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HENGXIN TECHNOLOGY LTD.
亨鑫科技有限公司*

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

(incorporated in Singapore with limited liability)

(Singapore Company Registration Number 200414927H)

(Hong Kong Stock Code: 1085)

(Singapore Stock Code: I85)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SECOND QUARTER AND
SIX MONTHS ENDED 30 JUNE 2014**

FINANCIAL HIGHLIGHTS

1. Revenue for the six months ended 30 June 2014 increased by approximately 43.7% to approximately RMB723.3 million
2. Gross profit increased by approximately 20.8% to approximately RMB120.0 million
3. Net profit attributable to equity holders of the parent increased by approximately 42.7% to approximately RMB47.1 million
4. Basic earnings per share was RMB0.12
5. No payment of interim dividend for the six months ended 30 June 2014 has been 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 2014 and for the three months ended 30 June 2014 together with the comparative figures for the corresponding periods in 2013 as follow:

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	<i>Notes</i>	1H2014 RMB'000 (unaudited)	1H2013 <i>RMB'000</i> (unaudited)
Revenue	5	723,253	503,186
Cost of sales		(603,240)	(403,874)
Gross profit		120,013	99,312
Other income	6	6,130	4,414
Selling and distribution expenses		(34,561)	(24,103)
Administrative expenses		(16,754)	(17,474)
Other operating expenses		(15,167)	(13,341)
Finance costs	7	(2,349)	(1,969)
Profit before income tax	8	57,312	46,839
Income tax expense	9	(10,167)	(13,829)
Net profit attributable to equity holders of parent		47,145	33,010
Other comprehensive income			
Items that may be subsequently classified to profit or loss:			
Exchange difference arising from consolidation of foreign operations		623	(49)
Total comprehensive income attributable to equity holders of the parent		47,768	32,961
Earnings per share attributable to equity holders of the parent			
Basic and diluted (<i>RMB cents</i>)		12.2	8.5
Dividends per share (<i>RMB cents</i>)		N.A.	N.A.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the three months ended 30 June ("2Q")*

	2Q2014 <i>RMB'000</i> (unaudited)	2Q2013 <i>RMB'000</i> (unaudited)
Revenue	414,482	301,242
Cost of sales	(346,246)	(240,792)
Gross profit	68,236	60,450
Other income	3,342	1,517
Selling and distribution expenses	(19,359)	(12,744)
Administrative expenses	(9,629)	(8,652)
Other operating expenses	(7,203)	(8,262)
Finance costs	(1,242)	(424)
Profit before income tax	34,145	31,885
Income tax expense	(6,780)	(10,644)
Net profit attributable to equity holders of parent	27,365	21,241
Other comprehensive income		
Items that may be subsequently classified to profit or loss:		
Exchange difference arising from consolidation of foreign operations	(83)	(350)
Total comprehensive income attributable to equity holders of the parent	27,282	20,891
Earnings per share attributable to equity holders of the parent		
Basic and diluted (<i>RMB cents</i>)	7.1	5.5

1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year:

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

	Group			Group		
	3 mths ended 30 Jun		Change %	6 mths ended 30 Jun		Change %
	2014	2013		2014	2013	
	<i>RMB'000</i>	<i>RMB'000</i>		<i>RMB'000</i>	<i>RMB'000</i>	
	(unaudited)	(unaudited)		(unaudited)	(unaudited)	
Allowance for inventory obsolescence	93	—	N.M.	93	—	N.M.
Depreciation of property, plant and equipment	4,283	5,057	-15.3%	8,751	10,114	-13.5%
Gain on disposal of available-for-sale investment	(48)	—	N.M.	(48)	—	N.M.
(Gain) loss on disposal of property, plant and equipment	—	66	-100.0%	(19)	66	-128.8%
Property, plant and equipment written off	32	—	N.M.	32	—	N.M.
Amortisation of leasehold land	206	140	47.1%	346	280	23.6%
Foreign exchange (gains) losses	(115)	2,537	-104.5%	(540)	3,385	-116.0%
Interest expense	1,242	424	192.9%	2,349	1,969	19.3%
Interest income	(843)	(427)	97.4%	(1,604)	(1,449)	10.7%
Research and development expenses	7,172	5,643	27.1%	14,652	9,354	56.6%

