OVERVIEW

We are one of the leading manufacturers of radio frequency (RF) coaxial cables series for mobile communications in the PRC. Based on statistical data in the notice issued by Optical and Electronic Cable Association of China(1), a sub-association of China Electronics Components Association(2) (中國電子元件行業協會光電綫纜分會) to Hengxin (Jiangsu) in June 2010, Hengxin (Jiangsu) ranked second in terms of sales volume for RF coaxial cables series for mobile communications among the majority of such manufacturers in the PRC in 2009.

Our products are generally classified into two categories which comprise (i) RF coaxial cables series for mobile communications; and (ii) coaxial cables for telecommunications equipment and accessories. Our products, marketed under the award-winning "HongSun" brand name, are used in signal transmission systems for deployment into the network which telecommunications operators are constructing and operating in the PRC and overseas market.

The following table sets forth our revenue by product categories during the [●].

	Year ended 31 December						Nine months ended 30 September			
	2007		2008		2009		2009		2010	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
RF coaxial cables series for mobile communications	818,644	85.0	1,073,959	88.5	1,344,014	83.2	1,026,877	84.0	722,764	83.5
Coaxial cables for telecommunications equipment and accessories	144,180	15.0	140,220	11.5	271,251	16.8	196,061	16.0	142,652	16.5
Total	962,824	100	1,214,179	100	1,615,265	100	1,222,938	100	865,416	100

Notes:

1. Optical and Electronic Cable Association of China ("OECAC") is one of the 14 sub-associations of China Electronics Components Association ("CECA"). It is a national industry association, established by optical and electronic cable manufacturing enterprises and their raw material and equipment suppliers, relative research institute and colleges on 28 March 1988. The governing authority of OECAC is the Ministry of Industry and Information Technology of the PRC. None of our Directors or senior management is or was a member of OECAC. The industry statistical data issued by OECAC were not commissioned by us and/or the [●].

2. China Electronics Components Association ("CECA") is a national industry association, established by enterprises in the electronics components industry and relative institutions on 16 November 1988. The governing authority of CECA is the Ministry of Industry and Information Technology of the PRC. It currently has over 1,600 members and 14 sub-associations. None of our Directors or senior management is or was a member of CECA.

Possible decrease in the revenue and net profit for the year ending 31 December 2010

We have achieved growth during the three years ended 31 December 2009. Our revenue was RMB962.8 million, RMB1,214.2 million and RMB1,615.3 million respectively for each of the three years ended 31 December 2009, representing a CAGR of 29.6%. Our net profit for the same periods was RMB106.7 million, RMB106.7 million and RMB149.9 million respectively, representing a CAGR of 20.2%. The reduction in capital expenditure by the three telecommunications operators in the PRC since 2010 has resulted in the fall in demand for our products and thus our revenue for the nine months ended 30 September 2010. Our revenue for the nine months ended 30 September 2010 was RMB865.4 million, a decrease of RMB357.5 million, or 29.2%, as compared to the revenue of RMB1,222.9 million for the nine months ended 30 September 2009. Nevertheless, we maintained a similar profit margin during the nine months ended 30 September 2010 as compared to the corresponding period in 2009. Our gross profit margin for the nine months ended 30 September 2010 slightly decreased to 19.1% for the nine months ended 30 September 2010 as compared to 19.3% for the nine months ended 30 September 2009. Our net profit margin for the nine months ended 30 September 2010 slightly increased to 9.2% for the nine months ended 30 September 2010 as compared to 8.8% for the nine months ended 30 September 2009. Our Group expects the slowdown in demand for our products induced by reduction in capital expenditure by the three telecommunications operations will continue for the rest of 2010, resulting in the decrease in our revenue and net profits for the year ending 31 December 2010.

Production

Our production base is located at No. 138 Taodu Road, Dingshu Town, Yixing City, Jiangsu Province, the PRC, where we have comprehensive and advanced production facilities. As at 30 September 2010, we owned 55 production lines, of which 43 production lines are located in our existing production plants with an aggregate annual production capacity of approximately 115,710 km and 12 production lines are located in our new production plant with an aggregate annual production capacity of approximately 33,060 km. The construction of our new production plant has been completed and the commercial operation has been commenced in October 2010. As at the [●], we have not yet obtained the relevant land use rights certificate for the new production plant and returned the building ownership certificate of the new production plant to the PRC authority. If we are unable to obtain the land use right of the Land, we cannot obtain the building ownership certificate of the new production plant, and consequently we need to demolish the new production plant and relocate the production facilities. For details of the defects in the legal title of such properties, please refer to the paragraph headed "There are defects in the legal title of part of the land occupied by our production base and a new production plant erected thereon" in the section headed "Risk Factors" in this document.

