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Web Proof Information Pack of



Hengxin Technology Ltd.
亨鑫科技有限公司*

*(carrying on business in Hong Kong as HX Singapore Ltd.)
(incorporated in Singapore with limited liability)
(Company Registration Number 200414927H)*

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SUMMARY

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.

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	%	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	<u>962,824</u>	<u>100</u>	<u>1,214,179</u>	<u>100</u>	<u>1,615,265</u>	<u>100</u>	<u>1,222,938</u>	<u>100</u>	<u>865,416</u>	<u>100</u>

Notes:

- 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 [●].
- 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.

SUMMARY

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.

SUMMARY

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.

SUMMARY

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

SUMMARY

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

SUMMARY

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

Summary Consolidated Statements of Comprehensive Income

	Year ended 31 December			Nine months ended 30 September	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Revenue	962,824	1,214,179	1,615,265	1,222,938	865,416
Cost of sales	<u>(752,769)</u>	<u>(988,960)</u>	<u>(1,302,579)</u>	<u>(986,428)</u>	<u>(699,975)</u>
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	<u>(23,764)</u>	<u>(21,743)</u>	<u>(16,013)</u>	<u>(12,895)</u>	<u>(8,972)</u>
Profit before tax	120,579	123,524	178,930	128,342	95,923
Income tax expense	<u>(13,880)</u>	<u>(16,781)</u>	<u>(29,064)</u>	<u>(21,137)</u>	<u>(16,611)</u>
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	<u>—</u>	<u>—</u>	<u>16</u>	<u>(9)</u>	<u>5</u>
Total comprehensive income for the year/period attributable to owners of the Company	<u>106,699</u>	<u>106,743</u>	<u>149,882</u>	<u>107,196</u>	<u>79,317</u>
	<i>RMB cents</i>	<i>RMB cents</i>	<i>RMB cents</i>	<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share – basic	<u>31.8</u>	<u>31.8</u>	<u>44.6</u>	<u>31.9</u>	<u>23.6</u>

SUMMARY

Summary Consolidated Statements of Financial Position

	As at 31 December			As at 30 September
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
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

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

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.

SUMMARY

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.

SUMMARY

- 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.

SUMMARY

- 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.

DEFINITIONS

In this document, unless the context otherwise requires, the following expressions have the following meanings:

“Articles”	the new articles of association of our Company adopted conditionally on 27 October 2010 by Shareholders in the general meeting (which shall take effect upon the [●]) and as amended from time to time, a summary of which is set out in Appendix [IV] to this document
“associate(s)”	has the meaning ascribed to it under the [●]
“Board”	the board of Directors
“business day”	a day (excluding Saturday and Sunday and public holiday) on which licensed banks in Hong Kong are open for general banking transactions to the public
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CDP” or “Depository”	The Central Depository (Pte) Limited

DEFINITIONS

“CECA”	China Electronics Components Association (中國電子元件行業協會), 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
“China Mobile”	China Mobile Communications Corporation (中國移動通信集團公司), a state-owned enterprise established in the PRC
“China Netcom”	China Network Communications Group Corporation (中國網絡通信集團公司), a state-owned enterprise established in the PRC and merged with and into China Unicom on 6 October 2008
“China Telecom”	China Telecom Corporation Limited (中國電信集團公司), a company established in the PRC
“China Unicom”	China United Network Communications Group Co., Ltd. (中國聯合網絡通信集團有限公司), formerly known as China United Telecommunications Corporation (中國聯合通信有限公司), a state-owned enterprise established in the PRC
“CMMC”	China Market Monitoring Center (中國市場監測中心), an independent market research institution that publishes periodic professional research reports on macroeconomics and microeconomics
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Company”	Hengxin Technology Ltd., a company incorporated in Singapore under the Singapore Companies Act on 18 November 2004
“Director(s)”	the director(s) of our Company

DEFINITIONS

“Group”	our Company and its subsidiaries or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were our Company’s subsidiaries at that time
“Hengxin (India)”	Hengxin Technology (India) Private Limited, a limited liability company established in India on 10 June 2009 and one of our wholly-owned subsidiaries
“Hengxin (Jiangsu)”	Jiangsu Hengxin Technology Co., Ltd* (江蘇亨鑫科技有限公司), a limited liability company established in the PRC on 26 June 2003 and one of our wholly-owned subsidiaries
“Hengtong Cable”	Jiangsu Hengtong Cable Co., Ltd. (江蘇亨通線纜有限公司), formerly known as Jiangsu Zhongyou Guohao Optical and Electronic Cable Co. Limited (江蘇中郵國浩光電纜有限公司), Jiangsu Hengxin Communications Cable Co. Limited (江蘇亨鑫通信線纜有限公司), a privately-owned company established in the PRC on 16 March 1993 and de-registered in October 2005, and from which we acquired the RF coaxial cables business in 2003
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	the International Financial Reporting Standards promulgated by the International Accounting Standards Board, including the International Accounting Standards and their interpretations
“Independent Third Party(ies)”	person(s) or company(ies) who/which is/are independent of the directors, chief executives and substantial shareholders of the Company and its subsidiaries or any of their respective associates as defined under the [●]
“Kinger”	Kinger Enterprises Limited, a company incorporated in the BVI on 18 April 2005, which holds 26.87% of shareholding interest in our Company as at the [●]. The entire share capital of Kinger is owned by Mr. Cui

DEFINITIONS

“[●] Manual”	the listing manual issued by the SGX-ST, as amended, modified and supplemented from time to time
“MOFCOM”	The ministry of commerce of the PRC
“Mr. Cui”	Mr. Cui Genxiang (崔根香), one of the founders of our Group, our chairman and executive Director
“Mr. Qian Lirong”	Mr. Qian Lirong (錢利榮), one of the founders of our Group, one of our former Directors and resigned on 17 January 2007
“Ms. Zhang”	Ms. Zhang Zhong (張鍾), one of the founders of our Group, our non-executive Director
“OECAC”	Optical and Electronic Cable Association of China (光電纜纜分會), one of the 14 sub-associations of 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
“PRC”	the People’s Republic of China which, for the purpose of this document, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Ruidi”	Yixing Ruidi Copper Co., Ltd. (宜興瑞迪銅業有限公司), an Independent Third Party, and it sued Hengxin (Jiangsu) in the Yixing Court for infringement of its property rights of a parcel of land in Yixing City, the PRC
“SAFE”	State Administration of Foreign Exchange of China
“SFA”	the Securities and Futures Act, Chapter 289 of Singapore, as amended, modified and supplemented from time to time
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified and supplemented from time to time

DEFINITIONS

“SFRS”	Singapore Financial Reporting Standards
“SGX-ST”	Singapore Exchange Securities Trading Limited
“Share(s)”	ordinary share(s) in the share capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Singapore”	The Republic of Singapore
“Singapore Code”	Singapore Code on Takeovers and Mergers
“Singapore Companies Act” or “Companies Act”	the Companies Act (Chapter 50) of Singapore, as amended, modified and supplemented from time to time
“Subsidiary(ies)”	has the meaning ascribed thereto in section 2 of the Companies Ordinance
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Wellahead”	Wellahead Holdings Limited, a company incorporated in the BVI on 18 April 2005, which holds 8.36% of shareholding interest in our Company as at the [●]. The entire share capital of Wellahead is owned by Ms. Zhang
“Yixing Court”	People’s Court of Yixing City (宜興市人民法院), an Independent Third Party, and it is in charge of the lawsuit between Ruidi and Hengxin (Jiangsu) in respect of a parcel of land in Yixing City, the PRC
“HK\$” or “HK Dollar(s)” and “cent(s)”	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
“INR”	Indian rupees, lawful currency of India
“RMB”	Renminbi, the lawful currency of the PRC
“S\$”	Singapore dollar(s), the lawful currency of Singapore
“US\$”	United States dollar(s), the lawful currency of the United States

DEFINITIONS

“sq.ft.” and “sq.m.” square feet and square metres, respectively

“%” per cent.

If there is any inconsistency between the Chinese names of the PRC laws and regulations or PRC Government authorities or PRC entities mentioned in this document and their English translations, the Chinese version shall prevail. English translation of company names in Chinese or another language which are marked with “” and Chinese translation of company names in English which are marked with “*” are for identification purpose only.*

Unless otherwise specified, the following exchange rates are used in this document for illustrative purpose only:

HK\$1.00 = RMB[0.86]

S\$1.00 = HK\$[5.56]

US\$1.00 = HK\$7.78

No representation is made that any amount in Hong Kong dollars, S\$, US\$ or RMB could have been or could be converted at the above rates or any other rates or at all.

Certain amounts and percentage figures included in this document have been subject to rounding adjustment. Figures shown as total in certain tables may not be an arithmetic aggregation of the figures preceding them.

GLOSSARY OF TECHNICAL TERMS

This glossary contains explanations of certain terms used in this document. These terms and their meanings may or may not correspond to standard industry meaning or usage of these terms.

