



## HENGXIN TECHNOLOGY LTD.

### 亨鑫科技有限公司\*

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

## INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2020

### FINANCIAL HIGHLIGHTS

1. Revenue for the six months ended 30 June 2020 decreased by approximately RMB215.8 million or 27.6% to approximately RMB565.7 million
2. Gross profit decreased by approximately RMB58.5 million or 31.1% to approximately RMB129.7 million
3. Net profit attributable to owners of the Company decreased by approximately RMB48.0 million or 65.4% to approximately RMB25.4 million
4. Basic earnings per share was approximately RMB0.066, representing a decrease of approximately RMB0.123 or 65.1%
5. No payment of interim dividend for the six months ended 30 June 2020 has been recommended

\* For identification purposes 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 2020 together with the comparative figures for the corresponding period in 2019 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

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

	<i>Notes</i>	<b>1H2020</b> <b>RMB’000</b> <b>(unaudited)</b>	1H2019 <b>RMB’000</b> <b>(unaudited)</b>
<b>Revenue</b>		<b>565,659</b>	781,485
Cost of sales		<b>(436,005)</b>	(593,352)
<b>Gross profit</b>		<b>129,654</b>	188,133
Other operating income	5	<b>17,682</b>	12,224
Selling and distribution expenses		<b>(47,066)</b>	(54,388)
Administrative expenses		<b>(18,361)</b>	(22,116)
Impairment loss on trade and other receivables		–	(641)
Other operating expenses		<b>(31,046)</b>	(31,347)
Other net loss		<b>(12,335)</b>	(466)
<b>Profit from operations</b>		<b>38,528</b>	91,399
Interest expense	6	<b>(6,953)</b>	(7,472)
<b>Profit before taxation</b>	7	<b>31,575</b>	83,927
Income tax	8	<b>(6,151)</b>	(10,504)
<b>Net profit attributable to owners of the Company</b>		<b>25,424</b>	73,423
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of – financial statements of entities with functional currencies other than RMB		<b>(183)</b>	(49)
<b>Total comprehensive income attributable to equity shareholders of the Company</b>		<b>25,241</b>	73,374
<b>Earnings per share attributable to equity shareholders of the Company</b>			
<b>Basic (RMB)</b>	11	<b>0.066</b>	0.189
<b>Diluted (RMB)</b>		<b>0.066</b>	0.189
<b>Dividends per share (RMB)</b>	9	–	–

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at <b>30 June</b> <b>2020</b> <i>RMB'000</i> (unaudited)	As at 31 December 2019 <i>RMB'000</i> (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	173,348	177,748
Other investments		9,647	9,647
Interest in an associate		–	–
Deferred tax assets		<u>10,413</u>	<u>8,693</u>
 Total non-current assets		 <u>193,408</u>	 <u>196,088</u>
<b>Current assets</b>			
Inventories		128,765	94,847
Other investments		30,000	–
Trade and other receivables	13	865,756	885,354
Time deposits with original maturity more than 3 months		435,398	400,000
Cash and cash equivalents		<u>591,450</u>	<u>616,564</u>
 Total current assets		 <u>2,051,369</u>	 <u>1,996,765</u>
 <b>TOTAL ASSETS</b>		 <u>2,244,777</u>	 <u>2,192,853</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	14	202,394	183,230
Short-term loans		327,783	310,000
Lease liabilities		509	828
Income tax payable		<u>3,819</u>	<u>2,493</u>
 Total current liabilities		 <u>534,505</u>	 <u>496,551</u>
 <b>NET CURRENT ASSETS</b>		 <u>1,516,864</u>	 <u>1,500,214</u>
 <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		 <u>1,710,272</u>	 <u>1,696,302</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

		As at <b>30 June 2020</b> <i>RMB'000</i> (unaudited)	As at 31 December 2019 <i>RMB'000</i> (audited)
<b>Non-current liabilities</b>			
Deferred income		6,285	6,255
Lease liabilities		817	958
Deferred tax liabilities		7,149	6,980
		<hr/>	<hr/>
Total non-current liabilities		14,251	14,193
		<hr/>	<hr/>
<b>TOTAL LIABILITIES</b>		548,756	510,744
		<hr/>	<hr/>
<b>NET ASSETS</b>		1,696,021	1,682,109
		<hr/> <hr/>	<hr/> <hr/>
<b>CAPITAL AND RESERVES</b>			
Share capital	10	295,000	295,000
General reserves		252,344	252,344
Special reserve		(6,017)	(6,017)
Fair value reserve		(850)	(850)
Translation reserves		(1,724)	(1,541)
Accumulated profits		1,157,268	1,143,173
		<hr/>	<hr/>
<b>Total equity attributable to equity shareholders of the Company</b>		1,696,021	1,682,109
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		1,696,021	1,682,109
		<hr/> <hr/>	<hr/> <hr/>

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June

	<b>1H2020</b> <b>RMB'000</b> <b>(unaudited)</b>	1H2019 <i>RMB'000</i> (unaudited)
<b>Operating activities</b>		
Profit before tax	<b>31,575</b>	83,927
Adjustments for:		
Depreciation of property, plant and equipment	<b>14,780</b>	9,755
Impairment loss on trade and other receivables	–	641
Reversal of stock obsolescence provision	–	(38)
Net losses on disposal of property, plant and equipment	<b>53</b>	89
Interest expense	<b>6,953</b>	7,472
Interest income	<b>(6,921)</b>	(3,174)
Amortisation of deferred income	<b>31</b>	–
Unrealised foreign exchange gains	<b>(917)</b>	(170)
	<b>45,554</b>	98,502
Changes in working capital:		
Trade receivables and other receivables	<b>18,616</b>	(214,256)
Inventories	<b>(34,430)</b>	31,593
Trade payables and other payables	<b>20,449</b>	(22,691)
Cash generated from/(used in) operating activities	<b>50,189</b>	(106,852)
Interest income received	<b>6,921</b>	3,174
Income tax paid	<b>(6,376)</b>	(19,923)
Net cash generated from/(used in) from operating activities	<b>50,734</b>	(123,601)

