HENGXIN TECHNOLOGY
亨鑫科技

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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

1. Revenue for the six months ended 30 June 2018 decreased by approximately RMB38.8 million or 4.6% to approximately RMB814.0 million
2. Gross profit increased by approximately RMB4.2 million or 2.3% to approximately RMB187.5 million
3. Net profit attributable to owners of the Company increased by approximately RMB2.5 million or 3.7% to approximately RMB71.1 million
4. Basic earnings per share was approximately RMB0.183
5. No payment of interim dividend for the six months ended 30 June 2018 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 2018 together with the comparative figures for the corresponding period in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
For the six months ended 30 June ("1H")

	Notes	**1H2018** ***RMB'000*** **(unaudited)**	1H2017 *RMB'000* (unaudited)
Revenue	5	**814,009**	852,820
Cost of sales		**(626,483)**	(669,449)
Gross profit		**187,526**	183,371
Other operating income	6	**13,048**	11,394
Selling and distribution expenses		**(53,603)**	(51,639)
Administrative expenses		**(25,619)**	(30,269)
Other operating expenses		**(36,318)**	(30,774)
Other net loss		**(1,280)**	—
Operating profit	7	**83,754**	82,083
Interest expense		**—**	(62)
Share of loss of an associate, net of tax		**(1,278)**	(1,485)
Profit before tax	8	**82,476**	80,536
Income tax expense	9	**(11,382)**	(11,978)
Net profit attributable to owners of the Company		**71,094**	68,558
Other comprehensive income			
Items that may be classified subsequently classified to profit or loss:			
Foreign operations — foreign currency translation differences		**(649)**	324
Total comprehensive income attributable to owners of the Company		**70,445**	68,882
Earnings per share attributable to owners of the Company	12		
Basic *(RMB)*		**0.183**	0.177
Diluted *(RMB)*		**0.183**	0.177
Dividends per share *(RMB)*	10	**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 June	31 December
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	**131,699**	139,710
Investment properties		**4,946**	—
Lease prepayment		**48,663**	49,340
Trade and other receivables		**13,872**	17,371
Associate		**11,162**	12,440
Other investments		**10,847**	10,847
Deferred tax assets		**4,506**	4,340
Total non-current assets		**225,695**	234,048
Current assets			
Lease prepayment		**1,355**	1,355
Inventories		**179,995**	212,046
Other investments		**—**	50,000
Trade and bills receivables	14	**903,958**	705,067
Other receivables		**75,000**	56,967
Cash and cash equivalents		**369,453**	471,873
Total current assets		**1,529,761**	1,497,308
TOTAL ASSETS		**1,755,456**	1,731,356
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables	15	**126,359**	139,350
Other payables		**70,188**	89,136
Income tax payable		**9,174**	12,049
Total current liabilities		**205,721**	240,535
NET CURRENT ASSETS		**1,324,040**	1,256,773

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Note	As at **30 June 2018** ***RMB'000*** **(unaudited)**	 31 December 2017 *RMB'000* (audited)
Non-current liabilities			
Deferred income		**3,660**	4,175
Deferred tax liabilities		**6,092**	5,701
Total non-current liabilities		**9,752**	9,876
TOTAL LIABILITIES		**215,473**	250,411
NET ASSETS		**1,539,983**	1,480,945
Equity attributable to owners of the Company			
Share capital	11	**295,000**	295,000
General reserves		**217,391**	217,391
Special reserve		**(6,017)**	(6,017)
Fair value reserve		**170**	170
Translation reserves		**(1,766)**	(1,117)
Accumulated profits		**1,035,205**	975,518
TOTAL EQUITY		**1,539,983**	1,480,945
TOTAL EQUITY AND LIABILITIES		**1,755,456**	1,731,356

STATEMENT OF FINANCIAL POSITION — COMPANY LEVEL

	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
ASSETS		
Non-current assets		
Property, plant and equipment	**15**	14
Trade and other receivables	**—**	23,802
Subsidiaries	**392,544**	396,385
Total non-current assets	**392,559**	420,201
Current assets		
Trade and other receivables	**30,193**	15,303
Cash and bank balances	**7,394**	11,281
Total current assets	**37,587**	26,584
TOTAL ASSETS	**430,146**	446,785
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	**1,038**	1,555
Total current liabilities	**1,038**	1,555
NET CURRENT ASSETS	**36,549**	25,059
TOTAL LIABILITIES	**1,038**	1,555
NET ASSETS	**429,108**	445,230
Equity attributable to owners of the Company		
Share capital	**295,000**	295,000
Accumulated profits	**134,108**	150,230
TOTAL EQUITY	**429,108**	445,230
TOTAL EQUITY AND LIABILITIES	**430,146**	446,785

