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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)
(Hong Kong Stock Code: 1085)

**ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2017
AND
RECOMMENDATION FOR
DECLARATION AND PAYMENT OF
FINAL DIVIDEND FOR 2017
AND
CLOSURE OF REGISTER OF MEMBERS**

FINANCIAL HIGHLIGHTS

1. Revenue increased by approximately 6.6% to approximately RMB1,633.3 million
2. Gross profit increased by approximately 9.4% to approximately RMB346.6 million
3. Gross profit margin increased by approximately 0.5 percentage point to approximately 21.2%
4. Net profit attributable to equity holders of the Company increased by approximately 14.2% to approximately RMB114.1 million
5. Basic earnings per share was RMB0.294
6. Proposed final dividend of RMB0.0294 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 2017 (the “**Reporting Period**”) together with the comparative figures for the corresponding period in 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	<i>Notes</i>	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Revenue	5	1,633,327	1,532,161
Cost of sales		<u>(1,286,701)</u>	<u>(1,215,379)</u>
Gross profit		346,626	316,782
Other income	6	22,576	25,798
Selling and distribution expenses		(101,228)	(108,328)
Administrative expenses		(58,011)	(53,116)
Other operating expenses		(66,722)	(53,262)
Finance costs	7	(62)	(1,479)
Share of losses of an associate, net of tax		<u>(8,153)</u>	<u>(4,936)</u>
Profit before income tax	8	135,026	121,459
Income tax expense	9	<u>(20,969)</u>	<u>(21,617)</u>
Net profit attributable to equity holders of the Company		114,057	99,842
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		(22,100)	22,300
Exchange differences arising from consolidation of foreign operations		(314)	511
Related tax		<u>3,315</u>	<u>(3,345)</u>
Total comprehensive income attributable to equity holders of the Company		<u>94,958</u>	<u>119,308</u>
Earnings per share attributable to equity holders of the Company			
Basic and diluted (<i>RMB</i>)	12	<u>0.294</u>	<u>0.257</u>
Dividends per share (<i>RMB</i>)	10	<u>0.0294</u>	<u>0.0257</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2017 RMB'000	2016 RMB'000
ASSETS			
Current assets			
Cash and bank balances		445,120	554,209
Pledged bank deposits		26,753	6,019
Other investment		50,000	29,000
Trade receivables	14	705,067	515,022
Other receivables and prepayment		56,967	78,634
Inventories		212,046	170,296
Leasehold land		1,355	1,355
Total current assets		<u>1,497,308</u>	<u>1,354,535</u>
Non-current assets			
Leasehold land		49,340	50,695
Other receivables		17,371	22,872
Associate		12,440	20,592
Other investments		10,847	32,947
Property, plant and equipment		139,710	146,112
Deferred tax assets		4,340	77
Total non-current assets		<u>234,048</u>	<u>273,295</u>
Total assets		<u>1,731,356</u>	<u>1,627,830</u>
LIABILITIES AND EQUITY			
Current liabilities			
Short term loans		—	27,000
Trade payables	15	139,350	118,170
Other payables		89,136	70,466
Income tax payable		12,049	5,527
Total current liabilities		<u>240,535</u>	<u>221,163</u>
NET CURRENT ASSETS		<u>1,256,773</u>	<u>1,133,372</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*As at 31 December*

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Non-current liabilities		
Deferred income	4,175	5,203
Deferred tax liabilities	<u>5,701</u>	<u>5,505</u>
Total non-current liabilities	<u>9,876</u>	<u>10,708</u>
TOTAL LIABILITIES	<u>250,411</u>	<u>231,871</u>
NET ASSETS	<u>1,480,945</u>	<u>1,395,959</u>
Equity attributable to equity holders of the Company		
Share capital	295,000	295,000
General reserves	217,391	200,601
Special reserve	(6,017)	(6,017)
Fair value reserve	170	18,955
Translation reserves	(1,117)	(803)
Accumulated profits	<u>975,518</u>	<u>888,223</u>
TOTAL EQUITY	<u>1,480,945</u>	<u>1,395,959</u>
TOTAL EQUITY AND LIABILITIES	<u>1,731,356</u>	<u>1,627,830</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