“2G”	abbreviation for second generation. 2G is a term commonly used to describe the second technology used in a specific application or industry. In cellular telecommunications, 2G systems use digital radio technology with advanced messaging and data capabilities
“3G”	abbreviation for third generation. 3G is a term commonly used to describe the third generation of technology used in mobile cellular telecommunications systems, which uses wideband digital radio technology (as opposed to first generation analog systems and second generation digital cellular systems)
“Antennas”	they are antenna arrays with signal processing algorithms used to identify spatial signal signature such as the direction of arrival (DOA) of the signal, and use it to calculate beamforming vectors, to track and locate the antenna beam on the mobile target
“Argon arc welding”	it is a welding process that generates an arc between the electrode and the metal work pieces with high electrical voltage, high frequency pulses (or high electrical voltage pulses) under the protection of inert gas such as argon, resulting in the work pieces being heated to higher temperature and fusion
“ARPU”	average revenue per user of telecommunications operators
“Attenuation”	attenuation is loss of power or strength of radio signal in the cable, expressed in decibels (dB)
“Base station”	the radio part of a cellular radio transmission site. A single base station usually contains several radio transmitters, receivers, control sections and power supplies. Base stations are sometimes called a land station or a cell site

GLOSSARY OF TECHNICAL TERMS

“CDMA”	abbreviation for Code Division Multiple Access. It is a system that allows multiple users to share one or more radio channels for service by adding a unique code to each data signal that is being sent to and from each of the radio transceivers. These codes are used to spread the data signal to a bandwidth much wider than is necessary to transmit the data signal without the code
“CDMA2000”	abbreviation for Code Division Multiple Access 2000. It is an evolved version of the CDMA system that uses wider bandwidth radio channels and enhanced packet transmission protocols to provide for advanced high-speed data services
“Det Norske Veritas” (挪威船級社)	it is a global provider of services for managing risk, helping customers to safely and responsibly improve their business performance. It is also one of the world’s leading certification bodies/registrars offering the latest in management systems certification services
“EVA”	abbreviation for Ethylene Vinyl Acetate. It is a copolymer of ethylene and vinyl acetate and is usually used as an adhesive material
“GSM”	abbreviation for Global System for Mobile Communications. It is a digital cellular telephone system that originated in Europe and is now available in most parts of the world. The GSM system uses 200kHz wide channels that are divided into frames that hold 8 time slots
“High temperature resistant cable”	it is used in the transmission of electronic power or signals, which can meet the demand for higher degree of safety under high temperature and extreme conditions of use
“Internet of things”	also known as the Internet of Objects, it refers to the networked interconnection of everyday objects. It is generally viewed as a self-configuring wireless network of sensors whose purpose would be to interconnect all things. The concept is that if all objects of daily life are equipped with radio tags, they can be identified and managed by computers in the same way humans can. The Internet of things should encode 50 to 100 trillion objects and follow the movement of those objects

GLOSSARY OF TECHNICAL TERMS

“ISO”	international Standards Organisation, a world-wide federation of national standards bodies whose mission is to develop industrial standards that facilitate international trade
“ISO14001:2004”	it is a standard under ISO. The International Standard ISO14001 sets out requirements for an Environmental Management System (EMS) which can be employed by an organization to measure and document their environmental impact. EMS’s that meet the ISO14001 requirements can be externally audited and certified by an accredited Certification Body. The updated systematic ISO14001:2004 approach requires the organization to take a hard look at all areas where its activities have an environmental impact
“ISO9001:2000”	it is a standard under ISO which requires organizations seeking compliance or certification to define the processes which form the Quality Management System and the sequence and interaction of these processes
“ITU”	abbreviation for International Telecommunication Union. ITU is an agency of the United Nations which regulates information and communication technology issues. It is based in Geneva, Switzerland, and its membership includes 191 Member States and more than 700 Sector Members and Associates
“Jumper cables”	jumper cables are part of the assembly for RF cables. It is made up of a length of coaxial cable with connectors at both ends of the cable
“OHSAS 18001:2007”	it is a standard of the Occupational Health and Safety Management System which can be employed by an organization to measure and document their occupational health and safety management
“PE”	abbreviation for Polyethylene. PE is a thermoplastic material commonly used in consumer products and created through the polymerization of ethane

GLOSSARY OF TECHNICAL TERMS

“RF”	abbreviation for radio frequency. When RF current is supplied to an antenna, an electromagnetic field is created that is able to propagate through space. Many wireless technologies are based on RF field propagation
“TD-SCDMA”	abbreviation for Time Division Synchronous Code Division Multiple Access. It is a 3G mobile standard developed in the PRC and approved by the International Telecommunication Union
“Thermoplastic”	it is a characteristic of a material that allows it to repeatedly soften when heated and harden when cooled. Such characteristics allow it to be moulded or extruded directly when heated
“TL Certification Centre”	it is the only professional certification institute in quality management system, environmental management system, occupational health and safety management system and products of enterprises in the telecommunications industries in the PRC. It is under Telecommunication Research Institute of Ministry of Industry and Information previously known as the China Information and Industry Department, Telecommunications Certification Centre
“VSWR”	abbreviation for voltage standing wave ratio. VSWR is a ratio value that indicates homogeneity of the cable.
“WCDMA”	abbreviation for Wideband Code Division Multiple Access. It is a 3G digital cellular system that uses radio channels had has a wider bandwidth than 2G digital cellular systems
“Wimax”	it is a standard for fixed broadband wireless metropolitan access networks that use point-to-multipoint architecture

RISK FACTORS

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.

According to the information from Ministry of Industry and Information Technology of the PRC, wireless infrastructure investment in the PRC has experienced a decline in the first six months of 2010 due to the reduction in capital expenditure by the PRC's three major telecommunications operators. As a result, our revenue decreased RMB357.5 million from RMB1,222.9 million for the nine months ended 30 September 2009 to RMB865.4 million for the nine months ended 30 September 2010. Accordingly, our net profit decreased RMB27.9 million to RMB79.3 million for the nine months ended 30 September 2010 compared to RMB107.2 million for the nine months ended 30 September 2009.

Our Group expects such slowdown in demand for our products induced by reduction in capital expenditure by the three telecommunications operators will continue for the rest of 2010, resulting in the decrease in our revenue and net profits for the year ending 31 December 2010.

Our business and results of operations are affected by economic cycles, including the recent global financial and economic crisis.

Since the second half of 2008, the global financial crisis had led to reduced liquidity, greater volatility, widened credit spreads and a lack of price transparency in the global credit and financial markets. The difficulties in global credit and financial markets have also resulted in a widening global economic crisis and depressed consumer sentiments deep into the first half of 2009. The slowdown experienced in the economies of the United States, the European Union and certain Asian countries adversely affected the capital expenditures of the telecommunications operators in different countries. The resulting decrease and slowdown in demand for mobile communications infrastructure equipment has put significant downward pressure on prices of these products, including RF coaxial cables, which are our major source of sales revenues.

Our business model is very sensitive to the spending cycle of the telecommunications operators, and without a recovery in consumer usage, downward pressure on prices and demand for our products will persist. If the global economy continues to grow at a slower rate than expected or experiences a recession, growth in demand for the mobile communications infrastructure products will also continue to slow down or decrease. As a result, our business, financial condition and results of operations would continue to be adversely affected.

During the three years ended 31 December 2009, the average unit selling prices of our RF coaxial cables series for mobile communications were on a downward trend. This is mainly due to intense competition which led to selling price under pressure as players lower their prices during tenders in order to win the bid. If the downward trend of the average selling prices of our RF coaxial cables persists, it may lead to decreased revenue and may have an adverse effect on our profits and our profitability.

RISK FACTORS

For the nine months ended 30 September 2010, the average monthly unit selling prices of RF coaxial cables series for mobile communications increased by approximately 13.1% as compared to the corresponding period for 2009. However, the sales volume of RF coaxial cables series for mobile communications decreased by approximately 37.5% for the same period. The decrease in revenue was primarily due to the decrease in demand for our products from the three telecommunications operators in the PRC as a result of their reduction in capital expenditure in 2010. Our Group expects the fall in demand for our products will continue for the rest of 2010, resulting in the decrease in our revenue and net profits for the year ending 31 December 2010.

We are dependent on our major customers.

We are dependent on our major customers, the China Unicom group of companies, the China Mobile group of companies, and the China Telecom group of companies. We sell our products to these major customers by winning their purchasing bids. Currently, we have entered into framework agreements with China Unicom, China Mobile and China Telecom respectively and have also entered into contracts with individual subsidiaries of each of China Unicom, China Mobile and China Telecom. Therefore, we rely on and expect to continue to rely on these major customers for a significant portion of our revenues. For each of the [●], revenue arising from sales to the China Unicom group of companies, the China Mobile group of companies and the China Telecom group of companies in aggregate accounted for 66.5%, 64.8%, 76.2% and 72.0% of our total revenue, respectively. We anticipate that the revenue derived from these major customers will continue to represent a significant proportion of our revenue in the future. If these major customers delay their capital expenditure plan or reduce their current capital expenditure level, our business and financial performance will be materially and adversely affected. If these major customers delay their payment or unexpectedly extend their credit terms, our financial performance and operating cash flow will be adversely affected.

On the other hand, there is no assurance that we will continue to retain our key customers and that they will maintain or increase their current level of business with our Group. In the event of any cancellation, delay or reduction in the scope of our existing business to any of these key customers or if we lose any of our key customers, our business and financial performance will be adversely affected.

We are dependent on our sales and distribution network.