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June

	1H 2018 ***RMB'000*** **(unaudited)**	1H 2017 *RMB'000* (unaudited)
Operating activities		
Profit before tax	**82,476**	80,536
Adjustments for:		
Depreciation of property, plant and equipment	**11,819**	11,199
Amortisation of lease prepayment	**677**	677
Reversal of allowance for doubtful trade receivables	**—**	(1,045)
Write-down of inventory	**97**	1,415
Net gains on disposal of property, plant and equipment	**(24)**	(54)
Finance costs	**—**	62
Interest income	**(3,191)**	(2,035)
Share of loss of an associate, net of tax	**1,278**	1,485
Investment income	**(1,348)**	(272)
Unrealised foreign exchange (gains)/losses	**(2,335)**	2,303
	89,449	94,271
Changes in:		
Trade receivables	**(200,284)**	(258,359)
Other receivables and prepayments	**(14,920)**	5,295
Inventories	**30,856**	(36,259)
Trade payables	**(10,820)**	18,843
Other payables	**(19,316)**	(11,344)
Cash used in operating activities	**(125,035)**	(187,553)
Interest paid	**—**	(62)
Interest income received	**3,191**	2,035
Income tax paid	**(14,033)**	(11,279)
Net cash outflow from operating activities	**(135,877)**	(196,859)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
For the six months ended 30 June

	1H 2018 *RMB'000* **(unaudited)**	1H 2017 *RMB'000* (unaudited)
Investing activities		
Acquisition of property, plant and equipment	**(8,839)**	(9,107)
Proceeds from disposal of property, plant and equipment	**39**	359
Acquisition of other investments	**—**	(50,000)
Proceeds from disposal of other investments	**51,348**	29,272
Net cash inflow/(outflow) from investing activities	**42,548**	(29,476)
Financing activities		
Repayment of short-term bank loans	**—**	(27,000)
Increase in pledged bank deposits	**2,509**	163
Dividends paid	**(11,407)**	(9,972)
Net cash outflow from financing activities	**(8,898)**	(36,809)
Net decrease in cash and cash equivalents	**(102,227)**	(263,144)
Effects of movements in exchange rates on cash held	**2,316**	(2,025)
Cash and cash equivalents at the beginning of the period	**445,120**	554,209
Cash and cash equivalents at the end of the period	**345,209**	289,040

STATEMENT OF CHANGES IN EQUITY

Consolidated Statement of Changes in Equity for the six months ended 30 June 2018

GROUP — *RMB'000*	**Share capital**	**General reserves**	**Special reserve**	**Fair value reserve**	**Translation reserves**	**Accumulated profits**	**Total**
Balance at 1 January 2018	**295,000**	**217,391**	**(6,017)**	**170**	**(1,117)**	**975,518**	**1,480,945**
Total comprehensive income for the period	—	—	—	—	**(649)**	**71,094**	**70,445**
Dividends paid	—	—	—	—	—	**(11,407)**	**(11,407)**
Balance at 30 June 2018	**295,000**	**217,391**	**(6,017)**	**170**	**(1,766)**	**1,035,205**	**1,539,983**

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

GROUP — *RMB'000*	Share capital	General reserve	Special reserve	Fair value reserve	Translation reserve	Accumulated profits	Total
Balance at 1 January 2017	295,000	200,601	(6,017)	18,955	(803)	888,223	1,395,959
Total comprehensive income for the period	—	—	—	—	324	68,558	68,882
Dividends paid	—	—	—	—	—	(9,972)	(9,972)
Balance at 30 June 2017	295,000	200,601	(6,017)	18,955	(479)	946,809	1,454,869

Statement of Changes in Equity of the Company for the six months ended 30 June 2018

COMPANY — *RMB'000*	**Share capital**	**Accumulated profits**	**Total**
Balance at 1 January 2018	**295,000**	**147,286**	**442,286**
Total comprehensive income for the period	—	**(1,771)**	**(1,771)**
Dividends paid	—	**(11,407)**	**(11,407)**
Balance at 30 June 2018	**295,000**	**134,108**	**429,108**

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

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

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 Main Board of The Stock Exchange of Hong Kong Limited (the "**SEHK**"). 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.

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 ("**IFRS**") issued by the International Accounting Standards Board that are effective for annual reporting periods beginning on or after 1 January 2018.

These financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in Renminbi ("**RMB**"), being the functional currency of the Company and the presentation currency of the Group. All values are rounded to the nearest thousand 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 2017.

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 2018.

Adoption of new standards

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing the financial statements for annual periods prior to 1 January 2018.

Applicable to financial statements for the year 2018

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

i. Sales of goods

For the sale of products, revenue is currently recognised when the goods are delivered to the customers' premises or when the goods are consumed by the customers, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods.

Under IFRS 15, revenue will be recognised when a customer obtains control of the goods.

The Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from provision of services and sales of goods.

ii. Rendering of services

The Group is involved in the testing of third party manufactured antennas. If the services under a single arrangement are rendered in different reporting periods, then the consideration is allocated on a relative fair value basis between the different services. Revenue is currently recognised using the stage-of-completion method.

Under IFRS 15, the total consideration in the service contracts will be allocated to all services based on their stand-alone selling prices. The stand-alone selling prices will be determined based on the list prices at which the Group sells the services in separate transactions.

Since these amounts are broadly similar, the Group has assessed that there are no significant differences in the timing of revenue recognition for these services.

IFRS 9 Financial Instruments

IFRS 9 contains new requirements for classification and measurement of financial instruments, a new expected credit loss model for calculating impairment of financial assets, and new general hedge accounting requirements.

Changes in accounting policies resulting from the adoption of IFRS 9 was generally applied by the Group retrospectively.

The impact on adoption of IFRS 9 is described below. The information below reflects the implications arising from changes in the accounting treatment, however, the actual tax effect may change when the transition adjustments are finalised.

i. Classification — Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("**FVTOCI**") and fair value through profit or loss ("**FVTPL**"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of IFRS 9.

With respect to the Group's financial assets currently classified as "available-for-sale", these are investments in equity securities which the Group has the option to irrevocably designate as FVTOCI (without recycling) on transition to IFRS 9. Currently, the Group recognises the fair value changes of available-for-sale equity investments in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group's accounting policies on financial instruments. In 2017, the Group has made a decision to designate them as FVTOCI, where all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognised in profit or loss and no gains or losses would be reclassified to profit or loss on disposal.

ii. Impairment — Financial assets

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on management's assessment, there was no significant impact on the opening balances of net assets and retained profits at 1 January 2018.

iii. Classification — Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities.

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

— the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and

— the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and the Group has no current intention to do so. There was no material impact on applying IFRS 9's requirements at 1 January 2018 regarding the classification of financial liabilities.

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 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 three product lines — radio frequency coaxial cables, telecommunication equipment and accessories and antennas. The other products do not meet any of the quantitative thresholds for determining reportable segments for the six months ended 30 June 2018 and 2017 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 this 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					
	Radio frequency coxial cables *RMB'000*	**Telecom-munication equipment and accessories** *RMB'000*	**Antennas** *RMB'000*	**Total reportable segments** *RMB'000*	**All other segments** *RMB'000*	**Total** *RMB'000*
Group						
Six months ended 30 June 2018						
Revenue	370,055	189,828	221,648	781,531	32,478	814,009
Segment profit before tax *(Note 1)*	35,323	34,097	9,398	78,818	506	79,324
Interest income	1,440	738	862	3,040	151	3,191
Finance costs	—	—	—	—	—	—
Amortisation of lease prepayment	308	158	184	650	27	677
Write-down of inventory	—	—	97	97	—	97
Depreciation expenses	5,372	2,755	3,217	11,344	471	11,815
Segment assets as at 30 June 2018 *(Note 2)*	794,474	407,542	475,857	1,677,873	69,728	1,747,601
Capital expenditure *(Note 3)*	4,018	2,061	2,407	8,486	353	8,839
Segment liabilities as at 30 June 2018 *(Note 2)*	97,484	50,006	58,389	205,879	8,556	214,435

	Radio frequency coxial cables RMB'000	Telecom-munication equipment and accessories RMB'000	Antennas RMB'000	Total reportable segments RMB'000	All other segments RMB'000	Total RMB'000
	Reportable segments					
Group						
Six months ended 30 June 2017						
Revenue	456,579	227,885	154,111	838,575	14,245	852,820
Segment profit before tax *(Note 1)*	30,331	44,395	2,966	77,692	1,913	79,605
Interest income	1,090	544	368	2,002	33	2,035
Finance costs	33	17	11	61	1	62
Amortisation of lease prepayment	363	181	122	666	11	677
Write-down of inventory	83	3	1,320	1,405	9	1,415
Depreciation expenses	5,993	2,991	2,023	11,007	187	11,194
Segment assets as at 30 June 2017 *(Note 2)*	887,436	442,931	299,539	1,629,906	27,688	1,657,594
Capital expenditure *(Note 3)*	4,876	2,433	1,646	8,955	152	9,107
Segment liabilities as at 30 June 2017 *(Note 2)*	113,874	56,836	38,436	209,146	3,553	212,699

