



**Hengxin Technology Ltd.**  
**亨鑫科技有限公司\***

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

*(incorporated in Singapore with limited liability)*

*(Singapore Company Registration Number 200414927H)*

**(Hong Kong Stock Code: 1085)**

**(Singapore Stock Code: I85)**

**INTERIM REPORT**  
**FOR THE SECOND QUARTER AND**  
**SIX MONTHS ENDED 30 JUNE 2011**

**FINANCIAL HIGHLIGHTS**

1. Revenue for the six months ended 30 June 2011 increased by approximately 15.6% to approximately RMB675.4 million
2. Gross profit increased by approximately 8.6% to approximately RMB121.0 million
3. Net profit attributable to equity holders of the parent decreased by approximately 10.5% to approximately RMB49.0 million
4. Basic earnings per share was RMB0.13
5. No payment of interim dividend for the six months ended 30 June 2011 is recommended

\* for identification purpose only

The board of directors (the “**Board**”) 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 2011 and for the three months ended 30 June 2011 together with the comparative figures for the corresponding periods in 2010 as follow:

## CONSOLIDATED INCOME STATEMENT

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

	<i>Notes</i>	<b>1H2011</b> <b>RMB’000</b> <b>(unaudited)</b>	1H2010 <b>RMB’000</b> <b>(unaudited)</b>
<b>Revenue</b>	5	<b>675,436</b>	584,095
Cost of sales		<u><b>(554,423)</b></u>	<u>(472,630)</u>
<b>Gross profit</b>		<b>121,013</b>	111,465
Other income	6	<b>2,772</b>	11,573
Selling and distribution expenses		<b>(29,632)</b>	(24,738)
Administrative expenses		<b>(22,447)</b>	(18,227)
Other operating expenses		<b>(7,453)</b>	(6,857)
Finance costs	7	<u><b>(5,164)</b></u>	<u>(6,940)</u>
<b>Profit before income tax</b>	8	<b>59,089</b>	66,276
Income tax expense	9	<u><b>(10,103)</b></u>	<u>(11,527)</u>
<b>Net profit attributable to equity holders of parent</b>		<b>48,986</b>	54,749
Other comprehensive income:			
Exchange difference arising from consolidation of foreign operations		<u><b>(34)</b></u>	<u>10</u>
<b>Total comprehensive income attributable to equity holders of the parent</b>		<u><b>48,952</b></u>	<u>54,759</u>
<b>Earnings per share attributable to equity holders of the parent</b>			
<b>Basic and diluted</b> ( <i>RMB cents</i> )	12	<u><b>12.6</b></u>	<u>16.3</u>
Dividends per share ( <i>RMB cents</i> )		<u><b>N.A.</b></u>	<u>N.A.</u>

## CONSOLIDATED INCOME STATEMENT

For the three months ended 30 June ("2Q")

	<i>Notes</i>	<b>2Q2011</b> <b>RMB'000</b> <b>(unaudited)</b>	2Q2010 <i>RMB'000</i> (unaudited)
<b>Revenue</b>		<b>396,910</b>	322,620
Cost of sales		<b>(327,045)</b>	(261,627)
<b>Gross profit</b>		<b>69,865</b>	60,993
Other income		<b>393</b>	778
Selling and distribution expenses		<b>(14,392)</b>	(12,043)
Administrative expenses		<b>(12,475)</b>	(10,244)
Other operating expenses		<b>(4,968)</b>	(4,419)
Finance costs		<b>(3,769)</b>	(3,738)
<b>Profit before income tax</b>		<b>34,654</b>	31,327
Income tax expense		<b>(6,273)</b>	(5,890)
<b>Net profit attributable to equity holders of parent</b>		<b>28,381</b>	25,437
Other comprehensive income:			
Exchange difference arising from consolidation of foreign operations		<b>(28)</b>	(18)
<b>Total comprehensive income attributable to equity holders of the parent</b>		<b>28,353</b>	25,419
<b>Earnings per share attributable to equity holders of the parent</b>			
<b>Basic and diluted (<i>RMB cents</i>)</b>		<b>7.3</b>	7.6

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

	Group			Group		
	3 months ended 30 June			6 months ended 30 June		
	2011	2010	Change %	2011	2010	Change %
<i>RMB'000</i>	<i>RMB'000</i>		<i>RMB'000</i>	<i>RMB'000</i>		
(unaudited)	(unaudited)		(unaudited)	(unaudited)		
Allowance for inventory obsolescence	251	187	34.2%	251	187	34.2%
Depreciation of property, plant and equipment	4,148	3,439	20.6%	8,251	6,878	20.0%
Fair value loss on held-for- trading investments	—	2,760	–100.0%	—	2,760	–100.0%
Gain on disposal of available- for-sale investment	—	(109)	–100.0%	(690)	(138)	N.M.
Loss on disposal of property, plant and equipment	725	2	N.M.	726	5	N.M.
Amortisation of prepaid lease payments	140	140	0.0%	280	280	0.0%
Foreign exchange losses (gains)	465	479	–2.9%	(358)	(188)	90.4%
Interest expense	3,769	3,738	0.8%	5,164	6,940	–25.6%
Interest income	(689)	(800)	–13.9%	(1,312)	(2,828)	–53.6%
Research and development expenses <sup>1</sup>	11,712	9,644	21.4%	20,527	17,473	17.5%

