i>'000</i> )	388,000	388,000

There were no potential dilutive ordinary shares in existence during the six months ended 30 June 2016 and 2017.



### 13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group's capital expenditure was approximately RMB9.1 million (six months ended 30 June 2016: approximately RMB10.2 million).

### 14. TRADE RECEIVABLES

	30 June 2017 <i>RMB'000</i> (unaudited)	31 December 2016 <i>RMB'000</i> (audited)
Trade receivables	719,912	463,781
Allowance for doubtful debts	<u>(13,393)</u>	<u>(14,438)</u>
Net trade receivables	706,519	449,343
Bills receivable	<u>67,907</u>	<u>65,679</u>
Total	<u><u>774,426</u></u>	<u><u>515,022</u></u>

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

	30 June 2017 <i>RMB'000</i> (unaudited)	31 December 2016 <i>RMB'000</i> (audited)
Not past due	658,707	469,455
Past due 1–90 days	83,645	28,109
Past due 91–180 days	28,229	13,819
Past due over 180 days	<u>3,845</u>	<u>3,639</u>
	<u><u>774,426</u></u>	<u><u>515,022</u></u>

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

	2017 <i>RMB'000</i> (unaudited)	2016 <i>RMB'000</i> (unaudited)
At 1 January	14,438	14,113
Reversal to profit and loss	<u>(1,045)</u>	<u>(5,212)</u>
At 30 June	<u><u>13,393</u></u>	<u><u>8,901</u></u>

## 15. TRADE PAYABLES

	<b>30 June 2017 RMB'000 (unaudited)</b>	31 December 2016 RMB'000 (audited)
Trade payables	<b>137,013</b>	118,170

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:

	<b>30 June 2017 RMB'000 (unaudited)</b>	31 December 2016 RMB'000 (audited)
0 to 90 days	<b>136,489</b>	117,519
91 to 180 days	<b>99</b>	9
181 to 360 days	<b>16</b>	—
Over 360 days	<b>409</b>	642
	<b>137,013</b>	118,170

## 16. NET ASSET VALUE

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

	<b>Group</b>		<b>Company</b>	
	<b>30 June 2017 (unaudited)</b>	31 December 2016 (audited)	<b>30 June 2017 (unaudited)</b>	31 December 2016 (audited)
Net assets (RMB'000)	<b>1,454,869</b>	1,395,959	<b>442,284</b>	458,367
Number of ordinary shares ('000)	<b>388,000</b>	388,000	<b>388,000</b>	388,000
Net asset value per ordinary share (RMB)	<b>3.75</b>	3.60	<b>1.14</b>	1.18

## 17. RELATED PARTY TRANSACTIONS

### (a) Transactions

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

	<b>For the six months ended 30 June</b>	
	<b>2017 RMB'000 (unaudited)</b>	2016 RMB'000 (unaudited)
Sale of finished goods	<b>4,918</b>	—
Purchase of raw materials	<b>20,650</b>	13,598

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.

**(b) Compensation of key management personnel**

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

	<b>For the six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Short term benefits	3,571	2,899
Retirement benefits scheme contribution	80	72
	<u>3,651</u>	<u>2,971</u>
Total	<u><u>3,651</u></u>	<u><u>2,971</u></u>

**18. CAPITAL COMMITMENTS**

	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Contracted but not provided for:		
Property, plant and equipment	2,207	8,451
	<u><u>2,207</u></u>	<u><u>8,451</u></u>

**19. OPERATING LEASE ARRANGEMENTS**

As at 30 June 2017, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Less than one year	1,027	943
Between one and five years	710	759
	<u>1,737</u>	<u>1,702</u>
	<u><u>1,737</u></u>	<u><u>1,702</u></u>

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

## (I) MANAGEMENT DISCUSSION AND ANALYSIS

### Half year performance — for the six months ended 30 June 2017

Material changes are explained below:

#### **Revenue**

Group revenue increased by approximately RMB124.8 million, or approximately 17.1% from approximately RMB728.0 million for the six months ended 30 June 2016 (“1H2016”) to approximately RMB852.8 million for the six months ended 30 June 2017 (“1H2017” or the “Reporting Period”).

#### *RF coaxial cable*

Revenue generated from RF coaxial cable decreased by approximately RMB79.6 million or approximately 16.0% from approximately RMB496.2 million during 1H2016 to approximately RMB416.6 million during 1H2017.