	2017 <i>RMB'000</i>	2016 <i>RMB'000</i>
Operating activities		
Profit before tax	135,026	121,459
Adjustments for:		
Share of losses of an associate, net of tax	8,153	4,936
Depreciation of property, plant and equipment	22,207	21,002
Amortisation of leasehold land	1,355	1,354
(Reversal of)/allowance for doubtful trade receivables	(1,045)	325
(Reversal of)/allowance for stock obsolescence	(335)	24
(Gain)/loss on disposal of property, plant and equipment	(58)	14
Interest expense	62	1,479
Interest income	(4,860)	(8,256)
Deferred income	—	(1,028)
Write-off of property, plant and equipment	3	—
Unrealised foreign exchange losses/(gains)	8,661	(9,773)
	<u>169,169</u>	<u>131,536</u>
Changes in:		
Inventories	(41,609)	(54,142)
Trade and other receivables	(161,907)	11,822
Trade and other payables	39,016	40,797
	<u>4,669</u>	<u>130,013</u>
Cash generated from operations	4,669	130,013
Interest received	4,860	8,256
Income tax paid	(15,199)	(17,774)
	<u>(5,670)</u>	<u>120,495</u>
Net cash (used in)/generated from operating activities	<u>(5,670)</u>	<u>120,495</u>
Investing activities		
Acquisition of property, plant and equipment	(16,195)	(16,582)
Acquisition of associate	—	(25,528)
Loans to the associate	—	(24,872)
Proceeds from disposal of property, plant and equipment	421	3,797
Acquisition of other investment	(21,000)	(29,000)
	<u>(36,774)</u>	<u>(92,185)</u>
Net cash used in investing activities	<u>(36,774)</u>	<u>(92,185)</u>

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)*For the year ended 31 December*

	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Financing activities		
Repayment of short-term bank loans	(27,000)	(118,274)
Proceeds from short-term bank loans	—	27,870
(Increase)/decrease in pledged bank deposits	(20,734)	13,158
Interest paid	(62)	(1,479)
Dividends paid	(9,972)	(11,524)
	<u>(57,768)</u>	<u>(90,249)</u>
Net cash used in financing activities	(57,768)	(90,249)
Net decrease in cash and cash equivalents	(100,212)	(61,939)
Effects of foreign exchange translation	(8,877)	10,241
Cash and cash equivalents at the beginning of the financial year	554,209	605,907
	<u>554,209</u>	<u>605,907</u>
Cash and cash equivalents at the end of the financial year	445,120	554,209
	<u>445,120</u>	<u>554,209</u>

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 2016	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	295,000	200,601	(6,017)	18,955	(803)	888,223	1,395,959
Total comprehensive income for the year							
Profit for the year	—	—	—	—	—	114,057	114,057
Other comprehensive income for the year	—	—	—	(18,785)	(314)	—	(19,099)
Total	—	—	—	(18,785)	(314)	114,057	94,958
Transactions with owners, recognised directly in equity							
Dividends paid	—	—	—	—	—	(9,972)	(9,972)
Total transactions with owners of the Company	—	—	—	—	—	(9,972)	(9,972)
Transfer to reserves	—	16,790	—	—	—	(16,790)	—
Balance at 31 December 2017	<u>295,000</u>	<u>217,391</u>	<u>(6,017)</u>	<u>170</u>	<u>(1,117)</u>	<u>975,518</u>	<u>1,480,945</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 listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “SEHK”) and subsequent to the proposal for delisting announced by the Company on 24 October 2017, the Company was delisted from the Main Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) on 5 February 2018. 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 2017.

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 2016.

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 2017.

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 2017.

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**”)
- Telecommunications equipment and accessories (“**Accessories**”)
- Manufacturing and sale of antennas (“**Antennas**”)
- Others (includes 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 year ended 31 December 2017. As for the year ended 31 December 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 years ended 31 December 2017 and 2016 and have therefore been combined.

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

	Reportable segments					Total RMB'000
	Radio frequency coaxial cables RMB'000	Telecom- munication equipment and accessories RMB'000	Antennas RMB'000	Total reportable segments RMB'000	All other segments RMB'000	
Group						
Year ended 31 December 2017						
Revenue	952,553	441,687	205,463	1,599,703	33,624	1,633,327
Segment profit before tax (Note 1)	71,909	67,524	5,400	144,833	1,210	146,043
Interest income	2,832	1,313	611	4,756	100	4,856
Finance costs	(36)	(17)	(8)	(61)	(1)	(62)
Amortisation of lease prepayment	(790)	(366)	(170)	(1,326)	(28)	(1,354)
Reversal of stock obsolescence	—	—	335	335	—	335
Depreciation expense	(12,945)	(6,003)	(2,792)	(21,740)	(457)	(22,197)
Segment assets as at						
31 December 2017 (Note 2)	1,002,959	465,059	216,336	1,684,354	35,404	1,719,758
Capital expenditure (Note 3)	9,424	4,370	2,033	15,827	332	16,159
Segment liabilities as at						
31 December 2017 (Note 2)	145,132	67,296	31,305	243,733	5,123	248,856