N.M.: Not meaningful

<sup>1</sup> Part of it included in Other Operating Expenses

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 June 2011	31 December 2010
<i>Notes</i>		<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
<b>ASSETS</b>			
<b>Current assets</b>			
		249,889	247,078
		78,343	62,596
	14	772,648	626,702
		23,198	12,958
		140,106	128,377
		—	2,000
		560	560
		<b>1,264,744</b>	<b>1,080,271</b>
<b>Non-current assets</b>			
		19,742	20,021
	13	142,087	140,978
		5,760	5,760
		—	—
		2,536	2,518
		<b>170,125</b>	<b>169,277</b>
		<b>1,434,869</b>	<b>1,249,548</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
		100,000	40,000
	15	419,618	323,263
		21,450	25,476
		5,583	6,102
		<b>546,651</b>	<b>394,841</b>
		<b>718,093</b>	<b>685,430</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D)**

		As at	
		30 June 2011	31 December 2010
	<i>Notes</i>	<b><i>RMB'000</i></b> <b>(unaudited)</b>	<b><i>RMB'000</i></b> <b>(audited)</b>
<b>Non-current liability</b>			
Deferred tax liabilities		<u>2,251</u>	1,998
<b>TOTAL LIABILITIES</b>		<u><b>548,902</b></u>	396,839
<b>NET ASSETS</b>		<u><b>885,967</b></u>	<u>852,709</u>
<b>Equity attributable to equity holders of the parent</b>			
Share capital	11	295,000	295,000
General reserves		112,187	104,839
Special reserve		(6,017)	(6,017)
Translation reserve		(38)	(4)
Accumulated profits		<u>484,835</u>	<u>458,891</u>
<b>TOTAL EQUITY</b>		<u><b>885,967</b></u>	<u>852,709</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>1,434,869</b></u>	<u>1,249,548</u>

**STATEMENT OF FINANCIAL POSITION — COMPANY LEVEL**

	As at	
	30 June 2011 <i>RMB'000</i> (unaudited)	31 December 2010 <i>RMB'000</i> (audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and bank balances	68,844	103,303
Other receivables and prepayments	253	63
Amount due from subsidiaries	<u>14,108</u>	<u>5,706</u>
Total current assets	<u>83,205</u>	<u>109,072</u>
<b>Non-current assets</b>		
Subsidiaries	354,793	321,984
Property, plant and equipment	<u>10</u>	<u>15</u>
Total non-current assets	<u>354,803</u>	<u>321,999</u>
<b>Total assets</b>	<u>438,008</u>	<u>431,071</u>
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Other payables	<u>1,856</u>	<u>4,423</u>
Total current liabilities	<u>1,856</u>	<u>4,423</u>
<b>NET CURRENT ASSETS</b>	<u>81,349</u>	<u>104,649</u>
<b>Non-current liability</b>		
Deferred tax liabilities	<u>—</u>	<u>—</u>
Total non-current liability	<u>—</u>	<u>—</u>
<b>TOTAL LIABILITIES</b>	<u>1,856</u>	<u>4,423</u>
<b>NET ASSETS</b>	<u>436,152</u>	<u>426,648</u>
<b>Equity attributable to equity holders of the parent</b>		
Share capital	295,000	295,000
Accumulated profits	<u>141,152</u>	<u>131,648</u>
<b>TOTAL EQUITY</b>	<u>436,152</u>	<u>426,648</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>438,008</u>	<u>431,071</u>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June

Group RMB'000	1 Apr 11 to 30 Jun 11 (unaudited)	1 Apr 10 to 30 Jun 10 (unaudited)	1 Jan 11 to 30 Jun 11 (unaudited)	1 Jan 10 to 30 Jun 10 (unaudited)
<b>Cash flows from operating activities</b>				
Profit before income tax	34,654	31,327	59,089	66,276
Adjustments for:				
Depreciation of property, plant and equipment	4,148	3,439	8,251	6,878
Amortisation of prepaid lease payments	140	140	280	280
Allowance for inventory obsolescence	251	187	251	187
Loss on disposal of property, plant and equipment	725	2	726	5
Interest expense	3,769	3,738	5,164	6,940
Interest income	(689)	(800)	(1,312)	(2,828)
Gain on disposal of available-for- sale investments	—	(109)	(690)	(138)
Fair value loss on held-for-trading investments	—	2,760	—	2,760
Exchange differences arising on foreign currency translation	(932)	67	(204)	81
	<hr/>	<hr/>	<hr/>	<hr/>
Operating profit before working capital changes	42,066	40,751	71,555	80,441
Trade receivables	(104,848)	63,115	(145,946)	758
Other receivables and prepayments	3,742	(4,029)	(10,240)	8,829
Inventories	6,210	29,437	(11,478)	49,873
Trade and bill payables	125,229	17,658	96,355	(94,341)
Other payables and accruals	7,687	12,003	(4,026)	(4,989)
	<hr/>	<hr/>	<hr/>	<hr/>
Cash generated from operations	80,086	158,935	(3,780)	40,571
Interest paid	(3,769)	(3,738)	(5,164)	(6,940)
Interest income received	689	800	1,312	2,828
Income tax paid	(5,133)	(12,010)	(10,386)	(12,010)
	<hr/>	<hr/>	<hr/>	<hr/>
Net cash generated from operating activities	<u>71,873</u>	<u>143,987</u>	<u>(18,018)</u>	<u>24,449</u>



**CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)**

<b>Group</b> <i>RMB'000</i>	<b>1 Apr 11 to 30 Jun 11 (unaudited)</b>	<b>1 Apr 10 to 30 Jun 10 (unaudited)</b>	<b>1 Jan 11 to 30 Jun 11 (unaudited)</b>	<b>1 Jan 10 to 30 Jun 10 (unaudited)</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment	(7,439)	(4,114)	(10,466)	(7,714)
Proceeds from disposal of property, plant and equipment	380	1	380	1
Acquisition of available-for-sale investment	—	—	—	(10,000)
Proceeds from disposal of available-for-sale investment	—	609	2,690	10,638
Acquisition of held-for-trading investments	—	—	—	(20,000)
Net cash used in investing activities	<u>(7,059)</u>	<u>(3,504)</u>	<u>(7,396)</u>	<u>(27,075)</u>
<b>Cash flows from financing activities</b>				
Dividend paid	(15,694)	(14,719)	(15,694)	(14,719)
Repayment of short-term bank loans	(40,000)	(139,420)	(40,000)	(245,000)
Proceeds from short-term bank loans	80,000	98,408	100,000	408,408
Decrease (increase) in pledged bank deposits	(32,751)	(7,536)	(15,747)	30,855
Net cash (used in) generated from financing activities	<u>(8,445)</u>	<u>(63,267)</u>	<u>28,559</u>	<u>179,544</u>
<b>Net increase in cash and cash equivalents</b>	<b>56,369</b>	<b>77,216</b>	<b>3,145</b>	<b>176,918</b>
<b>Effects of foreign exchange translation</b>	<b>403</b>	<b>(85)</b>	<b>(334)</b>	<b>(71)</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>	<b>193,117</b>	<b>247,392</b>	<b>247,078</b>	<b>147,676</b>
<b>Cash and cash equivalents at the end of the financial period</b>	<b><u>249,889</u></b>	<b><u>324,523</u></b>	<b><u>249,889</u></b>	<b><u>324,523</u></b>

## STATEMENT OF CHANGES IN EQUITY

*Consolidated Statement of Changes in Equity for the period ended 30 June 2011*

<b>GROUP</b> <i>RMB'000</i>	<b>Share capital</b>	<b>General reserve</b>	<b>Special reserve</b>	<b>Translation reserve</b>	<b>Accumulated profits</b>	<b>Total</b>
<b>Balance at 1 January 2011</b>	<b>295,000</b>	<b>104,839</b>	<b>(6,017)</b>	<b>(4)</b>	<b>458,891</b>	<b>852,709</b>
Total comprehensive income for the period	—	—	—	(34)	48,986	48,952
Transfer to reserves	—	7,348	—	—	(7,348)	—
Dividends	—	—	—	—	(15,694)	(15,694)
<b>Balance at 30 June 2011</b>	<b>295,000</b>	<b>112,187</b>	<b>(6,017)</b>	<b>(38)</b>	<b>484,835</b>	<b>885,967</b>

*Consolidated Statement of Changes in Equity for the period ended 30 June 2010*

<b>GROUP</b> <i>RMB'000</i>	<b>Share capital</b>	<b>General reserve</b>	<b>Special reserve</b>	<b>Translation reserve</b>	<b>Accumulated profits</b>	<b>Total</b>
<b>Balance at 1 January 2010</b>	205,771	87,287	(6,017)	16	388,607	675,664
Total comprehensive income for the period	—	—	—	10	54,749	54,759
Transfer to reserves	—	4,660	—	—	(4,660)	—
Dividends	—	—	—	—	(14,719)	(14,719)
<b>Balance at 30 June 2010</b>	<b>205,771</b>	<b>91,947</b>	<b>(6,017)</b>	<b>26</b>	<b>423,977</b>	<b>715,704</b>

## STATEMENT OF CHANGES IN EQUITY

*Statement of Changes in Equity of the Company for the period ended 30 June 2011*

<b>COMPANY</b> <i>RMB'000</i>	<b>Share capital</b>	<b>Translation reserve</b>	<b>Accumulated profits</b>	<b>Total</b>
<b>Balance at 1 January 2011</b>	<b>295,000</b>	—	<b>131,648</b>	<b>426,648</b>
Total comprehensive income for the period	—	—	<b>25,198</b>	<b>25,198</b>
Dividends	—	—	<b>(15,694)</b>	<b>(15,694)</b>
<b>Balance at 30 June 2011</b>	<b>295,000</b>	—	<b>141,152</b>	<b>436,152</b>

*Statement of Changes in Equity of the Company for the period ended 30 June 2010*

<b>COMPANY</b> <i>RMB'000</i>	<b>Share capital</b>	<b>Translation reserve</b>	<b>Accumulated profits</b>	<b>Total</b>
<b>Balance at 1 January 2010</b>	205,771	—	118,243	324,014
Total comprehensive income for the period	—	—	19,107	19,107
Dividends	—	—	(14,719)	(14,719)
<b>Balance at 30 June 2010</b>	<b>205,771</b>	—	<b>122,631</b>	<b>328,402</b>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Singapore on 18 November 2004 under the Singapore Companies Act and its shares are dual primarily listed on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and The Stock Exchange of Hong Kong Limited (the “**SEHK**”) since 11 May 2006 and 23 December 2010 respectively. The registered office of the Company is located at 10 Anson Road #15-07, International Plaza, Singapore 079903. 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 Group 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 Group.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

The report has been prepared in accordance with the measurement and recognition criteria of the Singapore Financial Reporting Standards (“**SFRS**”). The report also include the applicable disclosure requirements of the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and the Rules Governing the Securities Listing on the SEHK (the “**Listing Rules**”).

The report is presented in RMB and all values are rounded to the nearest thousand (“**RMB’000**”) except when otherwise indicated.

### Accounting policies

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period reported on, as in the recently audited consolidated financial statements for the financial year ended 31 December 2010.

## 3. APPLICATION OF SFRS

The Group adopted the new and revised SFRS that are mandatory for the financial periods beginning on or after 1 January 2011.

The adoption of new and revised SFRS did not have any impact on the results of the Group for the financial period ended 30 June 2011.

