HENGXIN TECHNOLOGY 亨鑫科技

HENGXIN TECHNOLOGY LTD.
亨鑫科技有限公司*

(carrying on business in Hong Kong as HX Singapore Ltd.)
(incorporated in Singapore with limited liability)
(Stock Code: 1085)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018 AND RECOMMENDATION FOR DECLARATION AND PAYMENT OF FINAL DIVIDEND FOR 2018 AND CLOSURE OF REGISTER OF MEMBERS

FINANCIAL HIGHLIGHTS

1. Revenue decreased by approximately 2.8% to approximately RMB1,586.9 million

2. Gross profit increased by approximately 8.7% to approximately RMB376.9 million

3. Gross profit margin increased by approximately 2.6 percentage points to approximately 23.8%

4. Net profit attributable to equity holders of the Company increased by approximately 3.7% to approximately RMB118.3 million

5. Basic earnings per share was RMB0.305

6. Proposed final dividend of RMB0.0457 per share

The board of directors (the "**Director(s)**") of Hengxin Technology Ltd. (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively hereinafter referred as the "**Group**") for the year ended 31 December 2018 (the "**Reporting Period**") together with the comparative figures for the corresponding period in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Revenue	5	**1,586,950**	1,633,327
Cost of sales		**(1,210,021)**	(1,286,701)
Gross profit		**376,929**	346,626
Other income	6	**30,048**	22,552
Selling and distribution expenses		**(102,429)**	(101,228)
Administrative expenses		**(56,883)**	(59,057)
Other operating expenses		**(74,407)**	(66,698)
(Impairment losses)/reversal of impairment loss on trade and other receivables		**(19,183)**	1,045
Operating profit		**154,075**	143,240
Finance costs	7	**(1,042)**	(62)
Share of losses of an associate, net of tax		**(12,440)**	(8,152)
Profit before income tax	8	**140,593**	135,026
Income tax expense	9	**22,317**	(20,969)
Net profit attributable to equity holders of the Company		**118,276**	114,057
Other comprehensive income			
Items that may be classified subsequently to profit or loss:			
Net change in fair value of available-for-sale financial asset		**–**	(22,100)
Exchange differences arising from consolidation of foreign operations		**(306)**	(314)
Related tax		**–**	3,315
		(306)	(19,099)
Other comprehensive income for the year, net of tax		**(306)**	(19,099)
Total comprehensive income attributable to equity holders of the Company		**117,970**	94,958
Earnings per share attributable to equity holders of the Company			
Basic and diluted *(RMB)*	12	**0.305**	0.294
Dividends per share *(RMB)*	10	**0.0457**	0.0294

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	Notes	2018 RMB'000	2017 RMB'000
ASSETS			
Current assets			
Cash and bank balances		**946,903**	445,120
Pledged bank deposits		**31,701**	26,753
Other investments		**–**	50,000
Trade and bills receivables	14	**737,697**	705,067
Other receivables and prepayment		**50,860**	56,967
Inventories		**168,853**	212,046
Lease prepayment		**1,355**	1,355
Total current assets		**1,937,369**	1,497,308
Non-current assets			
Lease prepayment		**47,985**	49,340
Other receivables		**–**	17,371
Associate		**–**	12,440
Other investments		**10,847**	10,847
Property, plant and equipment		**129,391**	139,710
Deferred tax assets		**10,488**	4,340
Total non-current assets		**198,711**	234,048
Total assets		**2,136,080**	1,731,356
LIABILITIES AND EQUITY			
Current liabilities			
Short-term loans		**315,000**	–
Trade payables	15	**117,767**	139,350
Other payables		**89,679**	89,136
Income tax payable		**16,627**	12,049
Total current liabilities		**539,073**	240,535
NET CURRENT ASSETS		**1,398,296**	1,256,773

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

	2018	2017
	RMB'000	*RMB'000*
Non-current liabilities		
Deferred income	**3,146**	4,175
Deferred tax liabilities	**6,353**	5,701
Total non-current liabilities	**9,499**	9,876
TOTAL LIABILITIES	**548,572**	250,411
NET ASSETS	**1,587,508**	1,480,945
Equity attributable to equity holders of the Company		
Share capital	**295,000**	295,000
General reserves	**233,658**	217,391
Special reserve	**(6,017)**	(6,017)
Fair value reserve	**170**	170
Translation reserves	**(1,423)**	(1,117)
Accumulated profits	**1,066,120**	975,518
TOTAL EQUITY	**1,587,508**	1,480,945
TOTAL EQUITY AND LIABILITIES	**2,136,080**	1,731,356

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December

	2018	2017
	RMB'000	*RMB'000*
Operating activities		
Profit before tax	**140,593**	135,026
Adjustments for:		
Share of losses of an associate, net of tax	**12,440**	8,152
Depreciation of property, plant and equipment	**25,233**	22,207
Amortisation of lease prepayment	**1,355**	1,355
Impairment losses/(reversal of impairment loss) on trade and other receivables	**19,183**	(1,045)
Allowance for/(reversal of) stock obsolescence	**38**	(335)
Gain on disposal of property, plant and equipment	**(18)**	(58)
Interest expense	**1,042**	62
Interest income	**(8,311)**	(4,860)
Deferred income	**(1,029)**	(1,028)
Write-off of property, plant and equipment	**–**	3
	190,526	159,479
Changes in:		
Inventories	**42,316**	(41,609)
Trade and other receivables	**(29,403)**	(161,907)
Trade and other payables	**(19,466)**	40,044
Cash generated from operations	**183,973**	(3,993)
Interest received	**6,963**	4,860
Income tax paid	**(23,235)**	(15,199)
Net cash generated from/(used in) operating activities	**167,701**	(14,332)
Investing activities		
Acquisition of property, plant and equipment	**(15,033)**	(16,159)
Proceeds on maturity of other investments	**50,000**	–
Interest received from other investments	**1,348**	–
Proceeds from disposal of property, plant and equipment	**116**	422
Increase in pledged bank deposits	**(4,948)**	(20,734)
Acquisition of other investment	**–**	(21,000)
Net cash generated from/(used in) investing activities	**31,483**	(57,471)

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

	2018	2017
	RMB'000	*RMB'000*
Financing activities		
Repayment of short-term bank loans	**–**	(27,000)
Proceeds from short-term bank loans	**315,000**	–
Interest paid	**(1,042)**	(62)
Dividends paid	**(11,407)**	(9,972)
Net cash generated from/(used in) financing activities	**302,551**	(37,034)
Net increase/(decrease) in cash and cash equivalents	**501,735**	(108,837)
Effects of foreign exchange translation	**48**	(252)
Cash and cash equivalents at the beginning of the financial year	**445,120**	554,209
Cash and cash equivalents at the end of the financial year	**946,903**	445,120