	Reportable segments					Total RMB'000
	Radio frequency coaxial cables RMB'000	Telecom- munication equipment and accessories RMB'000	Antennas RMB'000	Total reportable segments RMB'000	All other segments RMB'000	
Group						
Year ended 31 December 2016						
Revenue	1,050,555	376,303	1,426,858	105,303	1,532,161	
Segment profit before tax (Note 1)	52,643	57,564	110,207	8,018	118,225	
Interest income	5,661	2,028	7,689	567	8,256	
Finance costs	(1,014)	(363)	(1,377)	(102)	(1,479)	
Amortisation of lease prepayment	(929)	(332)	(1,261)	(93)	(1,354)	
Allowance of stock obsolescence	—	—	—	(24)	(24)	
Depreciation expense	(14,395)	(5,156)	(19,551)	(1,442)	(20,993)	
Segment assets as at						
31 December 2016 (Note 2)	1,112,099	398,348	1,510,447	111,472	1,621,919	
Capital expenditure (Note 3)	11,370	4,072	15,442	1,140	16,582	
Segment liabilities as at						
31 December 2016 (Note 2)	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

	Group	
	For the year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Profit before tax		
Total profit before tax for reportable segments	144,833	110,207
Profit before tax for other segments	1,210	8,018
Unallocated amounts:		
— Other income	7,594	17,542
— Other expenses (<i>Note 4</i>)	(863)	(832)
— Share of losses of an associate	(8,153)	(4,936)
— Other unallocated amounts	(9,595)	(8,540)
	135,026	121,459

	Group	
	As at	
	31 December	31 December
	2017	2016
	RMB'000	RMB'000
Assets		
Total assets for reportable segments	1,684,354	1,510,447
Assets for other segments	35,404	111,472
Other unallocated amounts (<i>Note 5</i>)	<u>11,598</u>	<u>5,911</u>
Consolidated total assets	<u><u>1,731,356</u></u>	<u><u>1,627,830</u></u>
Liabilities		
Total liabilities for reportable segments	243,733	214,574
Liabilities for other segments	5,123	15,836
Other unallocated amounts (<i>Note 5</i>)	<u>1,555</u>	<u>1,461</u>
Consolidated total liabilities	<u><u>250,411</u></u>	<u><u>231,871</u></u>

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	Adjustments	Consolidated totals
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
For the year ended 31 December 2017			
Depreciation expense	<u>22,197</u>	<u>10</u>	<u>22,207</u>
For the year ended 31 December 2016			
Depreciation expense	<u>20,993</u>	<u>9</u>	<u>21,002</u>

Geographical segment

The geographical regions of the customers of the Group principally comprise the People's Republic of China ("PRC"), India and other countries.

The geographic information analyses the Group's revenue and non-current assets by the Company's country of domicile and other countries. In presenting the geographic information, segment revenue is based on the geographic location of customers and segment assets are based on the geographic location of the assets.

	Revenue from external customer		Non-current assets*	
	For the year ended		As at	
	31 December		31 December	31 December
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
People's Republic of China	1,399,456	1,355,403	217,508	241,260
India	74,086	80,815	1,339	3
Others	159,785	95,943	14	8
Total	<u>1,633,327</u>	<u>1,532,161</u>	<u>218,861</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 year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Sales of goods:		
— Radio frequency coaxial cables	952,553	1,050,555
— Telecommunication equipment and accessories	441,687	376,303
— Antennas	205,463	76,745
— Others	33,615	28,359
Service income	9	199
Total	<u>1,633,327</u>	<u>1,532,161</u>

6. OTHER INCOME

	For the year ended 31 December	
	2017	2016
	RMB'000	RMB'000
Interest income	4,860	8,256
Government grants	14,775	6,688
Net foreign exchange gains	—	6,051
Rental income	23	2,857
Compensation claims received	691	669
Others	2,227	1,277
Total	<u>22,576</u>	<u>25,798</u>

7. FINANCE COSTS

For the year ended 31 December
2017 2016
RMB'000 *RMB'000*

Interest on short term bank borrowings	<u>62</u>	<u>1,479</u>
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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
2017 2016
RMB'000 *RMB'000*