Over the years, we have built a strong sales and marketing team, consisting of 55 experienced sales personnel. To effectively serve our customers in the various markets and ensure efficient allocation of resources, our sales and marketing team comprises two main business units – market development department and overseas business department. Our sales personnel, strategically located throughout the PRC, are able to effectively market our products to our customers. In addition, they are trained to provide good pre-sales, during sales and after sales services to all of our customers to ensure that we foster a close and strong working relationship with our customers. There is no guarantee that we can keep on developing and enhancing our sales and distribution network, maintain key sales personnel, successfully maintain our existing customers and attract new customers. Any failure in these areas may have adverse effects on our business and financial performance.

RISK FACTORS

We are dependent on our product quality, good reputation and brand name.

We believe that our "HongSun" brand is a well-recognised brand of coaxial cables in the PRC and one that is associated with good quality products. This is evidenced by the various awards which we have received in recognition of our products. Please refer to the paragraph headed "Awards and Honors" under the section headed "Business" for further details of our awards and accreditations. If we are not able to maintain the high quality profile, we may lose our market share and our business and financial performance may be affected adversely.

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.

Our RF coaxial cables are required to meet the industry technical standards set by the relevant PRC authorities. For further details, please refer to the paragraph headed "Quality Control" under the section headed "Business" in this document. If our RF coaxial cables are exported and sold to other countries outside the PRC, our RF coaxial cables are required to meet various industry technical standards prescribed by the countries where our customers are based. Such standards vary according to the industries and markets we serve, and may vary from country to country. We have to ensure that our products adhere to, or even surpass, such standards. Any changes in these prescribed standards will affect our sales if our products do not meet the new standards. In addition, considerable research and development costs will be incurred to ensure our products are in compliance with the new standards. There is no assurance that our products will continue to be compliant with the technical standards in the future. If we fail to meet the prescribed industry technical standards in the industries and markets we serve, we may attract product liability claims and any successful product liability claims against us may adversely affect our financial performance and business.

We are subject to risks associated with technological changes.

We are engaged in an industry where technology changes play a critical role in influencing the demand for our products and services. Technological advances may render certain of our products and processes obsolete. For instance, currently, fibre cables could be used as substitute products for RF coaxial cables to be installed in the base stations for 3G network using TD-SCDMA protocol. However, RF coaxial cables are still widely used in all other base stations for 3G network using WCDMA protocol or CDMA2000 protocol, all base stations for 2G network and all indoor wireless signal coverage system in buildings. In general, WCDMA or CDMA2000 base stations require a batch of RF coaxial cables to transmit signals between base station equipment and antenna. TD-SCDMA base stations adopt a special solution that, the transmission of signals between base station equipment and antenna is separated into two parts: one part relies on a piece of fibre cable to transmit signals between base station equipment and a special equipment, while another part still relies on a batch of RF coaxial cables to transmit signals between the said special equipment and antenna. By using one single piece of fibre cable in part of the transmission of signals instead of a batch of RF coaxial cables, the production cost of base stations may be reduced and the transmission loss may be reduced. Currently, China Mobile establishes its 3G network using TD-SCDMA protocol, while each of China Unicom and China Telecom establishes its 3G network using

RISK FACTORS

WCDMA protocol or CDMA2000 protocol. At the end of June 2010, China Mobile had about 115,000 3G base stations, China Unicom had about 153,000 3G base stations and China Telecom had the widest 3G network coverage in the PRC.

Thus, our ability to anticipate changes in technology and to keep in pace with such changes, to introduce new and enhanced products on a timely basis, will be significant factors in our ability to grow and to remain competitive. We have to commit time, effort and other resources to the research and development of new products to meet changing market demands. However, rapid changes in market demand may render our research and development efforts obsolete as we may not achieve the technological advances necessary to enable us to keep pace with the industry. Accordingly, we cannot assure that the results of our research and development efforts will attain market acceptance or that such efforts will be commercially successful or that certain of our products and processes will not become obsolete. In such event, our financial condition may be adversely affected.

In addition, we are subject to the risks generally associated with new product introductions and applications, including the lack of market acceptance, delays in development or failure of products to operate properly. In the event that our competitors are able to develop more advanced products, which can better cater to our customers' needs, we may not be able to maintain our competitive edge and our profits may be adversely affected.

We are exposed to risks arising from credit terms extended to our customers.

We are exposed to payment delays and/or defaults by our customers who are granted credit terms. As at 30 September 2010, our net trade debtors balance was approximately RMB700.7 million, which accounted for approximately 66.5% of our total current assets. Therefore, our financial position and profitability are dependent on the creditworthiness of our customers. Generally, we allow credit period of 180 days to our trade customers. Average trade receivables turnover days for each of the [●] were 179 days, 151 days, 147 days and 229 days, respectively. The significant increase in trade receivables turnover days for the nine months ended 30 September 2010 is principally attributable to the increase in the trade receivables due over 360 days as at 30 September 2010 from one major customer who is one of the three principal telecommunications operators in the PRC. To the best knowledge of our Directors, similar to other two telecommunications operators, this telecommunications operator will settle our bill in two stages according to the payment terms as stipulated in the related framework agreement. At first stage, a portion of our bill is to be settled upon the receipt of our products. At second stage, the remaining portion will be settled upon the passing of final testing of the construction of their network infrastructures such as base stations in which our products form a part. During the nine months ended 30 September 2010, our Directors were given to understand that the related network infrastructures of this telecommunications operator in which our products are used had a relatively longer construction period and the final testing was still under progress. As such, there was a slower bill payment from this telecommunications operator during the period.

There is no guarantee on the timeliness of our customers' payments and whether they will be able to fulfil their obligations. Any inability on the part of our customers to settle promptly such amounts due to us may have a material adverse impact on our financial performance and operating cash flow.

RISK FACTORS

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 key raw materials comprise copper-based materials and PE. Copper-based materials form approximately 78.7%, 73.8%, 64.7% and 75.3% of our total purchases for each of the [●], respectively. PE for the same periods form approximately 10.1%, 12.3%, 11.8% and 10.9% of our total purchases, respectively. To better control our inventory risk, we generally procure our key raw materials based on purchase orders.

We rely on third-party suppliers to meet our raw material requirements. Contracts are awarded through a competitive bidding process. Selections are made based on objective criteria. We generally award contracts to suppliers that submitted the most favorable bids. For further details, please refer to the paragraph headed "Raw Materials and Purchases" under the section headed "Business" in this document.

As we purchase our raw materials from local suppliers and foreign suppliers with distribution network in the PRC, an increase in the prices or a shortage of our raw materials in the PRC will lead to increased costs and may have a significant impact on our profits and our profitability. There is no assurance that we will be able to pass on such cost rise to our customers or find an alternative source of supply. In the event that we are not able to do so, our earnings and financial performance may be adversely affected.

Further, if any of our suppliers is unable to deliver raw materials required in time for production, and we fail to meet our raw material requirements with purchases from other suppliers in a timely and cost-effective manner, our production could be delayed. Our relationships with our customers could be adversely affected as a result of any of such delays, which could materially and adversely affect our business and financial performance.

Our inability to attract, retain and motivate skilled engineers, research personnel and our key management may adversely affect our business operations.

Due to the specialized nature of our business, our success is to a certain extent attributable to our skilled engineers and research personnel. If we are unable to retain and/or recruit a sufficient number of adequately skilled engineers and research personnel, our business would be adversely affected.

We are also dependent on the continued efforts of our key management, in particular, our Chairman, Mr. Cui and the senior management team. Our continued success is to a large extent attributable to our ability to retain their services.

RISK FACTORS

In 2010, there was a change in the senior management of Hengxin (Jiangsu), the major operating subsidiary of our Group. Mr. Xu Guochen resigned as the vice chairman, director and general manager of Hengxin (Jiangsu) with effect from 18 January 2010 while Mr. Zhu Xujun ("Mr. Zhu") resigned as the head of production of Hengxin (Jiangsu) with effect from 31 May 2010 and Mr. Xu Zhijun ("Mr. Xu") resigned as the head of research and development of Hengxin (Jiangsu) with effect from 5 July 2010. Our Directors are of the view that the resignation of Mr. Xu Guochen, Mr. Zhu and Mr. Xu does not have material adverse effect on the operation and management of our Company. Hengxin (Jiangsu) made timely replacements by appointing appropriate and experienced personnel with relevant expertise to take over Mr. Xu Guochen, Mr. Zhu and Mr. Xu. If there is no timely replacement in response to the loss of any member of our experienced management team, there may be an adverse effect on our business operations and financial performance.

There are defects in the legal title of part of the land occupied by our production base and a new production plant erected thereon.

Among the buildings erected on our production base at No. 138 Taodu Road, Dingshu Town, Yixing City, Jiangsu Province, PRC, workshop no. 5 ("Workshop No. 5") was built on a piece of land with a total site area of approximately 19,947 sq.m (the "Land"). Workshop No. 5 is a new production plant, which has been commenced operation in October 2010. It is equipped with a maximum annual production capacity of 33,060 km, representing approximately 32.2% of our existing production capacity. During the [●], Workshop No. 5 has not commenced production and no revenue has been generated from it. Furthermore, a new building being a centre for the research and development of RF coaxial cables (the "R&D Centre") is currently under construction, a substantial part of which is located on the Land. The construction of the R&D Centre commenced in [September 2010] and is expected to be completed in or around [April 2011].