N.M.: Not meaningful

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 June	31 December
		2014	2013
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(audited)
ASSETS			
Current assets			
Cash and bank balances		82,652	372,177
Pledged cash deposits		22,764	1,960
Trade receivables	14	754,925	656,795
Other receivables and prepayments		84,632	39,113
Inventories		135,179	182,549
Leasehold land		1,355	560
		<hr/>	<hr/>
Total current assets		1,081,507	1,253,154
Non-current assets			
Leasehold land		54,081	18,341
Property, plant and equipment	13	148,714	143,615
Other receivables and prepayments		—	5,760
Available-for-sale investment		10,000	10,000
Deferred tax assets		2,770	2,737
		<hr/>	<hr/>
Total non-current assets		215,565	180,453
		<hr/>	<hr/>
Total assets		1,297,072	1,433,607
LIABILITIES AND EQUITY			
Current liabilities			
Short term loans		40,134	176,810
Trade payables	15	92,229	126,254
Other payables		24,166	34,822
Income tax payable		5,663	721
		<hr/>	<hr/>
Total current liabilities		162,192	338,607
		<hr/>	<hr/>
NET CURRENT ASSETS		919,315	914,547
		<hr/>	<hr/>

		As at	
		30 June 2014	31 December 2013
	<i>Notes</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Non-current liabilities			
Deferred income		7,500	7,500
Deferred tax liabilities		3,708	3,467
		<u>11,208</u>	<u>10,967</u>
Total non-current liabilities		<u>11,208</u>	10,967
TOTAL LIABILITIES		<u>173,400</u>	349,574
NET ASSETS		<u>1,123,672</u>	<u>1,084,033</u>
Equity attributable to equity holders of the parent			
Share capital	11	295,000	295,000
General reserves		156,287	149,215
Special reserve		(6,017)	(6,017)
Translation reserve		(697)	(1,320)
Accumulated profits		679,099	647,155
		<u>1,123,672</u>	<u>1,084,033</u>
TOTAL EQUITY		<u>1,123,672</u>	<u>1,084,033</u>

STATEMENT OF FINANCIAL POSITION — COMPANY LEVEL

	As at	
	30 June 2014 <i>RMB'000</i> (unaudited)	31 December 2013 <i>RMB'000</i> (audited)
ASSETS		
Current assets		
Cash and bank balances	25,123	17,215
Other receivables and prepayments	226	172
Amount due from subsidiaries	75,000	95,914
Total current assets	<u>100,349</u>	<u>113,301</u>
Non-current assets		
Property, plant and equipment	7	—
Subsidiaries	392,544	392,544
Total non-current assets	<u>392,551</u>	<u>392,544</u>
Total assets	<u>492,900</u>	<u>505,845</u>
LIABILITIES AND EQUITY		
Current liabilities		
Other payables	4,763	7,853
Total current liabilities	<u>4,763</u>	<u>7,853</u>
NET CURRENT ASSETS	<u>95,586</u>	<u>105,448</u>
TOTAL LIABILITIES	<u>4,763</u>	<u>7,853</u>
NET ASSETS	<u>488,137</u>	<u>497,992</u>
Equity attributable to equity holders of the parent		
Share capital	295,000	295,000
Accumulated profits	193,137	202,992
TOTAL EQUITY	<u>488,137</u>	<u>497,992</u>
TOTAL EQUITY AND LIABILITIES	<u>492,900</u>	<u>505,845</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June

(1)(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

Group RMB'000	1 Apr 14 to 30 Jun 14 (unaudited)	1 Apr 13 to 30 Jun 13 (unaudited)	1 Jan 14 to 30 Jun 14 (unaudited)	1 Jan 13 to 30 Jun 13 (unaudited)
Operating activities				
Profit before income tax	34,145	31,885	57,312	46,839
Adjustments for:				
Depreciation of property, plant and equipment	4,283	5,057	8,751	10,114
Amortisation of leasehold land	206	140	346	280
Allowance for inventory obsolescence	92	—	92	—
(Gain) loss on disposal of property, plant and equipment	—	66	(19)	66
Property, plant and equipment written off	32	—	32	—
Interest expense	1,242	424	2,349	1,969
Interest income	(843)	(427)	(1,604)	(1,449)
Gain on disposal of available-for-sale investments	(48)	—	(48)	—
Exchange differences arising on foreign currency translation	4,622	1,567	5,592	2,734
Operating profit before working capital changes	43,731	38,712	72,803	60,553
Trade receivables	19,359	(86,426)	(98,130)	(113,371)
Other receivables and prepayments	2,423	(25,184)	(45,519)	(34,955)
Inventories	35,942	692	47,278	6,399
Trade and bill payables	(17,347)	39,308	(34,025)	(32,986)
Other payables and accruals	4,799	9,074	(10,656)	1,644
Cash (used in) generated from operations	88,907	(23,824)	(68,249)	(112,716)
Interest paid	(1,242)	(424)	(2,349)	(1,969)
Interest income received	843	427	1,604	1,449
Income tax paid	(4,276)	(7,501)	(5,017)	(9,935)
Net cash generated from (used in) operating activities	84,232	(31,322)	(74,011)	(123,171)