Cost of inventories recognised as expense (including effect of allowance of inventory obsolescence)	1,286,366	1,215,404
Depreciation of property, plant and equipment	22,207	21,002
Amortisation of leasehold land	1,355	1,354
(Reversal of)/allowance for doubtful trade receivables	(1,045)	325
Auditors' remuneration	1,315	1,488
Employee benefits expense	120,978	122,673
Cost of defined contribution plans	7,146	5,216
Directors' fees — directors of the Company	1,611	1,590
Directors' remuneration:		
Directors of the Company	2,147	1,944
Directors of the subsidiaries	<u>—</u>	<u>3</u>
Total staff costs	<u>131,882</u>	<u>131,426</u>
Research and development expenses (included in other operating expenses)	55,737	52,430
Net foreign exchange gains	—	(6,051)
Net foreign exchange losses	10,122	—
Loss on disposal of property, plant and equipment	<u>24</u>	<u>14</u>

9. INCOME TAX EXPENSE

For the year ended 31 December
2017 2016
RMB'000 *RMB'000*

Current	21,845	20,780
Over provision of current tax in prior years	(1,612)	(80)
Deferred tax expense	<u>736</u>	<u>917</u>
	<u>20,969</u>	<u>21,617</u>

The Company is incorporated in Singapore and is subject to income tax rate of 17% for the year ended 31 December 2017 (2016: 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 2017 is 25% (2016: 25%). As it had previously been given the High-Tech Enterprise Award status, the applicable effective tax rate is 15% (2016: 15%) based on PRC Enterprise Income Tax laws. In 2017, the subsidiary renewed the status to enjoy a further three financial years starting from 7 December 2017.

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

	2017 <i>RMB’000</i>	2016 <i>RMB’000</i>
Proposed final tax-exempt cash dividend of RMB0.0294 (2016: RMB0.0257) per ordinary share	<u>11,407</u>	<u>9,972</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 2016 and 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

GROUP	Year ended	
	31 December 2017	31 December 2016
Earning per share (<i>RMB</i>)		
— Basic	<u>0.294</u>	<u>0.257</u>
— Diluted	<u>0.294</u>	<u>0.257</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

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 2016 and 2017.

13. PROPERTY, PLANT AND EQUIPMENT

During the financial year ended 31 December 2017, the Group's capital expenditure was approximately RMB16.2 million (2016: RMB16.6 million).

14. TRADE RECEIVABLES

	As at 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	634,686	463,781
Allowance for doubtful trade receivables	<u>(13,393)</u>	<u>(14,438)</u>
Sub-total	621,293	449,343
Notes receivable	<u>83,774</u>	<u>65,679</u>
Total	<u><u>705,067</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 based on the invoice date, net of allowance for doubtful debts at the end of the reporting period, is as follows:

	As at 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Not past due	607,492	469,456
1 to 90 days	59,732	28,108
91 to 180 days	28,184	13,819
Over 180 days	<u>9,659</u>	<u>3,639</u>
	<u><u>705,067</u></u>	<u><u>515,022</u></u>

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

	As at 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January	14,438	14,113
Allowance for the year	—	325
Reversal to profit and loss	(1,045)	—
	<u>13,393</u>	<u>14,438</u>
At 31 December	<u><u>13,393</u></u>	<u><u>14,438</u></u>

15. TRADE PAYABLES

	As at 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables — Outside parties	<u>139,350</u>	<u>118,170</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 based on the invoice date are as follows:

	As at 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	135,635	117,519
91 to 180 days	2,013	9
181 to 360 days	547	—
Over 360 days	<u>1,155</u>	<u>642</u>
	<u><u>139,350</u></u>	<u><u>118,170</u></u>

16. NET ASSET VALUE

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

	Group	
	As at 31 December 2017	As at 31 December 2016
Net Assets (<i>RMB'000</i>)	1,480,945	1,395,959
Number of ordinary shares (<i>'000</i>)	<u>388,000</u>	<u>388,000</u>
Net Asset Value per ordinary share (<i>RMB</i>)	<u><u>3.82</u></u>	<u><u>3.60</u></u>

17. RELATED PARTY TRANSACTIONS

(a) Transactions

	Year ended 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Sale of finished goods	6,767	204
Purchase of raw materials	<u>43,985</u>	<u>26,817</u>