STATEMENT OF CHANGES IN EQUITY – GROUP

Consolidated Statement of Changes in Equity for the year ended 31 December

RMB'000	Share capital	General reserves	Special reserve	Fair value reserve	Translation reserves	Accumulated profits	Total
Balance at 1 January 2017	295,000	200,601	(6,017)	18,955	(803)	888,223	1,395,959
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	114,057	114,057
Other comprehensive income for the year	–	–	–	(18,785)	(314)	–	(19,099)
Total	–	–	–	(18,785)	(314)	114,057	94,958
Transactions with owners, recognised directly in equity							
Dividends paid	–	–	–	–	–	(9,972)	(9,972)
Total transactions with owners of the Company	–	–	–	–	–	(9,972)	(9,972)
Transfer to reserves	–	16,790	–	–	–	(16,790)	–
Balance at 31 December 2017	295,000	217,391	(6,017)	170	(1,117)	975,518	1,480,945
Total comprehensive income for the year							
Profit for the year	–	–	–	–	–	118,276	118,276
Other comprehensive income for the year	–	–	–	–	(306)	–	(306)
Total	–	–	–	–	(306)	118,276	117,970
Transactions with owners, recognised directly in equity							
Dividends paid	–	–	–	–	–	(11,407)	(11,407)
Total transactions with owners of the Company	–	–	–	–	–	(11,407)	(11,407)
Transfer to reserves	–	16,267	–	–	–	(16,267)	–
Balance at 31 December 2018	295,000	233,658	(6,017)	170	(1,423)	1,066,120	1,587,508

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 currently its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**SEHK**"). Subsequent to the proposal for delisting announced by the Company on 24 October 2017, the Company was delisted from the Main Board of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") on 5 February 2018. The registered office of the Company is located at 138 Robinson Road, #26–03, Oxley Tower, Singapore 068906. The principal place of business of the Group is located at No. 138 Taodu Road, Dingshu Town, Yixing City, Jiangsu Province, the People's Republic of China (the "**PRC**").

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These financial statements have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("**IFRSs**"), amendments (hereinafter referred to as the "**IFRS**") issued by the International Accounting Standards Board ("**IASB**") that are effective for annual reporting periods beginning on or after 1 January 2018.

These financial statements have been prepared on a historical cost basis except for the available-for- sale investments, which are measured at fair value on each reporting date.

These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated.

Accounting policies

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period reported on, as in the recently audited consolidated financial statements for the financial year ended 31 December 2017, except as explained in note 3, which addresses changes in accounting policies.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group adopted the new and revised IFRS that are mandatory for the periods beginning on or after 1 January 2018.

Changes in significant accounting policies

The Group has initially applied IFRS 15 (see A below) and IFRS 9 (see B below) from 1 January 2018. A number of other new standards are also effective from 1 January 2018.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for separately presenting impairment losses/(reversal of impairment loss) on trade and other receivables.

A. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control over time requires judgement.

The Group adopted IFRS 15 in its financial statements using the retrospective approach. All requirements of IFRS 15 have been applied retrospectively. The adoption of IFRS 15 do not have a significant impact on its financial statements.

B. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in administrative expenses. Consequently, the Group reclassified the reversal of impairment losses of trade receivables amounting to approximately RMB1,045,000, recognised under IAS 39, from "administrative expenses" to "(impairment losses)/reversal of impairment loss on trade and other receivables" in the statement of profit or loss and OCI for the year ended 31 December 2017. Impairment losses on other financial assets are presented under "finance costs", similar to the presentation under IAS 39, and not presented separately in the statement of profit or loss and OCI due to materiality considerations.

Additionally, the Group has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2018 but have not been generally applied to comparative information.

i. *Classification and measurement of financial assets and financial liabilities*

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

The following table and the accompanying note below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

	Note	**Original classification under IAS39**	**New classification under IFRS 9**	**Original carrying amount under IAS 39** *RMB'000*	**New carrying amount under IFRS 9** *RMB'000*
Group					
Financial assets					
Equity securities	(a)	Available-for-sale	FVOCI – equity instrument	10,847	10,847
Wealth management products – available-for-sale		Loans and receivables	Amortised cost	50,000	50,000
Trade and other receivables		Loans and receivables	Amortised cost	779,405	779,405
Cash and cash equivalents		Loans and receivables	Amortised cost	471,873	471,873
Total financial assets				1,312,125	1,312,125

Note (a): These equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Unlike IAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

ii. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.' Under IFRS 9, credit losses are recognised earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile.

As a result of the adoption of IFRS 9, the Group presented impairment loss related to trade receivables, separately in the statement of profit or loss. As a result, the Group reclassified reversal of impairment loss of trade receivables amounting to approximately RMB1,045,000, recognised under IAS 39, from "administrative expenses" to "(impairment losses)/reversal of impairment loss on trade and other receivables" in the consolidated statement profit or loss for the year ended 31 December 2017.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

iii. Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been generally applied by the Group retrospectively, except as described below:

The following assessments were made on the basis of facts and circumstances that existed at 1 January 2018.

– The determination of the business model within which financial asset is held;

– The determination of whether the contractual terms of financial asset give rise to cash flows that are soley payments of principal and interest on the principal amount outstanding; and

– The designation of an equity investment that is not held-for-trading as at FVOCI.

As a result, our historical financial information prior to 1 January 2018 continues to be accounted for in accordance with our Group's previous accounting policy.

4. SEGMENT INFORMATION

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

– Manufacturing and sale of RF Coaxial Cable Series for mobile communications ("**RF Coaxial Cables**")

– Telecommunications equipment and accessories ("**Accessories**")

– Manufacturing and sale of antennas ("**Antennas**")

– Others (includes High Temperature Resistant Cables ("**HTRC**") and antenna testing services)

Segment revenues and results

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the Executive Directors (the chief operating decision makers) in order to allocate resources to the segments and to assess their performance.

Based on the segment information reported to the Executive Directors, the Group is organised into five product lines – radio frequency coaxial cables, telecommunication equipment and accessories, high temperature resistant cables, antennas and antenna testing services.

The Group has presented the three main products, radio frequency coaxial cables, telecommunication equipment and accessories and antennas, as reportable segments for the years ended 31 December 2017 and 2018.