Group <i>RMB'000</i>	1 Apr 14 to 30 Jun 14 (unaudited)	1 Apr 13 to 30 Jun 13 (unaudited)	1 Jan 14 to 30 Jun 14 (unaudited)	1 Jan 13 to 30 Jun 13 (unaudited)
Investing activities				
Acquisition of leasehold land	(36,881)	—	(36,881)	—
Acquisition of property, plant and equipment	(11,996)	(1,512)	(13,925)	(2,654)
Proceeds from disposal of property, plant and equipment	—	36	63	36
Acquisition of available-for-sale investment	—	—	(10,000)	—
Proceeds from disposal of available-for-sale investment	10,048	—	10,048	—
Net cash used in investing activities	<u>(38,829)</u>	<u>(1,476)</u>	<u>(50,695)</u>	<u>(2,618)</u>
Financing activities				
Repayment of short-term bank loans	(176,810)	—	(176,810)	(71,999)
Proceeds from short-term bank loans	40,134	—	40,134	60,000
Decrease (increase) in pledged bank deposits	(21,280)	(42)	(20,804)	19,348
Dividends paid	(8,129)	—	(8,129)	—
Net cash (used in) from financing activities	<u>(166,085)</u>	<u>(42)</u>	<u>(165,609)</u>	<u>7,349</u>
Net decrease in cash and cash equivalents	(120,682)	(32,840)	(290,315)	(118,440)
Effects of foreign exchange translation	116	(1,401)	790	(2,248)
Cash and cash equivalents at the beginning of the period	<u>203,218</u>	<u>179,406</u>	<u>372,177</u>	<u>265,853</u>
Cash and cash equivalents at the end of the period	<u><u>82,652</u></u>	<u><u>145,165</u></u>	<u><u>82,652</u></u>	<u><u>145,165</u></u>

STATEMENT OF CHANGES IN EQUITY

(1)(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Changes in Equity for the period ended 30 June 2014

GROUP <i>RMB'000</i>	Share capital	General reserve	Special reserve	Translation reserve	Accumulated profits	Total
Balance at 1 January 2014	295,000	149,215	(6,017)	(1,320)	647,155	1,084,033
Total comprehensive income for the period	—	—	—	623	47,145	47,768
Dividends	—	—	—	—	(8,129)	(8,129)
Transfer to reserves	—	7,072	—	—	(7,072)	—
Balance at 30 June 2014	<u>295,000</u>	<u>156,287</u>	<u>(6,017)</u>	<u>(697)</u>	<u>679,099</u>	<u>1,123,672</u>

Consolidated Statement of Changes in Equity for the period ended 30 June 2013

GROUP <i>RMB'000</i>	Share capital	General reserve	Special reserve	Translation reserve	Accumulated profits	Total
Balance at 1 January 2013	295,000	134,381	(6,017)	(1,098)	583,182	1,005,448
Total comprehensive income for the period	—	—	—	(49)	33,010	32,961
Transfer to reserves	—	3,301	—	—	(3,301)	—
Balance at 30 June 2013	<u>295,000</u>	<u>137,682</u>	<u>(6,017)</u>	<u>(1,147)</u>	<u>612,891</u>	<u>1,038,409</u>

STATEMENT OF CHANGES IN EQUITY

Statement of Changes in Equity of the Company for the period ended 30 June 2014

COMPANY <i>RMB'000</i>	Share capital	Accumulated profits	Total
Balance at 1 January 2014	295,000	202,992	497,992
Total comprehensive income for the period	—	(1,726)	(1,726)
Dividends	—	(8,129)	(8,129)
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Balance at 30 June 2014	<u>295,000</u>	<u>193,137</u>	<u>488,137</u>

Statement of Changes in Equity of the Company for the period ended 30 June 2013

COMPANY <i>RMB'000</i>	Share capital	Accumulated profits	Total
Balance at 1 January 2013	295,000	122,082	417,082
Total comprehensive income for the period	—	89,632	89,632
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2013	<u>295,000</u>	<u>211,714</u>	<u>506,714</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Singapore on 18 November 2004 under the Singapore Companies Act and its shares are 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 #32-15, 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 presentation 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 622 of the Laws of Hong Kong) and the Rules Governing the Listing of Securities 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 2013.

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 2014.

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 2014.

4. SEGMENT INFORMATION

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

- Manufacturing and sale of RF Coaxial Cable Series for mobile communications (“**RF Coaxial Cables**”)
- Telecommunications equipment and accessories (“**Accessories**”)
- Antennas and High Temperature Resistant Cables (“**Others**”)