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	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Short term benefits	7,021	6,306
Retirement benefits scheme contributions	<u>137</u>	<u>125</u>
Total	<u>7,158</u>	<u>6,431</u>

18. DONATIONS & CAPITAL COMMITMENTS

	As at 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for:		
Property, plant and equipment	868	8,451
Donation commitment	<u>4,500</u>	<u>5,000</u>
Total	<u>5,368</u>	<u>13,451</u>

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

	As at 31 December	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	989	943
In the second to fifth years inclusive	<u>341</u>	<u>759</u>
	<u><u>1,330</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

Year-on-year performance — 12 months ended 31 December 2017

Revenue

The Group's revenue for the financial year ended 31 December 2017 (“**FY2017**” or the “**Reporting Period**”) increased by approximately RMB101.2 million, or approximately 6.6% from approximately RMB1,532.2 million in the previous financial year ended 31 December 2016 (“**FY2016**”) to approximately RMB1,633.3 million in FY2017.

RF Coaxial Cables

Revenue generated from the segment of RF Coaxial Cables decreased by approximately RMB98.0 million or approximately 9.3% from approximately RMB1,050.6 million in FY2016 to approximately RMB952.6 million in FY2017.

Included in the segment revenue of RF Coaxial Cables are the revenue from leaky cables of approximately RMB93.7 million for FY2017, representing an increase of approximately RMB37.5 million or 66.6% from approximately RMB56.2 million in FY2016. Leaky cables are a special coaxial cables commonly used for the tunnels and underground mobile communication in mass transit railways and thus normally have higher gross profit margins than other RF Coaxial Cables products.

Telecommunication equipment and accessories

Revenue generated from the segment of telecommunication equipment and accessories increased by approximately RMB65.4 million or approximately 17.4% from approximately RMB376.3 million in FY2016 to approximately RMB441.7 million in FY2017.

Antennas

Antennas has been separately classified as a reportable segment for FY2017, as it has met the quantitative threshold for determining reportable segments during FY2017. Revenue generated from antennas during FY2017 was approximately RMB205.5 million and the revenue of antennas during FY2016 included in the other segment was approximately RMB76.7 million, representing an increase of approximately 167.9%.

Others (HTRC and antennas testing services)

Revenue generated in this segment increased by approximately RMB5.0 million or approximately 17.5% from approximately RMB28.6 million during FY2016 (after excluding the revenue from Antennas of approximately RMB76.7 million as included in the others segment) to approximately RMB33.6 million during FY2017, of which the increase was mainly attributable to the increase in sales of HTRC during FY2017.

Gross profit margin

The Group achieved an overall gross profit margin of approximately 21.2% during FY2017 compared to approximately 20.7% during FY2016, representing an increase of 0.5 percentage point year-on-year. The higher than average gross profit margin for the product line of leaky cables in FY2017 of 24.3% has lifted the overall gross profit margin of the Group. Despite facing intense market competition, gross profit margin of RF Coaxial Cables has managed to increase by 1.7 percentage point from FY2016's 15.5% to 17.2% in FY2017. 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 income

Other income decreased by approximately RMB3.2 million or approximately 12.5% from approximately RMB25.8 million in FY2016 to approximately RMB22.6 million in FY2017. The decrease primarily arose from the following factors:

- (i) decrease in interest income earned;
- (ii) decrease in rental income earned from the lease of the Group's testing facilities;
- (iii) increase in government grants received; and
- (iv) the change from net foreign exchange gains in FY2016 to net foreign exchange losses in FY2017.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RMB7.1 million or approximately 6.6% from approximately RMB108.3 million in FY2016 to approximately RMB101.2 million in FY2017 due to the decrease in salary expenses as a result of the decrease in headcount of the Group and tightened marketing efforts during FY2017.

Administrative expenses

Administrative expenses increased by approximately RMB4.9 million or approximately 9.2% from approximately RMB53.1 million in FY2016 to approximately RMB58.0 million in FY2017. This is due to:

- (i) a general increase in salary costs during the Reporting Period;
- (ii) a general increase in office administration expenses; and
- (iii) a reversal of allowance for doubtful trade receivables in FY2017 instead of the additional allowance for doubtful trade receivables in FY2016.

Other operating expenses

Other operating expenses increased by approximately RMB13.4 million or approximately 25.1% from approximately RMB53.3 million in FY2016 to approximately RMB66.7 million in FY2017. The increase is due to the moderate increase in research and development (“**R&D**”) expenses incurred from continuing R&D activities undertaken for the modifications and improvements to the Group’s products and the net foreign exchange losses of approximately RMB10.1 million incurred in FY2017.

