HENGXIN TECHNOLOGY
亨鑫科技

Annual Report 2010

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Corporate Profile

Hengxin Technology Ltd. ("Hengxin Technology" or the "Company" and together with its subsidiaries, the "Group") is one of the leading manufacturers of radio frequency ("RF") coaxial cables series for mobile communications in the PRC.

Based in Yixing city in Jiangsu Province, we now have an aggregate annual production capacity of approximately 148,770 kilometres for RF coaxial cables for mobile communications with the completion of the construction of our new production plant.

We adopt a strategic regional sales system in the PRC and serve a blue-chip and established customer base comprising major telecommunications operators such as China Unicom, China Mobile, and China Telecom; and major telecommunications equipment manufacturers in the PRC. Outside the PRC, our products are also exported to the international markets mainly within the Asian continent. Through our wholly-owned subsidiary in India, we have started recognising sales to local telecommunication operators in 2010.

Based on the sales volume of RF coaxial cables for the mobile communications sector, we have been one of the leading market players in the PRC in this market segment.

The Group was listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 11 May 2006, and was primarily dual listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK") on 23 December 2010.

PRODUCT PORTFOLIO

RF coaxial cable series for mobile communications ("RF Coaxial Cables")

- 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
- Used in radiating high frequency signals to surrounding environment through continuous small antenna elements along the cable in railways, highways, tunnels, underground car parks, elevators and high rise buildings

Coaxial cables for telecommunications equipment and accessories ("Accessories")

- Transmission of signals within microwave communications systems, radio broadcast wireless systems and air/sea radar systems
- Accessories to wireless signal coverage system for base stations

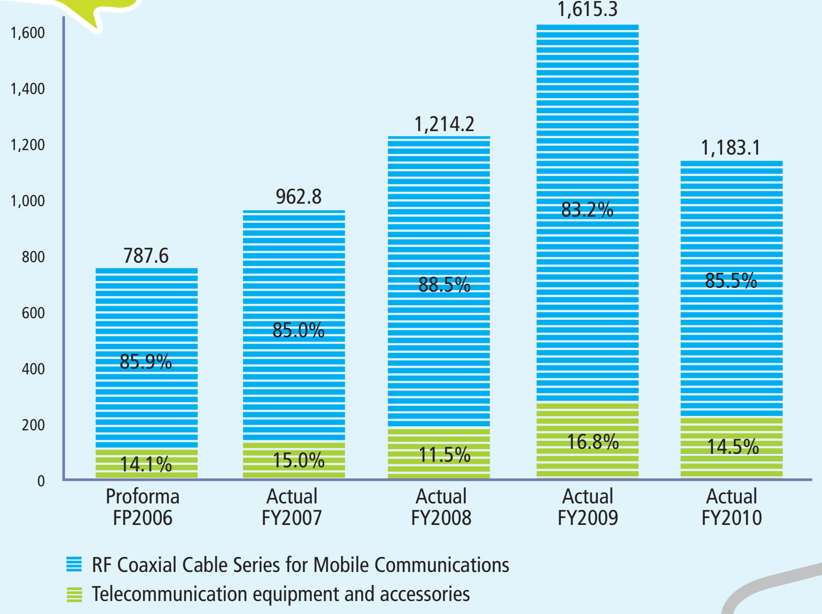
Five-Year Financial Summary

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

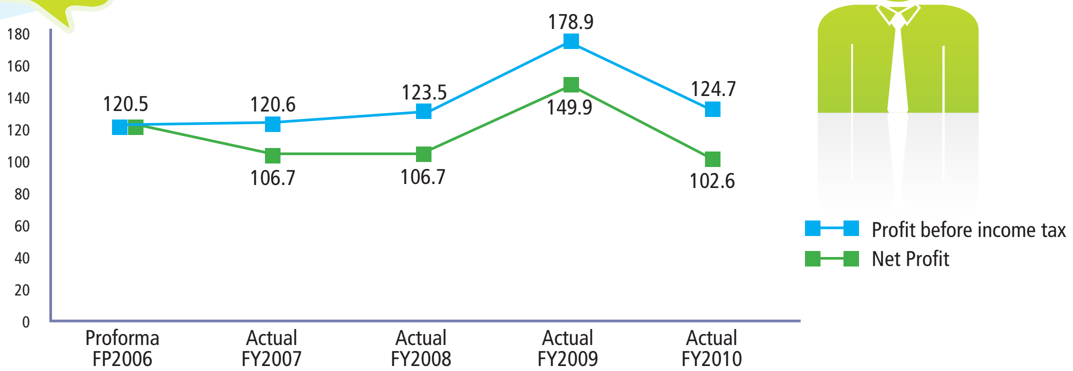
	Year ended 31 December				
	2010 RMB '000	2009 RMB '000 (Re-stated)	2008 RMB '000 (Re-stated)	2007 RMB '000 (Re-stated)	2006 RMB '000 (Re-stated)
RESULTS					
REVENUE	1,183,131	1,615,265	1,214,179	962,824	787,629
Cost of sales	(961,470)	(1,302,579)	(988,960)	(752,769)	(599,058)
Gross profit	221,661	312,686	225,219	210,055	188,571
Other income	15,292	7,557	7,405	5,976	4,309
Selling and distribution expenses	(55,841)	(82,768)	(48,530)	(35,681)	(26,054)
Administrative expenses	(36,256)	(35,142)	(30,459)	(28,113)	(26,969)
Other operating expenses	(10,404)	(7,390)	(8,368)	(7,894)	(1,115)
Finance costs	(9,723)	(16,013)	(21,743)	(23,764)	(18,195)
Profit before income tax	124,729	178,930	123,524	120,579	120,547
Income tax expense	(22,174)	(29,064)	(16,781)	(13,880)	-
NET PROFIT	102,555	149,866	106,743	106,699	120,547
ASSETS AND LIABILITIES					
TOTAL ASSETS	1,249,548	1,365,788	1,058,187	866,214	877,891
TOTAL LIABILITIES	(396,839)	(690,124)	(526,909)	(430,745)	(530,937)
	852,709	675,664	531,278	435,469	346,954

Financial Highlights

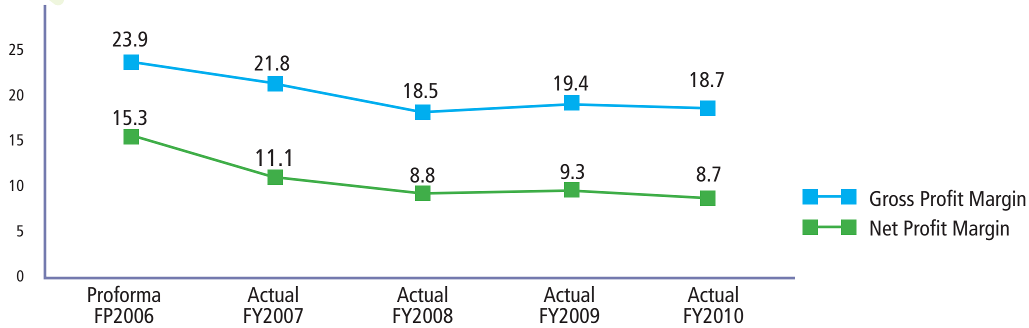
REVENUE
RMB' million



PROFITS
RMB' million



PROFIT MARGINS
%



Financial Ratios & Performance

Financial Performance	Unit	FY2006	FY2007	FY2008	FY2009	FY2010
Revenue	RMB '000	787,629	962,824	1,214,179	1,615,265	1,183,131
Gross margin	%	23.9	21.8	18.5	19.4	18.7
Profit before income tax	RMB '000	120,547	120,579	123,524	178,930	124,729
Income tax expense	RMB '000	-	13,880	16,781	29,064	22,174
Net profit	RMB '000	120,547	106,699	106,743	149,866	102,555
Financial Position						
Net assets	RMB '000	346,954	435,469	531,278	675,664	852,709

Financial Ratios	Note	Unit	FY2006	FY2007	FY2008	FY2009	FY2010
Earnings per share		RMB cents	35.9	31.8	31.8	44.6	30.4
Net asset per share		RMB	1.03	1.30	1.58	2.01	2.53
Return on total equity		%	34.7	24.5	20.1	22.2	12.0
Debt/equity ratio	a	%	64.3	17.7	15.2	4.1	(24.3)
Interest cover ratio	b	times	7.6	6.1	6.7	12.2	13.8
Current ratio	c	times	1.5	1.8	1.8	1.7	2.2
Trade receivables turnover		days	118	179	151	147	212
Inventory turnover		days	27	45	41	43	60

a Debt includes bank borrowings and bill payables
b Interest cover ratio = EBIT / Interest expense
c Current ratio = Current assets / Current liabilities

Chairman's Message

Dear Shareholders,

2010 was a milestone year for Hengxin Technology as we were successfully primarily dual listed on the Main Board of the SEHK on 23 December 2010, raising net proceeds of approximately HK$95 million.

The listing was a strategic move as a dual listing status in Singapore and Hong Kong will further cement our reputation in the mobile communications industry as we continue to pursue our internationalisation plans. Proceeds raised from our recent listing will also help to realise our growth plans, particularly in diversifying our product portfolio and expanding our overseas sales network. We believe all these will make us a stronger entity to fight off the keen competition.

THE YEAR IN REVIEW

In the financial year ended 31 December 2010, despite a depressed operating market brought about by the intense competition, we have remained profitable albeit lower sales. Our revenue stood at approximately RMB1.2 billion, as compared to approximately RMB1.6 billion in 2009. The decline of approximately 26.8% was largely due to telecom operators cutting back on their spending, which in turn impacted the demand for our RF Coaxial Cables and Accessories and our average selling prices.
Due to the above, our gross profit and net profit decreased by approximately 29.1% and 31.6% respectively to approximately RMB221.7 million and approximately RMB102.6 million.

While we cannot control the external factors that shape our larger operating environment, we have zoomed in on areas which we can influence to strengthen our operations. In 2010, the Group embarked on an aggressive cost control programme, including lowering our costs through tighter manufacturing processes and logistics coordination, as well as a more vigilant selection of suppliers who can offer the best service at the most reasonable price with optimal payment terms.

As announced in August 2009, we had expanded our present RF coaxial cable production capacity by another 40% in 2010. This represents additional capacity of 36,000km, which came onstream in the second half of 2010. Going forward, we will continue to ramp up the utilisation of our production lines, to achieve greater production efficiency and economies of scale.

Chairman's Message (cont'd)

As a result, notwithstanding the constant downward pressure on our selling prices, our gross profit margin in 2010 remained relatively stable at approximately 18.7%, as compared to approximately 19.4% in the previous year.

DIVIDENDS

To reward our loyal shareholders who have continued to put your trust in Hengxin Technology, the Board of Directors have proposed a first and final tax-exempt cash dividend of S$0.0077 per ordinary share, subject to shareholders' approval at the forthcoming annual general meeting ("AGM").

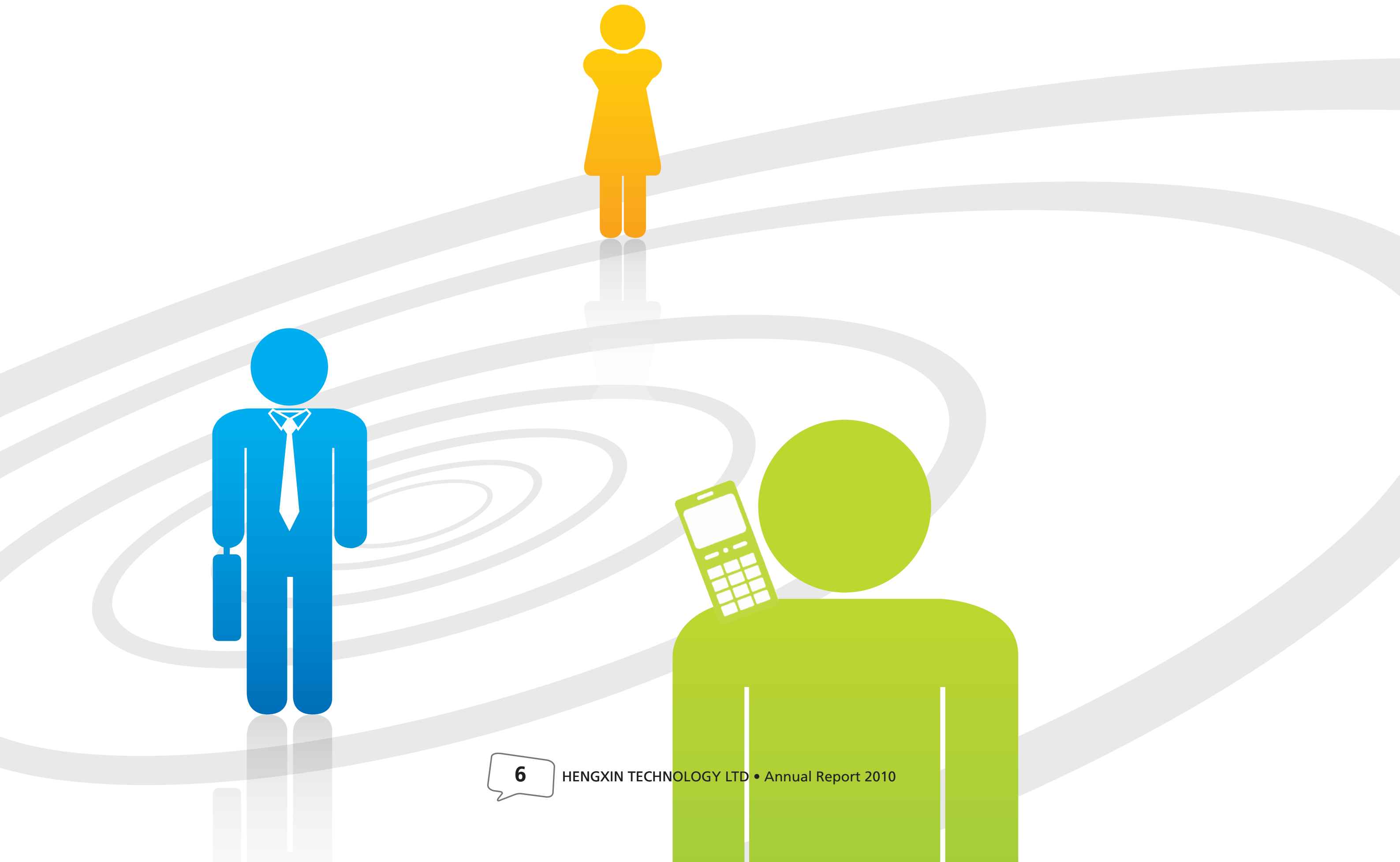
ENERGISED TO MEET THE FUTURE

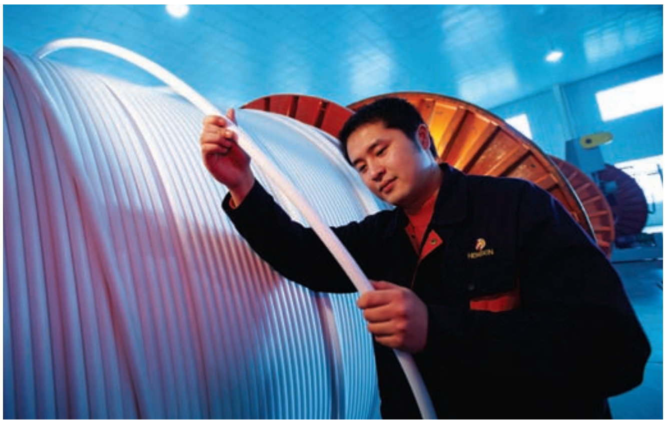
As the Chairman, let me promise you that our weaker performance in 2010 has not affected our Group but on the contrary, it has energised us and we are now more ready than ever to meet the challenges head on.

While any volatility in raw material prices, foreign currency fluctuations and uncertainties in the credit market may impact our business in one way or another, we are keenly aware that our business cannot remain status quo. We need to take some calculated risks by expanding prudently.

To begin with, we will carefully fuel our growth with a wider product porfolio. Approximately HK$41.4 million of net proceeds from our Hong Kong listing has been earmarked to fund our product diversification to include antennas, and another approximately HK$27.6 million to include high temperature resistant cables. So far, I am delighted to inform you that we are on track to complete the construction of the manufacturing line for high temperature resistant cables by the first quarter of 2011 and production will start in the second quarter, barring unforeseen circumstances.

While the PRC continues to be a key market for the Group, it is also important for us to expand our market position overseas as we believe this will reduce the Group's reliance on the PRC market. Approximately HK$8.6 million has been set aside to further expand our overseas sales network. We will explore opportunities in countries with fast developing telecommunication networks and extend our reach beyond India.





In 2009, we have successfully penetrated the India market by acquiring and setting up our wholly-owned subsidiary, Hengxin Technology (India) Private Limited. With this groundwork in place, we will focus our efforts in the next few years to deepen our sales and distribution network in the country and reach out directly to the Indian telecommunications operators. At the same time, we will also work hard at strengthening our export business with an aim to augment our sales in other parts of Asia.

Within the PRC, although domestic demand may remain weak due to lower demand from telecommunication operators while the keen competition may continue to impose downward pressure on our margins, we are cautiously optimistic about our business outlook.

We have a strong management team that is committed to continually implement operational improvements that will favourably influence our market position. Besides more stringent cost controls, we will also look at ways to shift our product mix towards higher value products.

As a Group, it is imperative that we keep our ears to the ground, stay close to our customers and listen to their needs. We intend to spend about HK$8.6 million to strengthen our research and development team with the overall aim to continually roll out new and higher value products that can meet the ever changing needs of our customers.

APPRECIATION

On behalf of the Board of Directors, I would like to thank our management, staff, customers and business associates for their continued support. I would also like to thank you, our valued shareholders, for investing in Hengxin Technology and acknowleging our growth strategy.

CUI GENXIANG
Executive Chairman

Management Discussion & Analysis

On 23 December 2010, the Group was successfully listed on the SEHK, issuing 52 million new ordinary shares priced at HK$2.25 each. With approximately HK$95.0 million of net proceeds raised from this offering, the Group intends to utilise approximately 43.6% of the net proceeds to diversify our product portfolio to antennas, 29.1% in high temperature resistant cables, and 9.1% each in expanding our sales networks overseas, enhancing our research and development team and as working capital respectively.

REVENUE

Group revenue for the financial year ended 31 December 2010 ("FY2010") decreased by approximately RMB 432.2 million, or approximately 26.8%, from approximately RMB 1,615.3 million in the previous financial year to approximately RMB 1,183.1 million in the current financial year ended 31 December 2010. Such decrease was due to lower telecom operators' spending during the financial year which affected both sales in RF Coaxial Cables and Accessories.

RF COAXIAL CABLE

The 3G operator licenses were granted to the PRC domestic network operators in January 2009, in which the Group witnessed a significant increase of revenue in all segments for the financial year ended 31 December 2009 ("FY2009"). This was a significant milestone in the PRC telecommunications industry, and the push in its network expansions resulted in a sudden spike in demand for the Group's products then. Accordingly, the construction of networks across the PRC in FY2010 proceeded at a relatively slower pace, leading to a decrease in our Group revenue.

Revenue generated from RF Coaxial Cables decreased by approximately RMB 332.4 million, or approximately 24.7%, from approximately RMB 1,344.0 million in the previous financial year to approximately RMB 1,011.6 million in the current financial year ended 31 December 2010.

ACCESSORIES

Due to the slower pace in networks expansion across the PRC, revenue generated from Accessories decreased by approximately RMB 99.8 million, or approximately 36.8%, from approximately RMB 271.3 million in the previous financial year to approximately RMB 171.5 million in the current financial year ended 31 December 2010.

GROSS PROFIT MARGIN

Although there had been a constant downward pressure on average selling prices of our products, the Group had been able to maintain a relatively steady gross profit margin during the financial year ended 31 December 2010 at approximately 18.7% compared to approximately 19.4% in the previous financial year.

