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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 SIX MONTHS ENDED 30 JUNE 2016**

FINANCIAL HIGHLIGHTS

1. Revenue for the six months ended 30 June 2016 decreased by approximately 7.3% to approximately RMB728.0 million
2. Gross profit decreased by approximately 3.4% to approximately RMB145.4 million
3. Net profit attributable to equity holders of the parent increased by approximately 2.6% to approximately RMB50.5 million
4. Basic earnings per share was RMB0.13
5. No payment of interim dividend for the six months ended 30 June 2016 has been recommended

* for identification purpose only

The board (the “**Board**”) of directors (the “**Director(s)**”) of Hengxin Technology Ltd. (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively hereinafter referred as the “**Group**”) for the six months ended 30 June 2016 together with the comparative figures for the corresponding period in 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

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

	<i>Notes</i>	1H2016 <i>RMB'000</i> (unaudited)	1H2015 <i>RMB'000</i> (unaudited)
Revenue	5	728,015	785,171
Cost of sales		(582,571)	(634,678)
Gross profit		145,444	150,493
Other income	6	9,158	2,957
Selling and distribution expenses		(50,230)	(42,200)
Administrative expenses		(17,911)	(23,544)
Other operating expenses		(25,223)	(24,704)
Share of profits of associate		261	—
Finance costs	7	(879)	(4,364)
Profit before income tax	8	60,620	58,638
Income tax expense	9	(10,129)	(9,394)
Net profit attributable to equity holders of the Company		50,491	49,244
Other comprehensive income			
Items that may be classified subsequently classified to profit or loss:			
Exchange difference arising from consolidation of foreign operations		35	(52)
Total comprehensive income attributable to equity holders of the Company		50,526	49,192
Earnings per share attributable to equity holders of the Company			
Basic and diluted (<i>RMB cents</i>)	12	13.0	12.7
Dividends per share (<i>RMB cents</i>)	10	N.A.	N.A.

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

	Group		Change
	6 mths ended 30 Jun		
	2016	2015	
	RMB'000	RMB'000	%
	(unaudited)	(unaudited)	
Reversal of allowance for doubtful trade receivables	(5,212)	—	N.M
Allowance for inventory obsolescence	31	177	-82.5%
Depreciation of property, plant and equipment	9,722	11,046	-12.0%
(Gain) loss on disposal of property, plant and equipment	(7)	293	-102.4%
Amortisation of leasehold land	677	677	0.0%
Foreign exchange (gains) losses	(460)	712	-164.6%
Interest expense	879	4,364	-79.9%
Interest income	(4,599)	(1,604)	138.0%
Research and development expenses	24,620	23,170	6.3%

N.M.: Not Meaningful

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at	
		30 June	31 December
		2016	2015
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(audited)
ASSETS			
Current assets			
Cash and bank balances		444,952	605,907
Pledged cash deposits		4,719	19,177
Trade receivables	14	649,700	535,093
Other receivables and prepayments		67,787	67,615
Inventories		94,916	115,694
Leasehold land		1,355	1,355
		1,263,429	1,344,841
Total current assets			
Non-current assets			
Leasehold land		51,372	52,049
Available-for-sale investment		10,647	10,647
Associate		36,261	—
Property, plant and equipment		151,423	154,343
Deferred tax assets		2,635	3,417
		252,338	220,456
Total non-current assets			
		1,515,767	1,565,297
Total assets			
LIABILITIES AND EQUITY			
Current liabilities			
Short term loans		27,000	117,404
Trade payables	15	108,016	104,432
Other payables		39,160	41,871
Income tax payable		3,854	2,601
		178,030	266,308
Total current liabilities			
		1,085,399	1,078,533
NET CURRENT ASSETS			

		As at	
		30 June 2016	31 December 2015
	<i>Notes</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
Non-current liabilities			
Deferred income		5,717	6,231
Deferred tax liabilities		4,843	4,583
Total non-current liabilities		<u>10,560</u>	<u>10,814</u>
TOTAL LIABILITIES		<u>188,590</u>	<u>277,122</u>
NET ASSETS		<u>1,327,177</u>	<u>1,288,175</u>
Equity attributable to equity holders of the parent			
Share capital	11	295,000	295,000
General reserves		190,472	182,898
Special reserve		(6,017)	(6,017)
Translation reserve		(1,279)	(1,314)
Accumulated profits		849,001	817,608
TOTAL EQUITY		<u>1,327,177</u>	<u>1,288,175</u>
TOTAL EQUITY AND LIABILITIES		<u>1,515,767</u>	<u>1,565,297</u>