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

	<b>1H2020</b> <b>RMB'000</b> <b>(unaudited)</b>	1H2019 <i>RMB'000</i> (unaudited)
<b>Investing activities</b>		
Acquisition of property, plant and equipment	(10,659)	(10,486)
Payment for time deposits	(271,457)	–
Proceeds from time deposits	236,059	–
Proceeds from disposal of property, plant and equipment	214	87
Acquisition of other investments	(30,000)	–
Decrease in pledged bank deposits	15,206	5,555
	<u>(60,637)</u>	<u>(4,844)</u>
Net cash used in investing activities	<u>(60,637)</u>	<u>(4,844)</u>
<b>Financing activities</b>		
Capital elements of lease rentals paid	(459)	(405)
Interest element of lease rentals paid	(33)	(40)
Other interest expense paid	(6,920)	(7,432)
Net proceeds from short-term loans	17,783	–
Dividends paid	(11,329)	(17,732)
	<u>(958)</u>	<u>(25,609)</u>
Net cash used in financing activities	<u>(958)</u>	<u>(25,609)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(10,861)</b>	<b>(154,054)</b>
<b>Effects of foreign exchange translation</b>	<b>952</b>	<b>127</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>592,096</b>	<b>946,903</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>582,187</b>	<b>792,976</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 (unaudited)

GROUP – RMB'000	Share capital	General reserves	Special reserve	Fair value reserve	Translation reserves	Accumulated profits	Total
Balance at 1 January 2020	295,000	252,344	(6,017)	(850)	(1,541)	1,143,173	1,682,109
Changes in equity for the period:							
Profit for the period	-	-	-	-	-	25,424	25,424
Other comprehensive income for the period	-	-	-	-	(183)	-	(183)
Total comprehensive income	-	-	-	-	(183)	25,424	25,241
Final dividends paid for 2019	-	-	-	-	-	(11,329)	(11,329)
<b>Balance at 30 June 2020</b>	<b>295,000</b>	<b>252,344</b>	<b>(6,017)</b>	<b>(850)</b>	<b>(1,724)</b>	<b>1,157,268</b>	<b>1,696,021</b>

For the six months ended 30 June 2019 (unaudited)

GROUP – RMB'000	Share capital	General reserves	Special reserve	Fair value reserve	Translation reserves	Accumulated profits	Total
Balance at 1 January 2019	295,000	233,658	(6,017)	170	(1,423)	1,066,120	1,587,508
Changes in equity for the period:							
Profit for the period	-	-	-	-	-	73,423	73,423
Other comprehensive income for the period	-	-	-	-	(49)	-	(49)
Total comprehensive income	-	-	-	-	(49)	74,423	73,374
Final dividends paid for 2018	-	-	-	-	-	(17,732)	(17,732)
<b>Balance at 30 June 2019</b>	<b>295,000</b>	<b>233,658</b>	<b>(6,017)</b>	<b>170</b>	<b>(1,472)</b>	<b>1,121,811</b>	<b>1,643,150</b>

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Singapore on 18 November 2004 under the Singapore Companies Act and its shares are listed on Main Board of The Stock Exchange of Hong Kong Limited. The address of the Company's principal place of business is 5 Tampines Central 1, #06-05 Tampines Plaza, Singapore 529541. 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 telecommunication and technological products, production of radio frequency coaxial cables for mobile communications and mobile communications systems exchange equipment. The Group's operations are principally conducted in the PRC.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation

The financial statements for the six months ended 30 June 2020 (the "**Financial Statements**") have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("**IASB**") that are effective for annual reporting periods beginning on or after 1 January 2020.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the Financial Statements.

The consolidated financial statements for the six months ended 30 June 2020 comprise the Group and the Group's interest in an associate.

The Financial Statements have been prepared on a historical cost basis except that certain assets which are stated at fair value. The consolidated financial statements are presented in Renminbi ("**RMB**"), being the functional currency of the Company and the presentation currency of the Group. All values are rounded to the nearest thousand except when otherwise indicated.

### 3. CHANGES IN ACCOUNTING POLICIES

The IASB has issued the following amendments to IFRSs that are first effective for the current accounting period of the Group:

- Amendments to IFRS 3, *Definition of a Business*
- Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*
- Amendments to IAS 1 and IAS 8, *Definition of Material*



None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the amendment to IFRS 16, COVID-19-Related Rent Concessions, which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

#### **Amendment to IFRS 16, COVID-19-Related Rent Concessions**

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic (“COVID-19-related rent concessions”) are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the interim reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

## **4. REVENUE AND SEGMENT REPORTING**

### **(a) Revenue**

The principal activities of the Group are the manufacturing and sale of radio frequency coaxial cables, telecommunication equipment and accessories.