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

Segment revenues and results

For management purpose, the Group is currently organised into three distinct core product lines — radio frequency coaxial cables, telecommunication equipment and accessories, and others (which includes Antennas and High Temperature Resistant Cables). 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	Radio frequency coaxial cables RMB'000	Telecommunication equipment and accessories RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Six months ended 30 June					
2014					
Revenue	530,054	173,920	19,279	—	723,253
Segment Results					
Segment profit	40,887	13,387	1,506	(1,733)	54,047
Interest income	1,203	394	—	7	1,604
Finance costs	(1,769)	(580)	—	—	(2,349)
Other income					4,526
Other expenses*					(516)
Profit before income tax					57,312
Income tax					(10,167)
Net profit for the period					47,145
2013					
Revenue	386,959	113,398	2,829	—	503,186
Segment Results					
Segment profit	40,591	11,876	317	(5,534)	47,250
Interest income	1,115	327	—	7	1,449
Finance costs	(1,522)	(447)	—	—	(1,969)
Other income					2,965
Other expenses*					(2,856)
Profit before income tax					46,839
Income tax					(13,829)
Net profit for the period					33,010

* exclude research and development expenses

Other segment information

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
2014					
Capital expenditure	10,354	3,396	167	8	13,925
Depreciation expense	5,346	1,753	1,652	—	8,751
Amortisation of leasehold land	254	83	9	—	346
Allowance for (reversal of) inventory obsolescence	48	(3)	—	47	92
2013					
Capital expenditure	1,961	576	117	—	2,654
Depreciation expense	7,149	2,099	865	1	10,114
Amortisation of leasehold land	216	64	—	—	280
Reversal of (Allowance for) inventory obsolescence	—	—	—	—	—

Statement of net assets

	Radio frequency coaxial cables RMB'000	Telecommunication equipment and accessories RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
As at 30 June 2014					
Assets:					
Segment assets	932,168	305,219	34,329	—	1,271,716
Unallocated assets				25,356	25,356
Total assets					1,297,072
Liabilities:					
Segment liabilities	123,611	40,473	4,553	—	168,637
Unallocated liabilities				4,763	4,763
Total liabilities					173,400
As at 31 December 2013					
Assets:					
Segment assets	1,057,875	330,048	28,297	—	1,416,220
Unallocated assets				17,387	17,387
Total assets					1,433,607
Liabilities:					
Segment liabilities	257,996	80,492	3,235	—	341,723
Unallocated liabilities				7,851	7,851
Total liabilities					349,574

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
	2014	2013	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Central Asia	669,711	439,449	202,429	167,375
South Asia	28,631	25,380	366	341
Others	24,911	38,357	—	—
Total	<u>723,253</u>	<u>503,186</u>	<u>202,795</u>	<u>167,716</u>

* *excludes available-for-sale investment and deferred tax assets*

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. An analysis of the Group's revenue, other income and gains is as follows:

	For the six months ended	
	30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Sale of goods	<u>723,253</u>	<u>503,186</u>

6. OTHER INCOME

	For the six months ended	
	30 June	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Government grants	3,527	2,509
Interest income	1,604	1,449
Compensation claims received	156	274
Foreign exchange gains	540	—
Gain on disposal of available-for-sale investment	48	—
Others	255	182
Total	<u>6,130</u>	<u>4,414</u>

7. FINANCE COSTS

For the six months ended
30 June
2014 2013
RMB'000 *RMB'000*
(unaudited) (unaudited)

Interest on short term bank borrowings	2,349	1,969
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8. PROFIT BEFORE INCOME TAX

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

For the six months ended
30 June
2014 2013
RMB'000 *RMB'000*
(unaudited) (unaudited)

Cost of inventories recognised as expense (including allowance of (reversal of) inventory obsolescence)	603,147	403,874
Depreciation of property, plant and equipment	8,751	10,114
Amortisation of leasehold land	346	280
Employee benefits expense	39,413	23,504
Cost of defined contribution plans	1,860	1,515
Directors' fees — directors of the Company	872	797
Directors' remuneration:		
Directors of the Company	1,083	952
Directors of the subsidiaries	18	20
	43,246	26,788
Total staff costs	43,246	26,788
Net foreign exchange (gain) loss	(540)	3,385
(Gain) Loss on disposal of property, plant and equipment	(19)	66
Property, plant and equipment written off	32	—
Gain on disposal of available-for-sale investment	(48)	—
	(540)	3,385

9. INCOME TAX EXPENSE

For the six months ended
30 June
2014 2013
RMB'000 *RMB'000*
(unaudited) (unaudited)

Current	9,959	13,512
Deferred	208	317
	10,167	13,829

The Company is incorporated in Singapore and is subject to income tax rate of 17% for the six months ended 30 June 2014 (2013: 17%).

Under the law of the People's Republic of China on Enterprise Income Tax (the "EIT Law"), applicable income tax rate of Jiangsu Hengxin Technology Co. Ltd, the Group's PRC incorporated key subsidiary, in 2014 is 15% (2013: 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 2014. No interim dividend was also declared nor paid for the previous financial period ended 30 June 2013.