#### *Telecommunication equipment and accessories*

Revenue generated from telecommunication equipment and accessories increased by approximately RMB40.9 million or approximately 21.9% from approximately RMB187.0 million during 1H2016 to approximately RMB227.9 million during 1H2017.

#### *Antennas*

As the antennas has met the quantitative threshold for determining reportable segments during 1H2017, therefore antennas has been separately classified as a reportable segment for 1H2017. Revenue generated from antennas during 1H2017 was approximately RMB154.1 million and the revenue of antennas during 1H2016 included in the other segment was approximately RMB29.4 million.

#### *Others (Leaky cables, HTRC and antennas testing services)*

Revenue generated in this segment increased by approximately RMB9.5 million or approximately 21.2% from approximately RMB44.8 million during 1H2016 to approximately RMB54.3 million during 1H2017, of which the increase was mainly attributable to the substantial increase in sales of leaky cables of approximately RMB40.0 million during 1H2017 (there was no revenue from such item during 1H2016) as offset by the reclassification of antennas as a reportable segment in 1H2017, the sales of leaky cables was approximately RMB29.4 million in 1H2016.

#### **Gross profit margin**

The Group achieved an overall gross profit margin of approximately 21.5% during 1H2017 compared to approximately 20.0% during 1H2016, representing an increase of 1.5 percentage points year-on-year. The higher gross profit margin for accessories in 1H2017 of 32.6% as compared with that of 28.2% for 1H2016 has lifted the overall gross profit margin of the Group. The moderate decrease in copper prices and the Group’s process efficiencies during 1H2017 had generally brought gross profit margin higher. The Group will continue 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 pressure resulting from keen competition.

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

Other operating income increased by approximately RMB2.2 million or approximately 23.9% from approximately RMB9.2 million during 1H2016 to approximately RMB11.4 million during 1H2017 due to the combined effects of (i) higher government grants awarded; (ii) decrease in interest income earned; and (iii) a net foreign exchange losses recorded as compared with a net foreign exchange gains in 1H2016 during the Reporting Period.

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

Selling and distribution expenses increased slightly by approximately RMB1.4 million or approximately 2.8% from approximately RMB50.2 million during 1H2016 to approximately RMB51.6 million during 1H2017. The increase was mainly due to the increase in salary expenses for marketing personnel and activities undertaken during the Reporting Period as a result of the Group's increased effort to push the products of antenna and leaky cables during the Reporting Period.

### ***Administrative expenses***

Administrative expenses increased by approximately RMB12.4 million or approximately 69.3% from approximately RMB17.9 million during 1H2016 to approximately RMB30.3 million during 1H2017. The increase was mainly attributable to (i) the increase in staff costs of approximately RMB7.0 million year-on-year; (ii) decrease in the reversal of allowance for doubtful trade receivables of approximately RMB4.2 million; and (iii) increase in the allowance for inventory obsolescence of approximately RMB1.4 million.

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

Other operating expenses increased by approximately RMB5.6 million or approximately 22.2% from approximately RMB25.2 million during 1H2016 to approximately RMB30.8 million during 1H2017. The increase was due to higher research and development expenses incurred from continued customer requests for new and current product specifications during the Reporting Period.

### ***Share of losses of an associate***

During 1H2016, the Group acquired a 24% equity interest in Mianyang Xintong Industrial Co., Ltd. (formerly known as Mianyang City Siemax Industrial Co., Ltd.) ("**Mianyang Xintong**"), a limited liability company established in the People's Republic of China (the "**PRC**"). Due to poor operating results of Mianyang Xintong, the Group's proportionate share of losses recognised during 1H2017 was approximately RMB1,485,000.

### ***Finance costs***

Finance costs decreased by approximately RMB0.8 million or approximately 88.9% from approximately RMB0.9 million during 1H2016 to approximately RMB0.1 million during 1H2017. The decrease was due to the full settlement of short term loans during the Reporting Period.

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

Profit before tax increased by approximately RMB19.9 million or approximately 32.8% from approximately RMB60.6 million during 1H2016 to approximately RMB80.5 million during 1H2017. The increase was due to an increase in the level of sales and gross profit margin during the Reporting Period.

### ***Income tax expense***

The Group's wholly-owned 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 2014 for a period of three years.

Income tax expense increased by approximately RMB1.9 million or approximately 18.8% from approximately RMB10.1 million during 1H2016 to approximately RMB12.0 million in 1H2017. The increase is in line with the increase in profit before tax during the Reporting Period.

### ***Net profit***

In view of the above, net profit attributable to owners of the Company increased by approximately RMB18.1 million or approximately 35.8% from approximately RMB50.5 million in 1H2016, compared to approximately RMB68.6 million in 1H2017.