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

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

	Reportable segments					
	Radio frequency coaxial cables	**Telecom-munication equipment and accessories**	**Antennas**	**Total reportable segments**	**All other segments**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Group						
Year ended 31 December 2018						
Revenue	727,243	359,018	433,103	1,519,364	67,586	1,586,950
Segment profit before tax *(Note 1)*	54,960	58,903	27,348	141,211	(1,192)	140,019
Interest income	3,179	1,569	1,893	6,641	322	6,963
Finance costs	(478)	(236)	(284)	(998)	(44)	(1,042)
Amortisation of lease prepayment	(621)	(306)	(370)	(1,297)	(58)	(1,355)
Allowance for stock obsolescence	–	–	(38)	(38)	–	(38)
Depreciation expense	(11,560)	(5,707)	(6,884)	(24,151)	(1,074)	(25,225)
Segment assets as at 31 December 2018 *(Note 2)*	973,420	480,549	579,712	2,033,681	90,464	2,124,145
Capital expenditure *(Note 3)*	6,889	3,401	4,103	14,393	640	15,033
Segment liabilities as at 31 December 2018 *(Note 2)*	250,848	123,836	149,391	524,075	24,497	548,572

	Reportable segments					
	Radio frequency coaxial cables	Telecom-munication equipment and accessories	Antennas	Total reportable segments	All other segments	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Group						
Year ended 31 December 2017						
Revenue	952,553	441,687	205,463	1,599,703	33,624	1,633,327
Segment profit before tax *(Note 1)*	71,909	67,524	5,400	144,833	1,210	146,043
Interest income	2,832	1,313	611	4,756	104	4,860
Finance costs	(36)	(17)	(8)	(61)	(1)	(62)
Amortisation of lease prepayment	(790)	(366)	(171)	(1,327)	(28)	(1,355)
Write-back of stock obsolescence	–	–	335	335	–	335
Depreciation expense	(12,945)	(6,003)	(2,792)	(21,740)	(457)	(22,197)
Segment assets as at 31 December 2017 *(Note 2)*	1,002,959	465,059	216,336	1,684,354	35,404	1,719,758
Capital expenditure *(Note 3)*	9,424	4,370	2,033	15,827	332	16,159
Segment liabilities as at 31 December 2017 *(Note 2)*	145,132	67,296	31,305	243,733	5,123	248,856

Note 1:

Segment profit before tax represent the profits earned by each segment without allocation of central administration costs, independent directors' fees, interest income, foreign exchange gains and losses and finance costs at corporate level.

Note 2:

Segment assets represent property, plant and equipment, lease prepayment, associate, other investments, deferred tax assets, inventories, trade and other receivables and prepayment, cash and cash equivalents which are attributable to each operating segments. Segment liabilities represent deferred income, deferred tax liabilities, short-term loans, trade and other payables, and income tax payable, which are attributable to each operating segments.

Note 3:

Segment capital expenditure is the total cost incurred during the reporting period to acquire property, plant and equipment, and intangible assets other than goodwill.

Reconciliation of information on reportable segments

	Group For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit before tax		
Total profit before tax for reportable segments	**141,211**	144,833
(Loss)/profit before tax for other segments	**(1,192)**	1,210
Unallocated amounts:		
– Other income	**23,148**	17,716
– Other expenses *(Note 4)*	**(1,969)**	(10,986)
– Share of losses of an associate, net of tax	**(12,440)**	(8,152)
– Other unallocated amounts	**(8,165)**	(9,595)
	140,593	135,026

	Group As at	
	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Assets		
Total assets for reportable segments	**2,033,681**	1,684,354
Assets for other segments	**90,464**	35,404
Other unallocated amounts *(Note 5)*	**11,935**	11,598
Consolidated total assets	**2,136,080**	1,731,356
Liabilities		
Total liabilities for reportable segments	**524,075**	243,733
Liabilities for other segments	**23,312**	5,123
Other unallocated amounts *(Note 5)*	**1,185**	1,555
Consolidated total liabilities	**548,572**	250,411

Note 4:

Excluding research and development expenses.

Note 5:

Unallocated assets mainly represent cash and cash equivalents, other receivables and prepayments and property, plant and equipment at Company level. Unallocated liabilities represent deferred tax liabilities and other payables at Company level.

Other material items

	Reportable and all other segment totals *RMB'000*	Adjustments *RMB'000*	Consolidated totals *RMB'000*
For the year ended 31 December 2018			
Depreciation expense	**25,225**	**8**	**25,233**
For the year ended 31 December 2017			
Depreciation expense	22,197	10	22,207

Geographical segment

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

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

	Revenue from external customer For the year ended 31 December		**Non-current assets* As at**	
			31 December	31 December
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**1,261,818**	1,399,456	**176,362**	217,508
India	**101,742**	74,086	**1,003**	1,339
Others	**223,390**	159,785	**11**	14
Total	**1,586,950**	1,633,327	**177,376**	218,861

* *excludes other investments and deferred tax assets*

5. REVENUE

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

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Sales of goods:		
– Radio frequency coaxial cables	**727,243**	952,553
– Telecommunication equipment and accessories	**359,018**	441,687
– Antennas	**433,103**	205,463
– Others	**67,149**	33,615
Service income	**437**	9
Total	**1,586,950**	1,633,327

6. OTHER INCOME

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Interest income	**6,963**	4,860
Government grants	**11,527**	14,775
Net foreign exchange gains	**6,006**	–
Rental income	**2,803**	23
Net gain on disposal of property, plant and equipment	**18**	58
Compensation claims received	**1,620**	691
Others	**1,111**	2,145
Total	**30,048**	22,552

7. FINANCE COSTS

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Interest on short-term bank borrowings	**1,042**	62

8. PROFIT BEFORE INCOME TAX

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

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Cost of inventories recognised as expense (including effect of allowance of inventory obsolescence)	**1,210,059**	1,286,366
Depreciation of property, plant and equipment	**25,233**	22,207
Amortisation of leasehold land	**1,355**	1,355
Impairment losses/(reversal of impairment loss) on trade and other receivables	**19,183**	(1,045)
Auditors' remuneration	**1,591**	1,315
Employee benefits expense	**124,344**	120,978
Cost of defined contribution plans	**6,540**	7,146
Directors' fees – directors of the Company	**1,568**	1,611
Directors' remuneration:		
Directors of the Company	**2,129**	2,147
Directors of the subsidiaries	**–**	–
Total staff costs	**134,581**	131,882
Research and development expenses (included in other operating expenses)	**72,501**	55,737
Net foreign exchange gains	**(6,006)**	–
Net foreign exchange losses	**–**	10,122
Loss on disposal of property, plant and equipment	**–**	24

9. INCOME TAX EXPENSE

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current	**30,284**	24,709
Over-provision of current tax in prior years	**(2,471)**	(2,988)
Deferred tax credit: origination and reversal of temporary differences	**(5,496)**	(752)
	22,317	20,969

The Company is incorporated in Singapore and is subject to income tax rate of 17% for the year ended 31 December 2018 (2017: 17%).