Various measures had been undertaken to ensure a more effective cost control program, including the reduction of raw materials costs, improvement of manufacturing processes and vigilant selection of suppliers for better logistics coordination, better pricing and payment terms.

OTHER INCOME

Other income increased by approximately RMB 7.7 million, or approximately 102.4%, from approximately RMB 7.6 million in the previous financial year to approximately RMB 15.3 million in the current financial year ended 31 December 2010. The increase is due to increased government grants given to the Group's key subsidiary, Jiangsu Hengxin Technology Co., Ltd.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by approximately RMB 27.0 million, or approximately 32.6%, from approximately RMB 82.8 million in the previous financial year to approximately RMB 55.8 million in the current financial year ended 31 December 2010. The decrease was in line with the Group's lower sales achieved during the financial year ended 31 December 2010.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately RMB 1.2 million, or approximately 3.4%, from approximately RMB 35.1 million in the previous financial year to approximately RMB 36.3 million in the current financial year ended 31 December 2010. The increase was mainly due to the expenses incurred for the Company's dual primary listing application in Hong Kong during the financial year 2010.

OTHER OPERATING EXPENSES

Other operating expenses increased by approximately RMB 3.0 million or approximately 40.5% from approximately RMB 7.4 million in the previous financial year to approximately RMB 10.4 million in the current financial year ended 31 December 2010. The increase was mainly due to foreign exchange gains in the previous financial year compared to an exchange loss incurred in the current financial year 2010, and was further contributed by the loss of sale of held-for-trading investments amounting approximately RMB 1.5 million during the financial year 2010.

FINANCE COSTS

Finance costs decreased by approximately RMB 6.3 million, or approximately 39.4%, from approximately RMB 16.0 million in the previous financial year to approximately RMB 9.7 million in the current financial year ended 31 December 2010. The decrease was in line with the decrease in short term bank borrowings obtained during the financial year ended 31 December 2010.

PROFIT BEFORE INCOME TAX

Profit before income tax decreased by approximately RMB 54.2 million, or approximately 30.3%, from approximately RMB 178.9 million in the previous financial year to approximately RMB 124.7 million in the current financial year ended 31 December 2010 due to lower revenue generated in 2010.

INCOME TAX EXPENSE

The Group's main subsidiary is subject to an incentive tax rate of 15% as it had been awarded as a high-tech enterprise in 2008. This rate is higher than the effective tax rate of 12.5% that the subsidiary enjoyed in 2009. The decrease in income tax expenses is due to the overall decrease in profit before tax for the financial year.

Accordingly, income tax expense decreased by approximately RMB 6.9 million, or approximately 23.7%, from approximately RMB 29.1 million in the previous financial year to approximately RMB 22.2 million in the current financial year ended 31 December 2010.

NET PROFIT

In view of the above, net profit attributable to equity holders of the parent decreased approximately RMB 47.3 million from approximately RMB 149.9 million in 2009 to approximately RMB 102.6 million in 2010.

STATEMENT OF FINANCIAL POSITION

PLEDGED BANK DEPOSITS

Pledged bank deposits are used as a pledged against commercial bills used for payment to suppliers. Such decrease by approximately in RMB 57.9 million from approximately RMB 120.5 million as at 31 December 2009 to approximately RMB 62.6 million as at 31 December 2010 was due to a lower amount of bank deposits required to be set aside as securities for a lower balance payable in the form of commercial bills to suppliers.

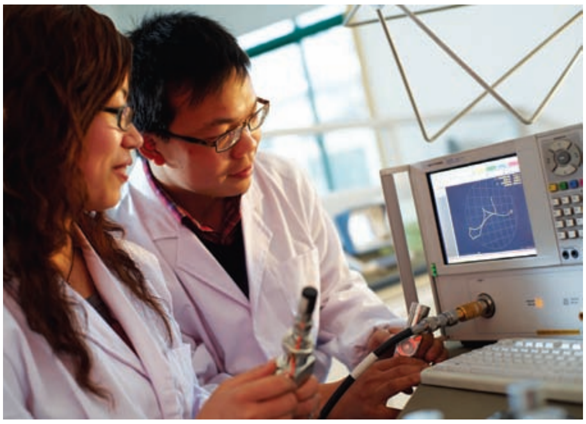
TRADE RECEIVABLES

Trade receivables decreased by approximately RMB 91.5 million from approximately RMB 718.2 million as at 31 December 2009 to approximately RMB 626.7 million as at 31 December 2010.

Average trade receivables turnover days are 212 days as at 31 December 2010 compared to 147 days as at 31 December 2009. Whilst there is an increase of turnover days, it is a decrease from 229 days trade receivables turnover as at 30 September 2010. Most of the trade receivables balances are recent sales which are well within the average credit period given to our customers. Collections have slowed down as a result of slower repayment from one of the three major PRC telecom operators. The three PRC telecom operators have no history of bad debts and continue to make regular payments to the Group. The Group believes that the risk of collection is remote as it has not experienced such default since transacting with this particular telecom operator.

OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments decreased by approximately RMB 11.1 million from approximately RMB 24.1 million as at 31 December 2009 to approximately RMB 13.0 million as at 31 December 2010. The decrease in balance is due to a higher amount of advanced payment to suppliers as at 31 December 2009 arising from the higher demand of products.



INVENTORIES

Inventories (comprising raw materials, work-in-progress and finished goods) decreased by approximately RMB 55.8 million from approximately RMB 184.2 million as at 31 December 2009 to approximately RMB 128.4 million as at 31 December 2010. This is in line with the decrease in demand by PRC's telecom operators of the Group's products during the year 2010.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment increased by approximately RMB 1.7 million from approximately RMB 139.3 million in 31 December 2009 to approximately RMB 141.0 million as at 31 December 2010 due to a construction of a new building in the premises of our PRC subsidiary arising from the need for more office space by the Group.

SHORT-TERM BANK LOANS

Short-term bank loans decreased by approximately RMB 135.2 million from approximately RMB 175.2 million in 31 December 2009 to approximately RMB 40.0 million in 31 December 2010 as the decreasing needs for raw materials resulted in a lower amount of working capital required during the year 2010.

TRADE PAYABLES AND OTHER PAYABLES

Trade payables decreased by approximately RMB 151.3 million from approximately RMB 474.6 million as at 31 December 2009 to approximately RMB 323.3 million as at 31 December 2010 in line with the decrease in purchases for raw materials during the year 2010.

Other payables and accruals decreased by approximately RMB 6.9 million from approximately RMB 32.4 million as at 31 December 2009 to approximately RMB 25.5 million as at 31 December 2010 as higher amount of accruals were made for employee benefits expenses in 2009 in line with the Group's better performance.

INCOME TAX PAYABLE

Income tax payable decreased by approximately RMB 0.4 million during the period in line with a lower profit posted for the last quarter of the financial year 2010.

CASH AND BANK BALANCES

Cash and bank balances increased by approximately RMB 99.4 million from RMB 147.7 million to approximately RMB 247.1 million mainly due to proceeds obtained from the issue of 52,000,000 new ordinary shares by the Company on the SEHK on 23 December 2010.

Management Discussion & Analysis (cont'd)

SUBSIDIARIES

The subsidiaries of the Company are Jiangsu Hengxin Technology Co., Ltd. and Hengxin Technology (India) Private Limited. Details of the subsidiaries of the Company are set out in Note 12 to the financial statements.

FINANCIAL RESOURCES, LIQUIDITY AND LIABILITY POSITION

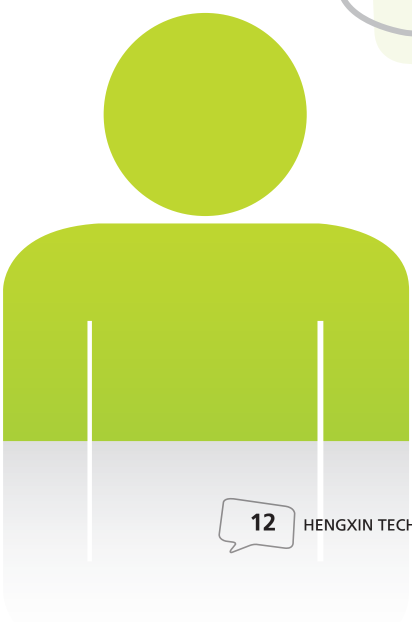
As at 31 December 2010, the Group's total assets were approximately RMB1,249,548,000 (2009: RMB1,365,788,,000) (of which, current assets were approximately RMB1,080,271,000 (2009: RMB1,195,789,000) and non-current assets were approximately RMB169,277,000 (2009: RMB169,999,000)) and the total liabilities were approximately RMB396,839,000 (2009: RMB690,124,000) (of which, current liabilities were approximately RMB394,841,000 (2009: RMB688,711,000) and non-current liabilities were approximately RMB1,998,000 (2009: RMB1,413,000)), and shareholder's equity reached approximately RMB852,709,000 (2009: RMB675,664,000).

The Company had successfully raised approximately HK$117,000,000 of gross proceeds by placing and public offer of 52,000,000 new shares upon the initial public offering in Hong Kong at the subscription price of HK$2.25 per share on 23 December 2010.

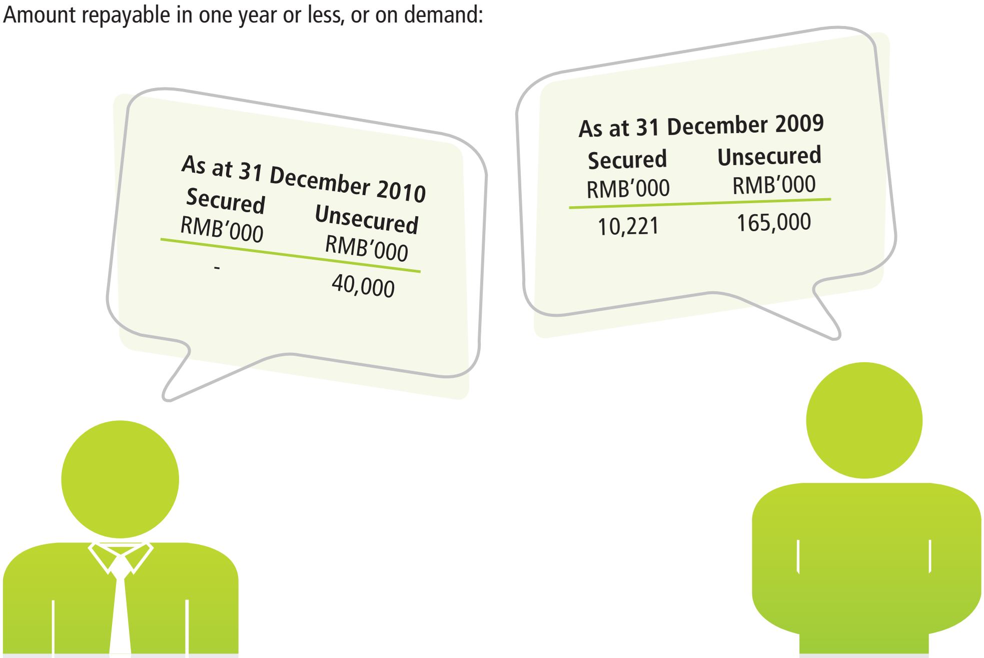
In addition to its short-term interest-bearing facilities, the Group generally finances its operations from cash flows generated internally. The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimization of debt and equity balance.

The Management of the Company monitors capital based on the Group's net gearing ratio. The Group's net gearing ratio is calculated as the Group's net borrowings divided by the Group's total equity, as per the numbers in the consolidated audited accounts. Net borrowings are calculated as the Group's total short-term loans less cash and cash equivalents at the end of the reporting period.

	As at 31 December	
	2010	2009
	RMB'000	RMB'000
Net cash borrowings	**(207,078)**	27,545
Total equity	**852,709**	675,664
Net debt to equity ratio (%)	**(24.28)**	4.08



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



There is no amount repayable of more than one year.

As at 31 December 2009, the secured bank loan of approximately RMB 10,221,000 was secured by certain of the subsidiary's certain bank deposits amounting to approximately RMB 11,000,000.

FOREIGN CURRENCY EXPOSURE

Renminbi ("RMB") is the functional currency of the Group. Currencies other than RMB expose the Group to foreign currency risk. We have foreign currency sales and some of our bank balances are denominated in United States dollar ("USD"), Singapore dollar ("SGD") and India Rupee ("INR"). The Group has set up a hedging policy to strike a balance between uncertainty and the risk of opportunity loss due to the growing significance of its exposures to fluctuations in foreign currency. Foreign exchange forward contracts can be used to eliminate the currency exposures. The Group has not entered into such forward contracts but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CAPITAL COMMITMENTS

As at 31 December 2010, the capital commitments of the Group in respect of the purchase of property, plant and equipment, and a donation commitment to a charity association which is payable in equal installments over a period of 20 years at RMB 500,000 per annum, which had been contracted but not provided for in FY2010, were RMB 14,590,000 (2009: RMB 4,225,000) and RMB 8,000,000 (2009: RMB 8,500,000) respectively.

PLEDGE OF ASSETS

As at 31 December 2010, the Group did not pledge any assets (2009: RMB 11,000,000 of pledged bank deposits were pledged) as securities for banking facilities granted by its bankers.

CONTINGENT LIABILITIES

As at 31 December 2010, certain constructions were built on a piece of land located in the PRC (the "No. 5 Land") amounting to approximately RMB 38.3 million. In addition the Group had prepaid RMB 5.76 million as deposit for the acquisition of such land but the Group has yet to obtain the land certificate. In the opinion of the Group, the No. 5 Land is highly likely to be put on auction. Pursuant to a directors' resolution dated 5 August 2010, the Group resolved to take part in the future auction (if any) of the No. 5 Land at an estimated price of approximately RMB 6.8 million or at a higher price to be authorised by the directors. Please refer to details of No. 5 Land as set out in the prospectus of the Company dated 14 December 2010.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2010, there were 661 (2009: 755) 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 an extraordinary general meeting held on 27 October 2010 (the "**Scheme**"). No option has been granted under the Scheme since its adoption and up to the date of this annual report.

MATERIAL LITIGATION AND ARBITRATION

As at 31 December 2010, the Group was not involved in any material litigation or arbitration.

FUTURE PROSPECTS

In line with the expansion strategies as lined up in our prospectus dated 14 December 2010, the Group has commenced construction of the manufacturing line for one of the High Temperature Resistant Cable products. Construction of the line is expected to be completed by the first quarter of 2011, and the commencement of manufacture, barring unforeseen circumstances, should commence in the second quarter of 2011.

To strengthen our market position, we will continue to focus in expanding our overseas clientele base, especially in India, through our various sales activities.

Domestic demand within the PRC may continue to be weak arising from lower demand from telecom operators, while the overall operating environment is still highly competitive and is expected to impose downward pressures on the margins of our products. However the Group expects a gradual improvement in business conditions in 2011. The ability of the Group to forecast with normal confidence levels continues to be affected by various elements such as currency fluctuations, volatile telecom operators' spending, uncertainties in credit markets and commodity cost volatility.

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

Continuing Connected Transactions

The significant related party transactions set out in Note 5 to the financial statements constitute continuing connected transactions as defined in Chapter 14A of the Rules Governing the Listing of Securities on SEHK (the "Listing Rules").

During the year, the Group had the following continuing connected transactions, details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Materials Purchase Framework Agreement

The Group entered into a master agreement with Suzhou Hengli Telecommunications Materials Co., Ltd ("Suzhou Hengli") on the purchase of raw materials commencing 9 November 2010 until 31 December 2012, in which Suzhou Hengli will supply metal plastic tape, aluminium plastic tape and other raw materials for the production of RF Coaxial Cables, on terms no less favourable than those offered by independent third parties. The annual cap in respect of the transactions under the master agreement for the year ended 31 December 2010 was RMB9,000,000. The aggregate amount paid by the Group for the purchase of raw materials amounted to approximately RMB 6,769,000 for the year ended 31 December 2010.

Background of Suzhou Hengli:

Suzhou Hengli is wholly owned by Jiangsu Hengtong Cable Technology Co., Ltd, which is owned approximately 55.5% by Hengtong Group Co., Ltd and approximately 44.5% by six individuals. Hengtong Group Co., Ltd is beneficially owned by Mr Cui Genliang, the elder brother of the Company's Executive Chairman, Mr Cui Genxiang, as to 90% of equity interest, and by Mr Cui Wei, the son of Mr Cui Genliang, as to 10% of the equity interest. Therefore, Suzhou Hengli, its subsidiaries and associates are deemed as the Group's connected persons under Rule 14A.11(4)(a) of the Listing Rules in Hong Kong, and is also deemed as our Group's "interested person" in accordance with the listing rules of the SGX-ST (the "Listing Manual") in Singapore.

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that such continuing connected transactions have been entered into:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Board has received a letter from the auditors which has confirmed the matters required under Rule 14A.38 of the Listing Rules.

Board of Directors

Mr. Cui Genxiang (崔根香), aged 42, is our Chairman and was appointed on 23 June 2005 and re-designated from non-executive Director and non-executive Chairman to our executive Director and Executive Chairman on 11 January 2010. Mr. Cui was one of the founders and directors of Jiangsu Hengxin Technology Co., Ltd. since its establishment in June 2003. He has been responsible for providing advice in relation to our overall corporate strategy and corporate management when he acted as our non-executive Director and non-executive Chairman.

Mr. Cui is also currently the chairman and general manager of Suzhou Nongkai Bio-products Co., Ltd. (苏州农凯生物制品有限公司), a company primarily engaged in the research and development and manufacture of biological products and the chairman and general manager of Wujiang Zhouji Penzhi Co. Ltd (吴江市洲际喷织有限公司), a company primarily engaged in the business of processing and weaving of chemical fibre fabrics and silk.

From 1991 to 2000, Mr. Cui was doing sales and marketing at Hengtong Group Co., Ltd.. Between 1988 and 1990, Mr. Cui was in the non-ferrous metals business. Prior to that, Mr. Cui was head of production at Wujiang Qidu Knitted Clothing Factory (吴江市七都织服厂) from 1987 to 1988 and the vice factory head of Huzhou Sanchang Silk Weaving Factory (湖州市三长丝织厂) from 1985 to 1987. From 1983 to 1985, Mr. Cui was a technician at Wujiang Colour Woven Chemical Fibre Factory (吴江市色织化纤厂).

CUI GENXIANG 崔根香
Executive Chairman

SONG HAIYAN 宋海燕
Executive Director

Dr. Song Haiyan (宋海燕), aged 42, joined our Group in January 2010 as the General Manager of Jiangsu Hengxin Technology Co., Ltd.. Dr. Song was appointed as our executive Director on 10 December 2010, and assists Mr. Cui in respect of the business development of our Group.

Dr. Song has over 14 years of experience in the telecommunications industry in the PRC. From 2001 to January 2010, Dr. Song worked as the Sales Director of Alcatel – SDGI Optical Fiber Co. Ltd. (Alcatel Optical Fiber Division). During this tenure, Dr. Song led his team and won a series of key strategic contracts from major telecom carriers including China Telecom, China Mobile and China Unicom. From 1997 to 2001, Dr. Song worked as the Senior Business Development Manager of Alcatel China Ltd., now known as Alcatel-Lucent Shanghai-Bell in Beijing. Dr. Song started his career as the Business Development Manager in Shen Da Telephone Company Limited, Shenzhen, Guangdong Province, from 1996 to 1997.

Dr. Song obtained his Bachelor Degree in Telecommunications Engineering and Doctorate in Electromagnetic Field and Microwave Technology from Beijing University of Posts & Telecommunications in 1991 and 1996 respectively. As a postgraduate, he successfully accomplished one of the National "863" Hi-tech research and development projects and won the Bronze Medal of former Ministry of Posts & Telecommunications in 1998.