## **Statement of Financial Position**

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

### ***Inventories***

Inventories (comprising raw materials, work-in-progress and finished goods) increased by approximately RMB34.8 million or approximately 20.4% from approximately RMB170.3 million as at 31 December 2016 to approximately RMB205.1 million as at 30 June 2017. The increase was mainly due to the increase in finished goods in transit, most of which were antennas line of products.

### ***Other investments (current assets)***

Other investments (current assets) increased by approximately RMB21.0 million or approximately 72.4% from approximately RMB29.0 million as at 31 December 2016 to approximately RMB50.0 million as at 30 June 2017. Other investments (current assets) as at 30 June 2017 represented the subscription of short term investment in a wealth management product with a duration of three months and annual yield of 4.23% commencing from 10 April 2017. Other investments (current assets) as at 31 December 2016, represented another wealth management product subscribed by the Group, was matured and redeemed in full during the Reporting Period. Please refer to the paragraph headed "(II) Discloseable Transaction during the Reporting Period" below.

### ***Trade receivables***

Trade receivables increased by approximately RMB259.4 million or approximately 50.4% from approximately RMB515.0 million as at 31 December 2016 to approximately RMB774.4 million as at 30 June 2017.

Average trade receivables turnover days were 141 days as at 30 June 2017, compared to 128 days as at 31 December 2016.

Nonetheless, most trade receivables balances were recent sales which were well within the average credit period given to our customers. As at 30 June 2017, approximately 83.6% of the trade receivables and bills receivable were within the credit period given as compared with that of approximately 88.7% as at 31 December 2016.

For amounts due more than six months and longer, these mainly pertain to final payment (upon project completion) owed by a number of PRC telecom operators. These outstanding balances relate to projects undertaken by these operators which have longer project completion dates than as initially anticipated. These operators have been the Group's long-term customers and the Group has been receiving regular payments from them. In view of the Group's long-standing dealings with them and the regular receipts it had obtained from these customers, the Group does not foresee any significant issue in the collection of these receivables.

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

#### ***Other receivables and prepayments (current assets)***

Other receivables and prepayments (current assets) slightly decreased by approximately RMB2.8 million or approximately 3.6% from approximately RMB78.6 million as at 31 December 2016 to approximately RMB75.8 million as at 30 June 2017. The decrease was mainly due to the decrease in advance payment to suppliers for the purchase of raw materials.

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

Cash and bank balances decreased by approximately RMB265.2 million or approximately 47.9% from approximately RMB554.2 million as at 31 December 2016 to approximately RMB289.0 million as at 30 June 2017, mainly due to the increase in trade receivables and inventories and the repayment of short term loans and net increase in other investments during the Reporting Period.

#### ***Other receivables (non-current assets)***

Other receivables (non-current assets) amounting to approximately RMB20.4 million as at 30 June 2017 pertains to the non-current portion of the loan to the Group's associate, Mianyang Xintong. During the Reporting Period, RMB2.5 million had been reclassified as other receivables (current assets).

#### ***Short term loans***

Short-term loans decreased to nil from approximately RMB27.0 million as at 31 December 2016 mainly due to the full repayment of borrowings during the Reporting Period.

#### ***Trade payables and other payables***

Trade payables increased by approximately RMB18.8 million or approximately 16.0% from approximately RMB118.2 million as at 31 December 2016 to approximately RMB137.0 million as at 30 June 2017.

Other payables decreased by approximately RMB10.9 million or approximately 15.4% from approximately RMB70.5 million as at 31 December 2016 to approximately RMB59.6 million as at 30 June 2017. The decrease was mainly due to the decrease in receipts in advance from customers and payments for accruals of bonus during the Reporting Period.

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

Income tax payable increased by approximately RMB0.8 million or approximately 14.1% from approximately RMB5.5 million as at 31 December 2016 to approximately RMB6.3 million as at 30 June 2017, mainly due to time differences in the payment of taxes in these periods.

### ***Deferred income***

Deferred income decreased by approximately RMB0.5 million or approximately 9.9% from approximately RMB5.2 million as at 31 December 2016 to approximately RMB4.7 million as at 30 June 2017. 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 operating income.