## 4. SEGMENT INFORMATION

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

- Manufacturing and sale of RF Coaxial Cable Series for mobile communications (“**RF Coaxial Cables**”)
- Coaxial Cables for telecommunications equipment and accessories (“**Accessories**”)
- Others

#### 4. SEGMENT INFORMATION (CONT'D)

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

##### Segment revenues and results

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

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

##### GROUP

Six months ended 30 June	Radio frequency coaxial cables RMB'000	Telecommunication equipment and accessories RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
<b>2011</b>					
<b>Revenue</b>	<b>577,980</b>	<b>97,456</b>	—	—	<b>675,436</b>
<b>Segment Results</b>					
Segment profit	57,804	9,747	—	(4,844)	62,707
Interest income	1,087	183	—	42	1,312
Finance costs	(4,419)	(745)	—	—	(5,164)
Other income					1,460
Other expenses*					(1,226)
<b>Profit before income tax</b>					<b>59,089</b>
Income tax					(10,103)
<b>Net profit for the period</b>					<b>48,986</b>
<b>2010</b>					
<b>Revenue</b>	<b>489,331</b>	<b>94,764</b>	—	—	<b>584,095</b>
<b>Segment Results</b>					
Segment profit	59,901	11,600	—	(5,894)	65,607
Interest income	2,369	459	—	—	2,828
Finance costs	(5,814)	(1,126)	—	—	(6,940)
Other income					8,745
Other expenses*					(3,964)
<b>Profit before income tax</b>					<b>66,276</b>
Income tax					(11,527)
<b>Net profit for the period</b>					<b>54,749</b>

\* exclude research and development expenses

#### 4. SEGMENT INFORMATION (CONT'D)

##### Other segment information

##### GROUP

Six months ended 30 June	Radio frequency coaxial cables <i>RMB'000</i>	Telecommunication equipment and accessories <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
<b>2011</b>					
Capital expenditure	8,550	1,442	474	—	10,466
Depreciation expense	7,055	1,189	2	5	8,251
Amortisation of leasehold land	240	40	—	—	280
Allowance for inventory obsolescence	232	(20)	—	39	251
<b>2010</b>					
Capital expenditure	6,538	1,133	—	43	7,714
Depreciation expense	5,708	1,105	—	65	6,878
Amortisation of leasehold land	235	45	—	—	280
Allowance for inventory obsolescence	157	30	—	—	187

#### 4. SEGMENT INFORMATION (CONT'D)

##### Statement of net assets

	Radio frequency coaxial cables <i>RMB'000</i>	Telecommunication equipment and accessories <i>RMB'000</i>	Others <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 30 June 2011</b>					
<b>Assets:</b>					
Segment assets	1,167,739	196,898	1,123	—	1,365,760
Unallocated assets				69,106	<u>69,106</u>
<b>Total assets</b>					<u><u>1,434,866</u></u>
<b>Liabilities:</b>					
Segment liabilities	466,190	78,606	—	—	544,796
Unallocated liabilities				4,106	<u>4,106</u>
<b>Total liabilities</b>					<u><u>548,902</u></u>
<b>As at 31 December 2010</b>					
<b>Assets:</b>					
Segment assets	973,973	165,839	649	—	1,140,461
Unallocated assets				109,087	<u>109,087</u>
<b>Total assets</b>					<u><u>1,249,548</u></u>
<b>Liabilities:</b>					
Segment liabilities	335,536	56,880	—	—	392,416
Unallocated liabilities				4,423	<u>4,423</u>
<b>Total liabilities</b>					<u><u>396,839</u></u>

#### 4. SEGMENT INFORMATION (CONT'D)

##### Geographical segment

The segmented 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 Central Asia, South Asia and others.

	Revenue from external customer		Non-current assets	
	For the six months ended		As at	
	30 June		30 June	31 December
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Central Asia	592,707	572,758	170,051	169,200
South Asia	78,425	9,003	74	77
Others	4,304	2,334	—	—
Total	<u>675,436</u>	<u>584,095</u>	<u>170,125</u>	<u>169,277</u>

#### 5. REVENUE

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

	For the six months ended	
	30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Sale of goods	<u>675,436</u>	<u>584,095</u>

#### 6. OTHER INCOME

	For the six months ended	
	30 June	
	2011	2010
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grants	117	7,977
Government grant — Jobs credit scheme	—	33
Interest income	1,312	2,828
Gain on disposal of available-for-sale investments	690	138
Others	653	597
Total	<u>2,772</u>	<u>11,573</u>

## 7. FINANCE COSTS

For the six months ended  
30 June  
2011                      2010  
*RMB'000*                      *RMB'000*  
(unaudited)                      (unaudited)

Interest on short term bank borrowings	<u>5,164</u>	<u>6,940</u>
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## 8. PROFIT BEFORE INCOME TAX

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

30 June  
2011                      2010  
*RMB'000*                      *RMB'000*  
(unaudited)                      (unaudited)

Cost of inventories recognised as expense (including allowance of (reversal of) inventory obsolescence)	531,009	444,272
Depreciation of property, plant and equipment	8,251	6,878
Amortisation of leasehold land	280	280
Employee benefits expense	23,689	21,266
Cost of defined contribution plans	2,353	1,265
Directors' fees — directors of the Company	852	660
Directors' remuneration:		
Directors of the Company	1,020	352
Directors of the subsidiaries	224	471
	<hr/>	<hr/>
Total staff costs	28,138	24,014
	<hr/>	<hr/>
Net foreign exchange gains	(358)	(188)
Loss on disposal of property, plant and equipment	726	5
Fair value loss on held-for-trading investments	—	2,760
Gain on disposal of available-for-sale investments	(690)	(138)
	<hr/> <hr/>	<hr/> <hr/>

## 9. INCOME TAX EXPENSE

For the six months ended  
30 June  
2011                      2010  
*RMB'000*                      *RMB'000*  
(unaudited)                      (unaudited)

Current	9,868	11,218
Deferred	235	309
	<hr/>	<hr/>
	10,103	11,527
	<hr/> <hr/>	<hr/> <hr/>

The Company is incorporated in Singapore and is subject to income tax rate of 17% for the six months ended 30 June 2011 (2010: 17%).