STATEMENT OF FINANCIAL POSITION — COMPANY LEVEL

	As at	
	30 June 2016 <i>RMB'000</i> (unaudited)	31 December 2015 <i>RMB'000</i> (audited)
ASSETS		
Current assets		
Cash and bank balances	9,708	9,072
Other receivables and prepayments	15,445	16,904
Total current assets	<u>25,153</u>	<u>25,976</u>
Non-current assets		
Property, plant and equipment	13	17
Other receivables and prepayments	41,873	56,159
Subsidiaries	396,385	396,385
Total non-current assets	<u>438,271</u>	<u>452,561</u>
Total assets	<u>463,424</u>	<u>478,537</u>
LIABILITIES AND EQUITY		
Current liabilities		
Other payables	1,234	2,147
Total current liabilities	<u>1,234</u>	<u>2,147</u>
NET CURRENT ASSETS	<u>23,919</u>	<u>23,829</u>
TOTAL LIABILITIES	<u>1,234</u>	<u>2,147</u>
NET ASSETS	<u>462,190</u>	<u>476,390</u>
Equity attributable to equity holders of the parent		
Share capital	295,000	295,000
Accumulated profits	167,190	181,390
TOTAL EQUITY	<u>462,190</u>	<u>476,390</u>
TOTAL EQUITY AND LIABILITIES	<u>463,424</u>	<u>478,537</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 June

Group RMB'000	2016 (unaudited)	2015 (unaudited)
Operating activities		
Profit before income tax	60,620	58,638
Adjustments for:		
Depreciation of property, plant and equipment	9,722	11,046
Amortisation of leasehold land	677	677
Reversal of allowances for doubtful trade receivables	(5,212)	—
Allowance for inventory obsolescence	31	177
(Gain) loss on disposal of property, plant and equipment	(7)	293
Interest expense	879	4,364
Interest income	(4,599)	(1,604)
Exchange differences arising on foreign currency translation	(2,964)	852
	<u>59,147</u>	<u>74,443</u>
Operating profit before working capital changes	59,147	74,443
Trade receivables	(109,395)	(40,548)
Other receivables and prepayments	(172)	(22,949)
Inventories	20,747	(20,527)
Trade and bill payables	3,584	(22,231)
Other payables and accruals	(3,225)	(402)
	<u>(29,314)</u>	<u>(32,214)</u>
Cash used in operations	(29,314)	(32,214)
Interest paid	(879)	(4,364)
Interest income received	4,599	1,604
Income tax paid	(7,834)	(6,379)
	<u>(33,428)</u>	<u>(41,353)</u>
Net cash used in operating activities	<u>(33,428)</u>	<u>(41,353)</u>
Investing activities		
Acquisition of property, plant and equipment	(10,223)	(10,340)
Proceeds from disposal of property, plant and equipment	3,428	180
Acquisition of equity interest in Associate	(36,261)	—
	<u>(43,056)</u>	<u>(10,160)</u>
Net cash (used in) generated investing activities	<u>(43,056)</u>	<u>(10,160)</u>
Financing activities		
Repayment of short-term bank loans	(118,274)	(41,806)
Proceeds from short-term bank loans	27,870	113,729
Decrease (increase) in pledged bank deposits	14,458	2,844
Dividends paid	(11,524)	—
	<u>(87,470)</u>	<u>74,767</u>
Net cash (used in) from financing activities	<u>(87,470)</u>	<u>74,767</u>
Net (decrease) increase in cash and cash equivalents	(163,954)	23,254
Effects of foreign exchange translation	2,999	(904)
Cash and cash equivalents at the beginning of the period	605,907	469,100
Cash and cash equivalents at the end of the period	444,952	491,450

STATEMENT OF CHANGES IN EQUITY*Consolidated Statement of Changes in Equity for the period ended 30 June 2016*