## **(II) DISCLOSEABLE TRANSACTION DURING THE REPORTING PERIOD**

On 10 April 2017, the Company announced the subscriptions of two wealth management products on 20 December 2016 and 10 April 2017, respectively, by Hengxin (Jiangsu), a wholly-owned subsidiary of the Company with GF Securities Co., Ltd. at the subscription amounts of RMB29 million and RMB50 million, respectively. For details of the two subscriptions of the wealth management products, please refer to the announcement of the Company dated 10 April 2017.

## **(III) LIQUIDITY, FINANCIAL RESOURCES**

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

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

The management of the Group monitors capital based on the Group's gearing ratio. The Group's gearing ratio is calculated as total liabilities divided by total equity.

	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2017</b>	<b>2016</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Total liabilities	<b>213,723</b>	231,870
Total equity	<b>1,454,869</b>	1,395,959
Total liabilities to equity (gearing) ratio (%)	<b>14.69</b>	<b>16.61</b>

As at 30 June 2017, there is no amount repayable in one year or less, or on demand (as at 31 December 2016: unsecured payables of approximately RMB27 million).

There is no amount repayable after one year.



**(IV) PROSPECTS (A COMMENTARY AT THE DATE OF THE REPORT 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)**

During 1H2017, the global economy witnessed a slow recovery amidst a decelerating rate of growth in global trade, while the domestic economy in China continued to experience a slowdown. On the telecommunications front, China underwent an unprecedented structural divergence. Whilst the demand for fibre-related communication products far exceeded supply, the demand for coaxial cables continued to decline given the significant adoption of optic fibre in replacement of copper-made cables.

Despite such conditions, revenue increased by approximately 17.1% in 1H2017 compared with the corresponding period last year, which was mainly attributable to the escalating industry competition in the market in which the Group traditionally operates in China, resulting in a more significant reduction in the bulk purchase prices of operators. In addition, copper prices have been consistently low, adversely affecting the sales revenue of the Group. Despite facing the abovementioned adverse business environment, during 1H2017 the Group has managed to boost its revenue from antennas, accessories and leaky cable by more than RMB205.7 million as compared with 1H2016. On overseas fronts, sales performance started to pick up after years of development. Overseas sales of the Group increased from approximately RMB87.7 million in 1H2016 to RMB127.0 million in 1H2017.

Against the backdrop of the above-mentioned adverse effects, the Group has strengthened its efforts in the development and marketing of new product offerings. Through strong technological and capital capabilities, and with strict and effective management supported by employees at all levels, the Group accelerated the development of new products with higher gross profit during 1H2017 as compared with 1H2016. Number of the successful antennas tenders increased over the corresponding period last year and a tender was secured in a recent 800M8 terminal base station antenna bidding exercise of a PRC telecom operator as the fourth highest bidder, with a tender amount of approximately RMB162.25 million. Shipment of high temperature resistant cables in 1H2017 increased by more than 120% compared with 1H2016, while leaky cables and tools generated approximately RMB80.88 million in 1H2017, representing a year-on-year growth of approximately 36.78%. As a result of these positive changes, the product offerings of the Group had gone through continuous optimisation, and net profit for the first half of 2017 improved over 1H2016.

Looking forward to the second half of the year, both the three major PRC telecom operators and the Group will face different challenges. The introduction of a new series of tariff reduction requirements has led to a significant shrinkage of investments of these operators. Meanwhile, China Unicom has commenced the trial of mixed ownership operation; equipment manufacturers are further promoting the improvement of general solutions; and there is increasing adoption of optic fibre to replace copper-made cables. At the same time, as China Mobile announced the upcoming prices for bidding exercise, the market demand and prices of RF coaxial cables are expected to continue to be sluggish, which poses mounting challenges to the Group.

Nonetheless, the Group is confident of our new product lines of leaky cables, antennas, high temperature resistant cables and 4310 component products developed in earlier years which have entered positive territory, which the Group believes would replace the gradual decline of our

coaxial cable products. As antennas continues to evolve into much smaller, intelligent systems, and the pre-commercial trial of 5G antennas, the antenna demand is likely to grow, adding fresh impetus to the development of the Group.

### **Directors' and chief executives' interests and short positions in shares and underlying shares and debentures**

As at 30 June 2017, 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 Stock Exchange of Hong Kong Limited (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:***

<b>Name of Directors</b>	<b>Capacity and nature of interests</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of the Company's issued share capital</b>
Mr. Cui Wei <sup>(1)</sup>	Deemed interest and interest in controlled corporation	90,294,662	23.27%
Ms. Zhang Zhong <sup>(2)</sup>	Deemed interest and interest in controlled corporation	28,082,525	7.24%
Mr. Du Xiping	Beneficial owner	11,468,000	2.96%

#### *Notes:*

- <sup>(1)</sup> 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.
- <sup>(2)</sup> Ms. Zhang Zhong beneficially owns the entire issued share capital of Wellahead Holdings Limited (“Wellahead”), and Wellahead in turn holds approximately 7.24% of the total issued shares in the Company.