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 2013 and 30 June 2014	388,000	295,000	58,342

In accordance 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		Group	
	3 months ended		6 months ended	
	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings per share (<i>RMB</i>)				
— Basic	7.1	5.5	12.2	8.5
— Diluted	7.1	5.5	12.2	8.5
Weighted average no. of shares applicable to basic EPS ('000)	388,000	388,000	388,000	388,000
Weighted average no. of shares based on fully diluted basis ('000)	388,000	388,000	388,000	388,000

There were no potential dilutive ordinary shares in existence during the period ended 30 June 2013 and 2014.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group's capital expenditure was approximately RMB13.9 million (2013: RMB2.7 million).

14. TRADE RECEIVABLES

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Trade receivables	657,187	609,413
Allowance for doubtful debts	<u>(15,762)</u>	<u>(15,762)</u>
Net	641,425	593,651
Notes receivable	<u>113,500</u>	<u>63,144</u>
Total	<u>754,925</u>	<u>656,795</u>

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:

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
0 to 180 days	591,447	518,088
181 to 360 days	136,305	69,083
1 to 2 years	<u>27,173</u>	<u>69,624</u>
	<u>754,925</u>	<u>656,795</u>

15. TRADE PAYABLES

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
Trade payables	92,229	126,254
Bill payables	<u>—</u>	<u>—</u>
	<u>92,229</u>	<u>126,254</u>

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

	30 June 2014 RMB'000 (unaudited)	31 December 2013 RMB'000 (audited)
0 to 90 days	85,997	120,242
91 to 180 days	2,633	3,500
181 to 360 days	1,172	1,074
Over 360 days	2,427	1,438
	<u>92,229</u>	<u>126,254</u>

16. NET ASSET VALUE

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

	Group		Company	
	30-Jun-14 (unaudited)	31-Dec-13 (audited)	30-Jun-14 (unaudited)	31-Dec-13 (audited)
Net Assets (<i>RMB'000</i>)	1,123,672	1,084,033	488,137	497,992
Number of ordinary shares (<i>'000</i>)	<u>388,000</u>	<u>388,000</u>	<u>388,000</u>	<u>388,000</u>
Net Asset Value per ordinary share (<i>RMB</i>)	<u>2.90</u>	<u>2.79</u>	<u>1.26</u>	<u>1.28</u>

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	
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Purchase of raw materials	<u>5,475</u>	<u>1,117</u>

(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	
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Short term benefits	2,178	1,800
Retirement benefits scheme contribution	61	61
Total	<u>2,239</u>	<u>1,861</u>

18. CAPITAL COMMITMENTS

	As at	
	30 June	31 December
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for:		
Property, plant and equipment	8,723	73
Donation commitment	6,000	6,500
Total	<u>14,723</u>	<u>6,573</u>

19. OPERATING LEASE ARRANGEMENTS

As at 30 June 2014, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	As at	
	30 June	31 December
	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	845	801
In the second to fifth years inclusive	18	302
Total	<u>863</u>	<u>1,103</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 — Six months ended 30 June

Material changes are explained below:

Revenue

Revenue increased by approximately RMB220.1 million, or approximately 43.7% from approximately RMB503.2 million in the six months ended 30 June 2013 (“1H2013”) to approximately RMB723.3 million in the six months ended 30 June 2014 (“1H2014”) due to increased orders for the Group’s products during the period.

RF Coaxial Cable

Revenue generated from RF Coaxial Cables increased by approximately RMB143.1 million or approximately 37.0% from approximately RMB387.0 million in 1H2013 to approximately RMB530.1 million in 1H2014.

Telecommunication equipment and accessories

Revenue generated from Accessories increased by approximately RMB60.5 million or approximately 53.4% from approximately RMB113.4 million in 1H2013 to approximately RMB173.9 million in 1H2014.

Others (HTRC and Antenna)

Revenue generated in this segment increased by approximately RMB16.5 million or approximately 589.3% from approximately RMB2.8 million in 1H2013 to approximately RMB19.3 million in 1H2014.

Gross profit margin

The Group achieved an overall gross profit margin of approximately 16.6% in 1H2014 compared to approximately 19.7% in 1H2013. Increased competition has led to continuing pressures on the Group’s selling prices during the period. The Group continues to monitor production efficiencies to ensure optimal raw materials and labour utilisation, stringent selection of suppliers in tender biddings to keep costs to a minimum, coupled with efficient use of various resources to keep up with price pressures resulting from keen competition.

Other income

Other income increased by approximately RMB1.7 million or approximately 38.6% from approximately RMB4.4 million in 1H2013 to approximately RMB6.1 million in 1H2014, which is due to higher government grants awarded to the Group’s key subsidiary, Jiangsu Hengxin Technology Co., Ltd. and a gain in foreign exchange during the period as compared to a loss in the corresponding period.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB10.5 million or approximately 43.6% from approximately RMB24.1 million in 1H2013 to approximately RMB34.6 million in 1H2014, which is in line with the Group’s higher sales during the period.