Sales and marketing

Our sales are currently concentrated in the PRC. The following table sets forth our revenue by geographical areas during the [●]. The reduction in capital expenditure by the three telecommunications operators in the PRC since 2010 has resulted in the decreased demand for our products and thus our revenue for the nine months ended 30 September 2010. Our revenue for the nine months ended 30 September 2010 was RMB865.4 million, a decrease of RMB357.5 million, or 29.2%, as compared to the revenue of RMB1,222.9 million for the nine months ended 30 September 2009. Our Group expects the slowdown in demand for our products induced by reduction in capital expenditure by the three telecommunications operations will continue for the rest of 2010, resulting in the decrease in our revenue and net profits for the year ending 31 December 2010.

	Year ended 31 December						**Nine months ended 30 September**			
	2007		**2008**		**2009**		**2009**		**2010**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
PRC (including Hong Kong)	837,233	86.9	954,804	78.6	1,526,800	94.5	1,156,710	94.6	838,285	96.9
South Asia[1]	124,971	13.0	259,375	21.4	85,165	5.3	64,968	5.3	21,426	2.5
Others[2]	620	0.1	–	–	3,300	0.2	1,260	0.1	5,705	0.6
Total	962,824	100	1,214,179	100	1,615,265	100	1,222,938	100	865,416	100

Notes:

1. The countries of the external customers included in this category included India, Indonesia, Singapore and Australia etc. No further analysis by countries of this category is presented because the revenue from each individual country is insignificant to the total revenue.

2. The countries of the external customers included in this category included Kuwait, Iran, Mexico and Costa Rica etc. No further analysis by countries of this category is presented because the revenue from each individual country is insignificant to the total revenue.

Our sales coverage spans throughout the PRC. We have established market development department adopting a strategic regional sales system in charge of the sales and marketing activities relating to the PRC market. More specifically, we have designated seven sales regions in the PRC, based on the geographical concentration of our customers, to facilitate management of our sales and marketing activities. The seven regions are Beijing, Northeast China, Northwest China, Central China, East China, South China and Southwest China. Our sales representatives of each sales region maintain regular contact with customers to promote products, negotiate contract terms, track product performance and customer satisfaction, provide technical supporting and follow up trade receivables.

In addition, we have established overseas business department in charge of the sales and marketing activities relating to the overseas markets. We currently export our products directly to India, Singapore, Indonesia and Australia, of which India contribute the majority. In July 2009, we successfully established our wholly-owned subsidiary in India, Hengxin (India), through which we hope to grow our exports to the India market by selling our products directly to the local telecommunications operators. Hengxin (India) has recognised sales to local telecommunications operators since August 2010.

We normally have to bid for the sale of our products through tenders organized by our customers. Sales contribution through tenders accounted for approximately 84.5%, 83.6%, 94.1% and 89.7% of our revenue during the [●], and the success rate of our bid over the same period was approximately 67.7%, 65.4%, 65.6% and 62.5%, respectively. We are responsible for supplying our products to our customers and no installation services are provided by us to our customers.

Our customers mainly include (i) telecommunications operators, such as the various branches or subsidiaries of China Unicom, China Mobile and China Telecom; and (ii) equipment manufacturers. During the [●], we principally sell our products to 31 of 32 branches of China Unicom, 25 of 31 subsidiaries of China Mobile, 29 of 31 subsidiaries of China Telecom and 2 major equipment manufacturers.

Research and development

We are committed to enhancing production innovation and production efficiency through research and development. During the [●], we have established technology exchange and cooperation programmes with a Shanghai research institute, Zhejiang University (浙江大學) and Beijing University of Posts and Telecommunications (北京郵電大學). Under the cooperation program with such research institute, we have developed and commercialized 1 new variety of coaxial cables and obtained 1 registered patent for such new product. Under the cooperation program with Zhejiang University (浙江大學), we have developed and commercialised 4 new varieties of coaxial cables and telecommunications accessories, which are granted various awards and registered patents. We are currently working on another 2 new varieties of coaxial cables and telecommunications accessories development projects including antennas with Zhejiang University (浙江大學). In August 2010, we entered into a cooperation agreement with Beijing University of Posts and Telecommunications (北京郵電大學) in respect of internet of things (IOT) and intelligent information processing. Through such collaborations with research and education facilities, we are able to keep up with the latest product technology and industry trends, improve our existing product line and meet market requirements by developing new products promptly. We have also set up an academician workstation (院士工作站) in September 2010. The academician workstation will engage in the research work of internet of things (IOT), an advanced technology in the world today. Our Directors believe that the establishment of an academician workstation will drive our technical innovation and strengthen our market competitiveness. Moreover, it will bring opportunities to our Group to jointly carry out research work with the talented academic team, which in turn may improve our research and development capability. Since establishment of Hengxin (Jiangsu) in 2003, we have developed and commercialised 59 new varieties of coaxial cables and telecommunications accessories with 7 new varieties of coaxial cables and telecommunications accessories under current development. As at the [●], we have obtained 15 patents in respect of our coaxial cables and telecommunications accessories with another 6 patent applications which have been accepted by the State Intellectual Property Bureau and are in the process of application.