Under the law of the PRC on Enterprise Income Tax, the applicable corporate income tax rate of Jiangsu Hengxin Technology Co. Ltd (the Group's PRC incorporated key subsidiary) in 2018 is 25% (2017: 25%). As it had previously been given the High-Tech Enterprise Award status, the applicable effective tax rate is 15% (2017: 15%) based on PRC Enterprise Income Tax laws. In 2017, the subsidiary renewed the status to enjoy a further three financial years starting from 7 December 2017.

Taxes on profits in all other subsidiaries have been calculated at the rates of tax prevailing in the country in which the Group operates.

10. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Proposed final cash dividend of RMB0.0457 (2017: RMB0.0294) per ordinary share	**17,732**	11,407

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. SHARE CAPITAL

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

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

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

12. EARNINGS PER SHARE

GROUP	**Year ended**	
	31 December 2018	31 December 2017
Earning per share *(RMB)*		
– Basic	**0.305**	0.294
– Diluted	**0.305**	0.294
Weighted average no. of shares applicable to basic EPS *('000)*	**388,000**	388,000
Weighted average no. of shares based on fully diluted basis *('000)*	**388,000**	388,000

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

There were no potential dilutive ordinary shares in existence during the two years ended 31 December 2018 and 2017.

13. PROPERTY, PLANT AND EQUIPMENT

During the financial year ended 31 December 2018, the Group's capital expenditure was approximately RMB15.0 million (2017: RMB16.2 million).

14. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**675,268**	634,686
Allowance for impairment in respect of trade receivables	**(9,705)**	(13,393)
Sub-total	**665,563**	621,293
Bills receivables	**72,134**	83,774
Total	**737,697**	705,067

The Group allows credit period of 180 days to its trade customers. The aging of trade and bills receivables based on the invoice date, net of allowance for impairment in respect of trade receivables at the end of the reporting period, is as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Not past due	**614,491**	607,492
1 to 90 days	**73,794**	59,732
91 to 180 days	**33,560**	28,184
Over 180 days	**15,852**	9,659
	737,697	705,067

The movement in the allowance for impairment in respect of trade receivables during the year was as follows (comparative amounts for 2017 represent the allowance account for impairment losses under IAS 39):

	2018	2017
	RMB'000	*RMB'000*
Balance at 1 January under IAS 39	**13,393**	14,438
Adjustment on initial application of IFRS9	**–**	–
Balance at 1 January under IFRS 9	**(13,393)**	(14,438)
Reversal of impairment loss on trade receivables	**13,393**	1,045
Impairment loss on trade receivables	**(9,705)**	–
Balance at 31 December	**(9,705)**	(13,393)

15. TRADE PAYABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables – Outside parties	**117,767**	139,350

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
0 to 90 days	**113,417**	135,635
91 to 180 days	**1,442**	2,013
181 to 360 days	**1,508**	547
Over 360 days	**1,400**	1,155
	117,767	139,350

16. NET ASSET VALUE

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

	Group	
	As at 31 December 2018	As at 31 December 2017
Net Assets *(RMB'000)*	**1,587,508**	1,480,945
Number of ordinary shares *('000)*	**388,000**	388,000
Net Asset Value per ordinary share *(RMB)*	**4.09**	3.82

17. RELATED PARTY TRANSACTIONS

(a) Transactions

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sale of finished goods	**5,998**	6,767
Purchase of raw materials	**23,420**	43,985
Purchase of power	**5,210**	–

During the financial year, the Group entered into the above significant transactions with Suzhou Hengli Telecommunications Materials Co., Ltd. (sale of finished goods and purchase of raw materials) and Jiangsu Hengtong Sell Electricity Co., Ltd. (purchase of power).

(b) Compensation of key management personnel

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Short term benefits	**6,910**	7,021
Retirement benefits scheme contributions	**61**	137
Total	**6,971**	7,158

18. DONATIONS & CAPITAL COMMITMENTS

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Contracted but not provided for:		
Property, plant and equipment	**1,250**	868
Donation commitment	**4,000**	4,500
Total	**5,250**	5,368

The PRC subsidiary has committed to donate RMB500,000 per annum from 2007 for a period of 20 years to a charitable organization in the PRC.

19. OPERATING LEASE ARRANGEMENTS

As at 31 December 2018, the Group had total future minimum lease payments under non-cancellable operating leases, which are payable as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within one year	**1,186**	989
In the second to fifth years inclusive	**663**	341
	1,849	1,330

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

(I) MANAGEMENT DISCUSSION AND ANALYSIS

Year-on-year performance – 12 months ended 31 December 2018

Revenue

The Group's revenue for the financial year ended 31 December 2018 ("**FY2018**" or the "**Reporting Period**") decreased by approximately RMB46.4 million, or approximately 2.8% from approximately RMB1,633.3 million in the previous financial year ended 31 December 2017 ("**FY2017**") to approximately RMB1,586.9 million in FY2018.

RF Coaxial Cables

Revenue generated from the segment of RF Coaxial Cables decreased by approximately RMB225.3 million or approximately 23.7% from approximately RMB952.6 million in FY2017 to approximately RMB727.2 million in FY2018. In particular, the decrease in sales for this segment is due to the decrease in sales of feeder cables of approximately RMB231.4 million from FY2017's approximately RMB858.9 million to approximately RMB627.5 million in FY2018 amidst the declining demand in feeder cable in the context of weakening 4G investment with 5G being not formally launched.

Included in the segment revenue of RF Coaxial Cables are the revenue from leaky cables of approximately RMB99.8 million for FY2018, representing an increase of approximately RMB6.1 million or 6.5% from approximately RMB93.7 million in FY2017. Leaky cables are special coaxial cables commonly used for the tunnels and underground mobile communication in mass transit railways and thus normally have higher gross profit margins than other RF Coaxial Cables products. In FY2018, the gross profit margin of leaky cables was 27.2% whereas that of RF Coaxial Cables (feeder cables) was 18.3%. The Group has increased its effort in business transformation on promoting leaky cables relating to usage in tunnels and underground mobile communications during FY2018.