#### *Disaggregation of revenue*

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Radio frequency coaxial cables	<b>286,647</b>	310,619
Telecommunication equipment and accessories	<b>120,520</b>	179,769
Antennas	<b>134,181</b>	241,915
Others	<b>24,311</b>	49,182
	<b>565,659</b>	781,485

**(b) Segment reporting**

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's senior management for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Radio frequency coaxial cables: the transmission of high-frequency signals between antenna and base station equipment in outdoor base station wireless signal coverage system and indoor wireless signal coverage system in buildings.
- Telecommunication equipment and accessories: the transmission of signals within microwave communications systems, radio broadcast wireless systems and air/sea radar systems, the accessories are such as connectors and jumper cables used for wireless signal coverage systems equipment within base stations.
- Antennas: are adopted by telecom operators for use in signal transmission for wireless communications.

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitor the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is profit or loss before tax, adjusted for items not specifically attributed to individual segments, such as other income, central interest expense, central administration costs, independent directors' fees at corporate level and foreign exchange gains or losses. Segment profit or loss is used to measure performance as 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.

In addition to receiving segment information concerning segment results, management is provided with segment information concerning interest income, interest expense, depreciation and amortisation, asset impairment losses and related reversals.

Segment assets and liabilities are not regularly reported to the Group's executive directors and therefore information of reportable segment assets and liabilities are not presented in the consolidated financial statements.

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2020 and 2019 is set out below.

Group	Reportable segments					
	Radio			Total Reportable Segments	All Other Segments	Total
	Frequency Coaxial Cables	Telecommunication Equipment and Accessories	Antennas			
Six months ended 30 June 2020 (unaudited)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Disaggregated by timing of revenue recognition</b>						
Point in time	286,647	120,520	134,181	541,348	23,080	564,428
Over time	-	-	-	-	1,231	1,231
Revenue from external customers	286,647	120,520	134,181	541,348	24,311	565,659
Segment profit before tax (Note 1)	27,337	17,025	(5,844)	38,519	902	39,421
Interest income	3,507	1,475	1,642	6,624	297	6,921
Interest expense	(3,514)	(1,477)	(1,645)	(6,636)	(317)	(6,953)
Depreciation and amortisation expenses	(7,461)	(3,137)	(3,492)	(14,090)	(690)	(14,780)
<b>Reportable segments</b>						
Group	Radio			Total Reportable Segments	All Other Segments	Total
	Frequency Coaxial Cables	Telecommunication Equipment and Accessories	Antennas			
	Six months ended 30 June 2019 (unaudited)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Disaggregated by timing of revenue recognition</b>						
Point in time	310,619	179,769	241,915	732,303	48,570	780,873
Over time	-	-	-	-	612	612
Revenue from external customers	310,619	179,769	241,915	732,303	49,182	781,485
Segment profit before tax (Note 1)	23,776	25,974	31,968	81,718	(1,156)	80,562
Interest income	1,247	722	971	2,940	234	3,174
Interest expense	(2,970)	(1,719)	(2,313)	(7,002)	(470)	(7,472)
Reversal of stock obsolescence provision	-	-	38	38	-	38
Depreciation and amortisation expenses	(3,866)	(2,237)	(3,010)	(9,113)	(642)	(9,755)

*Note 1:*

Segment profit before tax represent the profits earned by each segment without allocation of other income, central interest expense, central administrative expenses, independent non-executive directors' fees at corporate level and foreign exchange gains or losses.

## Reconciliation of reportable segment profit

	<b>Group</b>	
	<b>For the six months ended 30 June</b>	
	<b>2020</b>	2019
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<b>(unaudited)</b>	(unaudited)
<b>Profit before tax</b>		
Total profit before tax for reportable segments	<b>38,519</b>	81,718
Profit/(loss) before tax for other segments	<b>902</b>	(1,156)
Unallocated amounts:		
– Other operating income	<b>10,761</b>	9,050
– Other operating expenses	<b>(13,628)</b>	(1,337)
– Other unallocated amounts	<b>(4,979)</b>	(4,978)
	<u><b>31,575</b></u>	<u>83,927</u>
Consolidated profit before tax	<u><b>31,575</b></u>	<u>83,927</u>

## Other material items

	<b>Reportable and all other segment totals</b>	<b>Adjustments</b>	<b>Consolidated totals</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>For the six months ended</b>			
<b>30 June 2020 (unaudited)</b>			
Depreciation and amortisation expenses	<u><b>14,723</b></u>	<u><b>57</b></u>	<u><b>14,780</b></u>
<b>For the six months ended</b>			
<b>30 June 2019 (unaudited)</b>			
Depreciation and amortisation expenses	<u>9,725</u>	<u>30</u>	<u>9,755</u>

## Geographical segment

The Company is an investment holding company and the Group's major operational subsidiaries are domiciled in the People's Republic of China ("PRC"). The geographical regions of the customers of the Group are principally located in the PRC and India.

The following table sets out the geographic information analyses the Group's revenue and specified non-current assets including property, plant and equipment and lease prepayments. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets have been based on the geographic location of the assets.

	Revenue from external customer		Specified non-current assets*	
	For the six months ended		As at	
	30 June 2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
People's Republic of China	449,952	689,949	171,140	174,970
India	18,460	10,727	1,270	1,628
Other countries	97,247	80,809	938	1,150
Total	<u>565,659</u>	<u>781,485</u>	<u>173,348</u>	<u>177,748</u>

\* excludes other investments and deferred tax assets

## 5. OTHER OPERATING INCOME

	For the six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Government grants	8,276	6,426
Interest income	6,921	3,174
Compensation claims received	155	736
Gains on disposal of property, plant and equipment	60	11
Net foreign exchange gains	1,573	–
Service fee income	–	1,377
Others	697	500
Total	<u>17,682</u>	<u>12,224</u>