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 bills receivables, 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 payables, 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 six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
Profit before tax		
Total profit before tax for reportable segments	**78,818**	72,608
Profit before tax for other segments	**506**	6,997
Unallocated amounts :		
— Other income	**9,857**	9,359
— Other operating expenses *(Note 4)*	**(1,344)**	(2,572)
— Share of loss of an associate, net of tax	**(1,278)**	(1,485)
— Other unallocated amounts	**(4,083)**	(4,371)
	82,476	80,536

	Group	
	As at	
	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
Assets		
Total assets for reportable segments	**1,677,873**	1,684,354
Assets for other segments	**69,728**	35,404
Other unallocated amounts *(Note 5)*	**7,855**	11,598
Consolidated total assets	**1,755,456**	1,731,356
Liabilities		
Total liabilities for reportable segments	**205,879**	243,733
liabilities for other segments	**8,556**	5,123
Other unallocated amounts *(Note 5)*	**1,038**	1,555
Consolidated total liabilities	**215,473**	250,411

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 *RMB'000*	Adjustments *RMB'000*	Consolidated totals *RMB'000*
For the six months ended 30 June 2018			
Depreciation expense	11,815	4	11,819
For the six months ended 30 June 2017			
Depreciation expense	11,194	5	11,199

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 For the six months ended 30 June		**Non-current assets* As at**	
			30 June	31 December
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
People's Republic of China	**634,507**	731,760	**211,062**	217,508
India	**70,209**	42,807	**1,112**	1,339
Others	**109,292**	78,253	**15**	14
Total	**814,008**	852,820	**212,189**	218,861

* *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	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sale of goods	**814,009**	852,811
Service income	**—**	9
	814,009	852,820

6. OTHER OPERATING INCOME

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Government grants	**5,262**	8,320
Interest income	**3,191**	2,035
Rental income	**2,102**	23
Investment income	**1,348**	272
Compensation claims received	**910**	288
Net foreign exchange gains	**96**	—
Gains on disposal of property, plant and equipment	**25**	54
Others	**114**	402
Total	**13,048**	11,394

7. FINANCE COSTS

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on short term bank borrowings	**—**	62

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	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Cost of inventories sold	**626,482**	669,449
Write-down of inventory	**97**	1,415
Depreciation of property, plant and equipment	**11,819**	11,199
Amortisation of lease prepayment	**677**	677
Reversal of allowance for doubtful trade receivables	**—**	(1,045)
Employee benefits expense	**81,713**	88,422
Total staff costs		
Cost of defined contribution plans	**3,526**	3,376
Directors' fees — directors of the Company	**755**	822
Directors' remuneration — directors of the Company	**1,098**	1,112
Net foreign exchange gains, included in other operating income	**96**	—
Net foreign exchange losses, included in other operating expenses	**—**	2,009
Gains on disposal of property, plant and equipment	**(25)**	(54)
Net loss on raw material costs hedging	**1,280**	—
Research and development expenses	**36,254**	28,203

9. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Current	**11,942**	13,061
Deferred	**(560)**	(1,083)
	11,382	11,978

The Company is incorporated in Singapore and is subject to income tax rate of 17% for the six months ended 30 June 2018 (2017: 17%).

Under the law of the PRC on Enterprise Income Tax, applicable income tax rate of Jiangsu Hengxin Technology Co. Ltd., the Group's PRC incorporated wholly-owned subsidiary, in 2018 is 15% (2017: 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 2018 and 30 June 2017.

11. SHARE CAPITAL

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

Share capital — Ordinary Shares	**No. of shares** *'000*	**RMB'000**	**S$'000**
Balance as at 31 December 2017 and 30 June 2018	388,000	295,000	58,342

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 2018 (unaudited)	30 June 2017 (unaudited)
Earnings per share *(RMB)*		
— Basic	**0.183**	0.177
— Diluted	**0.183**	0.177
Weighted average no. of shares applicable to basic EPS *('000)*	**388,000**	388,000

There were no potential dilutive ordinary shares in existence during the six months ended 30 June 2017 and 2018.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group's capital expenditure was approximately RMB8.8 million (six months ended 30 June 2017: approximately RMB9.1 million).