On 2 February 2007, Ruidi sued Hengxin (Jiangsu) in the Yixing Court for [infringement of its property rights of the Land]. Ruidi requested that Hengxin (Jiangsu) should cease to infringe on its property rights, return the land use right of the Land to Ruidi, and pay Ruidi fees for having used the Land. On 3 July 2008, the court case was discontinued at Ruidi's own accord upon approval by the Yixing Court. But on the same day Ruidi started a fresh suit against Hengxin (Jiangsu) on substantially the same subject matter and same ground. On 11 October 2008, the Yixing Court pronounced its ruling that the suit should be suspended pending the outcome of another administrative lawsuit taken out by the former shareholder of Ruidi against the Foreign Investment Management Committee of Yixing City (宜興市對外經濟貿易委員會). On 2 November 2010, the court case was discontinued at Ruidi's own accord upon approval by the Yixing Court. But Ruidi started a fresh suit against Hengxin (Jiangsu) on substantially the same subject matter and same ground. The Yixing Court issued the Notice of Responding to Action (應訴通知書)⁽¹⁾ to Hengxin (Jiangsu) on 10 November 2010.

Note 1: When a court accepts a lawsuit filed by a plaintiff, the court will issue a Notice of Responding to Action to the defendant. Such a Notice of Responding to Action informs the defendant the complaint filed by the plaintiff usually with the attachment of the indictment and relevant evidences submitted by the plaintiff and the time limit for the defendant to respond to the lawsuit with a written answer to complaint and relative evidences.

RISK FACTORS

On 20 June 2009, the Yixing Municipal People's Government convened a meeting among Hengxin (Jiangsu), Ruidi's lawyer, the representatives of Yixing Land and Resources Bureau and other relevant parties to resolve the disputes over the Land (the "Meeting"). The discussion in the Meeting was recorded in Yiji [2009] No. 53: Minutes of a meeting convened by the Yixing Municipal People's Government in respect of disputes over land and buildings between Jiangsu Hengxin Technology Co., Ltd and Yixing Ruidi Copper Co., Limited (宜紀[2009]53號 《宜興市人民政府關於江蘇亨鑫科技有限公司與宜興瑞迪銅業有限公司有關土地公寓處置問題的協調會議紀要》) (the "Minutes").

It was stated in the Minutes that

- (i) Since Ruidi had not carried out any development on the Land for a period longer than that is permitted under the relevant laws and regulations, the Land should be resumed by the Yixing Municipal People's Government. Ruidi agreed to the above, but Ruidi disputed over the compensation payable in respect of the resumption of the Land.
- (ii) It was agreed that Yixing Land and Resources Bureau should designate a land appraisal agency to assess the market value of the Land. Then Yixing Land Purchase and Reserve Centre (宜興市土地收購儲備中心) would acquire the Land and compensate Ruidi with such amount as in proportion to the land use right of the Land. Such compensation should be deposited in an account under the government's control, and be released until an internal consensus has been reached or according to court's rulings.
- (iii) Since the Land was immediately adjacent to Hengxin (Jiangsu)'s production base and Hengxin (Jiangsu) urgently needed the Land for its expansion, thus it was agreed that the Land would be listed for auction after it is resumed by Yixing Land Purchase and Reserve Centre (宜興市土地收購儲備中心), and Hengxin (Jiangsu) would have priority over other bidders on the same conditions.

Based on the understanding that Ruidi agreed to Yixing Municipal People's Government's resumption of the Land as set out in the Minutes, we commenced the preliminary preparatory works in July 2009, such as purchase of raw materials and signing of construction contracts, and then commenced the construction of Workshop No. 5 in October 2009. In September 2009, we obtained the relevant Construction Land Planning Permit and Construction Works Planning Permit from Yixing Municipal Planning Bureau. In December 2009, we obtained the relevant Building Construction Permit from Yixing Municipal Construction Bureau. Furthermore, regarding the construction of the R&D Centre, we obtained the relevant Construction Land Planning Permit in September 2009 and Construction Works Planning Permit from Yixing Municipal Planning Bureau in June 2010. In September 2010, we obtained the relevant Building Construction Permit from Yixing Municipal Construction Bureau.

RISK FACTORS

On 18 August 2009, Hengxin (Jiangsu) entered into a management and service agreement (the “**Management Agreement**”) with Jiangsu Yixing Ceramics Industrial Area Development Co., Limited (江蘇宜興陶瓷產業園區發展有限公司) (the “**Development Company**”). The Development Company was incorporated on 23 October 2002 in the PRC. As confirmed by the Management Committee of Jiangsu Yixing Ceramics Industrial Area (the “**Management Committee**”), (i) the Development Company is subordinate to the Management Committee and one of its principal activities is managing and providing services to enterprises located within Jiangsu Yixing Ceramics Industrial Area; (ii) the Management Committee is established with approval from National Development and Reform Commission and has the authority and is responsible for management of Jiangsu Yixing Ceramics Industrial Area on behalf of Dingshu Town Municipal People’s Government of Yixing City. One of its principal responsibilities is management of land expropriation, demolition of houses erected on community owned land, lease and transfer of land use right of state-owned land within Jiangsu Yixing Ceramics Industrial Area, jointly with Yixing Land and Resources Bureau. According to Yizhengfa [2008] No.111 issued by Yixing Municipal People’s Government: Opinion of Yixing Municipal People’s Government in respect of disposal of idle land in practicable term (宜興市人民政府文件宜政發[2008]111號《市政府關於切實做好閒置土地處置工作的意見》), the Management Committee has the authority and is responsible for proposing the disposal measures and implementing the disposal measures with approval of Yixing Municipal People’s Government, of any idle land within Jiangsu Yixing Ceramics Industrial Area. According to the Management Agreement, it was agreed that the Development Company would assist Hengxin (Jiangsu) to procure that the land use right in respect of the Land be granted to a new enterprise set up by Hengxin (Jiangsu) for industrial use at the consideration of RMB5.76 million, which will be paid by Hengxin (Jiangsu) and collected by the Development Company on behalf of the Management Committee. No other fees except the consideration of RMB5.76 million are payable by Hengxin (Jiangsu) to the Development Company.

As at the [●], the land transfer price in the amount of RMB5.76 million has been fully pre-paid to the Development Company, and the relevant civil works on the Land have been completed, checked and accepted. Despite the defects in the title of the Land set out below, the construction works of Workshop No. 5 has been completed, checked and accepted, and all necessary licences and approvals (except the land use right certificate) have been obtained. Production facilities have been installed in it, and test of the facilities has been finished. The total amount of our investment on the Land up to [30 September 2010] is approximately RMB5.76 million. The total investment on the building and the production facilities of Workshop No. 5 erected and installed on the Land up to [30 September 2010] is approximately RMB7.32 million and RMB23.32 million, respectively. The total investment on the R&D Centre erected on the Land up to [30 September 2010] is approximately RMB2.24 million.

RISK FACTORS

However, as at the [●], Ruidi is still the registered owner of the Land according to the information obtained from [the relevant PRC authority], and Ruidi's land use right certificate has not been cancelled. Hengxin (Jiangsu) has not obtained the land use right certificate for the Land for the reasons set out below.

According to the our PRC legal advisers' analysis of the available documents obtained from the local government, Ruidi had not carried out any development on the Land for more than 2 years since June 2005. On 31 July 2009, the Management Committee thus notified Ruidi of its decision to regain possession of the Land. However, Ruidi was at the same time being sued by Hengtong Group Limited (亨通集團有限公司) and China Southern (Group) Hong Kong Limited (香港南中(集團)有限公司) (the "**Creditors**") for monies due to these Creditors (the "**Creditors' Proceedings**"), and in that course the Land was sequestered by the Suzhou Intermediate People's Court in January 2008 upon the request of the Creditors. There is no realistic estimation when the Creditors' Proceedings will be adjudicated. Moreover, the Land was sequestered by Yixing Court in February 2010 as Ruidi lost a lawsuit with Mr. Xia Jie and Mr. Sun Huxing for monies dispute. Mr. Xia Jie and Mr. Sun Huxing are shareholders of Yixing Spirit Investments Co., Ltd. For further details of Yixing Spirit Investments Co., Ltd., please refer to the paragraph headed "History and development of Hengxin (Jiangsu)" under the section of "History and Corporate Structure" in this document. As advised by our PRC legal advisers, Ruidi's land use right certificate cannot be cancelled until the sequestrations on the Land are discharged.

Based on our PRC legal advisers' opinion:

- (i) Ruidi had not carried out any development on the Land for a period longer than that is permitted under the relevant laws and regulations and it also agreed to Yixing Municipal People's Government's resumption of the Land. It was upon this reasonable ground that we commenced the construction of Workshop No. 5. We were, therefore, not in breach of any applicable rules, regulations and laws of the PRC by virtue of alleged infringement of the Land owner's rights while the litigation outcome is not certain.
- (ii) The Management Agreement entered into between the Development Company and Hengxin (Jiangsu) is legal, valid and enforceable.
- (iii) If Ruidi prevails in the Creditors' Proceedings, the sequestration on the Land will be discharged. Yixing Municipal People's Government will be entitled to have the land use rights certificate in Ruidi's name cancelled, and regain possession of the Land. Then the relevant government authority in Yixing City will list the Land for auction. [According to the relevant government authority, Hengxin (Jiangsu) is entitled to take part in the auction and will have priority over other bidders on the same conditions. Nevertheless, there is no guarantee that Hengxin (Jiangsu) will obtain the Land at the auction. Even if the Hengxin (Jiangsu) wins at the auction, the auction price may be higher than the original consideration under the Management Agreement. In such case, Hengxin (Jiangsu) will be entitled to request the Development Company to make up for the difference between the actual auction price and the original consideration of RMB5.76 million, and compensate for all [other direct] losses and damages suffered by it.