Mr. Tay Ah Kong Bernard, aged 61, was appointed as one of our independent non-executive Directors on 18 January 2007. He is currently the Non-Executive Chairman of Crowe Horwath First Trust LLP, which is a Certified Public Accountants firm and Chairman of the Risk Management Committee of KW Capital Pte Ltd, an approved SGX Continuing Sponsor.

He is the President of the Federation Internationale de l'Automobile (FIA) – Region 2(Asia Pacific), the Automobile Association of Singapore and Chairman of Singapore Road Safety Council. Mr Tay is also the Vice- President of the Singapore Productivity Association and a Member of Ministry of Home Affairs - Community Involvement Steering Committee. He was appointed, Senior Advisor to the Government of Huzhou City, Zhejiang Province of the People's Republic of China.

He is a recipient of the Service to Education Award and Community Service Medal and was conferred the Pingat Bakti Masyarakat (Public Service Medal) by the President of Republic of Singapore. In addition, he was a Member of the Resource Panel of the Government Parliamentary Committees for Home Affairs and Communications. He had also sat on several committees under the Accounting and Corporate Regulatory Authority which includes the Complaints and Disciplinary Panel - Public Accountants Oversight Committee, Standing Law Review Focus Group and Directors' Duties Study Team. He was also a Member of the Singapore Corporate Awards Judging Panel for the Best Annual Report Award.

Mr. Tay is a Fellow of the Association of Chartered Certified Accountants (U.K.), the Institute of Certified Public Accountants of Singapore, the Taxation Institute of Australia and the Singapore Institute of Directors. He is also a Chartered Accountant of Malaysia.

Mr. Tay is also an independent director of several public companies listed on the SGX Mainboard and Catalist, namely China Hongxing Sports Limited, Juken Technology Limited, Oakwell Engineering Limited, China Yongsheng Limited, Ramba Energy Limited and Asia Water Technology Ltd.

Mr. Tay has a wide range of experience, from having worked in public accounting firms in the United Kingdom and Singapore, the Inland Revenue Authority of Singapore and companies in commerce, industry and management consulting for a period over 30 years.

TAY AH KONG BERNARD

Independent Non-Executive Director

ZHANG ZHONG 张钟

Non-Executive Director

Ms. Zhang Zhong (张钟), aged 56, is our non-executive Director and was appointed on 23 June 2005. Ms. Zhang is one of the founders and directors of Jiangsu Hengxin Technology Co., Ltd. since its establishment in June 2003.

Currently, Ms. Zhang is also the consultant of Sichuan Jiawei Materials Co., Ltd. (四川省佳炜物资有限公司), a company engaged in the sales of metals and construction materials, machinery and electronics equipment, which had no business activities with our Group. From 1988 to 2004, she was the manager of the metals branch at Sichuan Science and Industrial Trade Agricultural Machinery Co. Ltd (四川省科工贸农机公司金属材料分公司) and was responsible for sales and marketing in the company.

Prior to that, between 1982 and 1988, she was the manager of the metals branch at Sichuan Agricultural Machinery Supply and Sales Co. Ltd (四川省农机供销总公司) and was responsible for market development and sales in the company. Between 1972 and 1982, she worked at Sichuan Chain Factory (四川省链条厂).

Board of Directors (cont'd)

Mr. Chee Teck Kwong Patrick (徐泽光), PBM, aged 56, is our independent non-executive Director and was appointed on 18 January 2007. Mr. Chee holds a Bachelor of Laws (Hons) Degree from the University of Singapore. Mr. Chee was admitted as a Solicitor of the Senior Courts of England and Wales, and he has been an advocate and solicitor of the Supreme Court of the Republic of Singapore since 1980. He is now practising as a senior legal consultant with KhattarWong, and is also a Notary Public and a Commissioner for Oaths in Singapore. He is a member of Singapore Institute of Arbitrators and Singapore Institute of Directors.

He had served several years in the sub-committee of National Crime Prevention Council, Singapore and worked with National Productivity Board, Singapore in developing and seeing the successful launch of some well known franchises in Singapore in the early 1990s.

Mr. Chee is also an honorary advisor to the Hospitality Purchasing Association Singapore and several big clans and trade associations in Singapore. He is the non-executive chairman of CSC Holdings Limited and also an independent director of several public companies listed on the main board of SGX-ST, namely China International Holdings Limited, Hai Leck Holdings Limited, PSC Corporation Ltd., Ramba Energy Limited, Singapore Windsor Holdings Ltd. and Tat Seng Packaging Group Ltd..

Mr. Chee is active in community service and is the Vice Chairman of Teck Ghee Community Club Management Committee, which is the community management unit in electoral constituency of Singapore Prime Minister Lee Hsien Loong. He is also the Organising Chairman of "National Street Soccer League – Lee Hsien Loong's Challenge Trophy". Mr. Chee is the recipient of the National Day Awards 2003 – The Public Service Medal (Pingat Bakti Masayarakat) from the President of Republic of Singapore.

CHEE TECK KWONG PATRICK 徐泽光
PBM, Independent Non-Executive Director

TAM CHI KWAN MICHAEL 谭志昆
Independent Non-Executive Director

Mr. Tam Chi Kwan Michael (谭志昆), aged 47, is our independent non-executive Director and was appointed on 10 December 2010. Mr. Tam is currently the managing director of TLC CPA Limited, a firm of certified public accountants in Hong Kong and has more than 20 years of experience in tax consulting and auditing. He holds an Honours Diploma in Accountancy from Lingnan University (formerly Lingnan College) in Hong Kong and a Bachelor of Laws (Hons) degree from the University of Wolverhampton in the United Kingdom.

Mr. Tam is a Certified Public Accountant (practising) and a Registered Certified Tax Advisor in Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Accountants (England and Wales) and the Taxation Institute of Hong Kong. He is currently a non-executive director of Singapore Windsor Holdings Limited, a company listed on SGX-ST.

Key Management

LEOW CHIN BOON

Chief Financial Officer

Mr. Leow Chin Boon, aged 34, joined our Group in June 2007. He is the Chief Financial Officer and is responsible for the finance, legal, tax, compliance and reporting functions of the Group. From 2004 to 2007, Mr. Leow was the Financial Controller of Pharmesis International Ltd, being responsible for finance and operations. Prior to this, Mr. Leow was with Deloitte & Touche Singapore since 1999. Mr. Leow obtained a Bachelor of Commerce (Accounting and Finance) with a minor in Law from the University of Western Australia. Mr. Leow is currently a Certified Practising Accountant of CPA Australia and a non-practising member of the Institute of Certified Public Accountants of Singapore.

XU GUOQIANG (徐国强)

Senior Deputy General Manager - Production and Technical

Mr. Xu Guoqiang (徐国强), aged 38, is our Senior Deputy General Manager, Production and Technical and is responsible for planning, implementing and overseeing the production of the Group's products and technical-related matters.

From 1994 to 1999, Mr Xu was working in Wujiang Miao Du Cable Co., Ltd. as Workshop Supervisor. From 1999 to May 2006, he was working in Jiangsu Hengtong Photoelectric Co. Ltd and held various positions including Quality Control Supervisor, Quality Control Assistant Manager and Production Manager. Prior to joining Jiangsu Hengxin Technology Co., Ltd in August 2010, Mr. Xu was working at Chengdu Hengtong Optic Communications Co. Ltd. as General Manager since 2006.

Mr. Xu has received several awards for his production and technical achievements, including an International Professional Manager Award and nomination as National Enterprise Mid-level Management Talent in 2004.

Mr. Xu obtained a Bachelor of Business Administration from Shanghai Jiaotong University in 2005 and an EMBA from Sichuan University in 2010.

DI HAI (狄海)

Deputy General Manager - Sales and Marketing

Mr. Di Hai (狄海), aged 38, joined our Group in July 2003. He is the deputy general manager of Jiangsu Hengxin Technology Co., Ltd. and is responsible for sales and marketing business of the group. From 2002 to June 2003, Mr. Di worked as the director of the service department and the commerce department of Hengtong Cable. From 1997 to 2001, Mr. Di worked as the manager of the production department and the technical quality department of Hengtong. Mr. Di obtained an associate degree in Public Relations from Shanxi Normal University in 1997.

LI QINGHE (李庆和)

Deputy General Manager - Chief Engineer

Mr. Li Qinghe (李庆和), aged 66, joined our Group in March 2006. He is the deputy general manager and chief engineer of Jiangsu Hengxin Technology Co., Ltd. and is responsible for technologies. From 1970 to 2005, Mr. Li worked in the No. 23 Research Institute of China Electronic Technology Corporation in Shanghai (中国电子科技集团公司上海第二十三研究所) and held the position of assistant chief engineer. Mr. Li enjoys Special Government Allowances since 1992. In December 2007, Mr. Li achieved the Progress Award of Science and Technology of National Defence (Third Class) (国防科学技术进步奖) issued by Commission of Science, Technology and Industry for National Defence of PRC. In September 2007, Mr. Li achieved the Award of Science and Technology of China Electronic Technology Corporation (First Class). In September 2005, Mr. Li achieved the Award of Science and Technology of China Electronic Technology Corporation (Third Class). Mr. Li obtained Bachelor Degree in Electric Cable and Insulation from Shanghai Jiaotong University in 1968.

DING WEILIN (丁伟林)

Assistant Chief Engineer

Mr. Ding Weilin (丁伟林), aged 41, joined our Group in February 2004. He is the assistant chief engineer of Jiangsu Hengxin Technology Co., Ltd. and is responsible for research and development. From 1997 to 2003, Mr. Ding worked as the deputy general manager in charge of production of Chongqing Changjiang Bohua Cable Company (重庆长江博华电缆公司). From 1995 to1997, Mr. Ding worked as the director of technology department of Beijing Bohua Cable Company (北京博华电缆公司). In March 2008, Mr. Ding achieved the award of Academic Technology Leader of Yixing City. In March 2007, Mr. Ding achieved Yixing Science and Technology Progress Award (Second Class) Mr. Ding obtained Bachelor Degree in Electrical Insulation and Electric Cable from Haerbin Electrotechnics College in 1991.

SUN YULIANG (孙余良)

Assistant to Deputy General Manager - Production Equipments

Mr. Sun Yuliang (孙余良), aged 39, joined our Group in May 2003. He is the assistant to deputy general manager of Jiangsu Hengxin Technology Co., Ltd. and is responsible for production equipments. From 1999 to 2003, Mr. Sun worked as technical manager of the equipment department of Hengtong Cable. From 1994 to 1999, Mr. Sun worked as the head of the quality control department of Jiangsu Shenying Group (江苏神鹰集团). Mr. Sun obtained Bachelor Degree in Manufacturing Technology of Machine and Equipment from Jiangnan University in 1994.

Corporate Information

REGISTERED OFFICE
10 Anson Road #15-07
International Plaza
Singapore 079903

HEADQUARTERS IN THE PRC
No. 138 Taodu Road
Dingshu Town Yixing City
Jiangsu Province, The PRC

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE
16 Raffles Quay #33-02B
Hong Leong Building
Singapore 048581

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE HONG KONG COMPANIES ORDINANCE
2201-03, 22nd Floor
World-Wide House
19 Des Voeux Road, Central
Hong Kong

BOARD OF DIRECTORS
Executive directors
Mr. Cui Genxiang (Chairman)
Dr. Song Haiyan

Non-executive director
Ms. Zhang Zhong

Independent non-executive directors
Mr. Tay Ah Kong Bernard
Mr. Chee Teck Kwong Patrick
Mr. Tam Chi Kwan Michael

AUDIT COMMITTEE
Mr. Tay Ah Kong Bernard (Chairman)
Mr. Chee Teck Kwong Patrick
Mr. Tam Chi Kwan Michael
Ms. Zhang Zhong

REMUNERATION COMMITTEE
Mr. Chee Teck Kwong Patrick (Chairman)
Mr. Tay Ah Kong Bernard
Ms. Zhang Zhong

NOMINATING COMMITTEE
Mr. Chee Teck Kwong Patrick (Chairman)
Mr. Tay Ah Kong Bernard
Mr. Cui Genxiang
Ms. Zhang Zhong

AUTHORISED REPRESENTATIVES
Mr. Cui Genxiang
Ms. Wong Wai Han

JOINT COMPANY SECRETARIES
Ms. Shirley Lim Guat Hua (ACIS) (Singapore)
Ms. Wong Wai Han LLB (Hons) (Hong Kong)

COMPLIANCE ADVISER
Cinda International Capital Limited
45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

LEGAL ADVISORS
Li & Partners (Hong Kong)
22nd Floor, World-Wide House
19 Des Voeux Road, Central
Hong Kong

WongPartnership LLP (Singapore)
One George Street, #20-01
Singapore 049145

AUDITORS
Deloitte & Touche LLP
Certified Public Accountants
6 Shenton Way #32-00
DBS Building Tower Two
Singapore 068809
Partner-in-charge: Lim Kuan Meng
(Appointed since 10 September 2007)

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
26/F, Tesbury Centre
28 Queen's Road East, Wanchai
Hong Kong

PRINCIPAL BANKERS
China Construction Bank Corporation, Yixing Branch
No. 158 Renminzhong Road
Yicheng Town Yixing City
Jiangsu Province, The PRC

Agricultural Bank of China, Yixing Branch
No. 160 Renminzhong Road
Yicheng Town, Yixing City
Jiangsu Province, The PRC

STOCK CODE
Singapore Stock Code: I85
Hong Kong Stock Code: 1085

WEBSITE OF THE COMPANY
www.hengxin.com.sg

Corporate Governance Report

The Company is committed to setting in place corporate governance practices to provide the structure through which the objectives of protection of shareholders' interests and enhancement of long term shareholders value are met.

During the year, the Company has successfully listed on the Main Board of the SEHK. As such, the Company has adopted, for corporate governance purposes, the code provisions of the Code on Corporate Governance Practices (Appendix 14 of the Listing Rules) ("Hong Kong Code"), in additional to the Singapore Code of Corporate Governance 2005 ("Singapore Code"). In the event of any conflict between the Singapore Code and Hong Kong Code, the Company will comply with the more onerous code provisions.

(A) BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The Board comprises two Executive Directors, one Non-executive Director, and three Independent Non-executive Directors, all having the right core competencies and diversity of experience which enable them to effectively contribute to the Company.

The Board's primary role is to protect and enhance long-term shareholders value. It sets the overall strategy for the Company and its subsidiaries (collectively the "Group") and supervises executive management. To fulfil this role, the Board is responsible for implementing effective controls and the overall corporate governance of the Group including setting its strategic direction, establishing goals for management and monitoring the management performance towards the achievement of these goals.

Board Processes

To assist in the execution of its responsibilities, the Board has established a number of Board Committees including a Nominating Committee, a Remuneration Committee and an Audit Committee. The effectiveness of each committee is also constantly monitored. The Board has also established a framework for the management of the Group including a system of internal controls and the establishment of appropriate ethical standards.

Board meetings are conducted regularly on a quarterly basis and ad-hoc meetings are convened whenever they are deemed necessary to address any specific issue of significance that may arise. Some important matters concerning the Group are also put to the Board for its decision by way of written resolutions. In addition, it will hold additional meetings at such other times as may be necessary to address any specific significant matters that may arise. A Board meeting may also be conducted by way of tele-conference and video conference.

The agenda for meetings is prepared in consultation with the Executive Chairman. The agenda items include the management report, financial reports, strategic matters, governance, business risk issues and compliance. Executives of the Group are regularly invited to attend Board meetings to provide updates on operational matters.

The Board conducts an annual review of its processes to ensure that it is able to carry out its functions in the most effective manner.

In the course of the year under review, as at 31 December 2010, the number of Board and Board Committee meetings held and the attendance of each Board member at these meetings are set out as follows:

Name	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Cui Genxiang	6	6	NA	NA	NA	NA	2	2
Xu Guochen*	6	2	NA	NA	NA	NA	NA	NA
Zhang Zhong	6	6	4	4	1	1	2	2
Tay Ah Kong Bernard	6	6	4	4	1	1	2	2
Chee Teck Kwong Patrick	6	6	4	4	1	1	2	2
Dr Song Haiyan**	NA	NA	NA	NA	NA	NA	NA	NA
Tam Chi Kwan Michael**	NA	NA	NA	NA	NA	NA	NA	NA

NA: Not applicable

* *Mr Xu Guochen has resigned on 1 April 2010.*

** *Dr Song Haiyan and Mr Tam Chi Kwan Michael were appointed on 10 December 2010.*

Matters Reserved for Board Approval

The Board's approval is required for matters such as corporate restructuring, mergers and acquisitions, major investments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, the release of the Group's quarterly results, half-yearly results, full year results, annual report, review of the annual budget, interested person transactions of a material nature, and declaration of interim dividends and proposal of final dividends.

All other matters are delegated to committees whose actions are reported to and monitored by the Board.

Training of Directors

The directors are responsible for their own training needs and report to the Company. Newly appointed directors receive appropriate induction training and coaching to develop individual skills as required. The Group provides extensive background information about its history, mission and values to its directors. The Company also provides ongoing education on Board processes and best practices. Directors also have the opportunity to visit the Group's operational facilities and meet with management to gain a better understanding of the Group's business operations.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises the following:-

Name of Directors	Designation	Date of first appointment	Date of last re-election	Due for re-election at forthcoming AGM
Cui Genxiang	Executive Chairman	23 June 2005	28 April 2009	28 April 2011
Zhang Zhong	Non-executive Director	23 June 2005	29 April 2010	NA
Tay Ah Kong Bernard	Independent Non-executive Director	18 January 2007	28 April 2009	NA
Chee Teck Kwong Patrick	Independent Non-executive Director	18 January 2007	29 April 2010	NA
Dr Song Haiyan (1)	Executive Director	10 December 2010	NA	28 April 2011
Tam Chi Kwan Michael (1)	Independent Non-executive Director	10 December 2010	NA	28 April 2011

(1) Dr Song Haiyan and Mr Tam Chi Kwan Michael were appointed on 10 December 2010.

The criterion of independence is based on the definition given in the Singapore Code. The Board considers an "independent" director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent judgment of the conduct of the Group's affairs. In addition, the independence of the Company's non-executive directors does not fail to meet the guidelines set out in rule 3.13 of the Listing Rules.

The composition of the Board is determined in accordance with the following principles:-

- the Board should comprise a sufficient number of directors to fulfil its responsibilities (This number may be increased where it is felt that additional expertise is required in specific areas, or when an outstanding candidate is identified.);
- the Board should comprise a majority of Non-executive Directors, with at least one-third of the Board made up of Independent Non-executive Directors; and
- the Board should have enough directors to serve on various committees of the Board without over-burdening the directors or making it difficult for them to fully discharge their responsibilities.

The Nominating Committee conducts an annual review of director's independence and based on the Singapore Code's criteria for independence, the Nominating Committee is of the view that the directors, Chee Teck Kwong Patrick, Tay Ah Kong Bernard and Tam Chi Kwan Michael are deemed independent and non-executive.

With three out of six directors deemed to be independent, the Board is able to exercise independent judgment on corporate affairs and provide management with a diverse and objective perspective on issues. Furthermore, the Board will be able to interact and work with the management team through a robust exchange of ideas and views to help shape the Company's strategic direction.

The composition of the Board will be reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate size, mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making. When a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Nominating Committee, in consultation with the Board, will determine the selection criteria and select candidates with the appropriate expertise and experience for the position.

The duties and responsibilities of the Executive Directors are clearly set out in their service agreements and the duties and responsibilities of the Non-executive Directors are clearly set out in their letters of appointment.

Non-executive and independent members of the Board exercise no management functions in the Company or its subsidiaries. Although all the directors have equal responsibility for the performance of the Group, the role of the Non-executive and Independent Non-executive Directors is particularly important in ensuring that the strategies proposed by the executive management are fully discussed and rigorously examined and take account of the long-term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business.

The Board considers its Non-executive and Independent Non-executive Directors to be of sufficient calibre and number and their views to be of sufficient weight that no individual or small group can dominate the Board's decision-making processes. The Non-executive and Independent Non-executive Directors have no financial or contractual interests in the Group other than by way of their fees and shareholdings as set out in the Report of the Directors.