Administrative expenses

Administrative expenses decreased by approximately RMB0.7 million or approximately 4.0% from approximately RMB17.5 million in 1H2013 to approximately RMB16.8 million in 1H2014. The decrease is due to certain cost reductions during the period.

Other operating expenses

Other operating expenses increased by approximately RMB1.9 million or approximately 14.3% from approximately RMB13.3 million in 1H2013 to approximately RMB15.2 million in 1H2014. The increase arose from continued customer requests for new product specifications during the period.

Finance costs

Finance costs increased by approximately RMB0.3 million or approximately 15.0% from approximately RMB2.0 million in 1H2013 to approximately RMB2.3 million in 1H2014 due to higher level of borrowings during the period.

Profit before income tax

Profit before income tax increased by approximately RMB10.5 million or approximately 22.4% from approximately RMB46.8 million in 1H2013 to approximately RMB57.3 million in 1H2014 due to increased revenue during the period.

Income tax expense

The Group's main subsidiary has been subject to an incentive tax rate of 15% as it has been awarded as a high-tech enterprise in the PRC since 2011.

Income tax expense decreased by approximately RMB3.6 million or approximately 26.1% from approximately RMB13.8 million in 1H2013 to approximately RMB10.2 million in 1H2014. The decrease in income tax expenses is due to an absence of withholding taxes of approximately RMB5.0 million being paid for inter-company dividends declared from the Group's China subsidiary to its holding company in 1H2013.

Net profit

In view of the above, net profit attributable to equity holders of the parent increased by approximately RMB14.1 million or approximately 42.7% from approximately RMB33.0 million in 1H2013 compared to approximately RMB47.1 million in 1H2014.

Second quarter performance — Three months ended 30 June

Revenue

Group revenue increased by approximately RMB113.3 million, or approximately 37.6% from approximately RMB301.2 million in the three months ended 30 June 2013 (“**2Q2013**”) to approximately RMB414.5 million in the three months ended 30 June 2014 (“**2Q2014**”) as a result of increased orders for the Group's products during the period.

RF Coaxial Cable

Revenue generated from RF Coaxial Cables increased by approximately RMB70.8 million or approximately 30.3% from approximately RMB233.6 million in 2Q2013 to approximately RMB304.4 million in 2Q2014.

Telecommunication equipment and accessories

Revenue generated from Accessories increased by approximately RMB35.6 million or approximately 53.3% from approximately RMB66.8 million in 2Q2013 to approximately RMB102.4 million in 2Q2014.

Others (HTRC and Antenna)

Revenue generated in this segment increased by approximately RMB6.9 million or approximately 862.5% from approximately RMB0.8 million in 2Q2013 to approximately RMB7.7 million in 2Q2014.

Gross profit margin

Gross profit margin for 2Q2014 stood at approximately 16.5% compared to approximately 20.1% in 2Q2013, primarily due to increased competition leading to continued pressures on the Group's selling prices during the period.

Other income

Other income increased by approximately RMB1.8 million or approximately 120.0% from approximately RMB1.5 million in 2Q2013 to approximately RMB3.3 million in 2Q2014 as a result of higher interest income and government grants received during the period.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB6.7 million or approximately 52.8% from approximately RMB12.7 million in 2Q2013 to approximately RMB19.4 million in 2Q2014, which is in line with the Group's increased revenue during the period.

Administrative expenses

Administrative expenses increased by approximately RMB0.9 million or approximately 10.3% from approximately RMB8.7 million in 2Q2013 to approximately RMB9.6 million in 2Q2014. The increase is due to an increase in staff costs which are partially offset by certain cost reduction during the period.

Other operating expenses

Other operating expenses decreased by approximately RMB1.1 million or approximately 13.3% from approximately RMB8.3 million in 2Q2013 to approximately RMB7.2 million in 2Q2014. The decrease was due to foreign exchange losses in 2Q2013 as compared to a gain in 2Q2014.

Finance costs

Finance costs increased by approximately RMB0.8 million or approximately 200.0% from approximately RMB0.4 million in 2Q2013 to approximately RMB1.2 million in 2Q2014 as there were a higher level of borrowings in 2014 compared to the same period in 2013.

Profit before income tax

Profit before income tax increased by approximately RMB2.2 million or approximately 6.9% from approximately RMB31.9 million in 2Q2013 to approximately RMB34.1 million in 2Q2014 as a result of increased revenue during the period.

Income tax expense

The Group's main subsidiary has been subject to an incentive tax rate of 15% as it has been awarded as a high-tech enterprise in the PRC since 2011. The increase in income tax expenses is due to withholding taxes of RMB5.0 million being paid for dividends declared from the Group's China subsidiary to its holding company during the period.