Telecommunication equipment and accessories

Revenue generated from the segment of telecommunication equipment and accessories decreased by approximately RMB82.7 million or approximately 18.7% from approximately RMB441.7 million in FY2017 to approximately RMB359.0 million in FY2018. The decrease in revenue for this segment is in line with the decrease in the revenue of feeder cables.

Antennas

Revenue generated from antennas during FY2018 was approximately RMB433.1 million and the revenue of Antennas during FY2017 was approximately RMB205.5 million, representing an increase of approximately 110.8%. As part of the Group's business transformation plan to fuel for future business development, revenue from Antennas has achieved substantial growth in FY2018. The Group will continue to increase its efforts in antennas market promotion during the future telecommunications network upgrade for the major domestic telecom operators.

Others (HTRC and antennas testing services)

Revenue generated in this segment increased by approximately RMB34.0 million or approximately 101.0% from approximately RMB33.6 million during FY2017 to approximately RMB67.6 million during FY2018, of which the increase was mostly attributable to the increase in sales of HTRC during FY2018. Such increase was mainly because the Group has managed to establish favourable business relationships with a number of domestic antennas and equipment companies in FY2018 and thus can boost revenue for this business segment.

Gross profit margin

The Group achieved an overall gross profit margin of approximately 23.8% during FY2018 compared to approximately 21.2% during FY2017, representing an increase of approximately 2.6 percentage point year-on-year. The higher than average gross profit margin for the product line of leaky cables in FY2018 of approximately 27.2% has lifted the overall gross profit margin of the Group. Despite facing intense market competition and decline market demand, gross profit margin of RF Coaxial Cables (feeder cables) has managed to increase by approximately 1.9 percentage point from FY2017's approximately 16.4% to approximately 18.3% in FY2018. The Group will continue to monitor production efficiencies to ensure optimal raw materials and labour utilisation, stringent selection of suppliers in tender biddings to keep costs to a minimum, coupled with efficient use of various resources to keep up with price pressure resulting from keen competition. In addition, the gross profit margin of Antennas has also increased by approximately 5.2 percentage points from FY2017's approximately 20.2% to approximately 25.4% in FY2018. Such increase is because the antennas sold in FY2018 generally have higher profitability than that of FY2017.

Other income

Other income increased by approximately RMB7.6 million or approximately 33.5% from approximately RMB22.6 million in FY2017 to approximately RMB30.1 million in FY2018. The increase is primarily due to:

(i) increase in interest income earned;

(ii) increase in rental income earned from the lease of the Group's testing facilities;

(iii) decrease in government grants received; and

(iv) the change from net foreign exchange losses in FY2017 to net foreign exchange gains in FY2018 due to the gradual depreciation of reminbi in FY2018.

Selling and distribution expenses

Selling and distribution expenses increased slightly by approximately RMB1.2 million or approximately 1.2% from approximately RMB101.2 million in FY2017 to approximately RMB102.4 million in FY2018 due to the offsetting effects of decrease in salary expenses as a result of the decrease in headcount of the Group and increase in marketing efforts to promote the businesses of leaky cables and Antennas during FY2018.

Administrative expenses

Administrative expenses decreased by approximately RMB2.2 million or approximately 3.7% from approximately RMB59.1 million in FY2017 to approximately RMB56.9 million in FY2018. The slight decrease is mainly due to the general cost savings in a wide range of administrative expenses during FY2018.

Other operating expenses

Other operating expenses increased by approximately RMB7.7 million or approximately 11.6% from approximately RMB66.7 million in FY2017 to approximately RMB74.4 million in FY2018. The increase is due to (i) the increase in research and development ("**R&D**") expenses incurred from continuing R&D activities under taken for the modifications and improvements to the Group's products and (ii) the absence of net foreign exchange losses in FY2018 (net foreign exchange losses of approximately RMB10.1 million incurred in FY2017 as compared with a net foreign exchange gains of approximately RMB6.0 million in FY2018 recorded as other income).

Impairment losses/reversal of impairment loss on trade and other receivables

The impairment losses on trade and other receivables for FY2018 represented the combined effects of (i) the expected credit loss of approximately RMB22.9 million relating to the other receivables of the outstanding amount of the loan to Mianyang Xintong Industrial Co., Ltd. (formerly known as Mianyang City Siemax Industrial Co., Ltd.) ("**Mianyang Xintong**"), a limited liability company established in PRC held through Jiangsu Hengxin Technology Co., Ltd. ("**Hengxin (Jiangsu)**") due to the poor operating results of Mianyang Xintong in FY2018 and the expected deteriorating future business of Mianyang Xintong and (ii) the reversal of the allowance for impairment in respect of trade receivables of the amount of approximately RMB3.7 million.

Share of losses of an associate

The amount of approximately RMB12.4 million for FY2018 represents:

(i) the Group's proportionate share of the losses incurred by the Group's 24% equity interest in Mianyang Xintong recognised during FY2018 of approximately RMB1.8 million (after tax); and

(ii) the impairment loss on the equity interest in Mianyang Xintong of approximately RMB10.7 million.

Finance costs

Finance costs increased by approximately RMB1.0 million or approximately 10 times from approximately RMB0.1 million in FY2017 to approximately RMB1.0 million in FY2018 as the Group has increased its bank borrowings during FY2018.

Profit before income tax

Profit before income tax increased by approximately RMB5.6 million or approximately 4.1% from approximately RMB135.0 million in FY2017 to approximately RMB140.6 million in FY2018.

Income tax expense

The Group's main subsidiary, Hengxin (Jiangsu), has been subject to an incentive tax rate of 15% as it has been awarded as a high-tech enterprise in the PRC since 2008. It had been awarded the same status for a further three years commencing on 7 December 2017.

Income tax expense increased by approximately RMB1.3 million or approximately 6.4% from approximately RMB21.0 million in FY2017 to approximately RMB22.3 million in FY2018, mainly due to the increase in corporate income tax and movement in deferred taxes during the Reporting Period.

Net profit

In view of the above, net profit attributable to equity holders of the Company increased approximately RMB4.2 million or approximately 3.7% from approximately RMB114.1 million in FY2017 compared to approximately RMB118.3 million in FY2018.