The Board is of the view that its current composition of six directors is appropriate taking into account the scope and nature of the operations of the Company and of the Group.

Other key information on the individual directors of the Company is set out in pages 16 to 18 of this annual report. Their shareholdings in the Company currently are also disclosed in the Report of the Directors. None of the directors hold shares in the Company's subsidiaries.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The two Executive Directors of the Company are responsible for the daily operations of the Company. There is clear division of responsibilities between the Executive Chairman, Mr Cui Genxiang and the Executive Director, Dr Song Haiyan.

Mr Cui Genxiang, the Executive Chairman of the Company, is a controlling shareholder, oversees the business directions and operational decisions of the Company and its subsidiaries and plays a pivotal role in steering the strategic direction and growth of the business, since he has considerable business experience. He also ensures information flow between Management and the Board.

The Company currently has no intention to appoint a Chief Executive Officer in the near future.

Nominating Committee

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.

The Company adopts a formal and transparent process of appointing new directors to the Board and ensures that all directors submit themselves for re-nomination and re-election at regular intervals. The Nominating Committee oversees this aspect of corporate governance, and comprises the following members:-

Chee Teck Kwong Patrick	Chairman, Independent Non-executive Director
Tay Ah Kong Bernard	Member, Independent Non-executive Director
Cui Genxiang	Member, Executive Director
Zhang Zhong	Member, Non-executive Director

The Nominating Committee holds at least one meeting per year. The key functions of the Nominating Committee under the Terms of Reference are, *inter alia*:-

(a) to establish procedures for and make recommendations to the Board on all board appointments, including re-nominations, having regard to the director's contribution and performance (e.g. attendance, preparedness, participation and candour);

(b) to determine annually whether or not a director is independent, bearing in mind the circumstances set forth in the Singapore Code and the Listing Rules and any other salient factors;

(c) in respect of a director who has multiple board representations on various companies, to decide whether or not such director is able to and has been adequately carrying out his/her duties as director, having regard to the competing time commitments that are faced when serving on multiple boards; and

(d) to decide how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board that allows comparison with its industry peers, and address how the Board has enhanced long term shareholders' value.

The directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Under the Company's existing Articles of Association, one-third of the directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting of the Company. Each director shall abstain from voting on any resolutions in respect to his or her re-appointment as a director.

The directors who have submitted themselves for re-election at the forthcoming Annual General Meeting of the Company are Mr. Cui Genxiang, Dr Song Haiyan and Mr. Tam Chi Kwan Michael. Their profiles are shown on pages 16 and 18 of the annual report.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The Nominating Committee, in considering the re-appointment of a director evaluates such director's contribution and performance, such as his or her attendance at meetings of the Board and Board committees, where applicable, participation, candour and any special contributions.

The Nominating Committee is tasked with the assessment of the Board's performance and will adopt performance criteria which will take into consideration quantitative and qualitative criteria such as the success of the strategic and long-term objectives set by the Board.

The Nominating Committee has formulated evaluation procedures and the performance criteria for the assessment of the Board's performance as a whole. It had conducted a Board performance evaluation for the financial year ended 31 December 2010.

The Nominating Committee has established a process for assessing the effectiveness of the Board as a whole. The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes and Board performance in relation to discharging its principal responsibilities in terms of the financial indicators as set out in the Singapore Code. The factors taken into considerations for the re-nomination of the directors for the current year are based on the directors' attendance at meetings held during the year and the contribution made by the directors at the meetings.

The Board and the Nominating Committee will endeavour to ensure that directors appointed to the Board possess the experience, knowledge and skills critical to the Group's business, so as to enable the Board to make sound and well-considered decisions.

Access to Information

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.

Directors receive a regular supply of information from management about the Group so that they are equipped to play as full a part as possible in Board meetings. Detailed Board papers are prepared for each meeting of the Board. The Board papers include sufficient information from management on financial, business and corporate issues to enable the directors to be properly briefed on issues to be considered at Board meetings. Information provided include background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and internal financial statements.

All directors have unrestricted access to the Company's records and information and receive detailed financial and operational reports from senior management during the year to enable them to carry out their duties. Directors also liaise with senior management as required, and may consult with other employees and seek additional information on request.

All directors have separate and independent access to the Company Secretaries. The Company Secretaries or their representatives administer, attend and prepare minutes of Board meetings, and assist the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and rules and regulations that are applicable to the Company, including requirements of the relevant stock exchanges and statutory/regulatory requirements, are complied with.

The Board has separate and independent access to the Company's management and the Company Secretaries at all times. Should directors, whether as a group or individually, need independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

Under the articles of association of the Company, the decision to appoint or remove the Company Secretaries can only be taken by the Board as a whole.

(B) REMUNERATION MATTERS

Remuneration Committee

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his/her own remuneration.

The Remuneration Committee comprises the following members:-

Chee Teck Kwong Patrick	Chairman, Independent Non-executive Director
Tay Ah Kong Bernard	Member, Independent Non-executive Director
Zhang Zhong	Member, Non-executive Director

The Remuneration Committee holds at least one meeting per year. The key functions of the Remuneration Committee under the Terms of Reference are, *inter alia*:-

(a) to recommend to the Board a framework of remuneration for the Board and executive officers, and to determine specific remuneration packages for each executive director; such recommendations to be submitted for endorsement by the entire Board and should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, and benefits in kind;

(b) in the case of service contracts, to consider what compensation commitments the directors' contracts of service, if any, would entail in the event of early termination with a view to be fair and avoid rewarding poor performance; and

(c) in respect of any share option schemes, to consider whether directors should be eligible for benefits under such incentive schemes.

The members of the Remuneration Committee shall not participate in any decision concerning their own remuneration. No director will be involved in determining his or her own remuneration.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

In setting remuneration packages, the Company will take into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual directors.

All Non-executive and Independent Non-executive Directors receive Directors' fees, in accordance with their contributions, taking into account factors such as effort and time spent and their responsibilities. The directors' fees will be subject to approval at the forthcoming AGM.

Executive Directors do not receive Directors' fees. The remuneration for the Company's Executive Directors and key senior executives comprise a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance.

The annual reviews of the compensation of Directors and senior management will be carried out by the Remuneration Committee to ensure that the remuneration of the Executive Directors and senior management is commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group. The performance of the Executive Directors (together with other senior executives) will be reviewed periodically by the Remuneration Committee and the Board.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

The breakdown of remuneration of the directors of the Company for the year ended 31 December 2010 is set out below:-

Name	Band	Salary (%)	Bonus (%)	Director's fees (%)	Benefit-in-kind (%)	Total (%)
Cui Genxiang	A	100	-	-	-	100
Dr Song Haiyan (1)	B	56	44	-	-	100
Zhang Zhong	A	-	-	100	-	100
Chee Teck Kwong Patrick	A	-	-	100	-	100
Tay Ah Kong Bernard	A	-	-	100	-	100
Tam Chi Kwan Michael (2)	-	-	-	-	-	-

Band A – Remuneration package up to S$250,000.
Band B – Remuneration package from S$250,000 to S$500,000.

(1) Dr Song Haiyan was appointed on 10 December 2010. Dr Song is also an employee of Jiangsu Hengxin Technology Co., Ltd.

(2) Mr Tam Chi Kwan Michael was appointed on 10 December 2010.

Number of key executives in remuneration bands

	FY2010
S$250,000 – S$500,000	1
Below S$250,000	4
Total	5

The names of the top five executives who are also not directors of the Company have not been disclosed to maintain confidentiality of staff remuneration matters.

There are currently no employees who are immediate family members of a director whose remuneration exceeded S$150,000 during FY2010.

Mr. Cui Guoqiang, who is the Assistant to Deputy General Manager, is the nephew of our Executive Chairman, Mr. Cui Genxiang.

Save as disclosed above, no other employee or director of the Group is related to any substantial shareholder of the Company. None of the executive officers has any relationship with any other executive officer, director or substantial shareholder of the Company.

Share Options

The Scheme was approved by the Company's shareholders at the Company's extraordinary general meeting held on 27 October 2010.

The Scheme is administered by the Remuneration Committee.

No Options were granted, since the commencement of the Scheme on 27 October 2010 to the end of the financial year ended 31 December 2010, to the directors of the Company and controlling shareholder of the Company and their associates.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

In presenting the annual financial statements and quarterly announcements to shareholders, it is the aim of the Board to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects. The management currently provides the Board with management accounts of the Group's performance, position and prospects on a quarterly basis.

Audit Committee

Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The Audit Committee comprises the following members:-

Tay Ah Kong Bernard	Chairman, Independent Non-executive Director
Chee Teck Kwong Patrick	Member, Independent Non-executive Director
Tam Chi Kwan Michael	Member, Independent Non-executive Director
Zhang Zhong	Member, Non-Executive Director

The Board is of the view that the members of the Audit Committee are appropriately qualified in that they have sufficient accounting or related financial management expertise and experiences to discharge the Audit Committee's function.

The Audit Committee will assist the Board with regard to discharging its responsibility to safeguard the Company's assets, maintain adequate accounting records, and develop and maintain effective systems of internal controls with an overall objective to ensure that management has created and maintained an effective control environment in the Company, and that Management demonstrates and stimulates the necessary aspect of the Group's internal control structure among all parties.

The Audit Committee will meet at least quarterly to discuss and review the following where applicable:

(a) review with the external auditors the audit plan, their evaluation of the system of internal controls, their audit report, their management letter and Management's response;

(b) review the quarterly and annual financial statements and balance sheet and profit and loss statements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

(c) review the clarity and completeness of disclosures in the financial statements, interim reports, preliminary announcements and related formal statements and press releases;

(d) implement and review the internal controls and procedures (including establishment of internal audit functions ("IA function")) and ensure co-ordination between the external auditors and management, assess the independence of the IA function by reviewing the establishment of the IA function and ongoing review of its reporting and remuneration arrangements, reviewing the assistance given by Management to the auditors, and discuss problems and concerns, if any arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of Management where necessary);

(e) review and discuss with the external auditors (or such other parties) any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and Management's response;

(f) consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors;

(g) review transactions falling within the scope of Chapter 9 of the Listing Manual and Chapter 14A of the Listing Rules;

(h) undertake such other reviews and projects as may be requested by the Board and will report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee; and

(i) generally undertake such other functions and duties as may be required by the Listing Manual and the Listing Rules and by such amendments made thereto from time to time.

The Audit Committee meets with the Group's external and internal auditors and its executive management to review accounting, auditing and financial reporting matters so as to ensure that an effective control environment is maintained in the Group.

The Audit Committee is primarily responsible for the selection and approval of the internal auditor. The internal auditor's primary line of reporting is to the Chairman of the Audit Committee.

Apart from the responsibilities set out above, the Audit Committee also review, implement and administer the Group's Fraud and Whistle-Blowing Policy which set out the provisions by which employees and other persons may, in confidence, raise serious concerns about possible incorrect financial reporting or other matters that could have a large impact on the Company and is authorised to do such acts as are necessary to ensure, inter alia, that (i) independent investigations are carried out in an appropriate and timely manner, (ii) appropriate action is taken to correct the weaknesses in internal controls and policies which had allowed such incidences to occur and to prevent a recurrence and (iii) administrative, disciplinary, civil or other actions that are initiated following the completion of investigations are appropriately balanced and fair.

In addition, all future transactions with related parties shall comply with the requirements of the Listing Manual and the Listing Rules. The directors shall abstain from voting in any contract or arrangement, or proposed contract or arrangement in which he has a personal material interest.

The Audit Committee is authorised to investigate any matter within its Terms of Reference, and has full access to the Management and resources which are necessary to enable it to discharge its functions properly. It also has full discretion to invite any Executive Director or executives to attend its meetings.

The Audit Committee met with the external auditors, without the presence of Management, and reviewed the adequacy of audit arrangement, with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the auditors.

The Audit Committee is satisfied with the independence and objectivity of the external auditors during the financial year and has recommended to the Board the re-appointment of Deloitte & Touche LLP ("Deloitte") as external auditors at the AGM of the Company.

Auditors' Remuneration

Deloitte, the external auditors of the Company, were responsible for providing services in connection with the audit of the financial statements of the Group for FY2010.

For FY2010, the total remuneration in respect of review and audit services provided by Deloitte for the Group amounted to approximately RMB1.14 million and in respect of non-audit services provided by Deloitte amounted to approximately RMB0.02 million.

Internal Controls

Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Board recognises that it is responsible for maintaining a system of internal control processes to safeguard shareholders' investments and the Group's business and assets. The effectiveness of the internal financial control systems and procedures are monitored by the Management.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

During the financial year, the Audit Committee met with the internal auditors without the presence of the Management. The Audit Committee is not aware of any issues causing it to believe that the system of internal controls and risk management as inadequate and the same was reported to the Board.

The Board believes that in the absence of any evidence to the contrary and from due enquiry, the system of internal controls that has been maintained by the Group's management throughout the financial year is adequate to meet the needs of the Group in its current business environment.

Internal Audit

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

The Company had appointed Yang Lee & Associates as the internal auditors to carry out internal audits covering the review of key internal controls in selected areas after considering the key business and financial risks affecting the operations, as advised by the Audit Committee and Management. The internal auditors have a direct and primary reporting line to the Audit Committee and assist the Board in monitoring and managing risks and internal controls of the Group.

The internal auditors will plan their internal audit schedules in consultation with, but independent of the Management. The audit plan will be submitted to the Audit Committee for approval prior to the commencement of the audit. The Audit Committee will review the activities of the internal auditors on a regular basis, including overseeing and monitoring of the implementation of improvements required on internal control weaknesses identified.

The Audit Committee conducts annual review on the adequacy of the IA function and the Audit Committee is satisfied that the IA function is adequately resourced and has appropriate standing within the Group.

(D) COMMUNICATION WITH SHAREHOLDERS

Communication with Shareholders

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.

As per the recommended disclosures set out in clause 3 to Appendix 23 of the Listing Rules, the following information would be communicated to shareholders from time to time:

- any significant changes in the Company's articles of association;
- indication of important shareholders' dates in the coming financial years; and
- public float capitalisation as at the end of the year.

Greater Shareholder Participation

Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

In line with continuous disclosure obligations of the Company, pursuant to the Listing Manual, the Singapore Companies Act, Hong Kong Companies Ordinance and the Listing Rules, the Board's policy is that shareholders are informed of all major developments that impact the Group.

Information is disseminated to shareholders on a timely basis. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly as soon as practicable. Communication is made through:

- annual reports that are prepared and issued to all shareholders;
- quarterly and half-yearly financial statements containing a summary of the financial information and affairs of the Group for the period;
- notices of and explanatory memoranda for annual general meetings and extraordinary general meetings;
- press and analyst briefings for the Group's interim and annual results as well as other briefings, as appropriate;
- press releases on major developments of the Group;
- corporate announcements to the SGX-ST and SEHK; and
- the Group's website at http://www.hengxin.com.sg at which shareholders can access information on the Group. The website provides, inter alia, corporate announcements, press releases, annual reports, and profiles of the Group.

In addition, shareholders are encouraged to attend the AGM to ensure a high level of accountability and to stay informed of the Group's strategy and goals. The AGM is the principal forum for dialogue with shareholders.

The notice of the AGM will be despatched to shareholders, together with explanatory notes or a circular on items of special business before the meeting. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at the AGM. The Chairman of the Audit, Remuneration and Nominating Committees and external auditors will normally be available at the meeting to answer questions relating to the work of these committees.

Each item of special business included in the notice of the meeting will be accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions will be proposed for substantially separate issues at the meeting.

(E) DEALING IN SECURITIES

The Company has adopted its own code of best practices on securities transactions by the Company and its officers with respect to dealings in securities by directors and officers of the Group ("Best Practices Code"). The Best Practices Code is in line with the requirements of the Listing Manual and is no less exacting than the required standard in the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 of the Listing Rules.

Under the Best Practices Code, directors, management and officers of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in the Company's securities during the period commencing 30 days before the announcement of Company's quarterly results and 60 days before the announcement of the Company's full year results.

Directors and officers are also prohibited from dealing in the Company's securities when they are in possession of unpublished price sensitive information of the Group. Directors and officers are also advised not to deal in the Company's securities for short term considerations and they are expected to observe insider-trading laws at all times.

The Company issues regular internal memorandums to the directors and officers of the Group to remind them of the aforementioned prohibition.

(F) INTERESTED PERSON TRANSACTIONS

Interested person transactions carried out during the financial year which fall under Chapter 9 of the Listing Manual are as follows:

	Aggregate value of all Interested Person Transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transaction less than $100,000)	
	RMB '000		RMB '000	
Name of interested person	2010	2009	2010	2009
Suzhou Hengli Telecommunications Materials Co. Ltd – Purchase of raw materials	6,769	7,227	NA	NA

The Company does not have any shareholders' mandate for interested person transactions.

Prior to entry by the Group into an interested party transaction, the Audit Committee and the Board will review such a transaction to ensure that the relevant rules under Chapter 9 of the Listing Manual are complied with.

Details of connected transactions for the financial year ended 31 December 2010 which fall under Chapter 14A of the Listing Rules are set out in the section headed "Continuing Connected Transactions" in this annual report.

(G) RISK MANAGEMENT

Risk assessment and evaluation takes place annually as part of the Group's operations. Having identified the risks to the achievement of their strategic objectives, each business is required to document the management and mitigating actions in place and proposed in respect of each significant risk.

(H) MATERIAL CONTRACTS

There are no material contracts of the Group involving the interests of any directors or substantial shareholders subsisting at the end of the financial year ended 31 December 2010.

(I) USE OF PROCEEDS OF INITIAL PUBLIC OFFERING ("IPO")

The Company has successfully launched its IPO in Hong Kong and listed 52,000,000 new ordinary shares on the SEHK on 23 December 2010. The net proceeds from the IPO were approximately HK$95 million. The directors of the Company have the intention to utilise the net proceeds for the following:

- approximately HK$8.6 million or 9.1% of the net proceeds for further expanding the Group's sales network into overseas market;

- approximately HK$41.4 million or 43.6% of the net proceeds for the diversification of the Group's product portfolio to antennas, among which, (i) approximately HK$10.4 million for purchasing of machinery; (ii) approximately HK$8.6 million for acquisition of land and construction of buildings; (iii) approximately HK$16.4 million for research and development; and (iv) approximately HK$6.0 million for sales and marketing;

- approximately HK$27.6 million or 29.1% of the net proceeds for the diversification of the Group's product portfolio to high temperature resistant cables, among which, (i) approximately HK$13.4 million for purchasing of manufacturing equipments; (ii) approximately HK$2.8 million for reconstruction of the Group's warehouse, part of which to be used as production plant; (iii) approximately HK$7.8 million for research and development; and (iv) approximately HK$3.6 million for sales and marketing;

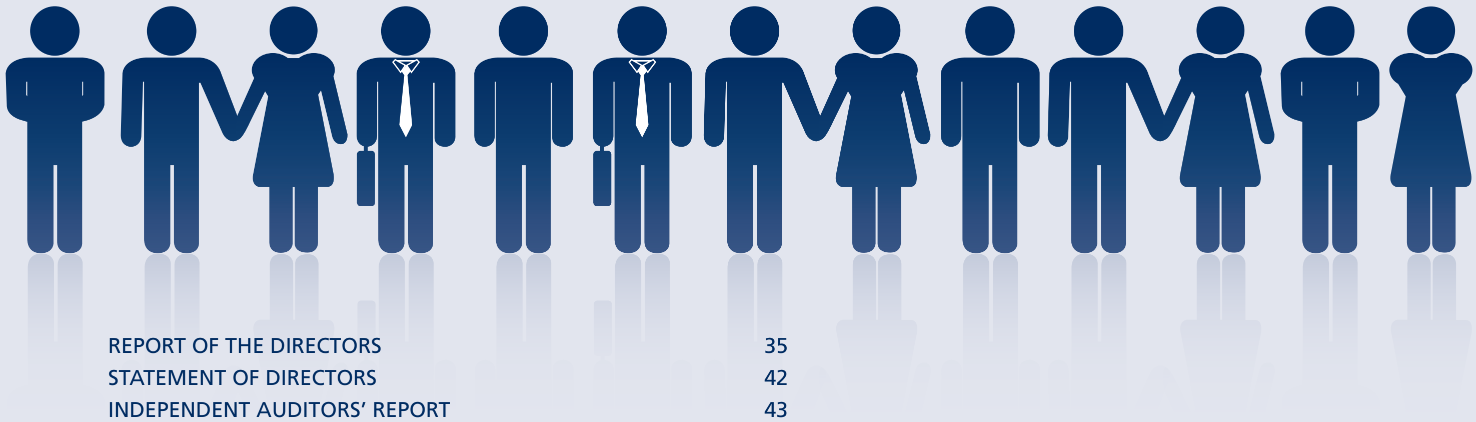
- approximately HK$8.6 million or 9.1% of the net proceeds for enhancing the Group's research and development team; and

- approximately HK$8.6 million or 9.1% of the net proceeds for general working capital of our Group.