## 6. INTEREST EXPENSE

	For the six months ended 30 June	
	2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Interest expense on short term bank loans	6,360	6,889
Interest on lease liabilities	33	40
Other interest expense	560	543
Total	<u>6,953</u>	<u>7,472</u>

## 7. PROFIT BEFORE TAXATION

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

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cost of inventories sold	436,005	593,352
Reversal of stock obsolescence provision	–	(38)
Depreciation of property, plant and equipment	14,780	9,755
Impairment loss on trade and other receivables	–	641
Salaries and bonus	66,918	79,255
Contributions to defined contribution plans	947	3,347
Executive directors' remuneration (including contribution to defined contribution plans)	1,170	1,142
Non-executive directors' fees	841	804
Total staff costs	69,876	84,548
Net foreign exchange gains, included in other income	(1,573)	–
Net foreign exchange losses, included in other operating expenses	–	152
Net losses on disposal of property, plant and equipment	53	89
Net loss on raw material costs hedging	12,335	466
Research and development expenses	29,753	30,476

## 8. INCOME TAX

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(audited)
<b>Current tax expense</b>		
Current year	5,756	12,473
Under/(over) provision in prior years	1,946	(3,260)
	7,702	9,213
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(1,551)	1,291
	6,151	10,504

- (i) Singapore, PRC and India income tax liabilities are calculated at the applicable rates in accordance with the relevant tax laws and regulation in respective countries.
- (ii) The provision for PRC Income Tax is based on the respective corporate income tax rates applicable to the subsidiaries located in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC.

The statutory corporate income tax rate of the Group's operating subsidiaries in the PRC is 25% (2019: 25%).

Jiangsu Hengxin Technology Co., Ltd (“**Jiangsu Hengxin**”) and Jiangsu Hengxin Wireless Technology Co., Ltd., are subject to a preferential income tax rate of 15% in 2020 available to enterprises which qualify as a High and New Technology Enterprise (2019: 15%).

- (iii) Hong Kong Profits Tax has been provided for Hengxin Technology International Co., Ltd. at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong for the year ending 31 December 2020.

## 9. DIVIDENDS

The Company did not recommend or declare any interim dividend for the six months ended 30 June 2020 and 30 June 2019.

## 10. 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 2019 and 30 June 2020	<u>388,000</u>	<u>295,000</u>	<u>58,342</u>

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

## 11. EARNINGS PER SHARE

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

	<b>Group</b>	
	<b>For the six months ended</b>	
	<b>30 June 2020 (unaudited)</b>	30 June 2019 (unaudited)
Earnings per share ( <i>RMB</i> )		
– Basic	<u>0.066</u>	<u>0.189</u>
– Diluted	<u>0.066</u>	<u>0.189</u>
Weighted average no. of shares applicable to basic EPS ('000)	<b>388,000</b>	388,000

There were no potential dilutive ordinary shares in existence during the six months ended 30 June 2020 and 2019.

## 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group's capital expenditure was approximately RMB10.7 million (six months ended 30 June 2019: approximately RMB10.5 million).

## 13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Trade receivables	780,046	700,908
Bills receivables	25,902	129,078
Less: Loss allowance	(9,705)	(9,705)
	<hr/>	<hr/>
Net trade and bills receivables	796,243	820,281
Loans to and amount from an associate	22,871	22,871
Less: Loss allowance	(22,871)	(22,871)
	<hr/>	<hr/>
Other receivables	796,243 69,513	820,281 65,073
	<hr/>	<hr/>
	<b>865,756</b>	<b>885,354</b>
	<hr/> <hr/>	<hr/> <hr/>

Trade and bills receivables are due from 90–270 days from the date of billing. 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 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Within 6 months	549,647	614,610
7 to 12 months	173,630	163,802
1 to 2 years	72,966	41,303
Over 2 years	–	566
	<hr/>	<hr/>
	<b>796,243</b>	<b>820,281</b>
	<hr/> <hr/>	<hr/> <hr/>

## 14. TRADE AND OTHER PAYABLES

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Trade payables	142,227	96,424
Other payables	60,167	86,806
	<hr/>	<hr/>
	<b>202,394</b>	<b>183,230</b>
	<hr/> <hr/>	<hr/> <hr/>



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

	As at 30 June 2020 <i>RMB'000</i> (unaudited)	As at 31 December 2019 <i>RMB'000</i> (audited)
0 to 90 days	135,412	91,604
91 to 180 days	2,441	1,157
181 to 360 days	2,331	1,341
Over 360 days	2,043	2,322
	<u>142,227</u>	<u>96,424</u>

## 15. NET ASSET VALUE

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

	As at 30 June 2020 (unaudited)	As at 31 December 2019 (audited)
Net assets ( <i>RMB'000</i> )	1,696,021	1,682,109
Number of ordinary shares ('000)	388,000	388,000
Net asset value per ordinary share ( <i>RMB</i> )	<u>4.37</u>	<u>4.34</u>

## 16. CONNECTED TRANSACTIONS

### (a) Transactions

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

	For the six months ended 30 June	
	2020 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i> (unaudited)
Sale of finished goods	7,746	5,354
Purchase of raw materials	<u>12,432</u>	<u>10,041</u>

Suzhou Hengli Telecommunications Materials Co., Ltd. is a subsidiary of Hengtong Group Co., Ltd., a company in which the father of Cui Wei, the non-executive director of the Company, is a substantial shareholder of. Cui Wei is a substantial shareholder with shareholding of 24.97% of the total issued shares in the Company and has significant influence over the Company.