STATEMENT OF FINANCIAL POSITION

Material fluctuations of balance sheet items are explained below:

Pledged bank deposits

Pledged bank deposits increased by approximately RMB4.9 million or approximately 18.5% from approximately RMB26.8 million as at 31 December 2017 to approximately RMB31.7 million as at 31 December 2018. Pledged bank deposits mainly represent security deposits relating to the commodity future contracts entered for hedging the purchase of raw materials and security deposits for contracts performance.

Trade and bills receivables

Trade and bills receivables increased by approximately RMB32.6 million or approximately 4.6% from approximately RMB705.1 million as at 31 December 2017 to approximately RMB737.7 million as at 31 December 2018.

Average trade receivables turnover days was 169 days as at 31 December 2018 compared to 139 days as at 31 December 2017. The increase in trade receivables turnover by approximately 30 days was because some customers have used bills for settlement thus leading to an extension of the settlement cycle. Also, the Group's expansion of overseas market has also led to a longer settlement period. Although the collection of trade receivables from certain customers of the Group had been stretched longer as some adopted the payment by bank bills of exchange which had a longer period of maturity, the Group focused on other collections to mitigate the longer turnover effects by certain customers as mentioned above. By implementing measures to control the trade receivable collection cycle, the average trade receivables turnover days has improved during the second half of FY2018 (average trade and bills receivables turnover days was approximately 183 days for the first half of FY2018).

Nonetheless, most of the trade and bills receivables balances were recent sales which were within the average credit period given to the Group's customers. As at 31 December 2018, approximately 82.2% of the trade and bills receivable were within the credit period given as compared with that of approximately 84.6% as at 31 December 2017.

For amounts due more than six months and longer, they mainly pertain to final payment (upon project completion) owed by the three main PRC telecom operators. These outstanding balances relate to projects under taken by these operators which had longer project completion dates than as initially anticipated. These operators have been the Group's long-time customers and the Group has been receiving regular payments from them. In addition, the majority of these outstanding balances pertain to one of the main telecom operators in the PRC. In view of the Group's long-standing dealings with them and the regular receipts of payments from these customers, the Group does not foresee any issue in the collection of these receivables. The Group will continue to endeavour in its collection efforts on the outstanding balances.

Other receivables and prepayments (current assets)

Other receivables and prepayments (current assets) decreased by approximately RMB6.1 million or approximately 10.7% from approximately RMB57.0 million as at 31 December 2017 to approximately RMB50.9 million as at 31 December 2018. The decrease was mainly due to (i) the decrease in advance payment to suppliers for the purchase of raw materials; (ii) the increase in prepaid sales tax and value-added-tax; and (iii) the expected credit loss of approximately RMB9.2 million made in relation to the current portion of the outstanding balance of the loan to Mianyang Xintong.

Inventories

Inventories (comprising raw materials, work-in-progress and finished goods) decreased by approximately RMB43.2 million or approximately 20.4% from approximately RMB212.0 million as at 31 December 2017 to approximately RMB168.9 million as at 31 December 2018. The decrease was mainly due to the decrease in finished goods as the Group's measure to control inventory level on implementing business transformation.

Other investments (non-current and current assets)

Other investments (non-current assets) relates to an equity investment held by the Group. As at 31 December 2018, there was no change in the valuation of that equity investment as compared with 31 December 2017.

Other investments (current assets) decreased by approximately RMB50.0 million or 100.0% from approximately RMB50.0 million as at 31 December 2017 to nil as at 31 December 2018. Other investments (current assets) as at 31 December 2017 represented the subscription of short-term investment in a wealth management product with a duration of six months and annual yield of 4.60% commencing from 31 July 2017. The wealth management product was redeemed in full on the maturity date at 31 January 2018.

Property, plant and equipment

Property, plant and equipment decreased by approximately RMB10.3 million or approximately 7.4% from approximately RMB139.7 million as at 31 December 2017 to approximately RMB129.4 million as at 31 December 2018. The decrease was mainly due to normal charges of depreciation, which was offset by additions during FY2018.

Associate

The interest in associate represented the 24% equity interest in Mianyang Xintong. Due to the poor operating results of Mianyang Xintong in FY2018 and the expected deteriorating future business, an impairment loss on the equity interest in Mianyang Xintong of approximately RMB10.7 million was made in FY2018. During FY2018, the Group has also shared losses of approximately RMB1.8 million from Mianyang Xintong.

Other receivables (non-current assets)

Other receivables (non-current assets) amounting to approximately RMB17.4 million as at 31 December 2017 pertains to the non-current portion of the loan to the Group's associate, Mianyang Xintong. During the Reporting Period, Mianyang Xintong has repaid RMB3.68 million of the loan to the Group and for reasons mentioned above, an impairment loss of approximately RMB13.7 million was made against the non-current portion of the outstanding balance of the loan to Mianyang Xintong.

Short-term loans

During FY2018, the Group has raised funds of approximately RMB315.0 million from short-term loans provided by banks in the PRC carrying annual interest rate of 4.35% for enhancing the working capital position of the Group.

Trade payables

Trade payables decreased by approximately RMB21.6 million or approximately 15.5% from approximately RMB139.4 million as at 31 December 2017 to approximately RMB117.8 million as at 31 December 2018. The decrease is mainly due to the gradual decrease in revenue throughout FY2018 and is in line with the decrease in the inventory levels.

Income tax payable

Income tax payable increased by approximately RMB4.6 million or approximately 38.0% from RMB12.0 million as at 31 December 2017 to approximately RMB16.6 million as at 31 December 2018. The increase mainly arose from the timing differences in the payment of income taxes.

Deferred income

Deferred income decreased by approximately RMB1.0 million or approximately 24.6% from approximately RMB4.2 million as at 31 December 2017 to approximately RMB3.1 million as at 31 December 2018. This relates to the subsidies received from local government on acquisition of equipment for certain projects for supporting the Group's project of transformation of science and technology achievements in the PRC.

Cash and bank balances

Cash and bank balances increased by approximately RMB501.8 million or approximately 112.7% from approximately RMB445.1 million as at 31 December 2017 to approximately RMB946.9 million as at 31 December 2018. The increase is mainly due to the cash generated from operating activities of approximately RMB160.1 million and funds raised from short-term bank borrowings of approximately RMB315.0 million during the Reporting Period.