14. TRADE AND BILLS RECEIVABLES

	30 June 2018 ***RMB'000*** **(unaudited)**	31 December 2017 *RMB'000* (audited)
Trade receivables	**798,030**	634,686
Allowance for doubtful debts	**(13,393)**	(13,393)
Net trade receivables	**784,637**	621,293
Bills receivables	**119,321**	83,774
Total	**903,958**	705,067

At the reporting date, the ageing analysis of trade and bills receivables, based on the invoice date and net of allowance for doubtful debts, is as follows:

	30 June 2018 *RMB'000* (unaudited)	31 December 2017 *RMB'000* (audited)
0 to 180 days	**742,408**	607,492
181 to 360 days	**134,678**	87,916
Over 360 days	**26,872**	9,659
	903,958	705,067

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

	2018 *RMB'000* (unaudited)	2017 *RMB'000* (unaudited)
At 1 January	**13,393**	14,438
Reversal to profit and loss	**—**	(1,045)
At 30 June	**13,393**	13,393

15. TRADE PAYABLES

	30 June 2018 *RMB'000* (unaudited)	31 December 2017 *RMB'000* (audited)
Trade payables	**126,359**	139,350

As at the end of the reporting period, the ageing profile of trade payables of the Group, based on invoice date, is as follows:

	30 June 2018 *RMB'000* (unaudited)	31 December 2017 *RMB'000* (audited)
0 to 90 days	**118,914**	135,635
91 to 180 days	**775**	2,013
181 to 360 days	**5,551**	547
Over 360 days	**1,119**	1,155
	126,359	139,350

16. NET ASSET VALUE

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

	As at	
	30 June 2018	31 December 2017
	(unaudited)	(audited)
Net assets *(RMB'000)*	**1,539,983**	1,480,945
Number of ordinary shares *('000)*	**388,000**	388,000
Net asset value per ordinary share *(RMB)*	**3.97**	3.82

17. CONNECTED TRANSACTIONS

(a) Transactions

(i) During the Reporting Period, the Group had the following significant transactions with Suzhou Hengli Telecommunications Materials Co. Ltd.:

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sale of finished goods	**3,917**	4,918
Purchase of raw materials	**15,758**	20,650

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 director of the Company, is a substantial shareholder of. Cui Wei is a substantial shareholder with shareholding of 24.97% of the total issued shares in the Company and has significant influence over the Company.

(ii) During the Reporting Period, the Group had the following significant transactions with Jiangsu Hengtong Sell Electricity Co., Ltd.:

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Purchase of power from Jiangsu Hengtong Sell Electricity Co., Ltd.	**3,778**	—

Jiangsu Hengtong Sell Electricity Co., Ltd is a company incorporated in the PRC and a wholly-owned subsidiary of Hengtong Group Co., Ltd. It is principally engaged in the business of sales of electricity, design and construction of electrical works, operation and maintenance of electrical equipment.

(b) Compensation of key management personnel

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

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Short term benefits	**3,485**	3,563
Retirement benefits scheme contribution	**30**	89
Total	**3,515**	3,652

18. CAPITAL COMMITMENTS

	As at	
	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Contracted but not provided for:		
Property, plant and equipment	**2,325**	868

19. OPERATING LEASE ARRANGEMENTS

As at 30 June 2018, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	As at	
	30 June	31 December
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Less than one year	**906**	989
Between one and five years	**134**	341
	1,040	1,330

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 2018

Material changes are explained below:

Revenue

Group revenue decreased by approximately RMB38.8 million, or approximately 4.6% from approximately RMB852.8 million for the six months ended 30 June 2017 ("**1H2017**") to approximately RMB814.0 million for the six months ended 30 June 2018 ("**1H2018**" or the "**Reporting Period**").

RF coaxial cable

Revenue generated from RF coaxial cable decreased by approximately RMB86.5 million or approximately 18.9% from approximately RMB456.6 million during 1H2017 to approximately RMB370.1 million during 1H2018 mainly due to the decreasing in demand for feeder cable.

Telecommunication equipment and accessories

Revenue generated from telecommunication equipment and accessories decreased by approximately RMB38.1 million or approximately 16.7% from approximately RMB227.9 million during 1H2017 to approximately RMB189.8 million during 1H2018. The decrease in demand for feeder cable has also lead to the decrease in demand for feeder cable related accessories.