**(b) Compensation of key management personnel**

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

	<b>For the six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Short term benefits	<b>3,301</b>	3,408
Retirement benefits scheme contribution	<b>80</b>	43
	<hr/>	<hr/>
Total	<b>3,381</b>	3,451
	<hr/> <hr/>	<hr/> <hr/>

**17. COMMITMENTS**

	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(unaudited)</b>	<b>(audited)</b>
Contracted but not provided for property, plant and equipment	<b>69</b>	1,474
Donation commitment	<b>3,500</b>	3,500
	<hr/>	<hr/>
	<b>3,569</b>	4,974
	<hr/> <hr/>	<hr/> <hr/>

The Group's PRC subsidiary has signed an intention letter and committed to donate RMB500,000 per annum from 2007 for a period of 20 years to a charitable organization in the PRC when making profit in the year.

## (I) MANAGEMENT DISCUSSION AND ANALYSIS

### Consolidated Statement of Profit or Loss

Material fluctuations of the consolidated statement of profit or loss items are explained below:

#### *Revenue*

The Group's revenue for the six months ended 30 June 2020 ("1H2020" or the "Reporting Period") decreased by approximately RMB215.8 million, or approximately 27.6% from approximately RMB781.5 million during the six months ended 30 June 2019 ("1H2019") to approximately RMB565.7 million in 1H2020.

#### *RF Coaxial Cables*

Revenue generated from the segment of RF Coaxial Cables decreased by approximately RMB24.0 million or approximately 7.7% from approximately RMB310.6 million in 1H2019 to approximately RMB286.6 million in 1H2020. In particular, the decrease in revenue for this segment is due to the decrease in leaky cables of approximately RMB15.7 million or 19.7% from 1H2019's approximately RMB79.6 million to approximately RMB63.9 million in 1H2020 amid weakening 4G investment with 5G technology being at the initial stage of official commercial application. Despite the decline in revenue from leaky cables in 1H2020, the gross profit margin of leaky cables has increased by more than 10 percentage points in 1H2020 as compared with 1H2019 because the leaky cables products sold in 1H2020 have higher profitability than that sold in 1H2019.

Amid COVID-19 pandemic during 1H2020 and the general retracting market trend on the demand of feeder cables, revenue from feeder cables only declined by approximately RMB8.2 million or 3.5% from 1H2019's approximately RMB231.0 million to 1H2020's approximately RMB222.8 million with gross profit margin up by approximately 1.1 percentage point comparing 1H2020 and 1H2019.

In general, the overall gross profit margin of RF Coaxial Cables in 1H2020 increased by approximately 2.9 percentage points as compared with that of 1H2019 due to the improvements of the gross profit margin of leaky and feeder cables as compared with that of 1H2019 as the products sold in 1H2020 generally have higher profitability than that sold in 1H2019. Furthermore, the Group has also continued to increase its effort in business transformation and allocated more resources to consolidate its position in existing RF Coaxial Cables (feeder and leaky cables) markets in preparation for the development of 5G telecommunication in the near future.

#### *Telecommunication equipment and accessories*

Revenue generated from the segment of telecommunication equipment and accessories decreased by approximately RMB59.3 million or approximately 33.0% from approximately RMB179.8 million in 1H2019 to approximately RMB120.5 million in

1H2020. The significant decrease in the revenue from telecommunication equipment and accessories is because the COVID-19 pandemic has delayed the demand on 5G related products and the holding up of purchase orders on 4G related products from various telecommunication operators in China.

#### *Antennas*

Revenue generated from Antennas during 1H2020 was approximately RMB134.2 million and the revenue of Antennas during 1H2019 was approximately RMB241.9 million, representing a decrease of approximately RMB107.7 million or approximately 44.5%. As 4G products entered its life cycle tail stage with 5G products pending large-scale commercialization due to COVID-19 pandemic in 1H2020, our sales of 5G related Antennas remained yet to achieve the satisfactory results. On the gradual introduction of commercialized 5G products and mobile devices in 2020, the Group will continue to increase its efforts in antennas market promotion during the future telecommunication network upgrade for the major domestic telecommunication operators.

#### *Others (HTRC (High Temperature Resistant Cables) and antennas testing services)*

Revenue generated from this segment decreased by approximately RMB24.9 million or approximately 50.6% from approximately RMB49.2 million during 1H2019 to approximately RMB24.3 million during 1H2020, of which the decrease was mostly attributable to the significant decrease in the sales of HTRC during 1H2020. Such decrease was mainly because of the weak demand due to COVID-19 pandemic and slow development of 5G telecommunication and declining 4G market.

#### ***Gross profit margin***

The Group achieved an overall gross profit margin of approximately 22.9% during 1H2020 compared to approximately 24.1% during 1H2019, representing a decrease of approximately 1.2 percentage point period-on-period. As mentioned above, although facing intense market competition and declining market demand amid COVID-19 pandemic, feeder and leaky cables have achieved a higher gross profit margin and gross profit contribution during 1H2020 as compared with 1H2019, overall gross profit margin of RF Coaxial Cables (feeder and leaky cables) has increased by approximately 2.9 percentage points from 1H2019's approximately 19.3% to approximately 22.2% in 1H2020 with gross profit contribution increased by approximately RMB3.9 million period-on-period.

However, the gross profit margin of Antennas has decreased by approximately 9.1 percentage points from 1H2019's 29.1% to approximately 20.0% in 1H2020 because the Antennas products sold in 1H2020 generally have lower profitability than that sold in 1H2019. As a result, the overall gross profit margin of the Group decreased accordingly. Besides the continuing optimization of the use of raw materials and labour, the Group will also review its products mix and business transformation process in order to strive for a further enhancement in product profitability.