Share of losses of an associate

During the FY2016, 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, “**Mianyang Xintong**”). The amount of approximately RMB8.2 million represents the Group’s proportionate share of the losses incurred by Mianyang Xintong (after tax) recognised during FY2017.

Finance costs

Finance costs decreased by approximately RMB1.4 million or approximately 93.3% from approximately RMB1.5 million in FY2016 to approximately RMB0.1 million in FY2017 as the Group has repaid its interest bearing borrowings during the Reporting Period.

Profit before income tax

Profit before income tax increased by approximately RMB13.5 million or approximately 11.1% from approximately RMB121.5 million in FY2016 to approximately RMB135.0 million in FY2017.

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 for a further three years commencing 7 December 2017.

Income tax expense decreased by approximately RMB0.6 million or approximately 2.8% from approximately RMB21.6 million in FY2016 to approximately RMB21.0 million in FY2017, 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 increased approximately RMB14.3 million or approximately 14.3% from approximately RMB99.8 million in FY2016 compared to approximately RMB114.1 million in FY2017.

STATEMENT OF FINANCIAL POSITION

Material fluctuations of balance sheet items are explained below:

Pledged bank deposits

Pledged bank deposits increased by approximately RMB20.8 million or approximately 346.7% from approximately RMB6.0 million as at 31 December 2016 to approximately RMB26.8 million as at 31 December 2017, mainly due to the security deposits of approximately RMB15.8 million relating to the commodity future contracts entered for hedging the purchase of raw materials during the last quarter of FY2017.

Trade receivables

Trade receivables increased by approximately RMB190.1 million or approximately 36.9% from approximately RMB515.0 million as at 31 December 2016 to approximately RMB705.1 million as at 31 December 2017.

Average trade receivables turnover days were 139 days as at 31 December 2017 compared to 128 days as at 31 December 2016. The slight increase in trade receivables turnover by approximately 11 days was due to the increase of sales in December 2017 of approximately 13% compared to that of December 2016, hence increasing the turnover days. Although the collection of trade receivables from certain customers of the Group had been stretched longer as some adopted the

payment by bank bills of exchange which had a longer period of maturity, the Group focused on other collections to mitigate the longer turnover effects by certain customers as mentioned above.

Nonetheless, most of the trade receivables balances were recent sales which were within the average credit period given to the Group's customers. As at 31 December 2017, approximately 86.16% of the trade receivables and bills receivable were within the credit period given as compared with that of approximately 91.15% as at 31 December 2016.

For amounts due more than six months and longer, they 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 dates 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.

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) decreased by approximately RMB21.6 million or approximately 27.5% from approximately RMB78.6 million as at 31 December 2016 to approximately RMB57.0 million as at 31 December 2017. The decrease was mainly due to the decrease in advance payment to suppliers for the purchase of raw materials and offset by the increase in prepaid sales tax and value-added-tax and reclassification of current portion from non-current portion of the loan to the Group's associate, Mianyang Xintong.

Inventories

Inventories (comprising raw materials, work-in-progress and finished goods) increased by approximately RMB41.7 million or approximately 24.5% from approximately RMB170.3 million as at 31 December 2016 to approximately RMB212.0 million as at 31 December 2017. The increase was mainly due to the increase in finished goods in transit, most of which were RF Coaxial Cables and Antennas.

Other investments (non-current and current assets)

Other investments (non-current assets) decreased by approximately RMB22.1 million or approximately 67.2% from approximately RMB32.9 million as at 31 December 2016 to approximately RMB10.8 million as at 31 December 2017. The decrease was mainly due to the downward revaluation of an equity investment held by the Group.

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 31 December 2017. Other investments (current assets) as at 31 December 2017 represented the subscription of short term investment in a wealth management product with a duration of six months and annual yield of 4.60% commencing from 31 July 2017. Other investments (current assets) as at 31 December 2016 represented another wealth management product subscribed by the Group which was matured and redeemed in full during the Reporting Period. Please refer to the paragraph headed “Discloseable Transaction during the Reporting Period” below.

Property, plant and equipment

Property, plant and equipment decreased by approximately RMB6.4 million or approximately 4.4% from approximately RMB146.1 million as at 31 December 2016 to approximately RMB139.7 million as at 31 December 2017. The decrease was mainly due to normal charges of depreciation, which was slightly offset by additions during FY2017.