RISK FACTORS

- (iv) If Ruidi loses in the Creditors' Proceedings, the sequestration on the Land will be upheld. The Creditors is entitled to apply to the court for the auction of the Land. Besides, Mr. Xia Jie and Mr. Sun Huxing are also entitled to apply to the court for the auction of the Land. Hengxin (Jiangsu) is entitled to take part in the auction, but there is no guarantee that Hengxin (Jiangsu) will obtain the Land at the auction. Even if Hengxin (Jiangsu) wins at the auction, the auction price may be higher than the original consideration under the Management Agreement. If Hengxin (Jiangsu) obtains the Land at the court auction, it is entitled to request the Development Company to make up for the difference between the actual auction price and the original consideration of RMB5.76 million and compensate for all other direct losses and damages suffered.
- (v) If Hengxin (Jiangsu) is unable to obtain the land use right of the Land (whether it loses at the auction or a ruling was made against it in its lawsuit with Ruidi), it would be vulnerable to claim for infringement of the property rights of the Land in respect of its occupation of the Land and the construction of Workshop No.5. If the infringement is affirmed, Hengxin (Jiangsu) may be required to cease to infringe on the property rights of the Land, return the Land to its owner, demolish the buildings erected on the Land, and compensate the loss of the owner of the Land for such infringement. Hengxin (Jiangsu) is entitled to request the Development Company to refund all monies paid and compensate Hengxin (Jiangsu) for all other direct losses and damages suffered. No assurance, however, can be given in respect of the outcome of any claim against the Development Company, because the interpretation of the PRC laws and regulations may be influenced by government policy changes.

As a result of the lawsuits in relation to the Land as set forth herein, our land use right of the Land and the buildings erected on it may be challenged by third parties including Ruidi. We obtained the building ownership certificate of Workshop No. 5 on the buildings erected on the Land in September 2010 and subsequently returned the same to Yixing Dingshu Real Estate Management Department (宜興市丁蜀住房保障和房產管理所) on 25 November 2010. According to Yixing Dingshu Real Estate Management Department (宜興市丁蜀住房保障和房產管理所), such return is not a cancellation of the relevant building ownership certificate, and Yixing Dingshu Real Estate Management Department (宜興市丁蜀住房保障和房產管理所) will return it to the Company upon completion of the relevant land use rights registration procedures. To the best knowledge of our Directors, the relevant legal proceedings on the Land have not been settled upon the [●], and therefore the Land cannot be put into auction. There is no realistic estimation when the relevant legal proceedings will be adjudicated and when the auction will be held. If Hengxin (Jiangsu) is unable to obtain the land use right of the Land, Hengxin (Jiangsu) will not be able to obtain the building ownership certificate of the buildings erected thereon and consequently, Hengxin (Jiangsu) has to demolish such buildings.

RISK FACTORS

As a remedial action, Hengxin (Jiangsu)'s board resolved on 5 August 2010 that Hengxin (Jiangsu) would use its best endeavours to obtain the land use right of the Land at the auction at market price or at a reasonable price the board thinks fit. [However, if Hengxin (Jiangsu) is not able to obtain the land use right of the Land at the auction, Hengxin (Jiangsu) would use its best endeavours to obtain a lease from the new owner of the Land at market rate or at a rate the board thinks fit and continue carrying out production at Workshop No. 5.] As a last resort, Workshop No. 5 has to be relocated. If we cannot obtain the land use right of the Land or obtain a lease from the new owner and need to relocate Workshop No. 5, the carrying value of the building of Workshop No. 5 need to be written off upon relocation. As at [30 September 2010], the carrying value of the building of Workshop No. 5 is approximately RMB7.27 million. The estimated costs incurred for the relocation of Workshop No. 5 would be approximately RMB6.56 million after taking into consideration the demolition and relocation cost, procurement of a new land and construction of a new production plant in replace of Workshop No. 5, as well as the refundable investment on the Land of approximately RMB5.76 million and sales of scraps from the demolition of Workshop No. 5. Our Directors confirmed that a parcel of idle land is located two kilometers away from our existing production base, which would be available for relocation of Workshop No. 5. Our existing production capacity is able to accommodate the orders on-hand. Therefore, our Directors consider that in the event that we have to relocate Workshop No. 5 there will not be any loss of production and revenue during the relocation. Besides, based on our PRC legal advisers' opinion, we are meanwhile allowed to start our operations in Workshop No. 5 once Workshop No. 5 has been inspected and approved for compliance with environmental protection until the proceedings have concluded and a decision reached by the court, despite the lack of title documents for the Land and sequestration of the Land by the court. In addition, if we cannot obtain the land use right of the Land, the R&D centre also needs to be demolished and its carrying value needs to be written off. As at [30 September 2010], the carrying value of the R&D centre is approximately RMB2.24 million.

We are subject to intellectual property rights risks.

We rely on our intellectual property rights, in particular, our "*HongSun*" trademark in the sales and distribution of most of our products and our patent applications in the manufacture of our products. Details of intellectual property rights vested in our Group are set out in the paragraph headed "Intellectual Property Rights" under the section headed "Business" in this document. Even though our trademarks and patents were successfully registered in the PRC and India, it may be possible for a third party to imitate or use our intellectual property rights without authorization. In this respect, our Group may incur expenses and efforts to enforce our intellectual property rights. Infringement of our intellectual property rights and the resulting diversion of resources to protect such rights will adversely affect our profitability.

On the other hand, as some of our trademarks and patents applications are awaiting approval, there is no assurance that we will be successful in the registration of such trademarks and patents. In the event that we are unable to register such trademarks and patents in the PRC and India, we may have no legal recourse to protect our proprietary rights in the event that there is any unauthorized use, infringement or misappropriation of our trademarks and patents or other traders attempting to pass off their products and services under our brand name.

RISK FACTORS

As we develop our products, we may also inadvertently infringe the intellectual property rights of others or others may assert infringement claims against us or claim that we have infringed their intellectual property rights. Such claims against us, even if untrue or baseless, could result in significant legal and other costs and may have an adverse effect on our business operations.

On 6 August 2010, we applied for registration as an overseas company in Hong Kong under Part XI of the Companies Ordinance. On 25 August 2010, the Registrar of Companies served a notice under Section 337B of the Companies Ordinance for the reason that our corporate name "Hengxin Technology Ltd." was considered as "the same as" or "too like" the English name of a company already registered under the Companies Ordinance (i.e. Hengxin Technology Co., Limited). As we have used "Hengxin Technology" since our incorporation date, and our two subsidiaries are also named with "Hengxin Technology", we have adopted a name other than its corporate name for carrying on business in Hong Kong, namely HX Singapore Ltd., to distinguish from other companies with similar names, which was approved by the Companies Registry on 7 September 2010. The adoption of our trading name was confirmed by a resolution of shareholders in an extraordinary general meeting on 27 October 2010.

We show our corporate name together with our trading name and place of incorporation, i.e. Hengxin Technology Limited, incorporated in Singapore with limited liability, carrying on its business in Hong Kong as HX Singapore Ltd., and our Chinese name "亨鑫科技有限公司" is different from that of Hengxin Technology Co., Limited which called "恒信科技網絡有限公司", which can avoid any misleading or indication of the nature of our activities in Hong Kong.

As at the [●], we are not aware of any infringement or passing off action in respect of any third party intellectual property rights regarding the use of our corporate name. Although we have adopted "HX Singapore Ltd." as our trading name for carrying on business in Hong Kong, there can be no assurance that there will not be any claims, disputes or litigations made or threatened to be made against us for passing off in the future. Any claims, disputes or litigations involving infringement of third party intellectual property rights, whether with or without merits can be costly and may result in a diversion of our resources, affect adversely our reputation and/or financial performance.

We may require additional financing in the future.

We may need to obtain additional debt or equity financing to fund acquisitions or capital expenditures and investments in projects that we intend to undertake. There is no assurance that such additional funding, if needed, will be available on acceptable terms. Failure to secure adequate funds on acceptable terms will affect our business operations adversely.

RISK FACTORS

Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit our operating flexibility in planning for, or reacting to, changes in our business and our industry. If additional funds are raised through the issuance of equity or equity-linked instruments, our Shareholders may experience a reduction in their percentage shareholdings and a dilution in earnings per share. In addition, such equity or equity-linked instruments may have rights, preferences or privileges senior to those of our existing Shares.

We may face disruptions in the business operations at our production facilities.

Our manufacturing activities are carried out at No.138 Taodu Road, Dingshu Town, Yixing City, Jiangsu Province, the PRC. Our production activities may be disrupted due to factors beyond our control, such as the occurrence of fire, disruptions in the power supply, theft and other natural calamity resulting in significant loss or damage to our production facilities which will adversely affect our production capabilities. This would result in longer lead time for production and delayed delivery to our customers. Failure to meet our customers' expectations could damage our reputation and may, as a result, lead to loss of business and affect our ability to attract new businesses. If this is to occur, our business, profitability and financial performance will be adversely affected.