We intend to develop antennas and high temperature resistant cables so as to expand our current product mix of communications and technological products. Antenna is a transducer that transmits and receives electromagnetic waves. Similar to our RF coaxial cables series for mobile communications, antennas are also a necessary part of a wireless communication network infrastructure. Our Directors believe that, with antennas, we shall be able to provide complete solutions, including antennas, RF coaxial cables and other accessories to our customers. In this way, we enhance our market competitiveness and strengthen our leading position in the market. High temperature resistant cable is used in the transmission of electronic power or signals. Compared to our existing products, high temperature resistant cables meet the demand for higher degree of safety under high temperature and extreme conditions of use. Accordingly, high temperature resistant cable enjoys wider application areas, such as telecommunications industry, computer industry, military industry, aerospace industry, automotive industry, ship-building industry, medical treatment industry and chemical engineering industry. By expanding our product mix to include high temperature resistant cables, we shall be able to expand our target customer and provide a wider range of products. As at the [●], we are in the process of conducting initial research work on the antennas project and research work on the high temperature resistant cables project.

COMPETITIVE STRENGTHS

We attribute our success to the following key competitive strengths:

- We have a comprehensive sales and distribution network
- We enjoy a good reputation and brand name in the coaxial cable industry
- We have advanced manufacturing technology and large-scale production capacity
- We offer a comprehensive range of RF coaxial cables series for mobile communications
- We have strong research and development capabilities
- We have an experienced and professional management team

STRATEGIES

Our future plans for growth and expansion of our business are described below:

- Further expand our sales network into overseas market
- Diversify our product portfolio to antennas
- Diversify our product portfolio to high temperature resistant cables
- Enhance our research and development team

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

You should read the summary of historical consolidated financial information below in conjunction with our historical consolidated financial statements, which have been prepared in accordance with IFRS and are included in the accountants' report presented in Appendix I to this document. The summary of historical consolidated statements of comprehensive income and summary of consolidated statements of cash flows for each of the three years ended 31 December 2009 and the nine months ended 30 September 2010 and the summary of historical consolidated statements of financial position as at 31 December 2007, 2008 and 2009 and 30 September 2010 set forth below have been derived from our historical consolidated financial statements.

Summary Consolidated Statements of Comprehensive Income

	Year ended 31 December			Nine months ended 30 September	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	962,824	1,214,179	1,615,265	1,222,938	865,416
Cost of sales	(752,769)	(988,960)	(1,302,579)	(986,428)	(699,975)
Gross profit	210,055	225,219	312,686	236,510	165,441
Other income	5,976	7,405	7,557	5,306	12,901
Distribution and selling expenses	(35,681)	(48,530)	(82,768)	(64,532)	(41,276)
Administrative and general expenses	(28,113)	(30,459)	(35,142)	(30,673)	(25,366)
Other expenses	(7,894)	(8,368)	(7,390)	(5,374)	(6,805)
Finance costs	(23,764)	(21,743)	(16,013)	(12,895)	(8,972)
Profit before tax	120,579	123,524	178,930	128,342	95,923
Income tax expense	(13,880)	(16,781)	(29,064)	(21,137)	(16,611)
Net profit for the year/period attributable to owners of the Company	106,699	106,743	149,866	107,205	79,312
Other comprehensive income:					
Exchange differences on translation	–	–	16	(9)	5
Total comprehensive income for the year/period attributable to owners of the Company	106,699	106,743	149,882	107,196	79,317
	RMB cents	*RMB cents*	*RMB cents*	*RMB cents*	*RMB cents*
Earnings per share					
– basic	31.8	31.8	44.6	31.9	23.6

Summary Consolidated Statements of Financial Position

	As at 31 December			As at 30 September
	2007	**2008**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	104,426	116,067	169,999	166,840
Current assets	761,788	942,120	1,195,789	1,054,241
Current liabilities	430,745	526,328	688,711	478,969
Net current assets	331,043	415,792	507,078	575,272
Total assets less current liabilities	435,469	531,859	677,077	742,112
Non-current liabilities	–	581	1,413	1,850
Total equity attributable to owners of the Company	435,469	531,278	675,664	740,262