### ***Other operating income***

Other operating income increased by approximately RMB5.5 million or approximately 45.1% from approximately RMB12.2 million in 1H2019 to approximately RMB17.7 million in 1H2020. The increase is primarily due to:

- (i) increase in interest income by approximately RMB3.7 million; and
- (ii) exchange gains of approximately RMB1.6 million arising from movements in renminbi exchange rate in 1H2020, which was classified as other operating income as compared to the net exchange losses of approximately RMB0.2 million in 1H2019 that was classified as other operating expenses.

### ***Selling and distribution expenses***

Selling and distribution expenses decreased by approximately RMB7.3 million or approximately 13.4% from approximately RMB54.4 million in 1H2019 to approximately RMB47.1 million in 1H2020. The decrease is mainly due to the decrease in transportation costs and marketing expenses as a result of the decrease in revenue amid COVID-19 pandemic during 1H2020.

### ***Administrative expenses***

Administrative expenses decreased by approximately RMB3.7 million or approximately 16.7% from approximately RMB22.1 million in 1H2019 to approximately RMB18.4 million in 1H2020. The decrease is mainly due to the decrease in staff costs during the first quarter of 2020 as a result of the lockdown and working restriction measures imposed to combat COVID-19 pandemic in mainland China.

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

Other operating expenses decreased by approximately RMB0.3 million or approximately 1.0% from approximately RMB31.3 million in 1H2019 to approximately RMB31.0 million in 1H2020. Such decrease is mainly due to the decrease in research and development (“R&D”) expenses incurred from continuing R&D activities undertaken for the modifications and improvements to the Group’s products.

### ***Other net loss***

Other net loss for 1H2020 mainly represented the hedging loss incurred on raw materials during the first quarter of 2020.

### ***Interest expense***

Interest expense decreased by approximately RMB0.5 million from approximately RMB7.5 million in 1H2019 to approximately RMB7.0 million in 1H2020. Interest expense for 1H2019 and 1H2020 mainly represented the finance costs on the Group's short-term loans during the relevant periods.

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

Profit before tax decreased by approximately RMB52.3 million or approximately 62.3% from approximately RMB83.9 million in 1H2019 to approximately RMB31.6 million in 1H2020.

### ***Income tax***

The Group's main subsidiary, Jiangsu Hengxin, 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 2018.

Income tax expense decreased by approximately RMB4.3 million or approximately 41.0% from approximately RMB10.5 million in 1H2019 to approximately RMB6.2 million in 1H2020, mainly due to the significant decrease in operating profit as compared with 1H2019.

### ***Net profit***

In view of the above, net profit attributable to equity holders of the Company decreased approximately RMB48.0 million or approximately 65.4% from approximately RMB73.4 million in 1H2019 compared to approximately RMB25.4 million in 1H2020.

## **Consolidated Statement of Financial Position**

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

### ***Trade and other receivables***

- (i) Net trade and bills receivables decreased by approximately RMB24.0 million or approximately 2.9% from approximately RMB820.3 million as at 31 December 2019 to approximately RMB796.2 million as at 30 June 2020.

Average trade and bills receivables turnover days was 264 days as at 30 June 2020 compared to 202 days as at 31 December 2019. The increase in trade and bills receivables turnover by approximately 62 days was mainly because COVID-19 pandemic has affected the settlement arrangement of the Group's customers. However, on the gradual resumption of business and uplift of pandemic preventive measures during the second quarter of 2020, customers have resumed their

settlement arrangement. Although the collection of trade receivables from certain customers of the Group had been stretched longer due to reasons mentioned above, 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 30 June 2020, approximately 68.2% of the trade and bills receivable are within the credit period given as compared with that of approximately 74.2% as at 31 December 2019.

For amounts due more than six months and longer, they mainly pertain to final payment owed by the two main PRC telecom operators.

These telecommunication 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 such two main PRC telecom operators 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.

- (ii) Net prepayments and non-trade receivables increased by approximately RMB4.4 million or approximately 6.8% from approximately RMB65.1 million as at 31 December 2019 to approximately RMB69.5 million as at 30 June 2020. The increase was mainly due to the increase in prepayment on input tax to be certified.

### ***Inventories***

Inventories (comprising raw materials, work-in-progress and finished goods) increased by approximately RMB34.0 million or approximately 35.9% from approximately RMB94.8 million as at 31 December 2019 to approximately RMB128.8 million as at 30 June 2020. The increase was mainly due to the need to build up the Group's inventories to meet the increase in demand for the products of the Group after the resumption of operations and business and uplifting of certain COVID-19 pandemic preventive measures during the second quarter of 2020.

### ***Other investments (current assets)***

Other investments (current assets) as at 30 June 2020 represented the subscription of short-term investments in wealth management products with a duration of six months commencing from June 2020 in a view to enhance the return on the working capital of the Group.

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

Short-term loans were raised with an aim to enhance the working capital position of the Group. Short-term loans as at 30 June 2020 with fixed interest rates will become due for repayment by the fourth quarter of 2020 and second quarter of 2021 respectively.

### ***Trade and other payables***

- (i) Trade payables increased by approximately RMB45.8 million or approximately 47.5% from approximately RMB96.4 million as at 31 December 2019 to approximately RMB142.2 million as at 30 June 2020. The increase is mainly due to the acquisition of raw materials on the resumption of operations in the second quarter of 2020 in response to the quick recovery and market demand of the Group's products.
- (ii) Other payables decreased by approximately RMB26.6 million or approximately 30.6% from approximately RMB86.8 million as at 31 December 2019 to approximately RMB60.2 million as at 30 June 2020 mainly due to the payment of the accrued staff costs from the year ended 31 December 2019 during 1H2020.