We cannot assure that our insurance coverage would be sufficient to cover all our potential losses. In the event that such loss or damage exceeds the insurance coverage or is not covered by the insurance policies we have taken up, we would have to fund such losses or damage internally which may adversely affect our results of operations and our financial condition.

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

We operate in a highly competitive industry. As such, in order to maintain our competitive edge, we constantly obtain feedback from our customers and conduct market research to assist in our development of new products. Our research and development projects require manpower and investments.

There is no assurance that our Group's research and development projects will be successful or that our new products will gain market acceptance. An unexpected poor response from the market of our new products will not generate the expected revenue to cover our research and development and marketing costs. Failure to successfully commercialize our new products would have an adverse impact on our business operations and financial performance.

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

The enhancement of our market competitiveness and the strengthening of our leading position in the market are dependent on our ability to successfully develop and expand our product mix. As such, we intend to invest approximately [●] of the [●] to diversify our existing product portfolio to antennas and high temperature resistant cables.

RISK FACTORS

However, some or all of the abovementioned product development initiatives may not translate into products that can feasibly, or cost effectively, be produced on mass scale. Even if the antennas and high temperature resistant cables are successfully developed, we cannot assure you that these products will be commercially accepted or profitable and may also encounter competition. Our revenue and earning may be adversely affected if our investments in the development of new products do not result in proportionate financial benefits.

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

In order to widen our revenue stream, to diversify our business risks and to position ourselves for strategic growth beyond the PRC in the long term, we intend to further expand our sales network to cover the overseas market. We see potential for growth of the mobile communications market in developing countries around the region and intend to focus our sales and marketing efforts in these countries. We plan to strengthen our existing sales network in Central Asia and South Asia. We also plan to identify and seek growth opportunities in other geographical markets, such as Russia, South America and Africa. Our expansion plans include conducting market research to understand the preference of the potential markets, actively participating in trade fairs and exhibitions so as to establish our presence, and paying visits to potential clients to promote our products.

In this connection, we face certain risks in our efforts to expand and maintain our business in international markets, including:

- cultural differences and other difficulties in staffing and managing international operations;
- inherent difficulties and delays in contract enforcement and collection of receivables through the use of foreign legal systems;
- volatility in currency exchange rates;
- the risk that foreign countries may impose withholding taxes (or otherwise tax our foreign income or place restrictions on repatriation of profit);
- the risk of barriers, such as anti-trust and other tariffs or other restrictions being imposed on foreign trade;
- changes in the political, regulatory, or economic conditions in a foreign country or region; and
- the burden of complying with foreign laws and regulations.

If we are unable to manage these risks effectively, our ability to expand our international business would be impaired, which may in turn materially and adversely affect our business, financial condition, results of operations and prospects.

RISK FACTORS

There is no assurance that we can successfully expand our sales network into these overseas markets, which may increase our operation costs, not generate the expected revenue and adversely affect our profitability and financial performance.

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 export sales may be adversely affected by increases in customs duty and taxes imposed by overseas countries such as India, which recently increased the Excise Duty from 8% to 10% and the Value Added Tax rate from 4% to 5%. Imports of our products into India is subject to various custom duties in India, including Basic customs duty, Customs Value Duty (CVD), Education Cess on CVD, Secondary & Higher Education Cess on CVD, Special Additional Customs Duty (SACD), Customs Education Cess and Customs Secondary & Higher Education Cess. Presently, the effective customs duty rate that is applicable on our Group's products is approximately 23.89%. Potential liability may also arise from unforeseeable delays in shipments such as recent vessels collision incident at Nehru port of Mumbai which led to sinking of containers and closure of the port for some days. Furthermore, an importer-exporter number is required for imports and exports to and from India. If our Group's importer-exporter number becomes invalid for any reason, the operations in India will be adversely affected.

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

Pursuant to PRC Labour Law and PRC Labour Contract Law, we are required to make social insurance contributions for the benefit of our employees, including pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance.

During the [●], our subsidiary, Hengxin (Jiangsu), has failed to pay the social insurance funds for those employees in their probation period for the reason that the probation employees are usually subject to a higher chance of personnel changes, and we have not provided the social insurance contribution until after their probation period is completed.

Our PRC legal advisers, Shanghai Veritas Law Corporation, have advised that under the relevant provisions of the Interim Regulation on the Collection and Payment of Social Insurance Premiums (社會保險費徵繳暫行條例), we should make social insurance contributions for the probation employees. In respect of our non-payment of social insurance funds for the probation employees, we may be ordered to pay the outstanding social insurance payments, and may be ordered to pay a daily surcharge of 0.2% of the total social insurance payments outstanding since the date we failed to make such payments; in serious cases, the management personnel directly in charge and other responsible personnel may be liable to a fine of between RMB1,000 and RMB5,000; in extremely serious cases, the management personnel directly in charge and other responsible personnel may be liable to a fine of between RMB5,000 and RMB10,000. We are further facing the risks of being sued by such probation employees for compensation if they sustain injuries during the probation period and thus may suffer loss arising for such compensation.

RISK FACTORS

Furthermore, any judgement or decision against us regarding the non-payment of social insurance funds may have adverse effect on our reputation.

Since the turnover of probation employees is relatively high, we have not maintained a record for such probation employees and therefore we cannot derive the outstanding amount of the social insurance funds to be paid by Hengxin (Jiangsu). However, taking into consideration the salary level of probation employees, our Directors are of the view that the outstanding social insurance funds for probation employees should be minimal and it will not have adverse effect on our financial position. As the amount of outstanding social insurance funds is unknown and most of probation employees have already left Hengxin (Jiangsu), it is impossible for us to settle the outstanding social insurance funds. As at the [●], Hengxin (Jiangsu) has made social insurance contributions for all the probation employees.

RISKS RELATING TO THE INDUSTRIES IN WHICH WE OPERATE

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

Demand for our products depends primarily on the amount of capital spending by telecommunications operators and equipment manufacturers in the PRC and overseas. We sell our products to telecommunications operators and equipment manufacturers, who incorporate our products into equipments and hardware in areas such as base stations for wireless mobile communications and innovative indoor signal coverage systems. As the entire telecommunications industry in the PRC geared up for the phenomenal growth of 3G, the country's telecommunications operators pumped in significant capital to build their 3G infrastructure, spurring demand for related telecommunications equipments. This in turn, drove sales of our RF coaxial cables. In the near future, we are planning to further explore the telecommunications markets overseas, such as India. If the global financial crisis continues to depress consumer sentiments in these markets, such as the PRC and India, the telecommunications operators may scale back on their infrastructure spending and expansion plans in the future, hence affecting our future growth in these markets. Therefore, our future success depends upon the growth in demand for mobile communications in the PRC and overseas.

Capital spending by telecommunications operators and equipment manufacturers in the PRC, our largest market, can be influenced by a variety of factors, including the evolution of the Chinese communication network standards, the intensity of competition and the international stock exchange listings of some of the telecommunications operators and equipment manufacturers, which could result, among other things, in greater access to capital for infrastructure building or an increased focus on controlling costs in order to increase returns for investors.

RISK FACTORS

Further, capital spending by telecommunications operators and equipment manufacturers in overseas can be influenced by a variety of factors, such as the local government's regulations on the telecommunications industry and policies of restrictions on imports and exports of telecommunications equipments, which could result in telecommunications operators and equipment manufacturers in such overseas markets scaling down or delaying their capital spending or reducing their imports of telecommunications equipments from certain countries.

These factors can cause our operating results to fluctuate from period to period. If telecommunications operators and equipment manufacturers delay or reduce their levels of capital spending, our operating results would be negatively affected.

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

We operate in a competitive environment and encounter competition from existing competitors in the industry and new market entrants. As such, we are in an extremely competitive industry, which is characterised by rapid technological advancement, downward pricing trends and high working capital requirements. We primarily compete on the following bases:

- Quality of RF coaxial cables;
- Extensive sale and distribution network spanning the PRC;
- Strong focus on research, design and product development;
- After-sales services; and
- Relationships with telecommunications operators.

There can be no assurance that we will maintain our competitiveness in these areas. If we fail to develop new products and services, maintain high quality of our products and services, or otherwise compete successfully, it would reduce our sales and adversely affect our future prospects.

In order to maintain our customer base and market share, we must ensure that we are able to continually develop and manufacture new products that meet our customers' requirements. In the event that our competitors are able to develop more advanced products at competitive prices, we may not be able to maintain our competitive edge or our market share, and our profits will be adversely affected.

RISK FACTORS

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.

During recent years, with the policy supports from the PRC government, the telecommunications industry in the PRC has experienced a rapid growth. By the issuance of 3G licenses in January 2009, telecommunications operators entered into a new phase of rapid construction and upgrade of the base stations for 3G networks. Tie in with the central government's effort to boost domestic consumption in the face of weakening global demand for Chinese exports, the State Council approved a plan to boost the country's electronics and information industries by providing additional investment and promoting the expansion of 3G mobile communications and other high-tech services in February 2009. Investment will focus on promoting the use of 3G mobile communications services and digital TVs. Our business benefits to a large extent from these industry policies.