Under the law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") effective from 1 January 2008, applicable income tax rate of Jiangsu Hengxin Technology Co. Ltd, the Group's PRC incorporated key subsidiary, in 2011 is 15% (2010: 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 2011. No interim dividend was also declared nor paid for the financial period ended 30 June 2010.

## 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	SS'000
Balance as at 31 December 2010 and 30 June 2011	<u>388,000</u>	<u>295,000</u>	<u>58,342</u>

In line with the memorandum of association and articles of association 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 shareholders for the period by the weighted average number of ordinary shares outstanding during the period.

	Group 3 months ended		Group 6 months ended	
	30 June 11 (unaudited)	30 June 10 (unaudited)	30 June 11 (unaudited)	30 June 10 (unaudited)
Earnings per share ( <i>RMB</i> )				
— Basic	<u>7.3</u>	<u>7.6</u>	<u>12.6</u>	<u>16.3</u>
— Diluted	<u>7.3</u>	<u>7.6</u>	<u>12.6</u>	<u>16.3</u>
Weighted average no. of shares applicable to basic EPS ( <i>'000</i> )	<b>388,000</b>	336,000	<b>388,000</b>	336,000
Weighted average no. of shares based on fully diluted basis ( <i>'000</i> )	<b>388,000</b>	336,000	<b>388,000</b>	336,000

There were no potential dilutive ordinary shares in existence during the period ended 30 June 2010 and 2011.

## 13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group's capital expenditure was approximately RMB10.5 million (2010: RMB7.7 million).

#### 14. TRADE RECEIVABLES

	<b>30 June 2011 RMB'000 (unaudited)</b>	31 December 2010 RMB'000
Trade receivables	758,229	607,841
Allowance for doubtful debts	<u>(15,762)</u>	<u>(15,762)</u>
	<b><u>742,467</u></b>	<b><u>592,079</u></b>
Notes receivable	<b><u>30,181</u></b>	<b><u>34,623</u></b>

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

	<b>30 June 2011 RMB'000 (unaudited)</b>	31 December 2010 RMB'000
0 to 180 days	564,959	500,229
181 to 360 days	163,716	97,288
1 to 2 years	42,385	26,916
> 2 years	<u>1,588</u>	<u>2,269</u>
	<b><u>772,648</u></b>	<b><u>626,702</u></b>

#### 15. TRADE PAYABLES

	<b>30 June 2011 RMB'000 (unaudited)</b>	31 December 2010 RMB'000
Trade payables	161,446	137,213
Bill payables	<u>258,172</u>	<u>186,050</u>
	<b><u>419,618</u></b>	<b><u>323,263</u></b>

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 and notes payables are as follows:

	<b>30 June 2011 RMB'000 (unaudited)</b>	31 December 2010 RMB'000
0 to 90 days	332,289	192,781
91 to 180 days	83,818	128,253
181 to 360 days	2,565	1,044
1 to 2 years	926	1,185
> 2 years	<u>20</u>	<u>—</u>
	<b><u>419,618</u></b>	<b><u>323,263</u></b>

## 16. NET ASSET VALUE

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

	Group		Company	
	30 June 2011 (unaudited)	31 December 2010	30 June 2011 (unaudited)	31 December 2010
Net Assets ( <i>RMB'000</i> )	<b>885,967</b>	852,709	<b>436,152</b>	426,648
Number of ordinary shares ( <i>'000</i> )	<b>388,000</b>	388,000	<b>388,000</b>	388,000
Net Asset Value per ordinary share ( <i>RMB</i> )	<b>2.28</b>	2.20	<b>1.12</b>	1.10

## 17. RELATED PARTY TRANSACTIONS

### (a) Transactions

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

	For the six months ended 30 June	
	2011 <i>RMB'000</i> (unaudited)	2010 <i>RMB'000</i>
Purchase of raw materials	<b>4,999</b>	5,360

### (b) Compensation to 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	
	2011 <i>RMB'000</i> (unaudited)	2010 <i>RMB'000</i>
Short term benefits	<b>2,041</b>	2,713
Retirement benefits scheme contribution	<b>52</b>	62
Total	<b>2,093</b>	2,775

## 18. CAPITAL COMMITMENTS

	As at	
	30 June 2011 <i>RMB'000</i> (unaudited)	31 December 2010 <i>RMB'000</i>
Contracted but not provided for: Property, plant and equipment	<b>8,975</b>	14,590

## 19. COMMITMENT

As at 30 June 2011, certain constructions were built on a piece of land located in the PRC (the “No. 5 Land”) amounting to approximately RMB23.2 million. In addition, the Group had prepaid RMB5.76 million as deposit for the acquisition of such land but the Group has yet to obtain the land certificate. In the opinion of the Group, the No. 5 Land is highly likely to be put on auction. Pursuant to a directors’ resolution in 2010, the Group resolved to take part in the future auction (if any) of the No. 5 Land at an estimated price of approximately RMB6.8 million or at a higher price to be authorised by the directors. Please refer to details of No. 5 Land as set out in the prospectus of the Company dated 14 December 2010.