GROUP — <i>RMB'000</i>	Share capital	General reserve	Special reserve	Translation reserve	Accumulated profits	Total
Balance at 1 January 2016	295,000	182,898	(6,017)	(1,314)	817,608	1,288,175
Total comprehensive income for the period	—	—	—	35	50,491	50,526
Dividends paid	—	—	—	—	(11,524)	(11,524)
Transfer to reserves	—	7,574	—	—	(7,574)	—
Balance at 30 June 2016	295,000	190,472	(6,017)	(1,279)	849,001	1,327,177

Consolidated Statement of Changes in Equity for the period ended 30 June 2015

GROUP — <i>RMB'000</i>	Share capital	General reserve	Special reserve	Translation reserve	Accumulated profits	Total
Balance at 1 January 2015	295,000	163,829	(6,017)	(830)	721,499	1,173,481
Total comprehensive income for the period	—	—	—	(52)	49,244	49,192
Transfer to reserves	—	8,218	—	—	(8,218)	—
Balance at 30 June 2015	295,000	172,047	(6,017)	(882)	762,525	1,222,673

STATEMENT OF CHANGES IN EQUITY

Statement of Changes in Equity of the Company for the period ended 30 June 2016

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

Statement of Changes in Equity of the Company for the period ended 30 June 2015

COMPANY — RMB'000	Share capital	Accumulated profits	Total
Balance at 1 January 2015	295,000	189,998	484,998
Total comprehensive income for the period	—	(4,909)	(4,909)
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2015	295,000	185,089	480,089

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Singapore on 18 November 2004 under the Singapore Companies Act and its shares are primary-listed on Main Board of The Stock Exchange of Hong Kong Limited (the “SEHK”) and secondary-listed on the Main Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The registered office of the Company is located at 55 Market Street, #08-01, Singapore 048941. The principal place of business of the Group is located at No. 138 Taodu Road, Dingshu Town, Yixing City, Jiangsu Province, the People’s Republic of China (the “PRC”).

The Company is an investment holding company, and the principal activities of the subsidiaries are the research, design, development and manufacture of telecommunications and technological products, production of radio frequency coaxial cables for mobile communications and mobile communications systems exchange equipment. The Group’s operations are principally conducted in the PRC.

The consolidated financial statements are presented in Renminbi (“RMB”), being the functional currency of the Company and the presentation currency of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared in accordance with the measurement and recognition criteria of the International Financial Reporting Standards (“IFRSs”), amendments (hereinafter referred to as the “IFRS”) issued by the International Accounting Standards Board (“IASB”) that are effective for annual reporting periods beginning on or after 1 January 2016.

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

Accounting policies

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period reported on, as in the recently audited consolidated financial statements for the financial year ended 31 December 2015.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group adopted the new and revised IFRS that are mandatory for the financial periods beginning on or after 1 January 2016.

The adoption of new and revised IFRS did not have any impact on the results of the Group for the financial period ended 30 June 2016.

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”)
- Coaxial Cables for telecommunications equipment and accessories (“Accessories”)
- Others (includes Antennas and High Temperature Resistant Cables (“HTRC”))

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, telecommunications 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	Telecommunication equipment and accessories	Others	Unallocated	Total
Six months ended 30 June	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
2016					
Revenue	496,205	186,962	44,848	—	728,015
Segment Results					
Segment profit	38,452	14,490	3,440	(3,438)	52,944
Interest income	3,137	1,182	280	—	4,599
Finance costs	(599)	(226)	(54)	—	(879)
Other income					4,559
Other expenses*					(603)
Profit before income tax					60,620
Income tax					(10,129)
Net profit for the period					50,491
2015					
Revenue	531,892	197,442	55,837	—	785,171
Segment Results					
Segment profit	45,017	16,690	4,788	(4,916)	61,579
Interest income	1,164	433	—	7	1,604
Finance costs	(3,181)	(1,183)	—	—	(4,364)
Other income					1,353
Other expenses*					(1,534)
Profit before income tax					58,638
Income tax					(9,394)
Net profit for the period					49,244

* exclude research and development expenses

Other segment information

GROUP

Six months ended 30 June	Radio frequency	Telecommunication	Others	Unallocated	Total
	coaxial cables	equipment and			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure	6,972	2,627	624	—	10,223
Depreciation expense	6,628	2,498	592	4	9,722
Amortisation of leasehold land	462	174	41	—	677
Allowance for inventory obsolescence	—	—	30	1	31