There is no assurance that the PRC government will maintain its current policy for the telecommunications industry. If the PRC government changes its current policy and imposes any restriction policy on the development of the telecommunications industry, the capital expenditure of the telecommunications operators will be reduced and as a result, our business will be adversely affected.

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.

Consolidation in the telecommunications industry could result in delays in purchasing decisions by merged companies or in us playing a decreased role in the supply of products to the merged companies. Delays or reductions in wireless communications network infrastructure spending could have a material adverse effect on demand for our products. We depend on telecommunications operators and several large telecommunications equipment manufacturers for a significant portion of our business. Recent examples of the consolidation include China Telecom's acquisition of the CDMA network from China Unicom, through a series of transactions starting from 2 June 2008 and China Netcom's merger with and into China Unicom on 6 October 2008. We have had to adjust our sales tactics following these events as our customers changed their purchase method, preference or the specifications of the products they desire. Any disruption in our relationships with our major customers could adversely affect our sales, operating margins, net income and share price.

RISK FACTORS

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

Our customers are subject to laws and regulations applicable to the telecommunications and broadcast industries in the PRC. Ministry of Industry and Information Technology of the PRC, which is the primary telecommunications industry regulator under China's State Council, regulates, *inter alia*, industry policies and regulations, licensing, competition, telecommunications resources allocation, service standards, technical standards, interconnection and settlement arrangements and universal service obligations. The State Administration of Radio, Film and Television regulates the network access certification for broadcasting and television equipment (the "**Network Access Certificate**") and will set the relevant technical standards for obtaining the Network Access Certificates, transmission coverage for broadcasting stations and television stations, and supervises and regulates operators so as to ensure operators obtain valid Network Access Certificates.

Existing telecommunications and broadcast laws and regulations may be modified or new laws and regulations may be adopted. Such modified or adopted laws and regulations could, directly or indirectly, affect the pricing, distribution and quality/standards of telecommunications products and services and may have an uncertain impact on our business. Please refer to the section headed "Laws and Regulations" in this document for further details.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Our manufacturing operations are entirely located in the PRC. Accordingly, our results of operations and financial position are subject to a significant degree of political, economic, and legal developments in the PRC, including the following risks:

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

The economy of the PRC differs from the economies of most developed countries in many respects, including:

- Structure;
- Level of government involvement;
- Level of development;
- Growth rate;
- Control of foreign exchange; and
- Allocation of resources.

RISK FACTORS

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. For the past two decades, the PRC government has implemented economic reform measures emphasizing utilization of market forces in the development of the PRC economy. In addition, the PRC government continues to play a significant role in regulating industries by imposing industrial policies. Despite the implementation of such reforms, we cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, results of operations or financial condition.

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

Our manufacturing operations are located in the PRC and all of the employees of Hengxin (Jiangsu) are PRC citizens. Our operations are therefore generally affected by and subject to the PRC legal system and PRC laws and regulations. Since 1979, many laws and regulations covering general economic matters have been promulgated in the PRC. Despite this activity to develop the legal system, the PRC's system of laws is not yet complete. Even where adequate law exists in the PRC, the enforcement of existing laws or contracts based on existing laws may be uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. The PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited for reference but have limited weight as precedents. The relative inexperience of the PRC's judiciary in many cases creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes.

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

We are incorporated in the Republic of Singapore under the Singapore Companies Act. Pursuant to the PRC Enterprise Income Tax Law (中華人民共和國企業所得稅法) (the "EIT Law") and its Implementation Regulations, enacted on 16 March 2007 and 6 December 2007 respectively, effective as at 1 January 2008, if an enterprise incorporated outside the PRC has its "de facto management organization" located within the PRC, such enterprise may be recognized as a resident enterprise and thus may be subject to enterprise income tax at the rate of 25% on their worldwide income. As a majority of the members of our management team continue to be located in the PRC after the effective date of the EIT Law, we may be deemed as a resident enterprise for enterprise income tax purposes and thus may be subject to PRC enterprise income tax at the rate of 25% on our worldwide income. As a result of the changes described above, our historical operating results may not be indicative of our operating results for future periods and the value of our Shares may be adversely affected.

RISK FACTORS

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

Our revenue and expenses are denominated in RMB. We may need to convert a portion of our revenue into other currencies to meet our foreign currency obligations, including, among others, payment of dividends declared, if any, in respect of our Shares. Under the PRC's existing foreign exchange regulations, dividend payments to foreign shareholders of foreign-invested enterprises (FIE) constitute current account transactions. Accordingly, our PRC subsidiary, which is an FIE, is able to pay dividends in foreign currencies, without prior approval from the SAFE, by complying with certain procedural requirements. However, we cannot assure that the PRC government will not take further measures in the future to restrict access to foreign currencies for current account transactions.

Foreign exchange transactions by our subsidiary in the PRC under capital accounts continue to be subject to significant foreign exchange controls and require the approval of, or registration with, PRC governmental authorities. In particular, if our PRC subsidiary borrows foreign currency loans from us or other foreign lenders, these loans must be registered with the SAFE. If we finance them by means of additional capital contributions using, for instance, [●] from the [●], these capital contributions must be approved or registered by certain governmental authorities including the SAFE, MOFCOM or their local counterparts. These limitations could affect the ability of these entities to obtain foreign exchange through debt or equity financing, and therefore could affect our business and financial condition.

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

The exchange rates between the RMB and the Hong Kong dollars, the U.S. dollar and other foreign currencies is affected by, among other things, changes in the PRC's political and economic conditions. In 2005, the PRC government changed its policy of pegging the value of the RMB to the U.S. dollar. Under the new policy, the RMB is pegged against a basket of currencies, determined by the People's Bank of China, against which it can appreciate or weaken by as much as 0.5% each day.

There remains significant international pressure on the PRC government to adopt a more flexible policy, which could result in a further appreciation of the RMB against the U.S. dollar, the Hong Kong dollar or other foreign currencies. As we rely on dividends paid to us by our operating subsidiaries, any significant revaluation of the RMB may have a material effect on the value of dividends payable in foreign currency terms. Furthermore, we need to convert the [●] from [●] and future financing into the RMB for our operations, appreciation of the RMB against the relevant foreign currencies would have an adverse effect on the RMB amount we receive from the conversion.

RISK FACTORS

Following the completion of [●], we expect a significant portion of our cash and cash equivalents to be denominated in foreign currencies. As our functional currency is RMB, such foreign currency-denominated cash and cash equivalents are exposed to fluctuations in the value of the RMB against the currencies in which these cash and cash equivalents are denominated. Any significant appreciation of the RMB against these foreign currencies may result in significant exchange losses.

Moreover, as we expect that our future growth will be partially from exports, any appreciation of RMB could give rise to uncertainties in our financial condition and results of operations.

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

While the PRC economy has experienced rapid growth, such growth has been uneven among various sectors of the economy and in different geographical areas of the country. Rapid economic growth can lead to growth in the money supply and rising inflation. If prices for our products and services rise at a rate that is insufficient to compensate for the rise in our costs, our business may be materially and adversely affected. In order to control inflation in the past, the PRC government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such an austerity policy can lead to a slowing of economic growth. A slowdown in the PRC economy could also materially and adversely affect our business and prospects.

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 Company is incorporated in Singapore. Half of our Board of Directors are residents of the PRC. Our Company is a holding company, a substantial proportion of the assets of our operating subsidiary and its directors are located within the PRC. Therefore, it may not be possible for investors to effectuate service of process upon us or those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts.

The PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the United Kingdom, the United States or most other Western countries. Accordingly, it may be difficult to secure recognition and enforcement in the PRC for court judgments obtained in other jurisdictions and to access our assets in the PRC in order to enforce judgment awards entered against us outside of the PRC. Therefore, it may be difficult for you to enforce against us, or our directors in the PRC, any judgments obtained from non-PRC courts.

RISK FACTORS

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

As at [30 September] 2010, we employed [668] employees in the PRC. On 29 June 2007, the PRC Government promulgated a labour law, namely, the PRC Labour Contract Law, which became effective on 1 January 2008. The PRC Labour Contract Law imposes requirements relating to, among others, the types of contracts to be executed between an employer and an employee, and establishes time limits for probation periods and provides for how long and how many times an employee can be placed on a fixed-term employment contract. It also requires that social insurance be paid on behalf of employees, otherwise employees are entitled to unilaterally terminate the labour contract. Under the PRC Labour Contract Law, when we terminate our PRC employees' employment, we are required to compensate them for an amount which is determined based on their length of service with us. In the event we decide to significantly change or decrease our workforce, the Labour Contract Law could adversely affect our ability to effect these changes cost-effectively or in the manner we desire, which could negatively impact our results of operations.

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

Our business could be materially and adversely affected by the effects of Severe Acute Respiratory Syndrome (or SARS), avian influenza, Influenza A (H1N1, or widely known as swine influenza) or another epidemic or outbreak on the economic and business climate and the natural disasters. China reported a number of cases of SARS in April 2004, avian influenza has been reported in western China and several countries in Southeast Asia in 2005 and swine influenza has resulted in numerous human deaths in several provinces in the PRC in 2005. The recent outbreak of Influenza A has caused deaths worldwide. Restrictions on travel resulting from a reoccurrence of SARS or another epidemic or outbreak could adversely affect our ability to market and service new and existing customers throughout China.