## 20. OPERATING LEASE ARRANGEMENTS

As at 30 June 2011, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	As at	
	30 June 2011 <i>RMB'000</i> (unaudited)	31 December 2010 <i>RMB'000</i>
Within one year	909	590
In the second to fifth years inclusive	506	464
	<u>1,415</u>	<u>1,054</u>

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

## **(I) MANAGEMENT DISCUSSION AND ANALYSIS**

### **Half year performance**

#### *Revenue*

Revenue increased by approximately RMB91.3 million, or approximately 15.6% from approximately RMB584.1 million in the six months ended 30 June 2010 (“1H2010”) to approximately RMB675.4 million in the six months ended 30 June 2011 (“1H2011”). Higher telecom operators’ spending on networks proliferation in both domestic and overseas markets boosted sales of both RF Coaxial Cables and Accessories.

#### *RF Coaxial Cable*

Revenue generated from RF Coaxial Cables increased by approximately RMB88.7 million or approximately 18.1% from approximately RMB489.3 million in 1H2010 to approximately RMB578.0 million in 1H2011.

#### *Accessories*

Revenue generated from Accessories increased by approximately RMB2.6 million or approximately 2.8% from approximately RMB94.8 million in 1H2010 to approximately RMB97.5 million in 1H2011.

#### *Gross profit margin*

Average selling prices of our products had been under constant pressure, with the Group achieving an overall gross profit margin of approximately 17.9% in 1H2011 compared to approximately 19.1% in 1H2010. The Group continues to take such steps including monitoring production efficiencies in ensuring optimal raw materials utilisation, stringent selection of suppliers in tender biddings to keep costs to a minimum, and efficient use of various resources in keeping up with the price pressures resulting from keen competition.

#### *Other income*

Other income decreased by approximately RMB8.8 million or approximately 76.0% from approximately RMB11.6 million in 1H2010 to approximately RMB2.8 million in 1H2011. The decrease is due to higher government grants being awarded for the Group’s key subsidiary, Jiangsu Hengxin Technology Co., Ltd in 1H2010.

#### *Selling and distribution expenses*

Selling and distribution expenses increased by approximately RMB4.9 million or approximately 19.8% from approximately RMB24.7 million in 1H2010 to approximately RMB29.6 million in 1H2011. The increase was in line with the Group’s higher sales achieved during the financial period.

#### *Administrative expenses*

Administrative expenses increased by approximately RMB4.2 million or approximately 23.2% from approximately RMB18.2 million in 1H2010 to approximately RMB22.4 million in 1H2011. The increase was mainly due to an upward adjustment in payroll during the period, and an increase in business related activities commensurate with higher revenue levels.

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

Other operating expenses increased by approximately RMB0.6 million or approximately 8.7% from approximately RMB6.9 million in 1H2010 to approximately RMB7.5 million in 1H2011. The increase was mainly due to an increase in R&D activities undertaken on the Group's existing products during the period.

### ***Finance costs***

Finance costs decreased by approximately RMB1.7 million or approximately 25.6% from approximately RMB6.9 million in 1H2010 to approximately RMB5.2 million in 1H2011. The decrease was in line with the decrease in average short term bank borrowings obtained during 1H2011 compared to 1H2010, albeit the PRC's benchmark lending rates being raised several times in the first half year of 2011.

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

Profit before income tax decreased by approximately RMB7.2 million or approximately 10.9% from approximately RMB66.3 million in 1H2010 to approximately RMB59.1 million in 1H2011 due to higher expenses and lower margins.

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

The Group's main subsidiary has been subject to an incentive tax rate of 15% for 3 years since being awarded as a high-tech enterprise in the PRC in 2008. The decrease in income tax expenses is in line with the decrease in profit before tax for 1H2011. Accordingly, income tax expense decreased by approximately RMB1.4 million or approximately 12.2% from approximately RMB11.5 million in 1H2010 to approximately RMB10.1 million in 1H2011.

### ***Net profit***

In view of the above, net profit attributable to equity holders of the parent decreased by approximately RMB5.7 million from approximately RMB54.7 million in 1H2010 compared to approximately RMB49.0 million in 1H2011.

## **Second quarter performance**

### ***Revenue***

Group revenue increased by approximately RMB74.3 million, or approximately 23.0% from approximately RMB322.6 million in the three months ended 30 June 2010 ("2Q2010") to approximately RMB396.9 million in the three months ended 30 June 2011 ("2Q2011"). The increase was due to an increase in spending by telecom operators in the PRC and overseas during the period.

### ***RF Coaxial Cable***

Revenue generated from RF Coaxial Cables increased by approximately RMB62.1 million or approximately 23.0% from approximately RMB270.1 million in 2Q2010 to approximately RMB332.2 million in 2Q2011.

### *Accessories*

Revenue generated from Accessories increased by approximately RMB12.2 million or approximately 23.2% from approximately RMB52.5 million in 2Q2010 to approximately RMB64.7 million in 2Q2011.

### *Gross profit margin*

Gross profit margin for 2Q2011 stood at approximately 17.6% compared to approximately 18.9% in 2Q2010. Continuing keen competition weighed down on average selling prices of our products in both operating segments during the financial period. The Group continues to take such steps including monitoring production efficiencies in ensuring optimal raw materials utilisation, stringent selection of suppliers in tender biddings to keep costs to a minimum, and efficient use of various resources in keeping up with the price pressures resulting from keen competition.

### *Other income*

Other income decreased by approximately RMB0.4 million or approximately 49.5% from approximately RMB0.8 million in 2Q2010 to approximately RMB0.4 million in 2Q2011. The decrease arose from lower interest income during the period and a gain from the disposal of available-for-sale investment in 2Q2010.

### *Selling and distribution expenses*

Selling and distribution expenses increased by approximately RMB2.4 million or approximately 20.0% from approximately RMB12.0 million in 2Q2010 to approximately RMB14.4 million in 2Q2011. The increase was in line with the Group's higher sales achieved during the financial period.