2015

Capital expenditure	209	636	9,424	71	10,340
Depreciation expense	6,931	2,576	1,537	2	11,046
Amortisation of leasehold land	458	170	49	—	677
Allowance for inventory obsolescence	9	36	72	60	177

Statement of net assets

	Radio frequency	Telecommunication	Others	Unallocated	Total
	coaxial cables	equipment and			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2016					
Assets:					
Segment assets	1,026,820	386,939	91,842	—	1,505,601
Unallocated assets				10,166	10,166
Total assets					1,515,767
Liabilities:					
Segment liabilities	127,777	48,150	11,429	—	187,356
Unallocated liabilities				1,234	1,234
Total liabilities					188,590
As at 31 December 2015					
Assets:					
Segment assets	1,053,363	406,097	96,468	—	1,555,928
Unallocated assets				9,369	9,369
Total assets					1,565,297
Liabilities:					
Segment liabilities	186,158	71,768	17,049	—	274,975
Unallocated liabilities				2,147	2,147
Total liabilities					277,122

Geographical segment

The segment information for geographical regions is based on the locations of customers and the location of the assets. In line with the group's business strategy, the market is currently grouped into three geographical regions, namely People's Republic of China, India and others.

	Revenue from external customer		Non-current assets*	
	For the six months ended		As at	
	30 June		30 June	31 December
	2016	2015	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
People's Republic of China	640,621	707,169	239,039	206,369
India	38,928	38,420	4	6
Others	48,466	39,582	13	17
Total	728,015	785,171	239,056	206,392

* *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 and services rendered, after deduction of relevant taxes and allowances for returns and trade discounts. An analysis of the Group's revenue is as follows:

	For the six months ended	
	30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Sale of goods	727,998	785,155
Service income	17	16
Total	728,015	785,171

6. OTHER INCOME

	For the six months ended	
	30 June	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Government grants	2,667	973
Interest income	4,599	1,604
Compensation claims received	783	190
Foreign exchange gains	460	—
Gain on disposal of property, plant and equipment	7	—
Others	642	190
Total	9,158	2,957

7. FINANCE COSTS

For the six months ended
30 June
2016 2015
RMB'000 RMB'000
(unaudited) (unaudited)

Interest on short term bank borrowings	<u>879</u>	<u>4,364</u>
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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
2016 2015
RMB'000 RMB'000
(unaudited) (unaudited)

Cost of inventories recognised as expense (including allowance of inventory obsolescence)	582,540	634,501
Depreciation of property, plant and equipment	9,722	11,046
Amortisation of leasehold land	677	677
Reversal of allowance for doubtful trade receivables	(5,212)	—
Employee benefits expense	69,539	52,042
Cost of defined contribution plans	3,632	2,690
Directors' fees — directors of the Company	782	1,148
Directors' remuneration:		
Directors of the Company	931	1,199
Directors of the subsidiaries	3	18
 Total staff costs	 <u>74,887</u>	 <u>57,097</u>
 Net foreign exchange (gain) loss	 (460)	 712
(Gain) loss on disposal of property, plant and equipment	(7)	293

9. INCOME TAX EXPENSE

For the six months ended
30 June
2016 2015
RMB'000 RMB'000
(unaudited) (unaudited)

Current	9,087	8,906
Deferred	1,042	488
	<u>10,129</u>	<u>9,394</u>

The Company is incorporated in Singapore and is subject to income tax rate of 17% for the six months ended 30 June 2016 (2015: 17%).

Under the law of the PRC 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 2016 is 15% (2015: 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 2016 and 30 June 2015.

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 2015 and 30 June 2016	388,000	295,000	58,342

In accordance with the Constitution of the Company, treasury shares are not allowed in the Company.

12. EARNINGS PER SHARE

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

	Group	
	6 months ended	
	30 June 2016	30 June 2015
	(unaudited)	(unaudited)
Earnings per share (<i>RMB</i>)		
— Basic	13.0	12.7
— Diluted	13.0	12.7
Weighted average no. of shares applicable to basic EPS (<i>'000</i>)	388,000	388,000
Weighted average no. of shares based on fully diluted basis (<i>'000</i>)	388,000	388,000

There were no potential dilutive ordinary shares in existence during the period ended 30 June 2015 and 2016.

13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group's capital expenditure was approximately RMB10.2 million (2015: RMB10.3 million).

