
HISTORY AND CORPORATE STRUCTURE

INTRODUCTION

Our Company was incorporated in Singapore as a private limited company on 18 November 2004 and converted to a public limited company on 12 January 2006. Our Shares have been listed on the SGX-ST for trading since 11 May 2006. Hengxin (Jiangsu) is our sole operating subsidiary in the PRC, and we are engaged in development, manufacture and sales of RF coaxial cables series for mobile communications and other telecommunications equipment and accessories in the PRC. Our products are mainly sold to the customers in the PRC and selected overseas markets, such as India. Our production base is located in Yixing City, Jiangsu Province, the PRC. Hengxin (India) was established in India in 2009 to facilitate the direct sales of our Company's products to the Indian telecommunications operators. For details of the shareholding of the companies in our Group, please refer to the paragraph headed "Corporate Structure" in this section.

HISTORY

Incorporation and shareholding history of our Company

On 18 November 2004, our Company was incorporated in Singapore with an authorised share capital of S\$100 divided into 100 ordinary shares of par value S\$1.00 and an issued share capital of S\$2.00 divided into 2 ordinary shares of par value S\$1.00, and on 29 November 2004, Siskin Investments Ltd. acquired the two subscriber shares in the capital of our Company at a consideration of S\$2.00. To the best knowledge of our Directors, Siskin Investments Ltd. was an investment holding company incorporated in BVI and ceased to hold more than 5% of the shareholding in our Company since 24 October 2007.

On 22 June 2005, our Company allotted and issued 4,823, 1,500 and 3,675 then new Shares (9,998 shares in total) to Kingever, Wellahead and Siskin Investments Ltd. respectively for a total consideration of S\$9,998. On 9 February 2006, our Company capitalized advance from Siskin Investment Ltd. in the sum of US\$6,560,000 into 10,692,800 then new Shares to Kingever, Wellahead and Siskin Investments Ltd. in proportion to their respective interests in our Company. To the best knowledge of our Directors, immediately before and after the capitalization issue, Siskin Investments Ltd. was owned by Mr. Qian Lirong and other 6 individual shareholders as to 49.44% and 50.56%, respectively. All of them are the original shareholders of Hengxin (Jiangsu) on its establishment in 2003.

Prior to our listing on the SGX-ST, we entered into a convertible loan agreement on 14 March 2005 with two investors, namely New Bright Assets Management Limited and Achieve New Investments Limited, and our then existing shareholder Siskin Investments Ltd., by which New Bright Assets Management Limited and Achieve New Investments Limited agreed to grant a convertible loan facility of US\$1.5 million and US\$2.0 million respectively, in consideration of the right to convert the full sum of such loan facility into fully paid ordinary shares in our Company. Such loan facility was used to finance the acquisition of Hengxin (Jiangsu) and to defray the costs of our Company's listing on the SGX-ST, which was converted into 3,358,656 then shares in our Company on 9 February 2006. Upon the listing of

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our Company on the SGX-ST in May 2006, New Bright Assets Management Limited and Achieve New Investments Limited owned 17,992,800 and 23,990,400 then Shares in our Company respectively (representing approximately 5.4% and 7.1% of the then shareholdings of our Company). As at the [●], none of New Bright Assets Management Limited and Achieve New Investments Limited held more than 5% or more of the total issued Shares in our Company. [Our Directors confirm that both New Bright Assets Management Limited and Achieve New Investments Limited are Independent Third Parties.]

On 18 November 2005, we changed our name to "Hengxin Technology Pte. Ltd.", and converted to a public company limited by shares and changed our name to "Hengxin Technology Ltd." on 12 January 2006.

On 11 May 2006, our Shares have been successfully listed on the SGX-ST for trading.

History and development of Hengxin (Jiangsu)

On 26 June 2003, Hengxin (Jiangsu) was established in the PRC with an initial registered capital of RMB60 million, which was then owned by Mr. Cui, Ms. Zhang, Mr. Qian Lirong and other 9 individual shareholders as to approximately 48.2%, 15.0%, 10.0% and 26.8%, respectively. [Mr. Qian Lirong was the executive Director before he resigned on 17 January 2007, and he was also one of the founders of our Group. [To the best knowledge of our Directors, the 9 individual shareholders were neither directors nor employees of our Group; and except for Mr. Sun Xuelin is the uncle of Mr. Qian Lirong, they are independent of each other. Our Directors confirm the 9 individual shareholders are considered as Independent Third Parties.]

In July 2003, Hengxin (Jiangsu) initiated a buy-out of the RF coaxial cables business from an affiliated company, Hengtong Cable, by acquiring the land use rights, buildings, plant and machinery relating to the RF coaxial cable manufacturing business (the "Operating Assets") from Hengtong Cable at a consideration of approximately RMB72.2 million pursuant to an asset transfer agreement dated 21 July 2003. The consideration was arrived at based on an independent valuation of the net tangible valuation of the Operating Assets as at 30 June 2003.