### *Administrative expenses*

Administrative expenses increased by approximately RMB2.3 million or approximately 21.8% from approximately RMB10.2 million in 2Q2010 to approximately RMB12.5 million in 2Q2011. The increase was mainly due to an upward adjustment in payroll during the period, and an increase in business related activities commensurate with higher revenue levels.

### *Other operating expenses*

Other operating expenses increased by approximately RMB0.6 million or approximately 12.4% from approximately RMB4.4 million in 2Q2010 to approximately RMB5.0 million in 2Q2011. The increase was due to increased R&D activities being undertaken on the Group's existing products during the period.

### *Finance costs*

Finance costs were relatively constant at RMB3.8 million in 2Q2011 compared to RMB3.7 million in 2Q2010.

### *Profit before income tax*

Profit before income tax increased by approximately RMB3.4 million or approximately 10.6% from approximately RMB31.3 million in 2Q2010 to approximately RMB34.7 million in 2Q2011 as a result of higher revenue generated in 2Q2011.

### *Income tax expense*

The Group's main subsidiary has been subject to an incentive tax rate of 15% for 3 years since being awarded as a high-tech enterprise in the PRC in 2008. The increase in income tax expense arose from a higher profit before tax for the financial period. Accordingly, income tax expense increased by approximately RMB0.4 million or approximately 6.5% from approximately RMB5.9 million in 2Q2010 to approximately RMB6.3 million in 2Q2011.

### *Net profit*

In view of the above, net profit attributable to equity holders of the parent increased by approximately RMB3.0 million or approximately 11.6% from approximately RMB25.4 million in 2Q2010 to approximately RMB28.4 million in 2Q2011.

## **STATEMENT OF FINANCIAL POSITION**

Material fluctuations of balance sheet items are explained below:

### *Pledged bank deposits*

Pledged bank deposits are used as a pledged against commercial bills used for payment to suppliers. Such increase by approximately RMB15.7 million or approximately 25.2% from approximately RMB62.6 million as at 31 December 2010 to approximately RMB78.3 million as at 30 June 2011 is due to higher amount of bank balances required to be set aside as securities for more commercial bills paid to suppliers.

### *Trade receivables*

Trade receivables increased by approximately RMB145.9 million or approximately 23.3% from approximately RMB626.7 million as at 31 December 2010 to approximately RMB772.6 million as at 30 June 2011.

Average trade receivables turnover days are 206 days as at 30 June 2011 compared to 212 days as at 31 December 2010. The increase in trade receivables balance is offset by the increase in revenue during the period. However, most of the trade receivables balances are recent sales which are well within the average credit period given to our customers.

### *Other receivables and prepayments*

Other receivables and prepayments increased by approximately RMB10.2 million or approximately 79.0% from approximately RMB13.0 million as at 31 December 2010 to approximately RMB23.2 million as at 30 June 2011. The increase is mainly due to advances paid to suppliers as at 30 June 2011.

### *Inventories*

Inventories (comprising raw materials, work-in-progress and finished goods) increased by approximately RMB11.7 million or approximately 9.1% from approximately RMB128.4 million as at 31 December 2010 to approximately RMB140.1 million as at 30 June 2011. This is in line with the pickup in overall demand during the period.



### ***Property, plant and equipment***

Property, plant and equipment increased by approximately RMB1.1 million or approximately 0.8% from approximately RMB141.0 million as at 31 December 2010 to approximately RMB142.1 million as at 30 June 2011 due to a construction of a new building in the premises of our the Group's PRC subsidiary arising from the increased demand for office space.

### ***Short-term bank loans***

Short-term bank loans increased by approximately RMB60.0 million from approximately RMB40.0 million as at 31 December 2010 to approximately RMB100.0 million in 30 June 2011 due to additional working capital requirements in the first half year of 2011.

### ***Trade payables and Other payables***

Trade payables increased by approximately RMB96.3 million from approximately RMB323.3 million as at 31 December 2010 to approximately RMB419.6 million as at 30 June 2011 in line with the increase in purchases for raw materials in the first half year of 2011.

Other payables and accruals decreased by approximately RMB4.0 million from approximately RMB25.5 million as at 31 December 2010 to approximately RMB21.5 million as at 30 June 2011 as some of the expenses accrued for in 2010 were being paid during 2011.

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

Income tax payable decreased by approximately RMB0.5 million as at 30 June 2011 compared to 31 December 2010.

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

Cash and bank balances remains relatively stable at RMB249.9 million as at 30 June 2011 compared to RMB247.1 million as at 31 December 2010.

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

In addition to its short-term interesting-bearing facilities, the Group generally finances its operations from cash flows generated internally. For the six months ended 30 June 2011, the Group's negative working capital resulted in additional loans being obtained to finance the Group's operations.

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 net gearing ratio. The Group net gearing ratio is calculated as net borrowings divided by total equity. Net borrowings are calculated as total short-term loans less cash and cash equivalents at the end of the reporting period.

	As at	
	30 June 2011 <i>RMB'000</i> (unaudited)	31 December 2010 <i>RMB'000</i>
Net cash borrowings	149,889	207,078
Total equity	885,967	852,709
Net debt to equity ratio (%)	<u>(16.92)</u>	<u>(24.28)</u>

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

As at 30 June 2011		As at 31 December 2010	
Secured <i>RMB'000</i> (unaudited)	Unsecured <i>RMB'000</i> (unaudited)	Secured <i>RMB'000</i> (audited)	Unsecured <i>RMB'000</i> (audited)
—	100,000	—	40,000

There is no amount repayable after one year.