As at 21 February 2011, the Company's balance of unutilised net proceeds stood at approximately RMB 79.5 million from the said IPO. The following table details the utilization of proceeds:

	IPO Proceeds		Used	Balance
Intended Use	HKD '000	Equivalent to RMB '000	RMB '000	RMB '000
Diversify product portfolio of High Temperature Resistant Cables	27,645	23,607	(1,648)	21,959
Diversify product portfolio of Antennas	41,420	35,370	-	35,370
Expansion of sales network into overseas market	8,645	7,382	-	7,382
Enhance research and development	8,645	7,382	-	7,382
General working capital	8,645	7,382	-	7,382
Total	95,000	81,123	(1,648)	79,475

Financial Contents



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Report of the Directors

The directors of Hengxin Technology Ltd. (the "Company") present their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2010.

1 DIRECTORS

The directors of the Company in office at the date of this report are:

Cui Genxiang	(Executive Chairman)
Dr. Song Haiyan	(Executive Director) – Appointed on 10 December 2010
Zhang Zhong	(Non-executive Director)
Tay Ah Kong Bernard	(Independent Non-executive Director)
Chee Teck Kwong Patrick	(Independent Non-executive Director)
Tam Chi Kwan Michael	(Independent Non-executive Director) – Appointed on 10 December 2010

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

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

	Shareholdings registered in name of director		Shareholdings in which a director is deemed to have an interest	
	At 1 January 2010	At 31 December 2010	At 1 January 2010	At 31 December 2010
<u>The Company</u>				
(Ordinary shares)				
Cui Genxiang	-	-	90,294,662	90,294,662
Zhang Zhong	-	-	28,082,525	28,082,525

By virtue of Section 7 of the Singapore Companies Act, Cui Genxiang is deemed to have an interest in the Company and all the related corporations of the Company.

The directors' interests in the shares of the Company at 21 January 2011, were the same at 31 December 2010.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements.

5 SHARE OPTIONS

(a) The Scheme as approved at an extraordinary general meeting on 27 October 2010, is administered by the Remuneration Committee which comprises:

Chee Teck Kwong, Patrick (Chairman)
Tay Ah Kong Bernard
Zhang Zhong

Under the Scheme, an option entitles the option holder to subscribe for a specific number of new ordinary shares in the Company. The option has an ***exercise price**** per share determined with reference to the market price of the shares at the time of grant of the option. The consideration for the grant of an option is S$1.00. Options granted with the exercise price set at the market price shall only be exercised after the first anniversary but before the tenth anniversary of the date of grant of that option. The shares under option may be exercised in whole or in part on the payment of the relevant exercise price (provided that an option may be exercised in part only in respect of a board lot or any integral multiple thereof). Options granted will lapse when the option holder ceases to be a full-time employee of the Company or any company of the Group subject to certain exceptions at the discretion of the Remuneration Committee.

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

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

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

(b) During the financial year, no options to take up unissued shares of any subsidiary were granted and there were no shares of any subsidiary issued by virtue of the exercise of an option to take up unissued shares.

(c) At the end of the financial year, there were no unissued shares of any subsidiary under option.

6 AUDIT COMMITTEE

The Board has adopted the principles of corporate governance as described in the Code of Corporate Governance formulated by the SGX-ST and SEHK with regards to the Audit Committee.

The Audit Committee of the Company comprises three Independent Non-executive Directors, Tay Ah Kong Bernard (Chairman), Chee Teck Kwong Patrick and Tam Chi Kwan Michael, and a Non-executive Director, Zhang Zhong.

During the financial year, the Audit Committee has reviewed the following:

(a) the audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

(b) the Group's financial and operating results and accounting policies;

(c) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company before their submission to the directors of the Company and the external auditors' report on those financial statements;

(d) the quarterly and annual announcements on the results and financial position of the Company and the Group;

(e) the co-operation and assistance given by the management to the Group's external auditors;

(f) the re-appointment of the external auditors of the Company;

(g) interested person transactions/continuing connected transactions; and

(h) all non-audit services provided by the Group's external auditors.

The Audit Committee has full access to and co-operation of the management and has been given the resources required for it to discharge its functions properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for the re-appointment as external auditors of the Company at the forthcoming AGM.

7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

8 ADDITIONAL INFORMATION

The Directors are pleased to present in the report the following additional information as required under the Companies Ordinance (Chapter 32, the Laws of Hong Kong) and other relevant laws and regulations governed in Hong Kong.

ADOPTION OF TRADING NAME

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 27 October 2010, the Company has adopted "HX Singapore Ltd" as its trading name for carrying on business in Hong Kong.

LISTING ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "SEHK")

The Company's ordinary shares (the "Shares") were successfully listed on the main board of the SEHK on 23 December 2010 by the placing and public offer of a total of 52,000,000 new ordinary shares at HK$2.25 each. As a result, the Company now has a dual primary listing of its Shares on both the SGX-ST and SEHK. Whilst the Directors consider that it is important to maintain the Singapore listing, they consider that it would be desirable and beneficial for our Company to have a dual primary listing of the Shares in both Hong Kong and Singapore as the Directors believe that the stock markets in Hong Kong and Singapore attract different investors. The dual listing can provide the Company ready access to two different equity markets if any opportunity arises, as well as widen the investor base of our Company. Listing on the SEHK may also enhance the Company's profile in Hong Kong and the PRC, facilitate investment by Hong Kong investors, enable the Company to gain access to Hong Kong's capital markets and benefit from our exposure to a wide range of private and institutional investors. The Directors consider that this is important for our Group's potential future growth and long term development, in particular, our Group's operations are principally located in the PRC.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the research, design, development and manufacture of telecommunications and technological products, production of radio frequency coaxial cables for mobile communications and mobile communications systems exchange equipment.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 44 to 91 of this annual report.

No interim dividend was paid during the financial year. The Directors recommend the payment of a first and final dividend of SGD0.77 cents (2009: SGD0.91 cents) per Share in respect of the year to shareholders of the Company (the "Shareholders") on the Company's register of members on 12 May 2011, and such dividend will be paid on 27 May 2011. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

The Singapore Principal Share Transfer Books and Singapore Register of Members of the Company in Singapore will be closed from 11 May 2011 after 5.00 p.m. to 12 May 2011 for the purpose of determining the Shareholders' entitlements to the dividends to be proposed at the annual general meeting of the Company to be held on 28 April 2011 (the "AGM").

All removal in respect of shares in the Company, between the principal register of members in Singapore and the branch register of members in Hong Kong, all necessary documents, remittances accompanied by the relevant share certificates, received up to close of the business at 5.00 p.m. on 3 May 2011 by the Company's Singapore Principal Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 (for Singapore Shareholders) or the Hong Kong Branch Share Registrar of the Company, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong (for Hong Kong Shareholders) will be registered to determine Shareholders' entitlements to such dividend. Shareholders whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares of the Company as at 5.00 p.m. on 11 May 2011 will be entitled to such proposed dividend.

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, is set out on page 2 of this annual report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

SHARE CAPITAL

Details of the Company's share capital are set out in note 18 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association (the "Articles") or the laws of Singapore, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

PURCHASE, REDEMPTION OR SALE OF SHARES

Neither the Company, nor its subsidiary purchased, redeemed or sold its equity securities during the financial year.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all of the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, Mr Cui Genxiang and Dr Song Haiyan, entered into a service contract with the Company for a term of three years commencing on 1 January 2010 and 10 December 2010 respectively, renewable in writing for any successive terms upon the date of expiry of the first three-year period, unless terminated in accordance with the provisions of the service contract by either party giving to the other not less than six months' prior notice in writing at the end of the initial term or at any time thereafter.

The Company has issued a letter of appointment to each of the non-executive Director and independent non-executive Directors of the Company, Ms Zhang Zhong, Mr Tay Ah Kong Bernard, Mr Chee Teck Kwong Patrick and Mr Tam Chi Kwan Michael, commencing 23 June 2005, 18 January 2007, 18 January 2007 and 10 December 2010 respectively.

Save as disclosed above, none of the Directors has or is proposed to have entered into any service contracts with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation other than statutory obligations.

No Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' REMUNERATION

Directors' remuneration is subject to approval by the remuneration committee with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of Directors' remuneration are set out in Note 5 of the financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Details of the connected transactions and related party transactions are set out in the Corporate Governance Report and Note 5 to the financial statements.

Save for above, no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at any time during the year or at the end of the year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at 31 December 2010, the interests and short positions of the Directors 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 (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

Long positions:

	Number of issued shares in the Company			
	Personal interests	Corporate interests	Total interests	Percentage of the Company's issued share capital
Cui Genxiang [1]	-	90,294,662	90,294,662	23.27%
Zhang Zhong [2]	-	28,082,525	28,082,525	7.24%

Notes:

(1) Mr Cui Genxiang beneficially owns the entire issued share capital of Kingever Enterprises Limited ("Kingever"), and Kingever in turn holds approximately 23.27% of the total issued shares in the Company.

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

There was no change in any of the above-mentioned interests between the end of the financial year of 2010 and 21 January 2011.

Save as disclosed above, as at 31 December 2010, none of the Directors nor their associates had or deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which has been notified to the Company and the SEHK pursuant to the Model Code.

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

As at 31 December 2010, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interests	Number of ordinary shares held	Percentage of the Company's issued share capital
Kingever Enterprises Limited ("Kingever") (Note (a))	Registered owner and beneficially owned	90,294,662	23.27%
Cui Genxiang (Note (a))	Deemed interest and interest in controlled company	90,294,662	23.27%
Wellahead Holdings Limited ("Wellahead") (Note (b))	Registered owner and beneficially owned	28,082,525	7.24%
Zhang Zhong (Note (b))	Deemed interest and interest in controlled company	28,082,525	7.24%
United Simsen Securities Ltd	Registered holder for shares held by Ji Xiao Bo	20,000,000	5.15%
Ji Xiao Bo	Deemed interest	20,000,000	5.15%

Notes:

(a) *Kingever is a company incorporated in the British Virgin Islands, and the entire issued share capital of which is beneficially owned by Mr Cui Genxiang.*

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

Save as disclosed above, as at 31 December 2010, no person, other than the Directors, whose interests are set out in the section "Directors' interests and chief executive's and short positions in shares and underlying shares and debentures" above, has an interest or short position in the shares or underlying shares of the Company that was required to be recorded.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in notes 19 and 20 to the financial statements.

DISTRIBUTABLE RESERVES

Profits attributable to shareholders, before dividends, of RMB 102,555,000 (2009: RMB 149,866,000) have been transferred to reserves. Other movements in reserves are set out on page 80 to the financial statements.

DONATIONS

The Group had made donations amounting RMB 500,000 (2009: RMB 500,000) which is part of a donation commitment to a charity association and payable in equal annual installments over a period of 20 years commencing from 2007.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

In the financial year ended 31 December 2010, sales to the Group's five largest customers accounted for approximately 84.9% of the total sales for the year and sales to the largest customer included therein amounted to approximately 29.8%. Purchases from the Group's five largest suppliers accounted for approximately 58.3% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 29.2%.

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

ON BEHALF OF THE DIRECTORS

Cui Genxiang

Song Haiyan

17 March 2011

Statement of Directors

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 44 to 91 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Cui Genxiang

Song Haiyan

17 March 2011

Independent Auditors' Report

To the Members of Hengxin Technology Ltd

Report on the Financial Statements

We have audited the financial statements of Hengxin Technology Ltd (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 44 to 91.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants
Singapore

Lim Kuan Meng
Partner
Appointed on 10 September 2007

17 March 2011

Statements of Financial Position

31 December 2010

	Note	Group 31 December 2010 RMB'000	Group 31 December 2009 RMB'000 (Restated)	Group 1 January 2009 RMB'000 (Restated)
ASSETS				
Current assets				
Cash and bank balances	6	247,078	147,676	191,132
Pledged bank deposits	6	62,596	120,486	70,769
Trade receivables	7	626,702	718,172	554,521
Other receivables and prepayment	8	12,958	24,148	1,449
Inventories	9	128,377	184,247	123,258
Available-for-sale investments	10	2,000	500	500
Leasehold land	11	560	560	491
Total current assets		1,080,271	1,195,789	942,120
Non-current assets				
Other receivables and prepayment	8	5,760	5,760	3,396
Available-for-sale investments	10	-	2,000	2,000
Leasehold land	11	20,021	20,581	17,791
Property, plant and equipment	13	140,978	139,260	90,810
Deferred tax assets	14	2,518	2,398	2,070
Total non-current assets		169,277	169,999	116,067
Total assets		1,249,548	1,365,788	1,058,187
LIABILITIES AND EQUITY				
Current liabilities				
Short-term loans	15	40,000	175,221	271,800
Trade payables	16	323,263	474,642	203,935
Other payables	17	25,476	32,390	44,199
Income tax payable		6,102	6,458	6,394
Total current liabilities		394,841	688,711	526,328
Non-current liability				
Deferred tax liabilities	14	1,998	1,413	581
Capital and reserves				
Share capital	18	295,000	205,771	205,771
General reserves	19	104,839	87,287	62,341
Special reserve	20	(6,017)	(6,017)	(6,017)
Translation reserves		(4)	16	-
Accumulated profits		458,891	388,607	269,183
Total equity		852,709	675,664	531,278
Total liabilities and equity		1,249,548	1,365,788	1,058,187

See accompanying notes to financial statements.

	Note	Company 31 December 2010 RMB'000	Company 31 December 2009 RMB'000 (Restated)	Company 1 January 2009 RMB'000 (Restated)
ASSETS				
Current assets				
Cash and bank balances	6	103,303	9,307	24,781
Other receivables and prepayment	8	5,769	1,416	382
Total current assets		109,072	10,723	25,163
Non-current assets				
Subsidiaries	12	321,984	320,961	231,784
Property, plant and equipment	13	15	24	10
Total non-current assets		321,999	320,985	231,794
Total assets		431,071	331,708	256,957
LIABILITIES AND EQUITY				
Current liability				
Other payables	17	4,423	7,694	5,763
Capital and reserves				
Share capital	18	295,000	205,771	205,771
Accumulated profits		131,648	118,243	45,423
Total equity		426,648	324,014	251,194
Total liabilities and equity		431,071	331,708	256,957

See accompanying notes to financial statements.

Consolidated Statement of Comprehensive Income

Financial year ended 31 December 2010

	Note	Group 2010 RMB'000	Group 2009 RMB'000 (Restated)
Revenue	21	1,183,131	1,615,265
Cost of sales		(961,470)	(1,302,579)
Gross profit		221,661	312,686
Other operating income	22	15,292	7,557
Distribution and selling expenses		(55,841)	(82,768)
Administrative expenses		(36,256)	(35,142)
Other operating expenses	23	(10,404)	(7,390)
Finance costs	24	(9,723)	(16,013)
Profit before income tax	25	124,729	178,930
Income tax	26	(22,174)	(29,064)
Net profit for the year		102,555	149,866
Other comprehensive income:			
Exchange differences on translation		(20)	16
Total comprehensive income for the year		102,535	149,882
Earnings per share (RMB cents)			
– basic	27	30.4	44.6
– diluted	27	30.4	44.6

See accompanying notes to financial statements.

Statements of Changes in Equity

Financial year ended 31 December 2010

Group	Share capital RMB'000	General reserves RMB'000	Translation reserves RMB'000	Special reserves RMB'000	Accumulated profits RMB'000	Total RMB'000
Balance at 1 January 2009, as previously reported	205,771	62,341	(4,033)	-	273,216	537,295
Adjustment (Note 33)	-	-	4,033	(6,017)	(4,033)	(6,017)
As restated	205,771	62,341	-	(6,017)	269,183	531,278
Profit for the year	-	-	-	-	149,866	149,866
Other comprehensive income for the year	-	-	16	-	-	16
Total comprehensive income for the year	-	-	16	-	149,866	149,882
Transfer to general reserves	-	24,946	-	-	(24,946)	-
Dividends (Note 28)	-	-	-	-	(5,496)	(5,496)
Balance at 31 December 2009	205,771	87,287	16	(6,017)	388,607	675,664
Issue of new ordinary shares, net of expenses (Note 18)	89,229	-	-	-	-	89,229
Profit for the year	-	-	-	-	102,555	102,555
Other comprehensive income for the year	-	-	(20)	-	-	(20)
Total comprehensive income for the year	-	-	(20)	-	102,555	102,535
Transfer to general reserves	-	17,552	-	-	(17,552)	-
Dividends (Note 28)	-	-	-	-	(14,719)	(14,719)
Balance at 31 December 2010	295,000	104,839	(4)	(6,017)	458,891	852,709

See accompanying notes to financial statements.

Statements of Changes in Equity
Financial year ended 31 December 2010
(cont'd)

	Share capital RMB'000	Translation reserves RMB'000	Accumulated profits RMB'000	Total RMB'000
Company				
Balance at 1 January 2009, as previously reported	205,771	(3,676)	49,099	251,194
Adjustment (Note 33)	-	3,676	(3,676)	-
As restated	205,771	-	45,423	251,194
Profit for the year representing total comprehensive income for the year	-	-	78,316	78,316
Dividends (Note 28)	-	-	(5,496)	(5,496)
Balance at 31 December 2009	205,771	-	118,243	324,014
Issuance of shares (Note 18)	89,229	-	-	89,229
Profit for the year representing total comprehensive income for the year	-	-	28,124	28,124
Dividends (Note 28)	-	-	(14,719)	(14,719)
Balance at 31 December 2010	295,000	-	131,648	426,648

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Financial year ended 31 December 2010

	Group	
	2010	2009
	RMB'000	RMB'000
Operating activities		(Restated)
Profit before income tax	124,729	178,930
Adjustments for:		
Interest expense	9,723	16,013
Depreciation of property, plant and equipment	14,838	11,528
Amortisation of leasehold land	560	537
Allowance (Reversal) for inventory obsolescence	806	(577)
Loss on disposal of property, plant and equipment	8	5
Interest income	(4,732)	(3,362)
Gain on disposal of available-for-sales investments	(109)	(698)
Loss on disposal of held-for-trading investments	1,472	-
Net foreign exchange gains (losses)	(858)	571
Operating cash flows before working capital changes	146,437	202,947
Inventories	55,064	(60,412)
Trade receivables	91,470	(163,651)
Other receivables and prepayments	11,190	(22,699)
Trade payables	(151,379)	270,707
Other payables	(6,914)	(11,809)
Cash generated from operations	145,868	215,083
Interest paid	(9,723)	(16,013)
Interest received	4,732	3,362
Income tax paid	(22,065)	(28,496)
Net cash from operating activities	118,812	173,936
Investing activities		
Acquisition of property, plant and equipment	(16,567)	(59,988)
Payment of deposits for acquisition of land use rights	-	(5,760)
Proceeds on disposal of available-for-sales investments	10,609	29,298
Purchase of available-for-sales investments	(10,000)	(28,600)
Proceeds on disposal of held-for-trading investments	18,528	-
Purchase of held-for-trading investments	(20,000)	-
Proceeds from disposal of property, plant and equipment	3	5
Net cash used in investing activities	(17,427)	(65,045)
Financing activities		
Decrease (Increase) in pledged bank deposits	57,890	(49,717)
Proceeds from issue of new shares, net of expenses	89,229	-
Proceeds from short-term bank loans	450,000	852,221
Repayment of short-term bank loans	(585,221)	(948,800)
Dividends paid	(14,719)	(5,496)
Net cash used in financing activities	(2,821)	(151,792)
Net increase (decrease) in cash and cash equivalents	98,564	(42,901)
Cash and cash equivalents at beginning of year	147,676	191,132
Effects of foreign exchange rate changes	838	(555)
Cash and cash equivalents at end of year (Note 6)	247,078	147,676

See accompanying notes to financial statements.