Hengtong Cable was a foreign investment enterprise established on 16 March 1993. Before 21 August 1998, Hengtong Cable was owned as to 70% by Hengtong Group Co. Ltd. and as to 30% by China Southern Comm. Cable (Hong Kong) Company Limited (now known as China Southern (Group) Hong Kong Ltd). As from 21 August 1998, Hengtong Cable was owned as to 55% by Hengtong Group Co. Ltd. and as to 45% by China Southern Comm. Cable (Hong Kong) Company Limited (now known as China Southern (Group) Hong Kong Ltd). Before 1998, Hengtong Cable's principal business was the manufacture and sale of indoor communications and data cables. In 1998, anticipating a potential niche market for RF coaxial cables series for mobile communications in the PRC, Hengtong Cable commenced market research and started a project to research and develop RF coaxial cables series for mobile communications. In the first half of 1999, Hengtong Cable successfully commenced large-scale commercial production of RF coaxial cables series for mobile communications. Hengtong Cable was de-registered in October 2005.

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Upon the acquisition of the Operating Assets from Hengtong Cable, we concentrated on increasing our production capacity, keeping up with industry trends and manufacturing quality products to position ourselves as a market leader in the RF coaxial cable industry, as well as focused on securing key projects and increasing our publicity and promotional activities to gain acceptance and recognition from customers in the shortest time possible. Between the second half of 2003 and the first half of 2004, we expanded our production capacity and added new manufacturing equipment in satisfying the increasing market demand. After the expansion in 2004, our annual production capacity for RF coaxial cables series for mobile communications increased by about 13,000 km to approximately 25,000 km.

For the purpose of restructuring of our Group and in preparing for our listing on the SGX-ST, on 11 November 2004, Hengxin (Jiangsu) was converted into a limited liability company. On 19 November 2004, the 11 shareholders of Hengxin (Jiangsu), except for Mr. Shen Mingquan, transferred their respective shares comprising approximately 93.4% of the registered share capital of Hengxin (Jiangsu) to Yixing Spirit Investments Co., Ltd (宜興市思博瑞投資有限公司) ("**Yixing Spirit**") for a total consideration of approximately RMB56 million. The consideration was arrived at after having taken into account the registered capital of Hengxin (Jiangsu). The transfer of equity interest from 11 shareholders to Yixing Spirit was to facilitate the restructuring of our Group with due respect of personal tax planning of the 11 shareholders. Our PRC legal advisers, Shanghai Veritas Law Corporation, have advised that the aforesaid transfer by 11 shareholders was valid and legally enforceable under the PRC laws and regulations. Yixing Spirit was an investment company established in the PRC and owned by two ex-employees of Hengxin (Jiangsu), namely Mr. Xia Jie and Mr. Sun Huxing, who were independent to our Group, Directors and [●]. To the best of knowledge of our Directors, the 11 shareholders had entrusted Mr. Xia Jie and Mr. Sun Huxing to set up Yixing Spirit on their behalf.

On 18 December 2004, our Company entered into a share transfer agreement with Yixing Spirit and Mr. Shen Mingquan to acquire the entire share capital of Hengxin (Jiangsu) at a consideration of approximately RMB83.5 million which was arrived at based on an independent valuation of the net asset value of Hengxin (Jiangsu). After the share transfer, the registered capital of Hengxin (Jiangsu) increased from RMB60 million to US\$9.99 million. On 24 December 2004, Hengxin (Jiangsu) was converted into a wholly foreign-owned enterprise and became the wholly-owned subsidiary of our Company. Our PRC legal advisers, Shanghai Veritas Law Corporation, have advised that there was no legal impediment for our Company to acquire the 93.4% equity interests in Hengxin (Jiangsu) from the original 11 shareholders directly in 2004, as long as (i) our Company has entered into legal and valid share transfer agreement with each of the 11 shareholders; (ii) Hengxin (Jiangsu) has obtained approvals for such share transfer from relevant government authorities in charge of foreign investment; and (iii) Hengxin (Jiangsu) has filed relevant the changes with relevant Administration of Industry and Commerce Bureau. Our Directors are of the view that, the 93.4% equity interests in Hengxin (Jiangsu) transferred from its original 11 shareholders to Yixing Spirit first and subsequently transferred from Yixing Spirit to our Company, was considered to principally facilitate the restructuring of the Group for the purpose of listing the shares of our Company in Singapore, with the personal request for individual tax planning of these 11 shareholders at that time.

On 27 June 2006, the registered capital of Hengxin (Jiangsu) was increased from US\$9.99 million to US\$20 million.

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On 1 February 2007, the representative of Hengxin (Jiangsu) was changed to Mr. Cui.

On 25 September 2008, the registered capital of Hengxin (Jiangsu) was increased from US\$20 million to US\$30 million.

On 29 June 2009, the registered capital of Hengxin (Jiangsu) was increased from US\$30 million to US\$48 million, of which US\$13 million has been paid by 29 June 2009 and the remaining amount of US\$5 million to be paid in full on or before 28 June 2011.