Income tax expense decreased by approximately RMB3.8 million or approximately 35.8% from approximately RMB10.6 million in 2Q2013 to approximately RMB6.8 million in 2Q2014. The decrease is due to an absence of withholding taxes of approximately RMB5.0 million being paid for inter-company dividends declared from the Group's China subsidiary to its holding company in 2Q2013.

Net profit

In view of the above, net profit attributable to equity holders of the parent increased by approximately RMB6.2 million or approximately 29.2% from approximately RMB21.2 million in 2Q2013 to approximately RMB27.4 million in 2Q2014.

Statement of Financial Position

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

Pledged bank deposits

Pledged bank deposits are used as security for commercial bills used for payment to suppliers. Pledged bank deposits increased by approximately RMB20.8 million or approximately 1,040.0% from approximately RMB2.0 million as at 31 December 2013 to approximately RMB22.8 million as at 30 June 2014 mainly due to funds being pledged to a bank for a bank borrowing during the period.

Trade receivables

Trade receivables increased by approximately RMB98.1 million or approximately 14.9% from approximately RMB656.8 million as at 31 December 2013 to approximately RMB754.9 million as at 30 June 2014.

Average trade receivables turnover days are 192 days as at 30 June 2014 compared to 193 days as at 31 December 2013 and 211 days as at 31 March 2014.

Nonetheless, most trade receivables balances are recent sales which are well within the average credit period given to our customers.

For amounts due more than six months and longer, these mainly pertain to final payment (upon project completion) owed by the three main PRC telecom operators. These outstanding balances relate to projects undertaken by these operators which had longer project completion date than as initially anticipated. These operators have been the Group's long-time customers and the

Group has been receiving regular payments from them. In 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 issue in the collection of these receivables.

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

Other receivables and prepayments

Other receivables and prepayments increased by approximately RMB45.5 million or approximately 116.4% from approximately RMB39.1 million as at 31 December 2013 to approximately RMB84.6 million as at 30 June 2014. Of this balance, approximately RMB46.9 million relates to advances made to suppliers, compared to approximately RMB10.0 million as at 31 December 2013. The increase in such advances was to enable the Group obtain better pricing from suppliers.

Inventories

Inventories (comprising raw materials, work-in-progress and finished goods) decreased by approximately RMB47.3 million or approximately 25.9% from approximately RMB182.5 million as at 31 December 2013 to approximately RMB135.2 million as at 30 June 2014. The decrease is in response to relatively lower orders during the end of the financial period.

Property, plant and equipment

Property, plant and equipment increased by approximately RMB5.1 million or approximately 3.6% from approximately RMB143.6 million as at 31 December 2013 to approximately RMB148.7 million as at 30 June 2014. During the period, the Group, through an agreement entered into with Yixing Ruidi Copper Co., Ltd, agreed to acquire a dormitory amounting to approximately RMB 7.2 million.

The above purchase accounted mainly for the increase during the period.

Leasehold Land

Leasehold land increased by approximately RMB 36.5 million or approximately 193.1% from approximately RMB 18.9 million as at 31 December 2013 to approximately RMB 55.4 million as at 30 June 2014. During the period, the Group, through an agreement entered into with Yixing Ruidi Copper Co., Ltd, agreed to acquire certain leasehold land for its own use, amounting to a total of approximately RMB 35.8 million. Part of the purchase price was being offset against the deposit paid amounting to approximately RMB 5.76 million which was previously classified as "Other receivables and prepayments" under non-current assets.

Short-term bank loans

Short-term bank loans decreased by approximately RMB136.7 million or approximately 77.3% from approximately RMB176.8 million as at 31 December 2013 to approximately RMB40.1 million as at 30 June 2014 due to a loan repayment made during the financial period.

Trade payables and Other payables

Trade payables decreased by approximately RMB34.1 million or approximately 27.0% from approximately RMB126.3 million as at 31 December 2013 to approximately RMB92.2 million as at 30 June 2014 in line with relatively lower orders at the end of the financial period.

Other payables decreased by approximately RMB10.6 million or approximately 30.5% from approximately RMB34.8 million as at 31 December 2013 to approximately RMB24.2 million as at 30 June 2014 as accruals made in 2013 were paid during the period.

Income tax payable

Income tax payable increased by approximately RMB5.0 million or approximately 714.3% from approximately RMB0.7 million as at 31 December 2013 to approximately RMB5.7 million in 30 June 2014.

Cash and bank balances

Cash and bank balances decreased RMB289.5 million or approximately 77.8% from RMB372.2 million as at 31 December 2013 compared to RMB82.7 million as at 30 June 2014 mainly due to the increased use of working capital from higher sales achieved and a repayment of bank borrowings during the period.