Antennas

Revenue generated from antennas during 1H2018 was approximately RMB221.6 million and the revenue of antennas during 1H2017 was approximately RMB154.1 million representing an increase of approximately of RMB67.5 million or 43.8%. Due to the increasing demand for antennas, the Company has expanded its antennas business during 1H2018.

Others (HTRC and antennas testing services)

Revenue generated in this segment increased by approximately RMB18.3 million or approximately 128.9% from approximately RMB14.2 million during 1H2017 to approximately RMB32.5 million during 1H2018.

Gross profit margin

The Group achieved an overall gross profit margin of approximately 23.0% during 1H2018 compared to approximately 21.5% during 1H2017, representing an increase of approximately 1.5 percentage points year-on-year. Despite the decreasing trend in revenue for RF coaxial cable, the segment has achieved a higher gross profit margin in 1H2018 of approximately 19.4%, representing an increase of 2.4 percentage points year-on-year because the gross profit margins for overseas RF coaxial cable sales are generally higher than domestic customers, the Group has increased its sales effort for overseas markets, thus leading to a higher gross profit margin. In addition, the higher gross profit margin for antennas in 1H2018 of approximately 21.5% as a result of the change of product mix with higher gross profit margin as compared with that of 17.6% for 1H2017 has lifted the overall gross profit margin of the Group. 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 RMB1.6 million or approximately 14.0% from approximately RMB11.4 million during 1H2017 to approximately RMB13.0 million during 1H2018 due to the combined effects of (i) decrease in government grants awarded due to the adjustment in government grants policy during 1H2018; (ii) increase in interest income earned; (iii) increase in investment income earned from the wealth management product; and (iv) increase in rental income on the commencement of antennas testing facilities leasing during 1H2018.

Selling and distribution expenses

Selling and distribution expenses increased slightly by approximately RMB2.0 million or approximately 3.9% from approximately RMB51.6 million during 1H2017 to approximately RMB53.6 million during 1H2018. The increase was mainly due to the decrease in salary expenses for marketing personnel and activities undertaken during the 1H2018 as offset by the increase in office expenses and freight charges.

Administrative expenses

Administrative expenses decreased by approximately RMB4.7 million or approximately 15.3% from approximately RMB30.3 million during 1H2017 to approximately RMB25.6 million during 1H2018. The decrease was mainly attributable to (i) the decrease in staff incentive related costs of approximately RMB4.0 million year-on-year; (ii) absence of the reversal of allowance for doubtful trade receivables during 1H2018 (1H2017: RMB1.0 million); and (iii) decrease in the allowance for inventory obsolescence of approximately RMB1.3 million.

Other operating expenses

Other operating expenses increased by approximately RMB5.5 million or approximately 17.9% from approximately RMB30.8 million during 1H2017 to approximately RMB36.3 million during 1H2018. The increase was due to higher research and development expenses incurred for antennas related products during the Reporting Period.

Share of loss of an associate, net of tax

During 1H2017, 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 loss recognised during 1H2018 was approximately RMB1.3 million (1H2017: RMB1.5 million).

Finance costs

There was no finance costs incurred during the Reporting Period because the Group has no interest-bearing borrowings during the Reporting Period.

Profit before tax

Profit before tax increased by approximately RMB2.0 million or approximately 2.5% from approximately RMB80.5 million during 1H2017 to approximately RMB82.5 million during 1H2018. The increase was mainly due to the increase in 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 2017 for a period of three years.

Income tax expense decreased by approximately RMB0.6 million or approximately 5.0% from approximately RMB12.0 million during 1H2017 to approximately RMB11.4 million in 1H2018.

Net profit attributable to owners of the Company

In view of the above, net profit attributable to owners of the Company increased slightly by approximately RMB2.5 million or approximately 3.6% from approximately RMB68.6 million in 1H2017 to approximately RMB71.1 million in 1H2018.

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) decreased by approximately RMB32.0 million or approximately 15.1% from approximately RMB212.0 million as at 31 December 2017 to approximately RMB180.0 million as at 30 June 2018. The decrease in inventory is mainly due to the decrease in revenue during 1H2018.

Other investments (current assets)

Other investments (current assets) decreased by RMB50.0 million or 100.0% from RMB50.0 million as at 31 December 2017 to nil as at 30 June 2018. 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. The wealth management product was redeemed in full on the maturity date at 31 January 2018.