14. TRADE RECEIVABLES

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Trade receivables	544,445	505,576
Allowance for doubtful debts	<u>(8,901)</u>	<u>(14,113)</u>
Net	535,544	491,463
Notes receivable	<u>114,156</u>	<u>43,630</u>
Total	<u><u>649,700</u></u>	<u><u>535,093</u></u>

The Group allows credit period of 180 days to its trade customers. The ageing 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 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
0 to 180 days	566,992	495,639
181 to 360 days	74,071	29,170
Over 360 days	<u>8,637</u>	<u>10,284</u>
	<u><u>649,700</u></u>	<u><u>535,093</u></u>

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

	2016 RMB'000	2015 RMB'000
At 1 January	14,113	15,762
Reversal to profit and loss	<u>(5,212)</u>	<u>—</u>
At 30 June	<u><u>8,901</u></u>	<u><u>15,762</u></u>

15. TRADE PAYABLES

	30 June 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
Trade payables	<u><u>108,016</u></u>	<u><u>104,432</u></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 2016 RMB'000 (unaudited)	31 December 2015 RMB'000 (audited)
0 to 90 days	107,157	100,819
91 to 180 days	22	2,273
181 to 360 days	37	587
Over 360 days	800	753
	<u>108,016</u>	<u>104,432</u>

16. NET ASSET VALUE

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

	Group		Company	
	30 June 2016 (unaudited)	31 December 2015 (audited)	30 June 2016 (unaudited)	31 December 2015 (audited)
Net Assets (<i>RMB'000</i>)	1,327,177	1,288,175	462,190	476,390
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>3.42</u>	<u>3.32</u>	<u>1.19</u>	<u>1.23</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	
	2016 RMB'000 (unaudited)	2015 RMB'000 (unaudited)
Purchase of raw materials	<u>13,598</u>	<u>11,378</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	
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Short term benefits	2,899	2,959
Retirement benefits scheme contribution	72	63
	<hr/>	<hr/>
Total	2,971	3,022
	<hr/> <hr/>	<hr/> <hr/>

18. DONATIONS & CAPITAL COMMITMENTS

	As at	
	30 June	31 December
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for:		
Property, plant and equipment	9,641	126
Donation commitment	5,000	5,500
	<hr/>	<hr/>
Total	14,641	5,626
	<hr/> <hr/>	<hr/> <hr/>

19. OPERATING LEASE ARRANGEMENTS

As at 30 June 2016, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	As at	
	30 June	31 December
	2016	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	700	731
In the second to fifth years inclusive	—	196
	<hr/>	<hr/>
	700	927
	<hr/> <hr/>	<hr/> <hr/>

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 2016

Material changes are explained below:

Revenue

Group revenue decreased by approximately RMB57.2 million, or approximately 7.3% from approximately RMB785.2 million in the six months ended 30 June 2015 (“1H2015”) to approximately RMB728.0 million in the six months ended 30 June 2016 (“1H2016” or the “Reporting Period”). Selling prices continue to be depressed amid intensifying competition. In addition, copper prices have been consistently low, contributing to the already low selling prices and accordingly lowering overall revenue.

RF Coaxial Cable

Revenue generated from RF Coaxial Cables decreased by approximately RMB35.7 million or approximately 6.7% from approximately RMB531.9 million in 1H2015 to approximately RMB496.2 million in 1H2016.

Telecommunication equipment and accessories

Revenue generated from telecommunication equipment and accessories decreased by approximately RMB10.4 million or approximately 5.3% from approximately RMB197.4 million in 1H2015 to approximately RMB187.0 million in 1H2016.

Others (HTRC and Antenna)

Revenue generated in this segment decreased by approximately RMB11.0 million or approximately 19.7% from approximately RMB55.8 million in 1H2015 to approximately RMB44.8 million in 1H2016.

Gross profit margin

The Group achieved an overall gross profit margin of approximately 20.0% in 1H2016 compared to approximately 19.2% in 1H2015. The slide in copper prices and the Group’s process efficiencies during the Reporting Period have generally helped lift gross profit margin higher. 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 RMB6.2 million or approximately 206.7% from approximately RMB3.0 million in 1H2015 to approximately RMB9.2 million in 1H2016 due to higher government grants awarded and higher interest income earned during the Reporting Period.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB8.0 million or approximately 19.0% from approximately RMB42.2 million in 1H2015 to approximately RMB50.2 million in 1H2016. More marketing activities were undertaken during the Reporting Period, more marketing personnel expenses were accrued and relatively higher freight costs were incurred from the shipment of bulkier products which contributed to higher expenses during the Reporting Period.