(II) DELISTING FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED

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

(III) CONTINUING CONNECTED TRANSACTION ENTERED INTO DURING THE REPORTING PERIOD

On 1 January 2018, Jiangsu Hengxin Technology Co., Ltd. ("**Hengxin (Jiangsu)**"), a wholly-owned subsidiary of the Company, entered into the Power Purchase (Trial Implementation) Agreement with Jiangsu Hengtong Sell Electricity Co., Ltd. ("**Hengtong SE**") for a term from 1 January 2018 to 31 January 2018. Hengtong SE is a limited liability company established in the PRC and a wholly owned subsidiary of Hengtong Group Co., Ltd. (亨通集團有限公司) ("**Hengtong Group**"), which is beneficially owned by Mr. Cui Genliang and Mr. Cui Wei as to 90% and 10% respectively. Mr. Cui Genliang is the father of Mr. Cui Wei (the Chairman, a non-executive Director and a substantial shareholder of the Company via his wholly-owned entity, Kingever Enterprises Limited). As Hengtong SE is wholly-owned by Hengtong Group, therefore Hengtong SE is considered as a connected person of the Company as defined in Chapter 14A of the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**").

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

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

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

The Company was informed by Hengtong SE that its controlling shareholder Hengtong Group has disposed of its entire equity intersts in Hengtong SE to independent third parties on 17 August 2018 and therefore commencing on 17 August 2018, Hengtong SE was no longer a connected person of the Company as defined by the Listing Rules, thus, the related continuing connected transaction in respect of the Power Purchase Agreement has ended in August 2018.

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

(IV) LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group's total assets were approximately RMB2,136,080,000 (2017: RMB1,731,356,000) (of which current assets were approximately RMB1,937,369,000 (2017: RMB1,497,308,000) and non-current assets were approximately RMB198,711,000 (2017: RMB234,048,000)), the total liabilities were approximately RMB548,572,000 (2017: RMB250,411,000) (of which current liabilities were approximately RMB539,073,000 (2017: RMB240,535,000) and non-current liabilities were approximately RMB9,499,000 (2017: RMB9,876,000)), and shareholder's equity reached approximately RMB1,587,508,000 (2017: RMB1,480,945,000). As at 31 December 2018, the Group has short-term bank borrowings due within one year of RMB315,000,000 (2017: nil) carrying fixed interest rate.

The Group generally finances its operations from cash flows generated internally and short-term bank borrowings.

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

The management of the Group monitors capital based on the Group's net gearing ratio. The Group's net gearing ratio is calculated as net borrowings divided by total equity. Net borrowings are calculated as total short-term loans less cash and cash equivalents at the end of the Reporting Period.

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Net cash borrowings	**(631,903)**	(445,120)
Total equity	**1,587,508**	1,480,945
Net debt to equity ratio *(%)*	**39.80**	(30.06)

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

As at 31 December 2018		As at 31 December 2017	
Secured	**Unsecured**	Secured	Unsecured
RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
–	**315,000**	–	–

There is no amount repayable after one year.

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

The macroeconomic situation in 2019 is severe and complicated. From the domestic condition viewpoint, the economy is still in its downward cycle, insufficient economic growth momentum, difficult in progressing structural adjustment, weak financing environment, and unfavourable corporate investment sentiment. From the international standpoint, not only major developed economies are weak in economic growth, but also lack effective means to continue stimulating the economy, hence, the chances of global economic crisis are not low. Also, the threat of trade war still exists and the trade environment shows a deteriorating trend, therefore, the decline in global trade growth is highly probable.

To cope with the unfavourable situations domestically and abroad, the government put forward hedging measures in stabilising employment, finance, foreign trade, foreign investment, investment and expectations. Through further strengthening the reform and opening up, the government is striving to inject new driving forces into the economy by implementing proactive fiscal policies, enhancing infrastructure investments, reducing taxes and charges and nurturing new economic growth points.

Among the aforementioned various policy measures, those that have a relatively specific material impact on the Group include the 5G commercialisation process, the large-scale construction of rail transportation projects, and the improvement in tax rebate rate and trade facilitation, cleaning up and regulating import and export charges, and enhancing financing and insurance support and other policies to reduce trade costs.

For the industry, profits of the major domestic telecom operators will drop substantially, and the government will also put forward a new round of tariff reduction requirements, which will result a significant decrease in investments by telecom operators. At the same time, China Unicom has conducted a pilot mixed-ownership reform, and equipment manufacturers have stepped up their overall plans. The pace of optic fibres over copper cables is further accelerated, the market demand and prices for RF Coaxial Cables continues to fall, posing tremendous challenge to our sales and profit.

In the 5G era, the industrial state of full-fledged manufacturing chain for antenna and wireless will undergo tremendous changes compared with the 4G era and are mainly reflected in the following two aspects:

Firstly, the demand for feeder wires and jumper cables may tumble, and antenna will also be changed from insulated products to electrically-linked products, that is, transceiver components and modules for antenna and RRU will be deeply integrated, and the entire product forms will experience rapid change.

Secondly, different 5G application conditions have emerged a lot of personalised needs, and diversity of 5G antenna products will far exceed those in the 3G and 4G eras. China's 5G licence will be issued as early as in mid-2019. The 5G plans of China's three major telecom operators are to be in pre-commercial and mass commercial use in 2019 and 2020, respectively. The attention of 5G has been escalated to a new high level. Combined with the operators' 5G schedule, the Company has formulated its own 5G development strategy and is actively engaged in new technology verification and new product development and verification.

This mainly includes the comprehensive development of 5G antennas (including macro base station antenna and micro base station antenna), feeder wire and leaky cable products for 5G indoor distribution, broadband series products and unmanned operation, etc. At the same time, we will continue to pay attention to the evolution and development of 5G indoor coverage technologies, and closely tracking the development trend of insulation devices sector.

For antennas, we seize the opportunities of constructing the world's first batch of large-scale 5G equipment and maintain close communication with equipment manufacturers and deploy large-scale array antennas to meet the needs of large capacity, low-latency, high-speed networks in the 5G era. The production mode is transformed from labour-intensive production of antennas to automated production to increase the intelligentisation standard. We will actively expand overseas markets, improve the layout of overseas antenna products, enhance industry awareness and create a globally renowned brand.

For cable components, we will fully promote the high-end components market, improve the comprehensive performance of cables. We will transform from a traditional cable supplier to delivering complete sets of component provider and achieve selling to four major international equipment manufacturers.

The Group will seize the favorable conditions of constructing more new rail transportation projects in China, actively carry out sales of leaky cable series products, promote the larger application of leaky cable online monitoring system and railway broadband leaky cable to lay a good foundation for formal commercial use. By leveraging on the national strategy of the Belt and Road, we will layout the application of the international leaky cable market.