Trade and bills receivables

Trade and bills receivables increased by approximately RMB198.9 million or approximately 28.2% from approximately RMB705.1 million as at 31 December 2017 to approximately RMB904.0 million as at 30 June 2018.

Average trade and bills receivables turnover days were approximately 183 days for 1H2018, compared to 139 days for the year ended 31 December 2017. The increase in average trade and bills receivables turnover days is mainly because some customers have used bills for settlement thus leading to an extension of the settlement cycle. Also the Group's expansion of overseas market has also lead to a longer settlement period.

Nonetheless, most trade receivables balances were recent sales which were well within the average credit period given to our customers. As at 30 June 2018, approximately 80.9% of the trade receivables and bills receivable were within the credit period given as compared with approximately 84.6% as at 31 December 2017.

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.

Cash and bank balances

Cash and bank balances decreased by approximately RMB102.4 million or approximately 21.7% from approximately RMB471.9 million as at 31 December 2017 to approximately RMB369.5 million as at 30 June 2018, mainly due to the increase in trade and bills receivables and the decrease in other investments during 1H2018.

Other receivables (non-current assets)

Other receivables (non-current assets) amounting to approximately RMB13.9 million as at 30 June 2018 pertains to the non-current portion of the loan made by the Group to the Group's associate, Mianyang Xintong. During the Reporting Period, Mianyang Xintong has repaid RMB3.68 million of the loan to the Group.

Trade payables and other payables

Trade payables decreased by approximately RMB13.0 million or approximately 9.3% from approximately RMB139.4 million as at 31 December 2017 to approximately RMB126.4 million as at 30 June 2018.

Other payables decreased by approximately RMB18.9 million or approximately 21.2% from approximately RMB89.1 million as at 31 December 2017 to approximately RMB70.2 million as at 30 June 2018. The decrease was mainly due to the decrease in staff incentive payables during 1H2018.

Income tax payable

Income tax payable decreased by approximately RMB2.8 million or approximately 23.3% from approximately RMB12.0 million as at 31 December 2017 to approximately RMB9.2 million as at 30 June 2018, mainly due to timing differences in the payment of taxes in these periods.

(II) DELISTING FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

On 24 October 2017, the Company has received a confirmation from Singapore Exchange Securities Trading Limited (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) CONTINUING CONNECTED TRANSACTION ENTERED INTO DURING THE REPORTING PERIOD

On 1 January 2018, Jiangsu Hengxin Technology Co., Ltd. ("**Hengxin (Jiangsu)**"), a wholly-owned subsidiary of the Company, entered into the Power Purchase (Trial Implementation) Agreement with Jiangsu Hengtong Sell Electricity Co., Ltd. ("**Hengtong SE**") for a term from 1 January 2018 to 31 January 2018.

Pursuant to the Power Purchase (Trial Implementation) Agreement, Hengtong SE agreed to sell and supply power (to be transmitted and distributed by Jiangsu State Grid) to Hengxin (Jiangsu) and Hengxin (Jiangsu) agreed to purchase such power from Hengtong SE for a term of one-month from 1 January 2018 to 31 January 2018, supplying approximately 605,000kWh at a unit price after deducting RMB0.025 from the Catalog Power Price per kWh within a transaction price cap of RMB1,000.000.

On 30 January 2018, Hengxin (Jiangsu) entered into the Power Purchase Agreement with Hengtong SE for a term from 1 February 2018 to 31 January 2019. On the same day, Hengxin (Jiangsu), Hengtong SE and Jiangsu State Grid also entered into the Tripartite Agreement in respect of the Power Purchase Agreement in accordance with the requirements from relevant government authorities.

Pursuant to the Power Purchase Agreement, Hengtong SE agreed to sell and supply power (to be transmitted and distributed by Jiangsu State Grid) to Hengxin (Jiangsu) and Hengxin (Jiangsu) agreed to purchase such power from Hengtong SE for a term of 12-month from 1 February 2018 to 31 January 2019, supplying approximately 13 million kWh at a unit price after deducting RMB0.025 from the Catalog Power Price per kWh or at a unit price after deducting 80% of the difference between the Catalog Power Price and the Prime Power Price from the Catalog Power Price per kWh (the power cost calculated using the abovementioned pricing methods, Hengxin (Jiangsu) is entitled to adopt the pricing method which results in a lower price). The maximum power cost payable by Hengxin (Jiangsu) to Hengtong SE throughout the agreement period is RMB11,300,000.

For details of the Power Purchase (Trial Implementation) Agreement and Power Purchase Agreement, please refer to the announcements of the Company dated 30 January 2018 and 21 February 2018.