Administrative expenses

Administrative expenses decreased by approximately RMB5.6 million or approximately 23.8% from approximately RMB23.5 million in 1H2015 to approximately RMB17.9 million in 1H2016 mainly due to a reversal of allowance for doubtful trade receivables during the Reporting Period.

Other operating expenses

Other operating expenses increased by approximately RMB0.5 million or approximately 2.0% from approximately RMB24.7 million in 1H2015 to approximately RMB25.2 million in 1H2016. The increase is due to higher research and development expenses incurred from continued customer requests for new product specifications during the Reporting Period.

Share of profit of associate

During the Reporting Period, the Group acquired a 24% equity interest in Mianyang City Siemax Industrial Co., Ltd. (“**Mianyang Siemax**”), a limited liability company established in the People’s Republic of China (the “**PRC**”), details of which were disclosed by the Company in its announcements dated 2 February 2016 and 24 June 2016. The amount of approximately RMB0.3 million is the Group’s proportionate share of profit recognised from the date of acquisition to 30 June 2016. Mianyang Siemax has since changed its name to Mianyang Xin Tong Industrial Co., Ltd.

Finance costs

Finance costs decreased by approximately RMB3.5 million or approximately 79.5% from approximately RMB4.4 million in 1H2015 to approximately RMB0.9 million in 1H2016 due to a reduction in the level of borrowings during the Reporting Period.

Profit before income tax

Profit before income tax increased by approximately RMB2.0 million or approximately 3.4% from approximately RMB58.6 million in 1H2015 to approximately RMB60.6 million in 1H2016 due to higher level of government grants and interest income during the Reporting 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 2014.

Income tax expense increased by approximately RMB0.7 million or approximately 7.4% from approximately RMB9.4 million in 1H2015 to approximately RMB10.1 million in 1H2016. This is due to a slight increase in profit before tax during the Reporting Period.

Net profit

In view of the above, net profit attributable to equity holders of the parent increased by approximately RMB1.3 million or approximately 2.6% from approximately RMB49.2 million in 1H2015 compared to approximately RMB50.5 million in 1H2016.

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 and as security for bank borrowings. Pledged bank deposits decreased by approximately RMB14.5 million or approximately 75.5% from approximately RMB19.2 million as at 31 December 2015 to approximately RMB4.7 million as at 30 June 2016 mainly due to a repayment of bank loan in which the corresponding security was no longer required.

Trade receivables

Trade receivables increased by approximately RMB114.6 million or approximately 21.4% from approximately RMB535.1 million as at 31 December 2015 to approximately RMB649.7 million as at 30 June 2016 mainly due to a slightly longer repayments by two of China's telecom operators.

Average trade receivables turnover days were 170 days as at 30 June 2016 compared to 140 days as at 31 December 2015.

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 have 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 continue to endeavour in its collection efforts on the outstanding balances.

Other receivables and prepayments

Other receivables and prepayments remained relatively constant, increasing by approximately RMB0.2 million or approximately 0.3% from approximately RMB67.6 million as at 31 December 2015 to approximately RMB67.8 million as at 30 June 2016.

Inventories

Inventories (comprising raw materials, work-in-progress and finished goods) decreased by approximately RMB20.8 million or approximately 18.0% from approximately RMB115.7 million as at 31 December 2015 to approximately RMB94.9 million as at 30 June 2016. Controls were stepped up to reduce inventory levels, resulting in a lower inventory amount.

Property, plant and equipment

Property, plant and equipment decreased by approximately RMB2.9 million or approximately 1.9% from approximately RMB154.3 million as at 31 December 2015 to approximately RMB151.4 million as at 30 June 2016. Depreciation expenses were partially offset by certain asset and equipment additions, accounting for the slight decrease.