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

As at 30 June 2020, the Group's total assets were approximately RMB2,244,777,000 (31 December 2019: RMB2,192,853,000) (of which current assets were approximately RMB2,051,369,000 (31 December 2019: RMB1,996,765,000) and non-current assets were approximately RMB193,408,000 (31 December 2019: RMB196,088,000)), the total liabilities were approximately RMB548,756,000 (31 December 2019: RMB510,744,000) (of which current liabilities were approximately RMB534,505,000 (31 December 2019: RMB496,551,000) and non-current liabilities were approximately RMB14,251,000 (31 December 2019: RMB14,193,000)), and shareholder's equity reached approximately RMB1,696,021,000 (31 December 2019: RMB1,682,109,000). As at 30 June 2020, the Group's cash and cash equivalents and time deposits were approximately RMB1,026,800,000 (31 December 2019: approximately RMB1,016,600,000). The Group's time deposits will all mature within one year.

As at 30 June 2020, the Group has short-term bank borrowings due within one year of approximately RMB327.8 million (31 December 2019: RMB310.0 million) carrying fixed interest rates.

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 gearing ratio. The Group's debt-to-assets ratio is calculated as total liabilities divided by total assets.

	As at	
	30 June 2020 <i>RMB'000</i> (unaudited)	31 December 2019 <i>RMB'000</i> (audited)
Total liabilities	548,756	510,744
Total assets	2,244,777	2,192,853
Debt-to-assets ratio (%)	<u>24%</u>	<u>23%</u>

The amount repayable for bank borrowings in one year or less, or on demand:

As at 30 June 2020		As at 31 December 2019	
Secured <i>RMB'000</i> (unaudited)	Unsecured <i>RMB'000</i> (unaudited)	Secured <i>RMB'000</i> (audited)	Unsecured <i>RMB'000</i> (audited)
–	327,783	–	310,000

### (III) REVIEW AND OUTLOOK

In the first half of 2020, the most important factor affecting the macro-economy and business operations was the widespread of COVID-19. The outbreak of COVID-19 caused a suspension in the overall social and economic operation in the first quarter of 2020, with a complete standstill for almost all works, as a result of which the macro-economy experienced a significant decline and an unprecedented negative growth. With the gradual control of COVID-19 in the second quarter of 2020, the orderly resumption of work and production, and gradual recovery of corporate investments and personal consumption, coupled with a series of measures taken by the Chinese government to stimulate domestic demand which have stabilized people's confidence, the macro economy has bottomed out of the recession and the business environment has been greatly improved.

As for the Group, due to a significant reduction in the procurement by telecommunication operators in the first quarter of 2020, the decline in procurement prices, coupled with the hedging loss on the decline in the prices of raw materials, the Group recorded a quarterly loss for the first time. In the second quarter of 2020, by seizing the favorable opportunity of the gradual stabilization of the macroeconomic situation, to resume work and production as soon as possible, and strengthening the efforts in the development and sales of new products, which resulted in a rapid growth in the business of new products with higher gross profit, as well as by virtue of the Group's strong technical and financial strength, strict and effective management, and the aggressive spirit of all

colleagues, the Group has not only made up for the loss in the first quarter of 2020, but also achieved better profits in the second quarter. Overall, the Group's revenue and its net profit in the first half of 2020 decreased by approximately 27.6% and approximately 65.4%, respectively as compared with the same period of last year. In overseas markets, despite a further increase in the demand for RF Coaxial Cables and Antennas required for 4G construction, the Group's sales in overseas markets only increased from approximately RMB91.5 million in the first half of 2019 to approximately RMB115.7 million in the first half of 2020, which failed to achieve significant increase as scheduled due to the impact of COVID-19 on shipments. As for products mix, with years of efforts, the Group has made some gratifying changes in the first half of this year against such an unfavorable environment: a major breakthrough was made in the 5G Antennas business, with an aggregate orders of RMB53.48 million and an aggregate shipments of RMB47.83 million in the first half of the year, indicating that it has fully boarded the express train of 5G business development; while the shipment of leaky cables and accessories with higher gross profit amounted to approximately RMB148.38 million in the first half of 2020, representing an increase of approximately 31.9% as compared with that in the first half of 2019.

Looking forward to the second half of 2020, there is still a mixed picture. Although there are many adverse factors, such as the ongoing widespread of COVID-19 overseas which caused a weak demand for the Group's export; escalating Sino-US trade friction and even confrontation which had a negative impact on the confidence and corporate operations; and the mounting trade protectionism in India after the Sino-Indian border dispute, in general, a series of measures introduced by the Chinese government to strengthen new infrastructure and accelerate 5G construction will gradually become effective in the second half of 2020. It is expected that the number of 5G base stations in the second half of 2020 will be increased at a speed of 10,000 stations per week, and the number of 5G network users will also grow rapidly. Operators and equipment providers are also actively deploying various applications, therefore a number of 5G applications have been developed and expanded, such as the Industrial Internet of Things, the Internet of Vehicles, artificial intelligence, smart factories, smart health-care, smart mining area and smart community. All of these have provided a broad stage and opportunities for the development of the Group and striving to break through "the research and development of 5G network RF products" and "the research and development of various intelligent terminal communication modules vertically integrated with the 5G technology", which will help drive and facilitate the Company's overall transformation. It is believed that as long as there are no more extreme situations, market demand will remain strong in the second half of 2020.