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

The Group stepped up its marketing efforts in 2011, and with the increase in spending by telecommunication operators in the PRC and abroad, revenue increased during the six months ended 30 June 2011 compared to the same period last year.

The mobile communications market remains one of the most challenging industry in the PRC and abroad from the continued pressure on selling prices and narrowing margin. With the current uncertainty in global economic situation including the disruption caused by the financial and credit markets of late, it poses a residual risk to our market as the industry is highly susceptible to the overall health of the world economy. If we are unable to effectively respond to these risks and pricing pressures, our revenue, gross margin & profitability could be materially affected and our gross margins could continue to be reduced.

Despite the competitive landscape, the Group has continued its efforts to monitor market development, restructure and streamline the business operations as and when necessary so as to improve the current financial status of the Group and enhance its business performance. Further, the Group has been actively seeking potential opportunities to broaden the revenue base of the Group.

Our Indian unit has received increased orders during the period under review. Though the Group is cautiously optimistic about its India operations, the Indian subsidiary is expected to outperform in 2011 compared to the previous financial year barring any unforeseen circumstances.

Project planning for Antennas is currently on track with plans for erection of its manufacturing line under way during the second half of 2011 up to 2012. Introduction of antenna products are expected to be gradual in view of various models to be approved by customers prior to sale. As with all our other products, sales are only expected to begin in 2012, subsequent to successful bids in respect of tenders issued by mobile operators or equipment vendors.

As announced previously, manufacturing of high temperature resistant cable (“HTRC”) products is expected to commence in the second quarter of 2011. The plan was initially to embark on a technical and market research of HTRC products while setting up a small-scale manufacturing line for one of the HTRC products to be used for the test production of prototypes for customers’ evaluation. The product had been tested and approved by some of our customers, but technical research is still ongoing to improving its quality. During this period, one of the main components of raw materials has seen a dramatic rise in prices caused by China’s restriction in its production output. The steep price increase in the said raw material will potentially erode our otherwise profitable margins into negative territory. Accordingly, management will temporarily suspend its purchase of large-scale equipments for production and closely monitor the situation until further notice.

The Group will continue to seek viable opportunities for acquisitions, joint ventures or other investments that are a complementary strategic fit with our existing business.

#### **DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES**

As at 30 June 2011, the interests and short positions of the directors (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 SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest 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 the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in the Company:

Name of Directors	Number of issued shares in the Company			Approximate percentage of the Company's issued share capital
	Personal interests	Corporate interests	Total interests	
Mr. Cui Genxiang <sup>(1)</sup>	—	90,294,662	90,294,662	23.27%
Ms. Zhang Zhong <sup>(2)</sup>	—	28,082,525	28,082,525	7.24%

Notes:

- (1) Mr. Cui Genxiang beneficially owns the entire issued share capital of Kingever Enterprises Limited (“**Kingever**”), and Kingever in turn holds approximately 23.27% of the total issued shares in the Company.
- (2) Ms. Zhang Zhong beneficially owns the entire issued share capital of Wellahead Holdings Limited (“**Wellahead**”), and Wellahead in turn holds approximately 7.24% of the total issued shares in the Company.

Saved as disclosed above, as at 30 June 2011, none of the Directors and chief executives of the Company nor their associates had or deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which has been notified to the Company and the SEHK pursuant to the Model Code.

#### **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES**

As at 30 June 2011, insofar as is known to the Directors and chief executives of the Company, the following shareholders have interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interests	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Kingever ( <i>Note (a)</i> )	Registered owner and beneficially owned	90,294,662	23.27%
Mr. Cui Genxiang ( <i>Note (a)</i> )	Deemed interest and interest in controlled company	90,294,662	23.27%
Wellahead ( <i>Note (b)</i> )	Registered owner and beneficially owned	28,082,525	7.24%
Ms. Zhang Zhong ( <i>Note (b)</i> )	Deemed interest and interest in controlled company	28,082,525	7.24%

*Notes:*

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

Saved as disclosed above, as at 30 June 2011, 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, has an interest or short position in the shares or underlying shares of the Company that was required to be recorded.

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

Neither at the end of the financial period nor at any time during the financial 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.

## **(IV) SUPPLEMENTARY INFORMATION**

### **1. Audit Committee**

The Company’s audit committee members are Mr. Tay Ah Kong Bernard, Mr. Chee Teck Kwong Patrick, Mr. Tam Chi Kwan Michael and Ms. Zhang Zhong. The audit committee, which is chaired by Mr. Tay Ah Kong Bernard, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2011.

### **2. Compliance with the Code on Corporate Governance Practices**

The Company has, save as disclosed below, complied with the code provisions of the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules for the six months ended 30 June 2011.

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

The Board confirms, having made specific enquiries with all directors of the Company that during the six months ended 30 June 2011, all the directors have complied with the required standards of the Model Code as set out in Appendix 10 of the Listing Rules.

### **4. Review of financial results**

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

### **5. Purchase, Sales or Redemption of the Company’s Securities**

For the six months ended 30 June 2011, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the securities of the Company.

### **6. Audit or review in accordance with applicable accounting standards**

The figures have not been audited or reviewed by the Company’s auditors.

**7. Auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

**8. Disclosure on the Website of the Exchanges**

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

By Order of the Board  
**Hengxin Technology Ltd**  
**Cui Genxiang**  
*Executive Chairman*

Singapore, 19 August 2011

*As at the date of this report, the executive directors of the Company are Mr. Cui Genxiang and Dr. Song Haiyan; the non-executive director of the Company is Ms. Zhang Zhong; and the non-executive independent directors of the Company are Mr. Tay Ah Kong Bernard, Mr. Chee Teck Kwong Patrick and Mr. Tam Chi Kwan Michael.*