Notes to Financial Statements

31 December 2010

1 GENERAL

The Company (Registration No. 200414927H) is incorporated in the Republic of Singapore with its principal place of business at 16 Raffles Quay, #33-02B Hong Leong Building, Singapore 048581 and registered office at 10 Anson Road #15-07, International Plaza, Singapore 079903 (2009: 80 Raffles Place, #25-01 UOB Plaza 1, Singapore 048624). The Company is listed on both the Main Board of the Singapore Exchange Securities Trading Limited and the Main Board of The Stock Exchange of Hong Kong Limited. The financial statements are expressed in Renminbi.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2010 were authorised for issue by the Board of Directors on 17 March 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS – In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2010. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years, except as follows:

FRS 103 (2009) *Business Combinations*

FRS 103 (2009) has been adopted in the current year and is applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The main impact of the adoption of FRS 103 (2009) Business Combinations on the Group has been:

- to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquire.

- to change the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in profit or loss;

- where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, to require the recognition of a settlement gain or loss; and

- to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in consolidated profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

FRS 27 (2009) *Consolidated and Separate Financial Statements*

FRS 27 (2009) has been adopted for periods beginning on or after 1 January 2010 and has been applied retrospectively (subject to specified exceptions) in accordance with the relevant transitional provisions. The revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in a change in control.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In prior years, in the absence of specific requirements in FRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the carrying amount of the share of net assets disposed of was recognised in profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires that the Group derecognise all assets, liabilities and non-controlling interests at their carrying amount. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost, with the gain or loss arising recognised in profit or loss.

There are no effect on the Group on the adoption of FRS 103 (2009) and FRS 27 (2009) during the financial year.

At the date of authorisation of these financial statements, the management anticipates that the adoption of the FRSs, INT FRSs and amendments to FRSs that were issued but not effective until future periods will have no material impact on the financial statements of the Group and the Company in the year of their initial adoption.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's financial statements, investment in subsidiary is carried at cost less any impairment in net recoverable value that has been recognised in the profit or loss.

BUSINESS COMBINATIONS – Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments*: *Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year from acquisition date.

The accounting policy for initial measurement of non-controlling interests is described above.

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest rate basis for debt instruments other than those financial instruments "at fair value through profit or loss".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "trade and other receivables". Trade and other receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale investments

Certain shares and debt securities held by the Group are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in Note 4 to the financial statements. Gains and losses arising from changes in fair value are recognised directly in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed off or is determined to be impaired, the cumulative gain or loss previously recognised in the other comprehensive income and accumulated in revaluation reserves is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in the profit or loss, and other changes are recognised in other comprehensive income.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its costs is considered to be objective evidence of impairment.

For all other financial asserts, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 180 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

With the exceptions of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment had not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in other comprehensive income.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, if the Group neither transfers nor retains substantially all the risk and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the assets and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policies for borrowing costs.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

LEASES – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

INVENTORIES – Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets less residual value over their estimated useful lives, using the straight-line method, on the following bases:

Building	–	20 years
Plant and equipment	–	10 years
Office equipment	–	5 years
Motor vehicles	–	5 years

Depreciation is not provided on construction-in-progress.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS – At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise, they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

BORROWING COSTS – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from the sale of goods is recognised when the goods are delivered and legal title is passed.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Interest income

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

RETIREMENT BENEFIT COSTS – Pursuant to the relevant regulations of the People's Republic of China ("PRC") government, the PRC subsidiary of the Group ("PRC Subsidiary") has participated in central pension schemes ("the Schemes") operated by local municipal government whereby the PRC subsidiary is required to contribute a certain percentage of the basic salaries of its employees to the Schemes to fund their retirement benefits. The local municipal government undertake to assume the retirement benefit obligations of all existing and future retired employees of the PRC subsidiary. The only obligation of the PRC subsidiary with respect to the Scheme is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to profit or loss as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

GOVERNMENT GRANTS – Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

RESEARCH AND DEVELOPMENT EXPENDITURE – Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

INCOME TAX – Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by at the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirers interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Chinese Renminbi, which is the functional currency of the principal entities in the People's Republic of China ("PRC") and the presentation currency of the consolidated financial statements. The choice of presentation currency is to better reflect the currency that mainly determines economic effects of transactions, events and conditions of the Group.

In 2009 and prior years, the functional currency of the Company was determined as Singapore dollars. In the current year, the management has re-assessed and re-evaluated the functional currency of the Company to be that of Chinese Renminbi. The Company has accordingly adopted the FRS 21 The Effects of Changes in Foreign Exchange Rates and applied the change retrospectively. The effect of this change has been disclosed in Note 33 to the financial statements.

The Company was successfully listed on The Stock Exchange of Hong Kong Limited on 23 December 2010.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting financial statements, the assets and liabilities of the Company (including comparatives) are expressed in Chinese Renminbi using exchange rates prevailing on at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during that year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity.

RESERVES – Pursuant to the relevant laws and regulations in the PRC applicable to foreign investment enterprises and the Articles of Association of the PRC subsidiary, the subsidiary is required to maintain a statutory surplus reserve fund. Appropriations to these funds are made out of net profit after taxation as reported in the PRC statutory financial statements of the subsidiary (the "PRC Accounting Profit").

The subsidiary is required to transfer 15% of its PRC Accounting Profit to the statutory surplus reserve fund until the balance reaches 50% of the registered capital of the PRC subsidiary. The statutory surplus reserve fund may be used to make up prior year losses incurred and to increase capital.

The Company did not resolve to appropriate any fund to the staff welfare and bonus fund since its establishment.

Appropriation from profit after taxation as reported in the PRC statutory financial statements to the staff welfare and bonus fund is at the discretion of the subsidiary at rates determined by the subsidiary. The amount transferred to the staff welfare and bonus fund in the PRC statutory financial statements has been adjusted in these FRS financial statements as an operating expense as in the opinion of the directors, this fund will be used to pay for staff benefits of the subsidiaries.

CASH AND CASH EQUIVALENTS – Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid assets that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Critical judgements in applying the Group's accounting policies

There are no critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(ii) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below.

Allowances for trade receivables

Trade receivables are carried at amortised cost using the effective interest method, less any identified impairment losses. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

The Group makes allowances for bad and doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. The carrying amounts of trade receivables at the end of the reporting period are disclosed in Note 7 and 8 respectively to the financial statements.

Allowances for inventory obsolescence

Inventories are valued at the lower of cost and net realisable value. Also, the Group regularly inspects and reviews its inventories to identify slow-moving and obsolete inventories. The amount of the impairment loss is measured as the difference between inventories' cost and net realised value.

The identification of impairment of inventories requires the use of judgement and estimate of expected net realisable value. Where the net realisable value is lower than the cost, a material impairment loss may arise. The carrying amounts of inventories at the end of the reporting period are disclosed in Note 9 to the financial statements.

Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the financial year, management is satisfied that there is no change in the estimated useful lives of the property, plant and equipment from prior year. The carrying amounts of property, plant and equipment at the end of the reporting period are disclosed in Note 13 to the financial statements.

Impairment of property, plant and equipment and prepaid lease payments

At the end of the reporting period, management reviews the carrying amounts of its property, plant and equipment and leasehold land to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, management carried out impairment reviews of its property, plant and equipment and leasehold land. In making its judgement, management considered the future cash flows expected to arise from the cash generating unit and suitable discount rates in order to calculate the present value. The carrying amounts of property, plant and equipment and leasehold land at the end of the reporting period are disclosed in Notes 13 and 11 to the financial statements respectively.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance, and to ensure that all externally imposed capital requirements are complied with.

The capital structure of the Group consists of debt, which includes the bank borrowings and equity attributable to equity holders of the Company, comprising paid up capital, accumulated profits and other reserves.

The Group's management reviews the capital structure on an on-going basis. As a part of this review, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

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

The Group's overall strategy remains unchanged from prior year. As at the end of the reporting period, the Group is in compliance with all capital requirements on its external borrowings.

The gearing ratio at the end of the reporting period is as follows:

	Group		
	31 December 2010 RMB'000	31 December 2009 RMB'000 (Restated)	1 January 2009 RMB'000 (Restated)
Net cash borrowings	(207,078)	27,545	80,668
Total equity	852,709	675,664	531,278
Net debt to equity ratio (%)	(24.28)	4.08	15.18

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) Categories of financial instruments

The carrying amounts of financial assets and financial liabilities are as follows:

	31 December 2010 RMB'000	31 December 2009 RMB'000 (Restated)	1 January 2009 RMB'000 (Restated)
Group			
Financial assets			
Loans and receivables (including cash and cash equivalents)	937,227	987,423	817,093
Available-for-sale financial assets	2,000	2,500	2,500
Financial liabilities			
Borrowings and payables, at amortised cost	388,739	682,253	519,934
Company			
Financial assets			
Loans and receivables (including cash and cash equivalents)	109,062	10,723	25,163
Financial liabilities			
Payables at amortised cost	4,423	7,694	5,763

(c) Financial risk management policies and objectives

The Group's major financial instruments include trade and other receivables, trade and other payables, short-term bank loans, bank balances and cash and pledged bank deposits. Details of these financial instruments are disclosed in respective notes.

The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Market risk

The Group's activities are exposed primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Management monitors risks associated with changes in foreign currency exchanges rates and interest rates and will consider appropriate measures should the need arises.

There has been no significant change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(ii) Foreign currency risk management

The primary economic environment in which the principal subsidiary of the Company operates is the PRC and its functional currency is RMB. However, certain sales and purchases of the Group are denominated in United States Dollars ("USD"), Singapore Dollars ("SGD") and Euro Dollars ("EUR"), which are currencies other than the functional currency of the relevant group entities and expose the Group to foreign currency risk. Transactions in Indian Rupees ("INR") and Hong Kong Dollars ("HKD") are limited.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the respective reporting periods are as follows:

	31 December 2010 RMB'000	31 December 2009 RMB'000 (Restated)
Group		
USD		
Cash and bank balances	5,011	3,027
Trade receivables	6,278	24,779
Other receivables and prepayments	-	30
Trade payables	2,008	991
SGD		
Cash and bank balances	26,634	8,328
EUR		
Short term loans	-	10,221
Trade payables	-	1,460
HKD		
Cash and bank balances	75,693	-
INR		
Cash and bank balances	3,355	799
Company		
Cash and cash equivalents		
USD	977	979
SGD	26,634	8,328
HKD	75,693	-
Other receivables and prepayment		
USD	5,706	-

The Group has set up hedging policy to strike a balance between uncertainty and the risk of opportunity loss due to the growing significance of its exposures to fluctuations in foreign currency. Foreign exchange forward contracts can be used to eliminate the currency exposures. The Group has not entered into such forward contracts but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(ii) *Foreign currency risk management (cont'd)*

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the Renminbi ("RMB") against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currencies rates. A positive (negative) number below indicates an increase (decrease) in profit and other equity where RMB strengthens 10% against the relevant currency. For a 10% weakening of the RMB against the relevant currency, there would be an equal and opposite impact on the profit for the year.

	USD impact		SGD impact		HKD impact		Others impact*	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Profit or loss								
Group	(928)	(2,685)	(2,663)	(833)	(7,569)	-	(336)	1,088
Company	(668)	(98)	(2,663)	(833)	(7,569)	-	-	-

* *Others included EUR and INR.*

The Group's sensitivity to foreign exchange rate changes has increased (2009: decreased) during the current period mainly due to an increase (2009: decrease) in monetary assets denominated in foreign currency during the current period.

(iii) *Interest rate risk management*

The Group's interest rate risk relates primarily to its fixed-rate or variable rate bank borrowings. The Group's cash flow interest rate risk relates primarily to their fixed or variable-rate bank borrowings and bank balances which carry prevailing market interest rates. However, such exposure relating to bank balances is minimal to the Group as the bank balances are all short-term in nature. The Group currently has not entered into interest rate swaps to hedge against their exposure to changes in fair values of the borrowings. Currently, the Group does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider restructuring the Group's credit facilities should the need arise.

The Group's exposures to interest rate changes on its financial liabilities are detailed in the liquidity risk management below.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For both fixed-rate and variable-rate bank borrowings, the analysis is prepared assuming the amount of liabilities outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rate had been 50 basis points higher/lower and all other variables were held constant. the Group's profit for the year ended 31 December 2010 would decrease/increase by RMB 363,000 (2009 : decrease/increase by RMB 495,000). This is mainly attributable to the Group's exposure to interest rates on its fixed and variable rate borrowings.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iv) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. Before accepting any new customer, the Group has to assess the potential customer's credit quality and defines credit limits by customer. The Group uses publicly available financial information and its own trading records to rate its major customers. The Group only transacts with customers that have good credit quality. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the management.

The Group's credit risk primarily relates to the Group's trade and other receivables, trade prepayments, bank balances and cash and pledged bank deposits. There is significant concentration of credit risk as the top five biggest customers account for over approximately 86% (2009 : 93%) of the carrying amounts of trade receivables as at 31 December 2010. Most of these customers have long standing relationship with the Group and are mainly of sound credit quality. The management of the Group generally grants credit only to customers with good credit ratings and also closely monitors overdue trade debts. The recoverable amount of each individual trade debt is reviewed at the end of each reporting period and adequate impairment for doubtful debts has been made for irrecoverable amounts. In this regard, the management of the Group considers that the credit risk associated with the Group's trade receivable and trade prepayments is significantly reduced.

The top five raw material suppliers did not account for any of the carrying amounts of trade prepayments as at 31 December 2010 and 2009. In order to minimise the risk, trade prepayments are generally made to suppliers with good credit ratings and with good trading history with the Group.

The credit risk in relation to the Group's cash and bank balances, and pledged bank deposits is not significant as the corresponding banks are reputable banking institutions in the PRC.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the statement of financial position.

Further details of credit risks on trade and other receivables are disclosed in Notes 7 and 8 to the financial statements respectively.

(v) Liquidity risk management

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowing and ensure compliance with loan covenants.

Undrawn facilities are disclosed in Note 15 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(v) Liquidity risk management (cont'd)

Liquidity and interest risk analyses

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position.

	Weighted average effective interest rate %	On demand or less than 1 year RMB'000	Between 1 to 5 years RMB'000	Adjustment RMB'000	Total = Carrying amount RMB'000
Group					
2010					
Trade receivables	-	626,702	-	-	626,702
Other receivables and prepayment	-	851	-	-	851
Fixed deposits	0.05	309	-	*	309
Cash and bank balances	2.20	252,198	-	(5,429)	246,769
Pledged bank deposits	2.20	63,973	-	(1,377)	62,596
Total		944,033	-	(6,806)	937,227
2009					
Trade receivables	-	718,172	-	-	718,172
Other receivables and prepayment	-	1,089	-	-	1,089
Fixed deposits	0.15	292	-	*	292
Cash and bank balances	1.57	149,698	-	(2,314)	147,384
Pledged bank deposits	1.57	122,378	-	(1,892)	120,486
Total		991,474	-	(4,051)	987,423
Company					
2010					
Other receivables and prepayments	-	5,759	-	-	5,759
Cash and bank balances	2.20	105,260	-	(2,266)	102,994
Fixed deposits	0.05	309	-	*	309
Total		111,328	-	(2,266)	109,062
2009					
Other receivables and prepayments	-	1,416	-	-	1,416
Cash and bank balances	1.57	9,157	-	(142)	9,015
Fixed deposits	0.15	292	-	*	292
Total		10,865	-	(142)	10,723

* *Amount less than RMB1,000.*

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(v) Liquidity risk management (cont'd)

Liquidity and interest risk analyses (cont'd)

Non-derivative financial liabilities

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date in which the Group and the Company can be required to pay. The tables include both interest and principal cash flows.

	Weighted average effective interest rate %	On demand or less than 1 month RMB'000	Between 1 to 3 months RMB'000	Between 3 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Group						
2010						
Trade and other payables	-	170,068	104,968	73,703	348,739	348,739
Short-term bank loans	4.85	-	-	40,898	40,898	40,000
Total		170,068	104,968	114,601	389,637	388,739
2009						
Trade and other payables	-	196,318	216,747	93,967	507,032	507,032
Short-term bank loans	4.55	35,130	-	142,576	177,706	175,221
Total		231,448	216,747	236,543	684,738	682,253
Company						
2010						
Other payables	-	4,423	-	-	4,423	4,423
2009						
Other payables	-	7,694	-	-	7,694	7,694

(vi) Fair value of financial assets and financial liabilities

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(vi) Fair value of financial assets and financial liabilities (cont'd)

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

For the Group's available for sale investments as disclosed in Note 10 to the financial statements, both investment funds are classified as Level 2.

There is no transfer between levels during the financial year.

The management consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

5 RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Some of the Group's transactions and arrangements are with related parties and the effect of these on the bases determined between the parties is reflected in the financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Significant related party transactions:

	Group	
	2010	**2009**
	RMB'000	**RMB'000**
With Suzhou Hengli Telecommunications Materials Co., Ltd		
Purchase of raw materials	6,769	7,227

Note: Suzhou Hengli Telecommunication Materials Co., Ltd is a subsidiary of Hengtong Group Co., Ltd, where a director of the latter is a sibling of the Executive Chairman.

5 RELATED PARTY TRANSACTIONS (cont'd)

Compensation of directors and key management personnel

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

	Group	
	2010	**2009**
	RMB'000	**RMB'000**
Remuneration to directors and key management personnel:		
Short term benefits	5,969	9,369
Retirement benefits scheme contributions	67	67
Total	6,036	9,436

(a) Details of the directors' remuneration are as follows:

	2010	**2009**
	RMB'000	**RMB'000**
Directors' fees	1,342	1,270
Other emoluments:		
Salaries, allowances and benefits in kind	2,015	1,810
Performance related bonuses	606	1,909
Pension scheme contributions	44	-
Total	4,007	4,989

(i) Independent non-executive directors

The fees paid to independent non-executive directors were as follows:

	2010	**2009**
	RMB'000	**RMB'000**
Tay Ah Kong Bernard	572	470
Chee Teck Kwong Patrick	522	424
Tam Chi Kwan Michael (appointed on 10 December 2010)	-	-
Total	1,094	894

(ii) Non-executive directors

The fees paid to non-executive directors were as follows:

	2010	**2009**
	RMB'000	**RMB'000**
Cui Genxiang (re-designated as Executive Director on 11 January 2010)	-	188
Zhang Zhong	248	188
Total	248	376

5 RELATED PARTY TRANSACTIONS (cont'd)

***Compensation of directors and key management personnel** (cont'd)*

(a) Details of the directors' remuneration are as follows: (cont'd)

(iii) Executive directors

The benefits paid to executive directors were as follows:

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension contribution scheme RMB'000	Total RMB'000
2010				
Cui Genxiang	597	-	-	597
Song Haiyan	723	606	44	1,373
Xu Guochen #	695	-	-	695
Total	2,015	606	44	2,665
2009				
Xu Guochen #	1,810	1,909	-	3,719

Resigned on 1 April 2010

There were no arrangements under which any directors waived or agreed to waive any remuneration for the financial year ended 31 December 2010 (2009 : Nil).