(II) LIQUIDITY, FINANCIAL RESOURCES

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

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

The management of the Group monitors capital based on the Group 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	31 December
	2014	2013
	RMB'000	RMB'000
	(unaudited)	(audited)
Net cash borrowings	(42,518)	(195,367)
Total equity	1,123,672	1,084,033
Net debt to equity ratio (%)	(3.78)	(18.02)

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

As at 30 June 2014		As at 31 December 2013	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
(unaudited)	(unaudited)	(audited)	(audited)
20,134	20,000	—	176,810

As at 30 June 2014, the secured bank borrowing is secured by way of a deposit being pledged with the same bank. 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 growth of OTT (Over-The-Top) services have continued to change the broad telecommunications landscape, witnessing a trend of telecommunication services gradually using alternative technologies, such as through ISPs (Internet Service Providers). As a result, the rate of revenue increase from telecommunications services has tapered over the years. Telecom operators therefore are adopting a more conservative approach in capital spending.

China issued 4G licenses to the three major telecom operators in the PRC in December 2013. This directly increased our sales during the first half of 2014. As described above, the adoption of the old models of simply adding capacity due to increasing demand would inadvertently increase telecom operators' capital expenditure. Hence telecom operators are exploring efficient uses of existing infrastructure and assets, which could potentially affect the demand for our products.

4G telecommunications require a much higher data capacity and transmission, and this constraint has led to smaller but a larger number of base stations being built but covering a smaller area with higher transmission capacity. These newer base stations adopt smaller sized cables, which have lower selling prices compared to larger cables. However, technology evolution has also led to other possible alternative products to be used on base stations. The combination of the above elements, coupled with rising competition between telecom operators and telecom equipment suppliers alike are exacting an impact on our margins moving forward.

Looking ahead, the telecoms industry especially in the area of RF cabling systems continues to remain challenging. The Group will continue its efforts to monitor changing market conditions closely, make proactive refinements on the business strategies. Resources will also be devoted to broadening its product variety as well as enhancing its branding.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares and Debentures

As at 30 June 2014, 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 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 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 ⁽¹⁾	—	90,294,662	90,294,662	23.27%
Ms Zhang Zhong ⁽²⁾	—	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 2014, 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 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 2014, 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 Part XV 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 2014, 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 2014.

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 during the six months ended 30 June 2014.

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 2014, all the directors have complied with the required standards of the Model Code as set out in Appendix 10 of the Listing Rules.

4 Share capital

(i) *Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.*

Share capital — Ordinary Shares	No. of shares	
	'000	RMB'000
Balance as at 30 June 2014 and 31 December 2013	<u>388,000</u>	<u>295,000</u>

There were no changes in the issued share capital of the Company for the second quarter and six months ended 30 June 2014.

(ii) *To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.*

As at 30 June 2014 and 31 December 2013, there were no treasury shares.

(iii) *A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.*

Not applicable.

5. Dividends

No dividend has been recommended by the Company for the period ended 30 June 2014.

6. Review of financial results

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

7. Audit or review in accordance with applicable accounting standards

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

8. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

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 2013.

9. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

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

For the six months ended 30 June 2014, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the securities of the Company.

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

Not applicable.

12. If the group has obtained a general mandate from shareholders for Interest Person Transactions ("IPTs"), the aggregate value of such transactions as required under SGX Listing Manual Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

No mandate from shareholders has been obtained for IPTs.

13. Disclosure on the Website of the Exchanges

This announcement shall be published on the websites 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>).

14. Negative assurance pursuant to SGX Listing Manual Rule 705(5)

We, **Cui Genxiang** and **Xu Guoqiang**, being two directors of Hengxin Technology Ltd. (the "Company"), do hereby confirm on behalf of the Board of Directors of the Company ("Board") that, to the best of the Board's knowledge, nothing has come to the attention of the Board which may render the 2Q2014 and 1H2014 financial results to be false or misleading in any material aspect.

15. Use of IPO proceeds

As at the date of the financial period reported on, the Company has utilised approximately RMB74.5 million of the net proceeds raised from the dual primary listing on the SEHK (the "IPO Proceeds").

The details of the use of the IPO Proceeds are tabulated below:

Intended Use	Revised Amount RMB'000	Used RMB'000	Balance RMB'000
Diversify product portfolio of High Temperature Resistant Cables	7,130 ⁽¹⁾	(7,130)	—
Diversify product portfolio of Antennas	35,370	(35,370)	—
Expansion of sales network into overseas market	7,382	(2,071)	5,311
Enhance research and development	7,382	(6,042)	1,340
General working capital	23,859	(23,859)	—
Total	81,123	74,472	6,651

(1) Please refer to the Company's announcement dated 9 October 2012 on the change in use of proceeds.

(2) The breakdown of the use of proceeds for general working capital is as follows:

Details	Used <i>RMB'000</i>
Purchase of raw materials	23,032
Purchase of equipment	408
General admin expenses	419
Total	<u>23,859</u>

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

Singapore, 13 August 2014

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