Associate

On 2 February 2016, the Group announced that it has agreed to acquire a 24% equity interest in Mianyang Siemax, a limited liability company established in the PRC for RMB72.0 million. The Group subsequently entered into a supplemental agreement with the vendors on 24 June 2016, reducing the acquisition price to RMB36.0 million and agreeing to make capital injection into Mianyang Siemax of approximately RMB37.6 million. Upon completion of the capital injection, the Group will hold approximately 28.4% equity interest in Mianyang Siemax. As at 30 June 2016, Mianyang Siemax's name has been changed to Mianyang Xin Tong Industrial Co., Ltd.

Short-term bank loans

Short-term bank loans decreased by approximately RMB90.4 million or approximately 77.0% from approximately RMB117.4 million as at 31 December 2015 to approximately RMB27.0 million as at 30 June 2016 mainly due to various repayment of borrowings made during the Reporting Period. The outstanding loan as at 30 June 2016 is subject to a fixed interest rate.

Trade payables and other payables

Trade payables increased by approximately RMB3.6 million or approximately 3.4% from approximately RMB104.4 million as at 31 December 2015 to approximately RMB108.0 million as at 30 June 2016 mainly due to timing differences in payment to suppliers.

Other payables decreased by approximately RMB2.7 million or approximately 6.4% from approximately RMB41.9 million as at 31 December 2015 to approximately RMB39.2 million as at 30 June 2016 mainly due to higher salary and bonus accruals at the end of each financial year.

Income tax payable

Income tax payable increased by approximately RMB1.3 million or approximately 50.0% from approximately RMB2.6 million as at 31 December 2015 to approximately RMB3.9 million as at 30 June 2016 mainly due to timing differences in the payment of taxes in these periods.

Deferred income

Deferred income decreased by approximately RMB0.5 million or approximately 8.1% from approximately RMB6.2 million as at 31 December 2015 to approximately RMB5.7 million as at 30 June 2016. This relates to grants with conditions attached requiring certain milestones to be met. As some of these conditions had been met, some of the deferred income had been recognised as other income.

Cash and bank balances

Cash and bank balances decreased by approximately RMB160.9 million or approximately 26.6% from approximately RMB605.9 million as at 31 December 2015 to approximately RMB445.0 million as at 30 June 2016 mainly due to the increase in trade receivables, repayment of bank borrowings, and investment in Mianyang Siemax during the Reporting 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's net gearing ratio. The Group's net gearing ratio is calculated as net borrowings divided by total equity. Net borrowings are calculated as total short-term loans less cash and cash equivalents at the end of the Reporting Period.

	As at	
	30 June	31 December
	2016	2015
	RMB'000	RMB'000
	(unaudited)	(audited)
Net cash borrowings	(417,952)	(488,503)
Total equity	1,327,177	1,288,175
Net debt to equity ratio (%)	(31.49)	(37.92)

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

As at 30 June 2016		As at 31 December 2015	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
(unaudited)	(unaudited)	(audited)	(audited)
—	27,000	—	117,404

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)

In the first half of 2016, the global economy witnessed a slow recovery amidst a decelerating rate of growth in global trade, while the domestic economy in China continues to experience a slowdown. On the telecommunications front, China underwent an unprecedented structural divergence through the significant adoption of optic fibre while replacing copper-made cables. Whilst the demand for fibre-related communication products far exceeded supply, the demand for coaxial cables continued to decline.

Sales revenue declined by approximately 7.3% in the first half of 2016 compared with the corresponding period last year. Selling prices continued to be depressed amid the intensifying competition. In addition, copper prices have been consistently low, contributing to the already low selling prices and accordingly affected the Group's revenue during the Reporting Period.

Against the backdrop of the above-mentioned adverse effects, the Company has strengthened its efforts in the development and marketing of new product offerings. Through strong technological and capital capabilities, and with strict and effective management supported by proactive contributions by employees at all levels, the Company accelerated the development of new products with higher gross profits. A tender was secured in a recent LTE bidding exercise of a major PRC telecom operator as one of the top ranked bidders, with a tender amount of approximately RMB105.90 million. During the Reporting Period, the tender amount awarded in respect of antennas recorded a year-on-year growth of approximately 112%, while the tender amount awarded for leaky coaxial cables was approximately RMB113 million, representing a year-on-year growth of approximately 110%; shipment of high temperature resistant cables recorded a year-on-year growth of 31%. As a result of these positive changes, the product offerings of the Company has gone through continuous optimisation, and net profit for the first half of 2016 remained relatively the same compared to the corresponding period last year.