The Group will utilise the current favourable situation in RMB exchange rate and the favourable national policies in promoting foreign trade to actively develop the international market by establishing overseas distribution outlets to construct our global distribution network. We will strengthen the certification of overseas operators and equipment manufacturers for the Group's products and enhance the recognition of the Hengxin brand.

Under the market downturn environment, the Group will actively identify new investment opportunities to prepare for its future development.

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

As at 31 December 2018, the interests and short positions of the Directors and chief executives of the Company in shares and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), which are required to be notified to the Company and the 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 Listing Rules, were as follows:

Long positions in the Company:

Name of Directors	Capacity and nature of interests	Number of ordinary shares held	Approximate percentage of the Company's issued share capital
Mr. Cui Wei(1)	Deemed interest and interest in controlled corporation	96,868,662	24.97%
Ms. Zhang Zhong(2)	Deemed interest and interest in controlled corporation	28,082,525	7.24%
Mr. Du Xiping	Beneficial owner	11,468,000	2.96%

Notes:

(1) Mr. Cui Wei beneficially owns the entire issued share capital of Kingever Enterprises Limited ("**Kingever**"), and Kingever in turn holds approximately 24.97% of the total issued shares in the Company. According to the register of the Company, during FY2018, Mr. Cui Wei has acquired a total of 4,240,000 ordinary shares of the Company in April 2018 through Kingever.

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

Saved as disclosed above, as at 31 December 2018, none of the Directors and chief executives of the Company nor their associates had or deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to Section 352 of Part XV of the SFO or which has been notified to the Company and the SEHK pursuant to the Model Code.

(VII) SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2018, in so far 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	96,868,662	24.97%
Mr. Cui Wei[(1)]	Deemed interest and interest in controlled corporation	96,868,662	24.97%
Wellahead[(2)]	Beneficial owner	28,082,525	7.24%
Ms. Zhang Zhong[(2)]	Deemed interest and interest in controlled corporation	28,082,525	7.24%

Notes:

(1) Kingever is a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Cui Wei. According to the register of the Company, during FY2018, Mr. Cui Wei has acquired a total of 4,240,000 ordinary shares of the Company in April 2018 through Kingever.

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

Saved as disclosed above, as at 31 December 2018, no person, other than the Directors, whose interests are set out in the paragraph headed "Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares and Debentures" above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO.

(VIII) ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the Reporting Period nor at any time during the Reporting Period did there subsist any arrangement which objective is to enable the Directors of the Company to acquire benefits by means of acquisition of shares or debentures in the Company or any other body corporate, except for the share option scheme (the "**Share Option Scheme**") adopted by the Company at its extraordinary general meeting held on 27 October 2010.

(IX) SUPPLEMENTARY INFORMATION

1. Operational and Financial Risk Management

(i) Market risk

The major market risks that the Group is exposed to include business risks relating to the global state of economy, industry risks relating to certain policies and its product adoption approaches, technology risks relating to changes in technology and credit risks relating to the non-payment by the Group's customers.

(ii) Commodity price risk

The Group is also exposed to commodity price risk arising from fluctuations in costs of raw materials.

(iii) Interest rate risk

The major interest rate risk that the Group is exposed to includes the Group's short-term debt obligations, if any, which may be subject to variable interest rates.

(iv) Foreign currency risk

The Group's revenue and costs are denominated in Renminbi, Indian Rupees ("**INR**") and United States Dollars. Some costs may be denominated in Hong Kong Dollars, INR and Singapore Dollars.

2. Contingent liabilities

There were no material contingent liabilities as at 31 December 2018.

3. Employees and Remuneration Policies

As at 31 December 2018, there were 845 (31 December 2017: 927) employees in the Group. Staff remuneration packages are determined in consideration of the market conditions and the performance of the individual concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

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

4. Material Litigation and Arbitration

As at 31 December 2018, the Group was not involved in any material litigation or arbitration.

5. Audit Committee

The Company's audit committee members are Mr. Tam Chi Kwan Michael, Mr. Cui Wei, Ms. Zhang Zhong, Dr. Li Jun and Mr. Pu Hong. The audit committee, which is chaired by Mr. Tam Chi Kwan Michael, has reviewed the annual results of the Group for the year ended 31 December 2018.

6. Compliance with Corporate Governance Code

The Company has complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules for the year ended 31 December 2018.

7. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuer

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

8. Annual General Meeting

The 2018 annual general meeting of the Company will be held on 26 April 2019 in Hong Kong. For further details of the annual general meeting, please refer to the notice of annual general meeting, which will be published and despatched by the Company in due course.

9. Review of financial results

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

The figures in respect of this results announcement of the Group for the year ended 31 December 2018 have been checked by the Company's auditors, KPMG LLP. The work performed by KPMG LLP in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements and consequently no assurance has been expressed by KPMG LLP on this results announcement.

10. Dividends

(a) Final dividend recommended for the Reporting Period

Name of Dividend:	Final
Dividend Type:	Cash
Dividend Rate:	RMB0.0457 per share
Number of shares:	388,000,000
Total amount:	RMB17,731,600

(b) Actual final dividend for FY2017

Name of Dividend:	Final
Dividend Type:	Cash
Dividend Rate:	RMB0.0294 per share
Number of shares:	388,000,000
Total amount:	RMB11,407,200

(c) Record date and dividend payment date

Subject to the approval by shareholders of the Company at the forthcoming annual general meeting to be held on Friday, 26 April 2019, the final dividend for the Reporting Period will be distributed on or about Monday, 27 May 2019 to shareholders whose names appear on the Company's register of members on Tuesday, 14 May 2019 (the record date).

(d) ***Book closure date***

In order to determine the entitlement to the proposed final dividend for the Reporting Period (subject to the approval by the shareholders at the forthcoming annual general meeting), the Company's register of members will be closed on Tuesday, 14 May 2019, on which date no transfer of shares will be registered. In order to qualify for the proposed final dividend for the Reporting Period, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Principal Share Registrar in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 (for shareholders registered in Singapore), or at the office of the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for shareholders registered in Hong Kong) not later than 4:30 p.m. on Monday, 13 May 2019. Any removal of shares of the Company from the Company's Principal Share Registrar in Singapore to the Branch Share Registrar in Hong Kong shall be made not later than 4:30 p.m. on Thursday, 2 May 2019.

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

For the year ended 31 December 2018, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the securities of the Company.

12. Disclosure on the Websites of the SEHK and the Company

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

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

Singapore, 8 March 2019

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

* *For identification purposes only*