Other receivables (non-current assets)

Other receivables (non-current assets) amounting to approximately RMB17.4 million as at 31 December 2017 pertains to the non-current portion of the loan to the Group’s associate, Mianyang Xintong. During the Reporting Period, RMB9.18 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 due to the full repayment of short-term loans during the Reporting Period.

Trade payables and other payables

Trade payables increased by approximately RMB21.2 million or approximately 17.9% from approximately RMB118.2 million as at 31 December 2016 to approximately RMB139.4 million as at 31 December 2017. 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 RMB18.6 million or approximately 26.4% from approximately RMB70.5 million as at 31 December 2016 to approximately RMB89.1 million as at 31 December 2017, due to the higher bonus accruals for FY2017.

Income tax payable

Income tax payable increased by approximately RMB6.5 million or approximately 118.2% from RMB5.5 million as at 31 December 2016 to approximately RMB12.0 million as at 31 December 2017. 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 19.2% from approximately RMB5.2 million as at 31 December 2016 to approximately RMB4.2 million as at 31 December 2017. 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.

Cash and bank balances

Cash and bank balances decreased by approximately RMB109.1 million or approximately 19.7% from approximately RMB554.2 million as at 31 December 2016 to approximately RMB445.1 million as at 31 December 2017. The decrease is mainly due to an increase in trade receivables and inventory levels, the repayment of short-term loans and net increase in other investments during the Reporting Period.

(II) DELISTING FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

On 24 October 2017, the Company has received a confirmation from the SGX-ST that it has no objection to the proposed delisting (the “**Delisting**”) of the shares of the Company (the “**Shares**”) from SGX-ST. The proposed Delisting will result in the Shares being removed from the official list of the SGX-ST. After the Delisting, Shares will only be traded on the SEHK. Shareholders’ voting rights and entitlement to dividends will not be affected by the Delisting. The Delisting has been completed on 5 February 2018. For details of the Delisting, please refer to the announcements of the Company dated 24 October 2017, 6 November 2017, 20 November 2017, 4 December 2017, 18 December 2017, 18 January 2018 and 1 February 2018 respectively.

(III) DISCLOSEABLE TRANSACTIONS DURING THE REPORTING PERIOD

On 20 December 2016 and 10 April 2017, Hengxin (Jiangsu) subscribed for the wealth management product with GF Securities Co., Ltd. (an independent third party) at the subscription amounts of RMB29 million (equivalent to approximately HK\$32.48 million) and RMB50 million (equivalent to approximately HK\$56 million) for a term of three months, respectively as funded by the Group’s internal resources. The wealth management product under the first subscription entered on 20 December 2016 and the second subscription entered on 10 April 2017 have matured on 20 March 2017 and 10 July 2017 respectively, and the principal and investment income have been collected.

On 31 July 2017, Hengxin (Jiangsu) subscribed for the wealth management product with GF Securities Co., Ltd. for the third time at the subscription amount of RMB50 million (equivalent to approximately HK\$58 million) for a term of three months. The third subscription wealth management product has matured in 2018 and the principal and investment income have been collected.

For details of the first, second and third subscriptions for the wealth management product, please refer to the announcements of the Company dated 10 April 2017 and 31 July 2017 respectively (the “**Subscriptions**”).

During the FY2017, the Group recorded an investment income of approximately RMB1.6 million from the Subscriptions. The Group invests in low risk investment products as per our strategic development needs with our working capital. In terms of cash management policy, the Group intends to invest only in short-term and low-risk investment products with a view to balance investment return and liquidity such as time deposits, bonds, fixed income funds or other fixed income products in future. The wealth management product offers better returns to the Company as compared to the fixed-term deposit interest rates offered by commercial banks in the PRC. The Subscriptions will not affect the Group’s operational liquidity while enhancing the use of the surplus working capital of the Company.

(IV) 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	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash borrowings	(445,120)	(527,209)
Total equity	1,480,945	1,395,959
Net debt to equity ratio (%)	<u>(30.06)</u>	<u>(37.77)</u>

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

As at 31 December 2017		As at 31 December 2016	
Secured	Unsecured	Secured	Unsecured
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
—	—	—	27,000

There is no amount repayable after one year.

(V) 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)

During 2017, the general economy of China continued to grow at a moderate pace, while the industry value-add continued to hover at a low level. The global economy witnessed a slow recovery and the amount of investment in China's telecommunications industry remained stable. At the same time, the process of structural divergence continued. Although the demand for fibre-related products far exceeded supply, the demand for coaxial cables continued to decline as a result of the significant adoption of optic fibre in replacement of copper-made cables.