No remuneration was paid by the Group to any directors as an inducement for join or upon join the group or as compensation for loss of office.

6 CASH AND BANK BALANCES

	Group 2010 RMB'000	Group 2009 RMB'000	Company 2010 RMB'000	Company 2009 RMB'000
Cash at bank	246,769	147,384	102,994	9,015
Fixed deposits	309	292	309	292
Cash and bank balances	247,078	147,676	103,303	9,307
Pledged bank deposits	62,596	120,486	-	-
Total	309,674	268,162	103,303	9,307
Bank deposits are pledged in relation to:				
Bank loans (Note 15)	-	11,000	-	-
Notes payables (Note 16)	55,816	82,049	-	-
Other banking facilities (Note 29)	6,780	27,437	-	-
Total pledged bank deposits	62,596	120,486	-	-

6 CASH AND BANK BALANCES (cont'd)

Certain of the pledged bank deposits bear interest at an average effective interest rates at 2.204% (2009 : 1.98%) per annum and for a tenure of approximately 3 months (2009 : 3 months).

The Group's and the Company's fixed deposit bear average effective interest rates 0.05% (2009 : 0.15%) per annum and for a tenure of less than three months.

The above balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2010 RMB'000	**2009 RMB'000**	**2010 RMB'000**	**2009 RMB'000**
United States Dollars	5,011	3,027	977	979
Indian Rupees	3,355	799	-	-
Singapore Dollars	26,634	8,328	26,634	8,328
Hong Kong Dollars	75,693	-	75,693	-

7 TRADE RECEIVABLES

	Group	
	2010 RMB'000	**2009 RMB'000**
Outside parties	607,841	729,037
Less: Allowance for doubtful debts	(15,762)	(15,762)
Net	592,079	713,275
Notes receivables	34,623	4,897
Total	626,702	718,172

The average credit period on sales of goods is 180 days (2009 : 180 days). The Group has generally provided fully for all receivables over 2 years because historical experience is such that receivables that are past due beyond 2 years are generally not recoverable. Trade receivables between 1 to 2 years are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Before accepting any new customer, the Group assesses the potential customers' credit quality and defines credit limits by customer. Limits and credit quality attributed to customers are reviewed periodically. At 31 December 2010, approximately 86% (2009 : 93%) of gross trade receivables were related to China Unicom Group of companies, China Mobile Group of companies and three other major customers of the Group. Approximately 99% (2009 : 97%) of trade receivables are attributable to customers in the PRC. There are no other customers who represent more than 5% of the total balance of trade receivables.

Included in the Group's trade receivable balance are debtors with a carrying amount of RMB126,473,000 (2009 : RMB153,055,000) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

7 TRADE RECEIVABLES (cont'd)

The table below is an analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, is as follows:

	Group	
	2010 RMB'000	2009 RMB'000
Ageing of trade receivables which are not impaired:		
0 to 180 days	500,229	565,117
181 to 360 days	97,288	149,860
1 to 2 years	26,916	3,195
> 2 years	2,269	-
Total	626,702	718,172

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Accordingly, the management believe that there is no further credit provision required in excess of the allowance for doubtful debts.

The above balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group	
	2010 RMB'000	2009 RMB'000
United States Dollars	6,278	24,779

8 OTHER RECEIVABLES AND PREPAYMENTS

	Group			Company		
	31 December 2010 RMB'000	31 December 2009 RMB'000 (Restated)	1 January 2009 RMB'000 (Restated)	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
Advance payment to suppliers	8,505	22,930	666	-	-	-
Deposit paid for acquisition of land use rights	5,760	5,760	3,396	-	-	-
Due from subsidiary (Note 12)	-	-	-	5,706	1,024	-
Prepayments	324	129	112	10	-	-
Refundable deposits	3,278	-	-	-	-	-
Other receivables	851	1,089	671	53	392	382
Total	18,718	29,908	4,845	5,769	1,416	382

8 OTHER RECEIVABLES AND PREPAYMENTS (cont'd)

	Group			Company		
	31 December 2010 RMB'000	31 December 2009 RMB'000 (Restated)	1 January 2009 RMB'000 (Restated)	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
Presentation in Statements of Financial Position:						
Current asset	12,958	24,148	1,449	5,769	1,416	382
Non-current asset	5,760	5,760	3,396	-	-	-
Total	18,718	29,908	4,845	5,769	1,416	382

The above balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group			Company		
	31 December 2010 RMB'000	31 December 2009 RMB'000 (Restated)	1 January 2009 RMB'000 (Restated)	31 December 2010 RMB'000	31 December 2009 RMB'000	1 January 2009 RMB'000
United States Dollars	-	30	-	5,706	-	-

9 INVENTORIES

	Group	
	2010 RMB'000	2009 RMB'000
Raw materials	24,273	25,436
Work-in-progress	7,037	8,779
Finished goods	98,094	150,253
Cost	129,404	184,468
Less: Allowance for inventory obsolescence	(1,027)	(221)
Net	128,377	184,247
Movement in the above allowance:		
At beginning of year	221	798
Charge	806	-
Write back	-	(577)
At end of year	1,027	221

The cost of inventories recognised as an expense includes RMB 806,000 (2009 : RMB Nil) in respect of write-down of inventory to a net realisable value, and has been reduced by RMB Nil (2009 : RMB 577,000) in respect of the reversal of such write-downs. Previous write-downs were reversed as the inventories were sold above carrying amounts.

10 AVAILABLE-FOR-SALE INVESTMENTS

	Group 2010 RMB'000	2009 RMB'000
Current asset:		
Quoted investment fund, at fair value	-	500
Unquoted Investment fund, at fair value	2,000	-
Non-current asset:		
Unquoted investment fund, at fair value	-	2,000

The investment in a quoted investment fund offers the Group the opportunity for return through dividend income and fair value gain. It has no fixed maturity or coupon rate. The fair values of this fund are based on quoted closing market on the last market day of the financial year.

The unquoted investment fund is an investment through a fund which invests in the equity of a quoted security. It is due for maturity in 2011 and does not have a fixed rate of return. The fair values of unquoted investment fund are estimated using cash flow model discounted at a rate of 5.81% (2009 : 5.76%) per annum. The management considers that the carrying amount approximate its fair value.

11 LEASEHOLD LAND

		Group	
	31 December 2010 RMB'000	31 December 2009 RMB'000 (Restated)	1 January 2009 RMB'000 (Restated)
Cost			
At beginning of the year	24,376	20,980	20,980
Addition	-	3,396	-
At end of the year	24,376	24,376	20,980
Accumulated amortisation			
At beginning of the year	3,235	2,698	2,698
Amortisation	560	537	-
At end of the year	3,795	3,235	2,698
Carrying amount	20,581	21,141	18,282
Presentation in Statements of Financial Position:			
Current asset	560	560	491
Non-current asset	20,021	20,581	17,791
Total	20,581	21,141	18,282

The amount represents land use rights located in the mainland People's Republic of China ("PRC") and is amortised on a straight line basis over 42 to 48 years. The amortisation period is in line with the operating period stipulated in the business licence of the subsidiary.

12 SUBSIDIARIES

	Company 2010 RMB'000	Company 2009 RMB'000
Unquoted share capital, at cost		
At beginning of year	320,961	231,784
Capitalisation of dividend receivable	-	88,826
Capitalisation of amount receivables	1,023	-
Addition	-	351
At end of year	321,984	320,961

Name of subsidiary	Place of business and incorporation	Principal activities	Effective equity interest and voting power 2010 %	Effective equity interest and voting power 2009 %
Jiangsu Hengxin Technology Co., Ltd.	People's Republic of China	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	100	100
Hengxin Technology (India) Pvt Ltd	India	Marketing and trading of the Group's products to the Indian telecommunication operators	100	100

The PRC subsidiary is audited by Deloitte Touche Tohmatsu CPA Ltd, Nanjing Branch for consolidation purposes. The principal place of business of its subsidiary is No. 138, Taodu Road, Dingshu Town, Yixing City, Jiangsu Province, PRC.

The India subsidiary is audited by Deloitte & Touche LLP, Singapore for consolidation purposes. The principal place of business of its subsidiary is in 91B Aggrawal Trade Centre, Plot No.62, Sector 11, CBD Belapur, Navi Mumbai, 400614, India.

During the financial year, the Company increased its investment in the India subsidiary through the capitalisation of amount receivables from the subsidiary of RMB 1,023,000 (equivalent to US$150,000) (2009: Nil). In 2009, the Company increased its investment in the PRC subsidiary through the capitalisation of the dividend receivable from the subsidiary of RMB88,826,400.

The balances with subsidiaries are unsecured, interest free and repayable on demand unless stated otherwise.

Transactions between the Company and its subsidiaries which are related companies of the Company, have been eliminated on consolidation and not disclosed in this financial statements.

13 PROPERTY, PLANT AND EQUIPMENT

Group	Building RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost						
At 1 January 2009	23,278	91,423	4,606	4,264	7,450	131,021
Additions	941	1,110	1,567	206	56,164	59,988
Transfers	9,518	28,103	92	-	(37,713)	-
Disposals	-	(9)	(56)	-	-	(65)
At 31 December 2009	33,737	120,627	6,209	4,470	25,901	190,944
Additions	115	159	716	5	15,572	16,567
Transfers	8,675	23,538	71	500	(32,784)	-
Disposals	-	(3)	(97)	-	-	(100)
At 31 December 2010	42,527	144,321	6,899	4,975	8,689	207,411
Accumulated depreciation						
At 1 January 2009	4,473	30,803	3,162	1,773	-	40,211
Depreciation	1,337	9,147	385	659	-	11,528
Disposals	-	(6)	(49)	-	-	(55)
At 31 December 2009	5,810	39,944	3,498	2,432	-	51,684
Depreciation	1,860	11,763	654	561	-	14,838
Disposals	-	(2)	(87)	-	-	(89)
At 31 December 2010	7,670	51,705	4,065	2,993	-	66,433
Carrying amount						
At 31 December 2009	27,927	80,683	2,711	2,038	25,901	139,260
At 31 December 2010	34,857	92,616	2,834	1,982	8,689	140,978

13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Office equipment RMB'000
Company	
Cost	
At 1 January 2009	27
Additions	26
Disposals	(10)
At 31 December 2009	43
Disposals	(14)
At 31 December 2010	29
Accumulated depreciation	
At 1 January 2009	17
Depreciation	10
Disposal	(8)
At 31 December 2009	19
Depreciation	9
Disposal	(14)
At 31 December 2010	14
Carrying amount	
At 31 December 2009	24
At 31 December 2010	15

14 DEFERRED TAX ASSETS (LIABILITIES)

	Group	
	2010 RMB'000	2009 RMB'000
(a) Deferred tax assets		
At beginning of year	2,398	2,070
Credit to profit or loss	120	328
At end of year	2,518	2,398

14 DEFERRED TAX ASSETS (LIABILITIES) (cont'd)

The following are the deferred tax assets recognised by the Group and the movements thereon during the current year:

	Allowance for doubtful receivables RMB'000	Allowance for inventory obsolescence RMB'000	Total RMB'000
At 1 January 2009	1,891	179	2,070
Reclassification	79	(79)	-
Credit (Charge) to profit or loss	394	(66)	328
At 31 December 2009	2,364	34	2,398
Credit to profit or loss	-	120	120
At 31 December 2010	2,364	154	2,518

(b) Deferred tax liabilities

	Group	
	2010 RMB'000	2009 RMB'000
At beginning of year	1,413	581
Charge to profit or loss	585	832
At end of year	1,998	1,413

The deferred tax liabilities relates to undistributed income of the PRC subsidiary.

15 SHORT-TERM LOANS

	Group	
	2010 RMB'000	2009 RMB'000
Bank loan – unsecured (Note a)	20,000	-
Bank loan – unsecured (Note b)	20,000	-
Bank loan – unsecured (Note c)	-	165,000
Bank loans – secured (Note d)	-	10,221
Total	40,000	175,221

The above balances that are not denominated in the functional currency of the respective entities are as follows:

	Group	
	2010 RMB'000	2009 RMB'000
Euro Dollars	-	10,221

15 SHORT-TERM LOANS (cont'd)

Note:

(a) Unsecured bank loan
As at 31 December 2010, the unsecured bank loan of the Group amounting to RMB20,000,000 (2009 : Nil) bears effective fixed interest at 4.59% per annum.

(b) Unsecured bank loan
As at 31 December 2010, the unsecured bank loan of the Group amounting to RMB20,000,000 (2009: Nil) bears effective fixed interest at 5.10% per annum.

(c) Unsecured bank loan
In 2009, the unsecured bank loan of the Group amounting to RMB165,000,000 bore interest ranging from 4.37% to 4.86% per annum. The loan was repaid during the year.

(d) Secured bank loans
In 2009, the bank loans amounting to RMB10,221,000 were secured by certain pledged bank deposits of RMB11,000,000 and bore interest at 2.4% per annum. The loan was repaid during the year.

At 31 December 2010, the Group had available RMB1,403,588,000 (2009 : RMB644,309,000) of unutilised committed borrowing facilities for which all conditions precedent had been met.

16 TRADE PAYABLES

	Group	
	2010 RMB'000	**2009 RMB'000**
Outside parties	137,213	158,035
Notes payable	186,050	316,607
Total	323,263	474,642

The notes payable to banks amounting to approximately RMB 186,050,000 (2009: RMB 257,740,000) are secured on the Group's bank deposits amounting to RMB 55,816,000 (2009 : RMB 82,049,000).

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

	Group	
	2010 RMB'000	**2009 RMB'000**
Ageing of past due:		
0 to 90 days	192,781	286,955
91 to 180 days	128,253	185,961
181 to 360 days	1,044	1,532
Over 360 days	1,185	194
Total	323,263	474,642

16 TRADE PAYABLES (cont'd)

The above balances that are not denominated in the functional currency of the respective entities are as follows:

	Group	
	2010 RMB'000	2009 RMB'000
United States Dollars	2,008	991
Euro Dollars	-	1,460

17 OTHER PAYABLES

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Accrued operating expenses	2,048	6,452	2,048	6,452
Other payables	23,428	25,938	2,375	1,242
Total	25,476	32,390	4,423	7,694

18 SHARE CAPITAL

	Group and Company			
	2010	2009	2010	2009
	Number of ordinary shares ('000)		S$'000	S$'000
Issued and paid-up:				
At beginning of the year	336,000	336,000	40,766	40,766
Issued	52,000	-	17,576*	-
At end of the year	388,000	336,000	58,342	40,766
Equivalent to approximately (RMB'000)			295,000	205,771

* *net of issue expenses amount to S$2,075,000 (RMB10,681,000).*

The Company has one class of ordinary shares with no par value, carrying no right to fixed income.

During the financial year, the Company issued 52,000,000 new ordinary shares amounting to S$17,576,000 (equivalent to RMB89,229,000) for its dual listing on the Stock Exchange of Hong Kong Limited.

19 GENERAL RESERVES

	Group	
	2010 RMB'000	2009 RMB'000
Statutory surplus reserve fund:		
At beginning of year	87,287	62,341
Transfer from profit or loss	17,552	24,946
At end of year	104,839	87,287

20 SPECIAL RESERVE

The special reserve represents the difference between the acquisition cost and carrying amount of net assets of the PRC subsidiary arising from the acquisition of PRC subsidiary in 2004.

21 REVENUE

	Group	
	2010 RMB'000	2009 RMB'000 (Restated)
Sales of goods:		
Radio frequency coaxial cables	1,011,635	1,344,014
Telecommunication equipment and accessories	171,496	271,251
Total	1,183,131	1,615,265

22 OTHER OPERATING INCOME

	Group	
	2010 RMB'000	2009 RMB'000 (Restated)
Interest income	4,732	3,362
Government grants	9,732	2,856
Government grants – Jobs credit scheme	33	36
Gain on disposal of available-for-sale investments	109	698
Others	686	605
Total	15,292	7,557

23 OTHER OPERATING EXPENSES

	Group	
	2010 RMB'000	2009 RMB'000 (Restated)
Research and development expenses	7,054	8,437
Donation	500	500
Loss on disposal of property, plant and equipment	8	5
Net foreign exchange loss (gain)	421	(1,553)
Fair value loss on held-for-trading investments*	1,472	-
Others	949	1
Total	10,404	7,390

* *The amount represents the decrease in fair value of the held-for-trading investments which comprised listed fund in the PRC purchased and sold during the year.*

24 FINANCE COSTS

	Group 2010 RMB'000	2009 RMB'000
Interest expense on bank loans	9,723	16,013

25 PROFIT BEFORE INCOME TAX

This is determined after charging (crediting) the following:

	Group 2010 RMB'000	2009 RMB'000
Allowance (Reversal) for inventory obsolescence	806	(577)
Amortisation of leasehold land	560	537
Audit fees paid:		
– to the auditors of the Company	425	390
– to the other auditors	713	1,063
Cost of inventories recognised as an expense	960,664	1,303,156
Cost of defined contribution plans	2,662	2,246
Depreciation of property, plant and equipment	14,838	11,528
Directors' remuneration		
– directors of Company	2,665	3,719
– directors of the subsidiary	549	439
Directors' fees – directors of the Company	1,342	1,270
Dual listing expenses written off	8,210	-
Employee benefits expense	42,015	64,509
Net foreign exchange losses (gains)	421	(1,553)
Loss on disposal of property, plant and equipment	8	5
Non-audit fees paid:		
– to auditors of the Company	20	26
– to the other auditors	-	-
Research and development expenses*	7,054	8,437

* *included in other operating expenses.*

Pursuant to the relevant regulations of the PRC government, the PRC subsidiary has participated in central pension schemes ("the Schemes") operated by local municipal government whereby the subsidiary is required to contribute 24% of the basic salaries of its employees to the Schemes to fund their retirement benefits. The local municipal government undertake to assume the retirement benefit obligations of all existing and future retired employees of the subsidiary. The only obligation of the subsidiary with respect to the Scheme is to pay the ongoing required contributions under the Schemes mentioned above. Contributions under the Schemes are charged to the profit or loss as incurred.

As at 31 December 2010, the contributions due in respect of the year that had not been paid over to the schemes were approximately RMB231,000 (2009: RMB192,600).

Five employees who received the highest remuneration

The five employees who received the highest remuneration in the Group for the year included 1 director (2009 : 1 director). Details of the remuneration paid to the director are set out in Note 5.

25 PROFIT BEFORE INCOME TAX (cont'd)

Details of the remuneration paid to the 4 non-director employees who received the highest remuneration in the Group for the year were as follows:

	Group	
	2010 RMB'000	2009 RMB'000
Salaries, allowances and benefits in kind	1,616	2,127
Performance related bonuses	1,837	2,209
Pension scheme contributions	53	62
Total	3,506	4,398

The number of non-director employees whose remuneration fell within the following bands were as follows:

	Number of employees	
	2010	2009
RMB Nil to RMB 1,000,000	3	2
RMB 1,000,001 to RMB 1,500,000	1	2
Total	4	4

26 INCOME TAX

	Group	
	2010 RMB'000	2009 RMB'000
Current	21,639	23,846
Withholding taxes	-	4,675
Under provision of current tax in prior years	70	39
Deferred (Note 14)	465	504
Net	22,174	29,064

The reconciliation of the tax expense and the product of profit before income tax multiplied by the statutory tax rate are as follows:

	Group	
	2010 RMB'000	2009 RMB'000 (Restated)
Profit before income tax	124,729	178,930
Tax at PRC statutory tax rate of 25%	31,182	44,732
Tax effect of expenses not deductible	6,150	4,291
Effect of PRC EIT exemption and concessions	(15,228)	(24,673)
Under provision of current tax in prior years	70	39
Withholding tax	-	4,675
Effective tax expense	22,174	29,064

26 INCOME TAX (cont'd)

The Company

The Company has no taxable income during the financial year ended 31 December 2010 and 2009. The statutory income tax rate applicable to the Company is 17% (2009 : 17%).