Summary Consolidated Statements of Cash Flows

	Year ended 31 December			Nine months ended 30 September	
	2007	**2008**	**2009**	**2009**	**2010**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash generated from operating activities	128,722	66,662	173,936	127,835	46,233
Net cash used in investing activities	(16,024)	(22,630)	(65,045)	(42,597)	(9,372)
Net cash used in financing activities	(12,350)	(67,568)	(151,792)	(43,893)	(45,018)
Net increase (decrease) in cash and cash equivalents	100,348	(23,536)	(42,901)	41,345	(8,157)
Cash and cash equivalents at the beginning of the year/period	111,848	212,061	191,132	191,132	147,676
Effects of foreign exchange rate changes	(135)	2,607	(555)	244	172
Cash and cash equivalents at the end of the year/period	212,061	191,132	147,676	232,721	139,691

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN IFRS FINANCIAL STATEMENT LINE ITEMS AND SFRS FINANCIAL STATEMENTS LINE ITEMS

As a company listed on the SGX-ST, we make regular public disclosures in compliance with the regulatory requirements of the SGX-ST, including filing annual reports, quarterly reports and announcements of material events. Our financial information during the [●] therefore was compiled in accordance with SFRS using RMB as our functional currency, which information has been audited by our independent auditors. In contemplation of the [●], we changed our accounting standards to IFRS to follow the prevailing market practice in Hong Kong. As a result, certain differences between the IFRS financial statement line items and SFRS financial statement line items arose due to the change of our conversion from SFRS to IFRS for our financial statements for the three years ended at 31 December 2009. Following the [●], we intend to continue preparing our financial statements in accordance with SFRS. The subsequent financial reports, including the [●], interim reports and quarterly reports, of our Group, shall include a reconciliation of our financial statements in accordance with IFRS, with narrative descriptions of the major differences in a form which will facilitate investors' understanding of our financial performance. We will also publish our quarterly results in Hong Kong and Singapore. Our Company will revert to IFRS if we are no longer listed on the SGX-ST.

Summary of Line Items of Consolidated Statements of Comprehensive Income

In the IFRS consolidated statements of comprehensive income, we reclassified the exchange differences of RMB0.6 million arising on the settlement and retranslation of monetary items denominated in the foreign currency of our Company from S$ to RMB from "exchange differences on translation" to "other expenses" for the year ended 31 December 2007. For the year ended 31 December 2008, we reclassified the exchange differences of RMB2.3 million arising on the settlement and retranslation of monetary items denominated in the foreign currency of our Company from S$ to RMB from "exchange differences on translation" to "other expenses" and RMB1.3 million from "exchange differences on translation" to "other income". For the year ended 31 December 2009, we reclassified the exchange differences of RMB38,000 arising on the settlement and retranslation of monetary items denominated in the foreign currency of our Company from S$ to RMB from "exchange differences on translation" to "other expenses". We also reclassified the research and development expenses from "administrative and general expenses" to "other expenses". The reclassified research and development expenses were RMB3.7 million, RMB5.5 million and RMB8.4 million for the years ended 31 December 2007, 2008 and 2009, respectively. Furthermore, we reclassified the net foreign exchange gain of RMB1.6 million from "other income" to "other expenses" for the year ended 31 December 2009. The impact of differences between SFRS and IFRS on our consolidated statement of comprehensive income for the years ended 31 December 2007, 2008 and 2009 was minimal.

Summary of Line Items of Consolidated Statements of Financial Position

In the SFRS consolidated statements of financial position, our goodwill, which arose from the acquisition of Hengxin (Jiangsu) in 2004 was RMB6.0 million, RMB6.0 million and RMB6.0 million as of 31 December 2007, 2008 and 2009, respectively. In the IFRS consolidated statements of financial position, the above amounts were reclassified to special reserve, in which the principle of merger accounting was applied. Furthermore, we reclassified the pledged bank deposits from "bank balances and cash" to "pledged bank deposits". The reclassified pledged bank deposits were RMB31.3 million, RMB70.8 million and RMB120.5 million as of 31 December 2007, 2008 and 2009, respectively. We also reclassified the amount of RMB3.4 million and RMB5.8 million from "leasehold land" to "deposit paid for acquisition of land use right" as of 31 December 2008 and 2009, respectively, as the ownership of which were not transferred to our Group at the end of such reporting period. The impact of differences between SFRS and IFRS on our consolidated statements of financial position for the years ended 31 December 2007, 2008 and 2009 was minimal.