Nonetheless, given that our new product lines of leaky cables, Antennas, HTRC and 4310 component products developed in earlier years have entered into positive development stage, the Company believes that it will replace the decline of the coaxial cable products. As the global trend of antennas continues to evolve into much smaller and intelligent systems with the pre-commercial trial of 5G antennas, the antenna demand is likely to grow, adding fresh impetus to the development of the Group.

In 2018, the Company will focus on strengthening its existing market position, step up product optimization and actively expand to overseas markets and its key customers. In preparation for the arrival of the 5G communication era. In respect of high temperature resistant cable and assembly product projects, we will make use of water-proof solutions and high temperature assembly solutions to cater for various harsh application environment of the IoT and facilitate the sales model of low loss cable and cable + assembly to boost the market share of this kind of products.

With regard to antenna project, while the development and mass production of the antenna series for mobile NB-IoT projects are completed, we will facilitate the development of base station antenna for future and overseas customers and conduct R&D of multi-modulation and standard antenna (TDD+FDD+19NB-IOT), multi-frequency and ultra-wideband antenna, multi-beam antenna, small cell antenna and SARFT 700M low frequency antenna. For leaky cable market, in response to the development of unmanned underground railway, we will develop products such as leaky cable for unmanned operation and broadband leaky cable and conduct pre-research for products such as waveguide leaky cable and leaky cable for LTE low frequency. Extensive promotion will be arranged for the application of leaky cable online monitoring system in subway. R&D of antenna and related accessories and products will be further enhanced and the Company's competitive edge in coaxial cable soldering will be fully utilised in the research and development for HFC wrinkles brass high temperature cable assembly. For high-end overseas customers, water-proof and peck-proof assembly products, high intermodulation, quick installation assembly products will be developed and launched to achieve differentiation of the Company's products and high-end development.

In 2018, telecom operators in China are expected to continue to expand their 4G network construction, and on this basis the Company will not be materially affected during this period. Looking ahead, the Company will commence product transformation based on the technological requirements of 5G by developing and manufacturing a series of ultra-high-speed communications products. The transformation and development of the Company will come along with risks and opportunities.

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

As at 31 December 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 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	92,628,662	23.87%
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 23.87% of the total issued shares in the Company. As disclosed in the announcement of the Company dated 13 December 2017, during FY2017, Mr. Cui Wei has acquired a total of 2,334,000 ordinary shares of the Company in November 2017 and December 2017 through Kingever.
- (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 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' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, 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	92,628,662	23.87%
Mr. Cui Wei ⁽¹⁾	Deemed interest and interest in controlled corporation	92,628,662	23.87%
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 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 Part XV of the SFO.

(VII) 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.

(VIII) 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, if any, 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 2017.

3. Employees and Remuneration Policies

As at 31 December 2017, there were 927 (31 December 2016: 966) 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 2017, 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 2017.

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 2017.

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 2017 annual general meeting of the Company will be held on 27 April 2018 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 2017 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:	Final
Dividend Type:	Cash
Dividend Rate:	RMB0.0294 per share
Number of shares:	388,000,000
Total amount:	RMB11,407,200

(b) Dividend recommended for FY2016

Name of Dividend:	Final
Dividend Type:	Cash
Dividend Rate:	RMB0.0257 per share
Number of shares:	388,000,000
Total amount:	RMB9,971,600

(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, 27 April 2018, the final dividend for the Reporting Period will be distributed on or about Monday, 28 May 2018 to shareholders whose names appear on the Company's register of members on Tuesday, 15 May 2018 (the record date).

(d) Book closure date

In order to determine the entitlement to the proposed final dividend for the Reporting Period (subject to the approval by the shareholders at the forthcoming annual general meeting), the Company's register of members will be closed on Tuesday, 15 May 2018, on which date no transfer of shares will be registered. In order to qualify for the proposed final dividend for the Reporting Period, 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 registered 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 registered in Hong Kong) not later than 4:30 p.m. on Monday, 14 May 2018. Any removal of shares of the Company from the Company's Principal Share Registrar in Singapore to the Branch Share Registrar in Hong Kong shall be made not later than 4:30 p.m. on Thursday, 3 May 2018.

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

For the year ended 31 December 2017, 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 SEHK and the Company

This announcement shall be published on the website of 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, 9 March 2018

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*