Jiangsu Hengxin Technology Co., Ltd

The subsidiary, a wholly foreign-owned enterprise ("WFOE"), established in the city of the coastal open economic zone, and is subjected to a PRC corporate tax rate of 25%. In 2008, the subsidiary has been given the High-Tech Enterprise Award and the applicable effective tax rate will be 15% based on PRC EIT laws and for the three financial years starting from 31 December 2008.

Prior to 2010, the subsidiary was entitled to an exemption from Enterprise Income Tax ("EIT") for the first two profitable years of operation effective from the financial year ended 31 December 2005 and thereafter a 50% reduction in EIT for the following three financial years with effect from the financial year ended 31 December 2007.

The effective tax rate for the subsidiary is 15.0% (2009 : 12.5%).

Hengxin Technology (India) Pvt Ltd

The subsidiary is not in taxable position for the financial year just ended.

27 EARNINGS PER SHARE

The calculations of earnings per share are based on the profits and numbers of shares shown below.

	Group	
	2010 RMB'000	2009 RMB'000 (Restated)
Profit attributable to shareholders of the Company (RMB'000)	102,555	149,866
Weighted average number of shares ('000)	337,282	336,000
Earnings per share (RMB cents) – Basic	30.4	44.6

In the current financial year, as there are no dilutive potential ordinary shares issued and/or granted, the fully diluted earnings per share is the same as the basic earnings per share.

28 DIVIDENDS

Subsequent to the end of the reporting period, the directors of the Company recommended that a first and final tax-exempt dividend of S$0.0077 per ordinary share totalling S$2,988,000 (equivalent to RMB 15,383,000) for the financial year just ended be paid. In accordance with FRS 10 – *Events after the Reporting Period*, the amount is not taken up as a liability.

For the financial year ended 31 December 2010, a final tax-exempt dividend of S$0.0091 per ordinary share totalling S$3,059,000 (equivalent to RMB14,719,000) was paid to shareholders in respect of the financial year ended 31 December 2009.

For the financial year ended 31 December 2009, a tax exempt (1-tier) dividend of S$0.0035 per ordinary share amounting to S$1,176,000 (equivalent to RMB5,496,000) was paid to shareholders in respect of the financial year ended 31 December 2008.

29 CONTINGENT LIABILITIES

	Group	
	2010 RMB'000	2009 RMB'000 (Restated)
Secured against bank deposits:		
Letters of guarantee	111	10,457
Letters of credits	6,669	16,980
Total	6,780	27,437

30 OPERATING LEASE ARRANGEMENTS

	Group	
	2010 RMB'000	2009 RMB'000
Minimum lease payments under operating leases recognised as an expense in the year	769	778

At the end of the reporting period, the Group and Company have outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Within one year	590	686	222	246
In the second to fifth years inclusive	464	895	318	516
Total	1,054	1,581	540	762

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 (2009 : 1 to 3 years).

31 SEGMENT INFORMATION

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

The Group is organised into business units based on their products and services, based on which information is prepared and reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance.

For management purposes, the Group is organised into three core product lines, radio frequency coaxial cables, telecommunication equipment and accessories and others. These products are the basis on which the Group reports its primary segment information.

The accounting policies of the operating segments are the same as the group's accounting policies describe in Note 2 to the financial statements. Segment results 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.

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. Inter-segment sales are charged at prevailing market prices. These transfers are eliminated on consolidation.

31 SEGMENT INFORMATION (cont'd)

Segment information about the Group's operating segments are presented below:

	Radio frequency coaxial cables RMB'000	Telecommunication equipment and accessories RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenues and results					
2010					
Revenue	1,011,635	171,496	-	-	1,183,131
Segment results					
Segment profit	115,212	19,531	-	(12,233)	122,510
Interest income	4,046	685	-	1	4,732
Other income					10,560
Other expenses*					(3,350)
Finance costs	(8,314)	(1,409)	-	-	(9,723)
Profit before income tax					124,729
Income tax					(22,174)
Net profit for the year					102,555
2009					
Revenue	1,344,014	271,251	-	-	1,615,265
Segment results					
Segment profit	167,651	33,835	-	(15,147)	186,339
Interest income	2,797	564	-	1	3,362
Other income					4,195
Other expenses*					1,047
Finance costs	(13,324)	(2,689)	-	-	(16,013)
Profit before income tax					178,930
Income tax					(29,064)
Net profit for the year					149,866

* *excluding research and development expenses*

31 SEGMENT INFORMATION (cont'd)

Segment assets represent cash and bank balances, trade receivables, other receivables and prepayment, inventories, available-for-sale investments, leasehold land, property, plant and equipment, and deferred tax assets, which are attributable to each operating segments. Segment liabilities represent short-term loans, trade payables, other payables, income tax payable, and deferred tax liabilities, which are attributable to each operating segments.

	Radio frequency coaxial cables RMB'000	Telecommunication equipment and accessories RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Statement of Net Assets					
2010					
Assets:					
Segment assets	974,528	165,933	649	-	1,140,461
Unallocated assets				109,087	109,087
Total assets					1,249,548
Liabilities:					
Segment liabilities	335,536	56,880	-	-	392,416
Unallocated liabilities				4,423	4,423
Total liabilities					396,839
2009					
Assets:					
Segment assets	1,127,487	227,554	-	-	1,355,041
Unallocated assets				10,747	10,747
Total assets					1,365,788
Liabilities:					
Segment liabilities	567,834	114,596	-	-	682,430
Unallocated liabilities				7,694	7,694
Total liabilities					690,124

Unallocated corporate assets mainly represent cash and bank balances, other receivable and prepayments and property, plant and equipment at corporate level.

Unallocated corporate liabilities represent other payable at corporate level.

31 SEGMENT INFORMATION (cont'd)

	Radio frequency coaxial cables RMB'000	Telecommunication equipment and accessories RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Other segment information					
2010					
Capital expenditure	13,611	2,307	649	-	16,567
Depreciation expense	12,679	2,150	-	9	14,838
Amortisation of leasehold land	479	81	-	-	560
Inventory obsolescence allowance	725	81	-	-	806
2009					
Capital expenditure	54,396	10,978	-	374	65,748
Depreciation expense	9,584	1,934	-	10	11,528
Amortisation of leasehold land	447	90	-	-	537
Inventory obsolescence allowance	(480)	(97)	-	-	(577)

Geographical segment

The geographical regions of the customers of the Group principally comprise the Central Asia, South Asia and others.

The Group's revenue from external customers and information about its non-current segment assets by geographical location are detailed below:

	Revenue from external customer		Non-current assets	
	2010 RMB'000	2009 RMB'000	2010 RMB'000	2009 RMB'000
Central Asia	1,148,809	1,526,800	169,200	169,851
South Asia	28,325	85,165	77	148
Others	5,997	3,300	-	-
Total	1,183,131	1,615,265	169,277	169,999

Information about major customers

Revenue from major customers which accounts for 10% or more of the Group's revenue are as follows:

	Group	
	2010 RMB'000	2009 RMB'000
Customer A[1]	353,001	373,220
Customer B[1]	236,704	594,634
Customer C[1]	173,191	263,120
Customer D[1]	127,340	-
Total	890,236	1,230,974

[1] *Revenue from radio frequency coaxial cables.*

32 COMMITMENTS

	Group		Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for:				
Property, plant and equipment	14,590	4,225	-	-
Donation commitment	8,000	8,500	-	-
Total	22,590	12,725	-	-

Included in building in Note 13 was approximately RMB7,320,000 which represents certain constructions built on a piece of land located in the PRC (the "No. 5 Land") which the Group has prepaid RMB 5,760,000 as deposit for the acquisition of such land from the owner but the Group has not yet obtained the land certificate. In the opinion of the directors, the No. 5 Land is highly likely to be put on auction. Pursuant to a directors' resolution dated 5 August 2010, the directors resolved to take part in the future auction of the No. 5 Land at an estimated price of RMB 6,800,000 or at a higher price to be authorised by the directors.

The PRC subsidiary has committed to donate RMB 500,000 per annum from 2007, for a period of 20 years, to a charitable organisation in the PRC.

33 PRIOR YEAR'S ADJUSTMENTS AND RECLASSIFICATIONS

In connection with the dual listing of the Company's shares on The Stock Exchange of Hong Kong Limited and the offering of new ordinary shares in the capital of the Company, the Company used International Financial Reporting Standards for its listing application to follow the prevailing market practice in Hong Kong. Following which the management re-assessed and re-evaluated the functional currency of the Company and determined that the functional currency would be that of Chinese Renminbi. The Company has consequently adopted FRS 21 *The Effects of Changes in Foreign Exchange Rates* and applied the change retrospectively in accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

In addition, the management has also determined that the difference between the acquisition costs and carrying amount of net assets of Jiangsu Hengxin Technology Co., Ltd in 2004, due to common shareholdings, should be accounted under merger accounting as a special reserve instead of goodwill.

Certain reclassifications have been made to the prior years' financial statements to enhance comparability with the current year's financial statements.

As a result, the face of the statement of financial position, statement of changes in equity and consolidated statement of cash flow, and the related notes to the financial statements have been amended. Comparative figures have been adjusted to conform with the current year's presentation.

33 PRIOR YEAR'S ADJUSTMENTS AND RECLASSIFICATIONS (cont'd)

The effects of the restatement on the prior years' financial statements and reclassification are as follows:

	Previously reported RMB'000	Adjustment RMB'000	Reclassification RMB'000	Restated RMB'000
2008 Statement of Comprehensive Income				
Revenue	1,214,179	-	-	1,214,179
Cost of sales	(988,960)	-	-	(988,960)
Gross profit	225,219	-	-	225,219
Other operating income	8,751	-	(1,346)	7,405
Distribution expenses	(48,530)	-	-	(48,530)
Administrative and general expenses	(35,919)	-	5,460	(30,459)
Other expenses	(644)	(3,610)#1	(4,114)	(8,368)
Finance costs	(21,743)	-	-	(21,743)
Profit before income tax	127,134	(3,610)	-	123,524
Income tax expenses	(16,781)	-	-	(16,781)
Exchange differences on translation	(3,610)	3,610	-	-
Profit for the year representing total comprehensive income for the year	106,743	-	-	106,743
2008 Statement of Changes in Equity				
Share Capital	205,771	-	-	205,771
General reserves	62,341	-	-	62,341
Translation reserves	(4,033)	4,033	-	-
Special reserves	-	(6,017)	-	(6,017)
Retained earnings	273,216	(4,033)#2	-	269,183
Attributable to equity holders of the Company	537,279	(6,017)	-	531,278
2008 Statement of Financial Position				
Goodwill	6,017	(6,107)	-	-
Special reserve	-	6,107	-	6,107
Leasehold land	21,678	(3,396)#5	-	18,282
Other receivables and prepayment	1,449	3,396	-	4,845

33 PRIOR YEAR'S ADJUSTMENTS AND RECLASSIFICATIONS (cont'd)

	Previously reported RMB'000	Adjustment RMB'000	Reclassification RMB'000	Restated RMB'000
2009 Statement of Comprehensive Income				
Revenue	1,615,265	-	-	1,615,265
Cost of sales	(1,302,579)	-	-	(1,302,579)
Gross profit	312,686	-	-	312,686
Other operating income	9,148	-	(1,591)	7,557
Distribution expenses	(82,768)	-	-	(82,768)
Administrative and general expenses	(43,579)	-	8,437	(35,142)
Other expenses	(506)	(38)[#3]	(6,846)	(7,390)
Finance costs	(16,013)	-	-	(16,013)
Profit before income tax	178,968	(38)	-	178,930
Income tax expenses	(29,064)	-	-	(29,064)
Exchange differences on translation	(22)	38	-	16
Profit for the year representing total comprehensive income for the year	149,882	-	-	149,882
2009 Statement of Changes in Equity				
Share capital	205,771	-	-	205,771
General reserves	87,287	-	-	87,287
Translation reserves	(4,055)	4,071	-	16
Special reserves	-	(6,017)	-	(6,017)
Retained earnings	392,678	(4,071)[#4]	-	388,607
Attributable to equity holders of the Company	681,681	(6,017)	-	675,664
2009 Statement of Financial Position				
Goodwill	6,017	(6,107)	-	-
Special reserve	-	6,107	-	6,107
Leasehold land	26,901	(5,760)[#5]	-	21,141
Other receivables and prepayment	24,148	5,760	-	29,908

Note

#1 – To adjust for the impact of changing functional currency of the Company from Singapore Dollars to Chinese Renminbi for the financial year ended 31 December 2008.

#2 – To account for the adjustment under #1 and the exchange translation of RMB 423,000 for the financial year ended 31 December 2007.

#3 – To adjust for the impact of changing functional currency of the Company from Singapore Dollars to Chinese Renminbi for the financial year ended 31 December 2009.

#4 – To account for the adjustments under #2 and #3.

#5 – To reclass deposits paid for acquisition of land use rights.

34 RECONCILIATION BETWEEN FRSs AND INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

For the year ended 31 December 2010, there were no material differences between the consolidated financial statements of the Group prepared under FRSs and IFRSs.

Statistics of Shareholdings

As at 7 March 2011

Class of shares	:	Ordinary shares
No. of shares (excluding treasury shares)	:	388,000,000
Voting rights	:	One vote per share

As at 7 March 2011, the Company did not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	5	0.34	1,033	0.00
1,000 – 10,000	616	42.25	4,137,780	1.07
10,001 – 1,000,000	821	56.31	46,675,000	12.03
1,000,001 and above	16	1.10	337,186,187	86.90
Total	**1,458**	**100.00**	**388,000,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

	Name	No. of Shares	%
1	HKSCC NOMINEES LIMITED	129,081,000	33.27
2	KINGEVER ENTERPRISES LIMITED	90,294,662	23.27
3	CITIBANK NOMINEES SINGAPORE PTE LTD	31,253,000	8.05
4	WELLAHEAD HOLDINGS LIMITED	28,082,525	7.24
5	DBS VICKERS SECURITIES (S) PTE LTD	21,140,000	5.45
6	CIMB SECURITIES (SINGAPORE) PTE LTD	8,521,000	2.20
7	CHUA BENG CHENG	5,190,000	1.34
8	UOB KAY HIAN PTE LTD	4,433,000	1.14
9	OCBC SECURITIES PRIVATE LTD	4,057,000	1.05
10	WAN QINGSONG	3,144,000	0.81
11	PHILLIP SECURITIES PTE LTD	3,105,000	0.80
12	RAFFLES NOMINEES (PTE) LTD	2,034,000	0.52
13	DBS NOMINEES PTE LTD	1,975,000	0.51
14	HSBC (SINGAPORE) NOMINEES PTE LTD	1,925,000	0.50
15	SOH BENG HUAT	1,828,000	0.47
16	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,123,000	0.29
17	ROYAL BANK OF CANADA (ASIA) LIMITED	961,000	0.25
18	NG SOK MENG EVELYN	900,000	0.23
19	CHIANG LIEW CHIN	700,000	0.18
20	SOH ENG TAI	693,000	0.18
	TOTAL	**340,440,187**	**87.75**

SUBSTANTIAL SHAREHOLDERS AS AT 7 MARCH 2011

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Kingever Enterprises Limited	90,294,662	23.27	-	-
Wellahead Holdings Limited	28,082,525	7.24	-	-
United Simsen Securities Ltd.	20,000,000	5.15	-	-
Cui Genxiang	-	-	90,294,662 (1)	23.27
Zhang Zhong	-	-	28,082,525 (2)	7.24
Ji Xiao Bo	-	-	20,000,000 (3)	5.15

Notes:

(1) Cui Genxiang is deemed to be interested in the shares held by Kingever Enterprises Limited by virtue of his 100% ownership in Kingever Enterprises Limited.

(2) Zhang Zhong is deemed to be interested in the shares held by Wellahead Holdings Limited by virtue of her 100% ownership in Wellahead Holdings Limited.

(3) Ji Xiao Bo is deemed to be interested in the shares held by a nominee company, United Simsen Securities Ltd and United Simsen Securities Ltd's shares are held through HKSCC Nominees Limited.

PUBLIC FLOAT

As at 7 March 2011, approximately 64.34% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual and Rule 8.08 of the Listing Rules.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hengxin Technology Ltd. ("the Company") will be held at The Fullerton Hotel Singapore, TDB Room (Lower Lobby), 1 Fullerton Square, Singapore 049178 on Thursday, 28 April 2011 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company and the Group for the year ended 31 December 2010 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of S$0.0077 per share (one-tier tax exempt) for the year ended 31 December 2010 (2009: S$0.0091 per share (one-tier tax exempt)). **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to the Articles of Association of the Company:

   Mr Cui Genxiang (Retiring under Article 89) **(Resolution 3)**
   Dr Song Haiyan (Retiring under Article 88) **(Resolution 4)**
   Mr Tam Chi Kwan Michael (Retiring under Article 88) **(Resolution 5)**
   [See Explanatory Note (i)]

4. To approve the payment of additional Directors' fees of S$4,100 for the financial year ended 31 December 2010. **(Resolution 6)**

5. To approve the payment of Directors' fees of S$320,000 for the financial year ending 31 December 2011 to be paid quarterly in arrears (2010: S$270,000). **(Resolution 7)**

6. To re-appoint Messrs Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 8)**

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

8. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Singapore Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited.**

   That pursuant to Section 161 of the Singapore Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

(the "Share Issue Mandate")

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

    (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
    (b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and
    (c) any subsequent consolidation or subdivision of shares;

(3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments, whichever is earlier. **[See Explanatory Note (ii)]** **(Resolution 9)**

9. **Renewal of Share Purchase Mandate**

That for the purposes of Sections 76C and 76E of the Singapore Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as ascertained as at the date of Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined in paragraph 1.3.4 of the Company's Letter to Shareholders dated 24 March 2011 (the "Letter"), in accordance with the "Authority and Limits of the Share Purchase Mandate" set out in the Letter, and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. **[See Explanatory Note (iii)]** **(Resolution 10)**

10. **Authority to issue shares under the Hengxin Share Option Scheme**
That pursuant to Section 161 of the Singapore Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options ("Options") under the Hengxin Share Option Scheme ("the Scheme") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be transferred or issued pursuant to the exercise of the Options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. **[See Explanatory Note (iv)]** **(Resolution 11)**

By Order of the Board

Shirley Lim Guat Hua
Company Secretary
Singapore, 24 March 2011

Explanatory Notes:

(i) Mr Tam Chi Kwan Michael will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and will be considered independent.

(ii) The Ordinary Resolution 9 above, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

(iii) The Ordinary Resolution 10 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price as defined in paragraph 1.3.4 of the Company's Letter. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial accounts of the Group for the financial year ended 31 December 2010 are set out in greater detail in the Letter.

(iv) The Ordinary Resolution 11 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in total (for the entire duration of the Scheme) fifteen per centum (15%) of the issued shares in the capital of the Company from time to time.

IMPORTANT: Notwithstanding the passing of the Ordinary Resolution No. 9, 10 and 11, the Company shall from time to time comply with the relevant requirements under the Hong Kong Listing Rules in relation to issuance of securities, repurchase of shares and issuance of shares under share option scheme.

Note:-

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint more than one proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the Principal Share Registrar of the Company, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place Singapore Land Tower #32-01 Singapore 048623 (for Singapore Shareholders), or at the office of the Company's Branch Share Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (for Hong Kong Shareholders), not less than forty-eight (48) hours before the time appointed for holding the Meeting.

3. If the member is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorized officer or attorney.

4. A depositor whose name appears in the Depository Register (as defined in Section 130A of the Singapore Companies Act) of the Company and who is unable to attend personally but wishes to appoint a nominee to attend and vote on his behalf, or if such depositor is a corporation, should complete the depositor proxy form under seal or the hand of its duly authorized officer or attorney and lodge the same at the office of the Company's Singapore Principal Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd. at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623, not later than 48 hours before the time appointed for the meeting.

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HENGXIN TECHNOLOGY
亨鑫科技

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