Summary of Line Items of Consolidated Statements of Changes in Equity

In the IFRS consolidated statements of changes in equity, we reclassified the exchange differences arising on the settlement and retranslation of monetary items denominated in the foreign currency of our Company from S$ to RMB from translation reserves to accumulated profits. The reclassified exchange differences from "translation reserves" were RMB0.4 million, RMB4.0 million and RMB4.1 million for the years ended 31 December 2007, 2008 and 2009, respectively. The impact of differences between SFRS and IFRS on our consolidated statement of changes in equity for the years ended 31 December 2007, 2008 and 2009 was minimal.

DIVIDEND POLICY

For each of the [●], our Company declared dividends of approximately RMB12.2 million, RMB10.9 million, RMB5.5 million and RMB14.7 million.

The dividends were declared to reward the then shareholder's investments in our Group. Our Directors consider the level of distribution appropriate and in the best interests of our Group as a portion of the net profits from ordinary activities attributable to shareholders has also been retained to support our Group's expansion. Our Directors consider that it is beneficial to utilise a combination of retained profits and borrowings to finance our Group's working capital needs rather than to solely rely on retained profits for the following reasons:

(i) it maximizes the return on equity;

(ii) it maintains the commercial relationship with banks; and

(iii) it rewards the shareholders for their investments in our Company and shareholders may be inclined to invest further in our Company.

RISK FACTORS

You should carefully consider the following risks before you make a decision to invest in our Shares. Please refer to the section headed "Risk Factors" in this document for further details.

Risks relating to our business

- Our result of operations for the nine months ended 30 September 2010 were adversely affected as a result of the decline in the wireless infrastructure investment in the PRC.
- Our business and results of operations are affected by economic cycles, including the recent global financial and economic crisis.
- We are dependent on our major customers.
- We are dependent on our sales and distribution network.
- We are dependent on our product quality, good reputation and brand name.
- Failure to meet the prescribed industry technical standards in the industries and markets we serve may attract product liability claims and may adversely affect our business and financial performance.
- We are subject to risks associated with technological changes.
- We are exposed to risks arising from credit terms extended to our customers.
- Our failure to acquire raw materials or to fill our customers' orders in a timely and cost-effective manner could materially and adversely affect our business operations.
- Our inability to attract, retain and motivate skilled engineers, research personnel and our key management may adversely affect our business operations.
- There are defects in the legal title of part of the land occupied by our production base and a new production plant erected thereon.
- We are subject to intellectual property rights risks.
- We may require additional financing in the future.
- We may face disruptions in the business operations at our production facilities.

- Our research and development of new products may not lead to successful commercialization of these products.

- Our research and development of antennas and high temperature resistant cables may not be successful.

- We may not successfully further expand our sales network into the overseas market.

- Our export sales are exposed to risks arising from increases in customs duty and taxes imposed by overseas countries and unforeseeable delay in shipments.

- Our non-payment of social insurance funds for employees who are in probation could lead to imposition of penalties or other liabilities.

Risks relating to the industries in which we operate

- Our business is dependent on the development of telecommunications industry in the PRC and overseas.

- We may not be able to maintain our competitive strengths in the telecommunications market.

- The future development of the telecommunications industry is to a certain degree dependent on the PRC government's industry policy. Any restriction policy on the development of the telecommunications industry may result in telecommunications operators decreasing their capital expenditure in the construction of telecommunications infrastructure and thus adversely affect our operation.

- The telecommunications industry has experienced significant consolidation and this trend is expected to continue. Any disruption in our direct business relationship with any of our major customers as a result of market consolidation will adversely affect our sales and profitability.

- We may be indirectly affected by changes in government regulations relating to the telecommunications and broadcast industries in the PRC.

Risks relating to conducting business in the PRC

- Changes in the PRC's political, economic and social conditions, laws, regulations and policies may have an adverse effect on us.

- The PRC's legal system embodies uncertainties that could adversely affect our business and results of operations.

- The PRC's tax laws could affect tax exemptions on dividends received by us or increase our enterprise income tax rate.

- Restrictions on foreign currency exchange may limit our ability to distribute dividends or to use financing effectively.

- Fluctuations in the exchange rates of the RMB may adversely affect your investment and could materially affect our financial condition and results of operations.

- Inflation in the PRC could materially and adversely affect our profitability and growth.

- It may be difficult to effectuate service of process upon us or our Directors who live in the PRC or to enforce against us or them in the PRC judgments obtained from non-PRC courts.

- Our financial results may be adversely affected by the PRC Labour Contract Law and competition within the PRC for skilled and experienced workers.

- We face risks related to health epidemics and other outbreaks as well as natural disasters.