Saved as disclosed above, as at 30 June 2017, 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' and other persons' interests in shares and underlying shares

As at 30 June 2017, insofar as is known to the Directors and chief executives of the Company, the following shareholders having interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

### *Long positions in the Company:*

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

#### *Notes:*

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

Saved as disclosed above, as at 30 June 2017, 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 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 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 share option scheme (the "Share Option Scheme") adopted by the Company at its extraordinary general meeting held on 27 October 2010.

## **(V) SUPPLEMENTAL INFORMATION**

### **1. Audit Committee and its Terms of Reference**

The Company's audit committee members are Mr. Tam Chi Kwan Michael, Mr. Cui Wei, Dr. Li Jun, Mr. Pu Hong and Ms. Zhang Zhong. The audit committee, which is chaired by Mr. Tam Chi Kwan Michael, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2017.

### **2. Compliance with Corporate Governance Code**

The Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2017.

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

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

### **4. Dividends**

No dividend has been recommended by the Company for the six months ended 30 June 2017.

### **5. Review of financial results**

The consolidated interim results of the Group for the six months ended 30 June 2017 have not been audited or reviewed by the Company's auditors.

### **6. Purchase, sales or redemption of the Company's securities**

During the Reporting Period, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the securities of the Company.

### **7. Employees and remuneration practices**

As at 30 June 2017, there were 951 (as at 31 December 2016: 966) 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 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 report.

### **8. Disclosure on the website of the Exchanges**

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

## (VI) SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 27 October 2010, as approved by its shareholders at the extraordinary general meeting held on the same date. The Share Option Scheme is valid and effective for a period of 10 years from 27 October 2010. It is a share incentive scheme and is established to provide the people and the parties working for the interests of the Group with an opportunity to obtain an equity interest in the Company, thus linking their interests with the Group's interest and providing them with an incentive to work better for the interest of the Group. Pursuant to the Share Option Scheme, the Board may, at its discretion, offer to grant an option to all Directors (whether executive or non-executive and whether independent or not), any employee (whether full time or part time) of the Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), who in the absolute opinion of the remuneration committee of the Company (the “**Remuneration Committee**”), has contributed to the Group. An option granted under the Share Option Scheme entitles the option holder to subscribe for a specific number of new ordinary shares in the Company.

The Share Option Scheme is administered by the Remuneration Committee which comprises:

Dr. Li Jun (*Chairman*)  
Mr. Cui Wei  
Mr. Tam Chi Kwan Michael  
Mr. Xu Guoqiang  
Mr. Pu Hong

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes must not in aggregate exceed 10% of the shares of the Company in issue on 27 October 2010 (i.e. 33,600,000 shares), representing approximately 8.66% of the total number of the issued shares of the Company as at 30 June 2017.

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

Pursuant to the Share Option Scheme, the option has an exercise price<sup>#</sup> per share determined with reference to the market price of the shares at the time of grant of the option. The consideration for the grant of an option is S\$1.00, payable to the Company within 28 days from the offer date (or such other period as the Remuneration Committee may determine). Options granted with the exercise price set at the market price shall only be exercised after the first anniversary but before the tenth anniversary of the date of grant of that option. The shares under option may be exercised in whole or in part on the payment of the relevant exercise price (provided that an option may be exercised in part only in respect of a board lot or any integral multiple thereof). Options granted will lapse when the option holder ceases to be a full-time employee of the Company or any company of the Group subject to certain exceptions at the discretion of the Remuneration Committee.

<sup>#</sup> *exercise price or subscription price shall be at least the highest of:*

- (i) the closing price of the shares as stated in the daily quotation sheet issued by SEHK or SGX-ST (whichever is higher) on the offer date, which must be a business day; and
- (ii) the average closing price of the shares as stated in the daily quotation sheet issued by SEHK or SGX-ST for the five consecutive business days immediately preceding the offer date (whichever is higher).

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

During the Reporting Period, no options to take up unissued shares of any subsidiary were granted and there were no shares of any subsidiary issued by virtue of the exercise of an option to take up unissued shares.

As at the end of the Reporting Period, there were no unissued shares of the Company or of any corporation in the Group under option.

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

17 August 2017

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