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

As at 30 June 2020, 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 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 <sup>(1)</sup>	Deemed interest and interest in controlled corporation	96,868,662	24.97%
Ms. Zhang Zhong <sup>(2)</sup>	Deemed interest and interest in controlled corporation	28,082,525	7.24%
Mr. Du Xiping	Beneficial owner	11,468,000	2.96%
Mr. Xu Guoqiang <sup>(3)</sup>	Beneficiary of a trust	4,836,000	1.25%

##### *Notes:*

- (1) Mr. Cui Wei beneficially owns the entire issued share capital of Kingever Enterprises Limited (“Kingever”), and Kingever in turn holds approximately 24.97% of the total issued shares in the Company.
- (2) Ms. Zhang Zhong beneficially owns the entire issued share capital of Wellahead Holdings Limited (“Wellahead”), and Wellahead in turn holds approximately 7.24% of the total issued shares in the Company.
- (3) The shareholding of Mr. Xu Guoqiang represented his interest as a beneficiary and also a controller of Employee Equity Incentive Scheme under a capacity of limited partner. For details, please refer to the previous announcements of the Company dated 29 March 2019, 12 November 2019, and 28 February 2020 and the circular of the Company dated 29 March 2019.

***Short position in the Company:***

<b>Name of Director</b>	<b>Capacity and nature of interests</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of the Company's issued share capital</b>
Ms. Zhang Zhong <sup>(1)</sup>	Deemed interest and interest in controller corporation	12,000,000	3.09%

*Note:*

- (1) Ms. Zhang Zhong is deemed to have short position in the Company through her interest in the entire issued share capital of Wellahead.

Saved as disclosed above, as at 30 June 2020, 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.

**(V) SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES**

As at 30 June 2020, insofar as is known to the Directors and chief executives of the Company, the following shareholders having interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

***Long positions in the Company:***

<b>Name of substantial shareholders</b>	<b>Capacity and nature of interests</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of the Company's issued share capital</b>
Kingever <sup>(1)</sup>	Beneficial owner	96,868,662	24.97%
Mr. Cui Wei <sup>(1)</sup>	Deemed interest and interest in controlled corporation	96,868,662	24.97%
Wellahead <sup>(2)</sup>	Beneficial owner	28,082,525	7.24%
Ms. Zhang Zhong <sup>(2)</sup>	Deemed interest and interest in controlled corporation	28,082,525	7.24%

***Short positions in the Company:***

<b>Name of substantial shareholders</b>	<b>Capacity and nature of interests</b>	<b>Number of ordinary shares held</b>	<b>Approximate percentage of the Company's issued share capital</b>
Wellhead <sup>(2)</sup>	Beneficial owner	12,000,000	3.09%
Ms. Zhang Zhong <sup>(2)</sup>	Deemed interest and interest in controller corporation	12,000,000	3.09%

***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 2020, no person, other than the Directors, whose interests are set out in the paragraph headed “Directors’ and chief executives’ interests and short positions in shares and underlying shares and debentures” above, had an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

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

Neither at the end of the Reporting Period nor at any time during the Reporting Period did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the share option scheme (the “**Share Option Scheme**”) adopted by the Company at its extraordinary general meeting held on 27 October 2010 and the employee equity incentive scheme (the “**Incentive Scheme**”) adopted by the Company at its extraordinary general meeting held on 26 April 2019.

### **(VI) SUPPLEMENTAL INFORMATION**

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

The Company’s audit committee members are Mr. Tam Chi Kwan Michael, Mr. Cui Wei, Dr. Li Jun, Mr. Pu Hong and Ms. Zhang Zhong. The audit committee, which is chaired by Mr. Tam Chi Kwan Michael, has reviewed the unaudited interim results of the Group for the six months ended 30 June 2020.

#### **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 2020.

#### **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 2020.

## **5. Review of financial results**

The consolidated interim results of the Group for the six months ended 30 June 2020 have not been audited or reviewed by the Company's auditors.

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

During the Reporting Period, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the securities of the Company.

## **7. Employees and remuneration practices**

As at 30 June 2020, there were 784 (as at 31 December 2019: 824) 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 Share Option Scheme is valid and effective for a period of 10 years from 27 October 2010. No option has been granted under the Share Option Scheme since its adoption and up to the date of this report.

The Company also adopted the Incentive Scheme at its extraordinary general meeting held on 26 April 2019 to implement the long-term incentive and binding mechanism of Jiangsu Hengxin and fully mobilize the proactiveness of core and key employees of Jiangsu Hengxin to ensure the sustainable and healthy development of the Company.

## **8. Disclosure on the website of the Exchanges**

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

## **(VII) INCENTIVE SCHEME**

On the extraordinary general meeting of the Company held on 26 April 2019, the Company adopted the Incentive Scheme to implement the long-term incentive and binding mechanism of Jiangsu Hengxin, a wholly-owned subsidiary of the Company, and fully mobilize the proactiveness of core and key employees of Jiangsu Hengxin to ensure the sustainable and healthy development of the Company and Jiangsu Hengxin, and for which this Incentive Scheme is formulated with reference to the actual situation of the Company and Jiangsu Hengxin. For details of the Incentive Scheme, please refer to the announcements of the Company dated 29 March 2019, 12 November 2019 and 28 February 2020 and the circular of the Company dated 29 March 2019.

Subsequent to the approval of the Incentive Scheme at the extraordinary general meeting held on 26 April 2019, the Company has obtained the approvals from the relevant regulatory authorities and up to 30 June 2020, the Incentive Scheme has acquired 4,836,000 shares of the Company from open market, representing approximately 1.25% of the issued capital of the Company.

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

Singapore, 21 August 2020

*As at the date of this report, 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.*