(IV) LIQUIDITY, FINANCIAL RESOURCES

In addition to its short-term interesting-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.

	As at	
	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Total liabilities	**215,473**	250,411
Total equity	**1,539,983**	1,480,945
Total liabilities to equity (gearing) ratio (%)	**13.99**	16.91

As at 30 June 2018, there is no amount repayable in one year or less, or on demand (as at 31 December 2017: Nil).

There is no amount repayable after one year.

(V) 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)

The economic environment of 1H2018 was turbulent and unstable. The macro-economic environment continued to stumble for a long period of time. Important indicators such as consumption and financing have recorded significant decline, a rare occurrence in recent years. De-leveraging policies and the trade dispute between the PRC and the US have generated significant uncertainties in the prospects of the economic development in years ahead, which significantly affected people's confidence in investment and trade. RMB appreciated continuously in the first quarter of this year and remained strong in the second quarter, which significantly increased the exporting cost. From the perspective of the industry, it is difficult for the investment of the telecom operators to grow before the formal finalisation of the 5G antennas standards, and from the perspective of the internal environment, the business interruption of ZTE Corporation, one of our customers, caused by US sanctions has brought about direct negative impacts.

Against such background, revenue decreased by approximately 4.6% in 1H2018 compared with the corresponding period last year, which was particularly attributable to the escalating industry competition in the RF cables 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. Nevertheless, the structural adjustment of the Group commenced in the recent years has shown encouraging results. Despite facing the abovementioned adverse business environment, during 1H2018 the Group has managed to boost its revenue from antennas, accessories and leaky cable by more than RMB22.6 million as compared with 1H2017. On overseas fronts, sales performance started to pick up after years of development. Overseas sales of the Group increased from approximately RMB121.1 million in 1H2017 to RMB179.5 million in 1H2018.

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 1H2018 as compared with 1H2017. Number of the successful antennas tenders increased over the corresponding period last year and we were ranked the fourth in the overall ranking of the antenna bidding exercise of China Unicom operators with the tender amount of approximately RMB40 million and ranked the third in the overall ranking of the normal antenna bidding exercise of China Mobile in 2018 with the tender amount of approximately RMB34 million. Shipment of high temperature resistant cables in 1H2018 increased by more than 113.53% compared with 1H2017, while leaky cables and tools generated approximately RMB87.30 million in 1H2018, representing a year-on-year growth of approximately 7.94%. 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 2018 improved over 1H2017.

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 with 5G antennas yet to be launched lead to a significant shrinkage of investments of these operators in the near future. Meanwhile, the trade war between China and US will continue to heat up; and there is increasing adoption of optic fibre to replace copper-made cables. It is expected that the market demand and prices of RF coaxial cables shall continue to be sluggish, which poses mounting challenges to the Group's sales and profitability.

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 effect of the gradual decline of our coaxial cable products. As antennas continues to evolve into much smaller, intelligent systems;

and given the pre-commercial trial of 5G antennas, the antenna demand is likely to grow, adding fresh impetus to the development of the Group. In addition, due to factors such as the extending impact of One belt, One road and the depreciation of RMB, the export business of the Company is expected to scale new heights.

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

As at 30 June 2018, 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:

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	96,868,662	24.97%
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 24.97% of the total issued shares in the Company.

(2) Ms. Zhang Zhong beneficially owns the entire issued share capital of Wellahead Holdings Limited ("**Wellahead**"), and Wellahead in turn holds approximately 7.24% of the total issued shares in the Company.

Saved as disclosed above, as at 30 June 2018, 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 2018, 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[(1)]	Beneficial owner	96,868,662	24.97%
Mr. Cui Wei[(1)]	Deemed interest and interest in controlled corporation	96,868,662	24.97%
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 30 June 2018, 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.

(VI) 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 2018.

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 2018.

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 2018.

5. Review of financial results

The consolidated interim results of the Group for the six months ended 30 June 2018 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 2018, there were 869 (as at 31 December 2017: 927) 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 announcement.

8. Disclosure on the website of the Exchanges

This announcement is published on the website of SEHK (http://www.hkexnews.hk) and on the Company's website (http://www.hengxin.com.sg).

(VII) 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 2018.

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

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

exercise price or subscription price shall be at least the highest of:

(i) the closing price of the shares as stated in the daily quotation sheet issued by SEHK 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 for the five consecutive business days immediately preceding the offer date.

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

Singapore, 17 August 2018

As at the date of this announcement, 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.