Our Group has developed rapidly since its establishment to become one of the leading manufacturers in the coaxial cable industry. Our annual production capacity for RF coaxial cables series for mobile communications has been substantially increased from 25,000 km in 2004 to 103,170 km in 2009. We have recently completed the construction of a new production plant which has been commenced operation in October 2010. The new production plant is equipped with an aggregate annual production capacity of 33,060 km. Our products are widely used by major telecommunications operators and major equipment manufacturers in the PRC and overseas market. Our Company and our products have obtained many awards and professional certifications, such as Advanced Technology Enterprise (高新技術企業證書) and Jiangsu Famous Brand Certificate (江蘇名牌產品證書). Based on statistical data in the notice issued by the Optical and Electronic Cable Association of China, a sub-association of China Electronics Components Association (中國電子元件行業協會光電纜纜分會) 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.

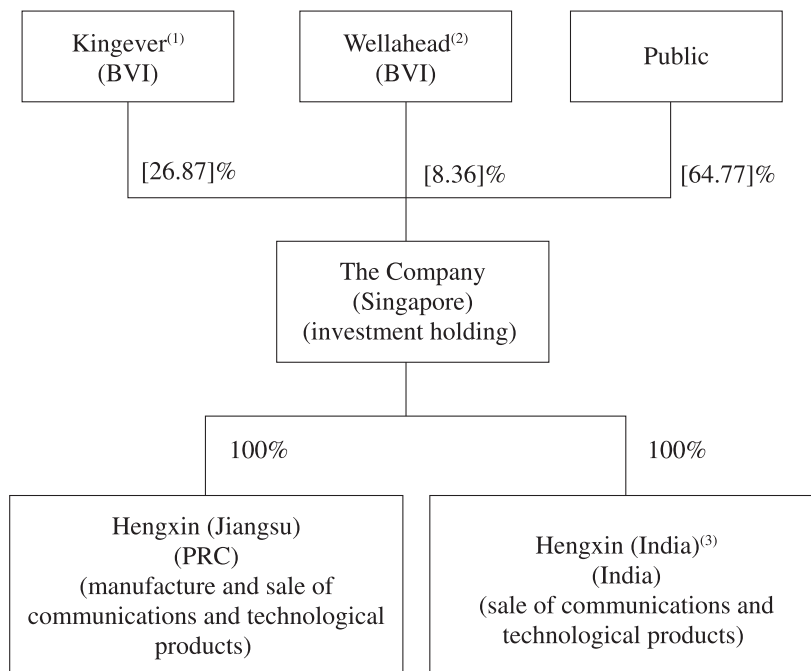
Establishment of Hengxin (India)

In July 2009, our Company acquired the entire issued share capital of Hengxin (India)'s predecessor, namely Navratan Impex Trading Private Limited, from two Independent Third Parties at a total cash consideration of US\$3,400. The consideration was determined with reference to nominal value of the share capital. The principal activity of Hengxin (India) is to facilitate direct sale of our products to the Indian telecommunications operators. On 27 July 2009, the name of Hengxin (India) was changed from "Navratan Impex Trading Private Limited" to "Hengxin Technology (India) Private Limited". On 30 July 2009, the paid-up capital of Hengxin (India) was increased from INR0.1 million to INR2.4 million. On 30 March 2010, the paid-up capital of Hengxin (India) was increased from INR2.4 million to INR9.522 million. Hengxin (India) has recognised sales to local telecommunications operators since August 2010.

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The chart below illustrates the corporate and shareholding structure of our Group immediately before completion of the [●]:



Notes:

- (1) Kingever is wholly-owned by Mr. Cui.
- (2) Wellahead is wholly-owned by Ms. Zhang.
- (3) Mr. Leow Chin Boon, our chief financial officer, on behalf of our Company, holds approximately 0.01% of the equity interest of Hengxin (India), however, Mr. Leow does not hold any beneficial interest in these equity shares and holds shares on behalf of our Company as the regulations in India (i.e. the Companies Act, 1955) require at least 2 shareholders in a company incorporated in India. To effect such trust relationship, Mr. Leow filed a requisite declaration with Hengxin (India) and Hengxin (India) then, on 25 November 2009 filed the requisite form with the Registrar of Companies, Mumbai under Section 187C of the Companies Act of India, 1956. As confirmed by DSK Legal, our legal adviser as to India law, the filing of such form is sufficient to show that our Company is the beneficial owner of such approximately 0.01% of the equity interests of Hengxin (India). However as a matter of good practice and by way of further assurance, a trust deed was executed by Mr. Leow in favour of our Company declaring his holding of the 100 shares for and on behalf of our Company on [18 August 2009]. [Our legal adviser as to Singapore law, WongPartnership LLP, in their legal opinion dated 13 September 2010 have opined that such trust deed constitutes a valid and legally binding agreement of Mr. Leow, enforceable under the laws of the Republic of Singapore.]