It is expected that the above macro situation will continue for the second half of 2016, while the effects Brexit will exacerbate the instability and uncertainty of global growth. The telecom operators' cutback on investment and the ongoing effects of optic fibre replacement of copper cables will continue to pose challenges to the Company's revenue and profits. Nonetheless, we are confident our new product lines of leaky coaxial cables, antennas, high temperature resistant cables developed in earlier years which have entered positive territory, which the Group believes would replace the gradual decline of our coaxial cable products. In addition, as antennas continue to evolve into much smaller, intelligent systems, and with research and development of 5G antennas picking up the pace, the antenna demand is likely to grow, adding fresh impetus to the development of the Group.

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

As at 30 June 2016, the interests and short positions of the Directors and chief executives of the Company in shares and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”), which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “SEHK”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which are required to be entered into, as recorded in the register required to be kept by the Company pursuant to Section 352 of Part XV of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the SEHK (the “Listing Rules”), were as follows:

Long positions in the Company:

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

Notes:

- (1) Mr. Cui Wei beneficially owns the entire issued share capital of Kingever Enterprises Limited (“Kingever”), and Kingever in turn holds approximately 23.27% 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 2016, none of the Directors and chief executives of the Company nor their associates had or deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to Section 352 of Part XV of the SFO or which has been notified to the Company and the SEHK pursuant to the Model Code.

Substantial shareholders' and other persons' interests in shares and underlying shares

As at 30 June 2016, insofar as is known to the Directors, the following shareholders having interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Long positions in the Company:

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

Notes:

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

Saved as disclosed above, as at 30 June 2016, no person, other than the Directors, whose interests are set out in the paragraph headed "Directors' and chief executives' interests and short positions in shares and underlying shares and debentures" above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

Arrangements to enable Directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the Reporting Period nor at any time during the Reporting Period did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

(IV) SUPPLEMENTARY INFORMATION

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

The Company's audit committee members are Mr. Tam Chi Kwan Michael, Mr. Cui Wei, Dr. Li Jun, Mr. Pu Hong and Ms. Zhang Zhong. The audit committee, which is chaired by Mr. Tam Chi Kwan Michael, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2016.

On 12 August 2016, the Board approved the adoption of the amended and restated Terms of Reference of the Audit Committee (the "**AC Terms of Reference**") to align with the recent amendments to the Listing Rules. The AC Terms of Reference will be published on the websites of the SEHK and the Company in due course.

2. **Compliance with Corporate Governance Code**

The Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2016.

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

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

4. **Dividends**

No dividend has been recommended by the Company for the six months ended 30 June 2016.

5. **Review of financial results**

The consolidated interim results of the Group for the six months ended 30 June 2016 have not been audited or reviewed by the Company's auditors.

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

For the six months ended 30 June 2016, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the securities of the Company.

7. **Employees and remuneration policies**

As at 30 June 2016, there were 951 (30 June 2015: 965) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

The Company adopted the share option scheme for its employees at its extraordinary general meeting held on 27 October 2010 (the "**Scheme**"). No option has been granted under the Scheme since its adoption and up to the date of this announcement.

8. Disclosure on the website of the Exchanges

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

(V) SHARE OPTION SCHEME

Reference is made to the Company's annual report for the year ended 31 December 2015 published by the Company on 23 March 2016.

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

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

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

The total number of the shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes must not in aggregate exceed 10% of the shares of the Company in issue on 27 October 2010 (i.e. 33,600,000 shares), representing approximately 8.66% of the total number of the issued shares of the Company as at 30 June 2016.

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

Pursuant to the Share Option Scheme, the option has an exercise price[#] per share determined with reference to the market price of the shares at the time of grant of the option. The consideration for the grant of an option is S\$1.00, payable to the Company within 28 days from the offer date (or such other period as the Remuneration Committee may determine). Options granted with the exercise price set at the market price shall only be exercised after the first anniversary but before the tenth anniversary of the date of grant of that option. The shares under option may be exercised in whole or in part on the payment of the relevant exercise price (provided that an option may be exercised

in part only in respect of a board lot or any integral multiple thereof). Options granted will lapse when the option holder ceases to be a full-time employee of the Company or any company of the Group subject to certain exceptions at the discretion of the Remuneration Committee.

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

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

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

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

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

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

Singapore, 12 August 2016

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