Our business operations could be disrupted if one of our employees is suspected of having SARS, avian influenza or swine influenza, since it could require us to quarantine some or all of our employees and/or disinfect our offices. In addition, our results of operations could be adversely affected in the event that SARS, avian influenza, swine influenza or another outbreak harms the Chinese economy in general.

Furthermore, our business is also subject to natural disasters such as fire, floods and earthquakes, as well as civil strife, industrial strikes, terrorist incidents or other acts of God which are beyond our control and which would have a material adverse effect on our business, financial condition and results of operations. In addition, the production facilities of many of our suppliers and customers are located in the PRC. If our customers are affected by such disruptions, it could result in a decline or delay in the demand for our products. Similarly, if our suppliers are affected, our production schedule could be interrupted or delayed. As a result, a major disruptive event in the PRC, even one that does not directly affect us, could severely disrupt the normal operation of our business and have a material adverse effect on our business, financial condition and results of operations.

RISK FACTORS

We cannot guarantee the accuracy of certain facts and statistics with respect to the PRC, the PRC economy and the telecommunications industry contained in this document.

Certain facts and statistics contained in this document relating to the PRC, the PRC economy and the PRC telecommunications industry have been derived from, among other sources, official PRC government publications which are generally believed to be reliable. However, we cannot guarantee the quality or reliability of such official government publications. They have not been prepared by us, the [●], the [●] or the Underwriters or any of our or their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of the facts and statistics, or materials prepared based on the facts and statistics, contained in the official government publications, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other difficulties, the facts and statistics contained in the official PRC government publications may be inaccurate or may not be comparable to the facts and statistics produced for other economies and should not be relied upon. Further, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

In all cases, investors should give consideration as to how much weight of importance they should attach to or place on such facts or statistics derived from official government sources.

DIRECTORS

DIRECTORS

Name	Address	Nationality
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Executive Directors

Mr. Cui Genxiang	No. 2 Hengtong Yuan, Qidu Town, Wujiang City, Jiangsu Province, PRC	Chinese
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Dr. Song Haiyan	Flat 502, No. 3, Building 20, Area 5 Yulong Garden, Shunyi District, Beijing, PRC	Chinese
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Non-executive Director

Ms. Zhang Zhong	No. 27, 6th Floor, Unit 3, No. 71 Hongmiaozi Street, Qingyang District, Chengdu, Sichuan Province, PRC	Chinese
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*Independent non-executive
Directors*

Mr. Tay Ah Kong Bernard	267 Sixth Avenue Dynasty Lodge, Singapore 276560	Singaporean
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Mr. Chee Teck Kwong Patrick	55 Chartwell Drive, Singapore 558749	Singaporean
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[Mr. Tam Chi Kwan Michael]	[6/F., Block P, Merry Terrace, 4 Seymour Road Mid-levels, Hong Kong]	[Chinese]
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CORPORATE INFORMATION

Registered office	10 Anson Road #15-07 International Plaza Singapore 079903
Headquarter in the PRC	No. 138 Taodu Road Dingshu Town Yixing City Jiangsu Province 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]
Company's website	www.hengxin.com.sg <i>(information contained in this website does not form part of this document)</i>
Joint company secretaries	Ms. Shirley Lim Guat Hua (<i>ACIS</i>) (Singapore) Ms. Wong Wai Han (<i>HLLB</i>) (Hong Kong)
Authorised representatives	Mr. Cui Genxiang No. 2 Hengtong Yuan, Qidu Town, Wujiang City, Jiangsu Province, PRC Ms. Wong Wai Han Flat G. 4/F., 264 Ma Tau Wai Road, Kowloon, Hong Kong
Audit committee	Mr. Tay Ah Kong Bernard (<i>Chairman</i>) Mr. Chee Teck Kwong Patrick [Mr. Tam Chi Kwan Michael] Ms. Zhang Zhong

CORPORATE INFORMATION

Remuneration committee

Mr. Chee Teck Kwong Patrick (*Chairman*)

Mr. Tay Ah Kong Bernard

Ms. Zhang Zhong

Nomination committee

Mr. Chee Teck Kwong Patrick (*Chairman*)

Mr. Tay Ah Kong Bernard

Mr. Cui Genxiang

Ms. Zhang Zhong

INDUSTRY OVERVIEW

INTRODUCTION

CMMC is an independent market research institution that publishes periodic professional research reports on macroeconomics and microeconomics, industries, products, companies and consumer markets. The report that we purchased is a detailed analysis on current situation and prospect of RF cable market in the mobile communications industry in the PRC. It provides an outlook and an assessment of the industry and includes product and market forecasts, industry trends, threats and opportunities, competitive strategies, market share determinations and company profiles.

THE GLOBAL MOBILE COMMUNICATIONS INDUSTRY

The mobile communications industry has been the most dynamic area within the telecommunications industry and its growth speed has far outstripped that of fixed-line communications. Mobile communications has grown to be the most reliable communication service by worldwide users over the last few years. The number of mobile phone subscribers increased rapidly year by year. The rapid growth in recent years has primarily been driven by growth in subscriber numbers in some of the largest and fast-growing markets such as the PRC and India. The PRC is currently the largest mobile communications market in the world by subscriber number. By the end of October 2010, the number of mobile subscribers in the PRC has arrived approximately 842 million.

In terms of protocol, GSM is the most commonly used protocol in Europe and Asia, as well as some emerging markets in Latin America, Eastern Europe, the Middle East and Africa. As 2G networks continue to develop in these regions, both in terms of coverage and capacity, GSM networks and services are expected to continue to grow rapidly. On the other hand, CDMA is more commonly used in North America and certain Asian Pacific countries.

A more advanced generation of wireless voice and data transmission protocol is commonly referred to as the 3G standard, the specifications of which is governed by the International Telecommunication Union, or ITU. There are mainly four recognized technology standards of 3G in the world, commonly known as WCDMA, CDMA2000, TD-SCDMA and Wimax. WCDMA protocol is widely used across the whole Europe and has the most networks among all 3G technology standards. WCDMA supports GSM wireless communication network's upgrade. CDMA2000 protocol is mainly used in USA, Japan and Korea. Companies such as LG, have built CDMA2000 networks. TD-SCDMA protocol is developed by the PRC government [together with members of the TD-SCDMA Industry Association in China], which applies better in nations with large population. China Mobile has obtained the 3G license using TD-SCDMA protocol.

Transmission protocols under the 3G standard have improved the rate of data transmissions beyond that of GSM and CDMA, the traditional 2G protocols, and offer better voice and data capabilities. However, despite of the development of 3G networks and services, 2G networks and services are unlikely to be totally replaced by 3G in the near term, especially in countries like China, India, and other emerging markets in Asia and Africa where mobile penetration is still low. In these regions, 2G networks and services are likely to remain as the core platform of the development of mobile communications industry in the near term.

INDUSTRY OVERVIEW

THE MOBILE COMMUNICATIONS INDUSTRY IN THE PRC

Along with the rapid development in national economy, globalization and industry policy support from the government, the mobile communications industry in the PRC has grown dramatically over the last few years. By the end of October 2010, the number of mobile subscribers in the PRC has arrived approximately 842 million, increased from 100 million in 2001. The PRC has now become the largest mobile communications market in the world by subscriber number.

In 2008, the PRC completed the reorganization of its telecommunications industry, pursuant to which the number of mobile communications licenses increased from two to three, namely China Mobile, China Unicom and China Telecom. Some of the key components of such reorganization include China Telecom acquiring the CDMA network from China Unicom, and the merger of China Unicom with China Netcom. In January 2009, China announced the grant of three 3G operator licenses for TD-SCDMA, WCDMA and CDMA2000 networks to China Mobile, China Unicom and China Telecom, respectively, which generated a new era of telecommunications industry in the PRC and boosted the capital expenditure in building 3G networks of these operators since 2009. However, the capital expenditure in 3G has slowed down since 2010. According to the information from Ministry of Industry and Information Technology of the PRC, by the end of July 2010, the three telecommunications operators have only invested RMB22,400 million in 3G, or approximately 23.6% of the whole plan of 2010. China Mobile, China Unicom and China Telecom has invested RMB7,800 million, RMB1,800 million and RMB12,800 million, respectively, or approximately 17.3%, 7.8% and 47.4% of their 2010 plan, respectively. The actual capital expenditure investment in the telecommunications industry up to October 2010 had decreased by approximately 12.4% as compared with the same period in 2009.

With the decrease in capital expenditure by the three telecommunications operators, the overall demand for RF cables is likely to go down in 2010. In addition to this, the downtrend in ARPU would prompt further downward pressure on prices of equipments to be acquired for networks expansion. Accordingly, future competition in the RF cable industry in the PRC is expected to be more intense.

THE MOBILE COMMUNICATIONS RF CABLE INDUSTRY IN THE PRC

The development in the mobile communications industry provides the relevant mobile communications RF cable industry a promising market prospect, which is mainly used in transmission of high-frequency signals between antenna and base station equipment for outdoor wireless signal coverage system and indoor wireless signal coverage system in buildings. The evolution from 2G to 3G further requires telecommunications operators to substantially increase their capital expenditure in upgrading their current telecommunications infrastructure and building more infrastructures, such as the base station. Since the attenuation of 3G wireless signal transmission is higher than that of 2G wireless signal transmission, the coverage area of a 3G base station is smaller than that of a 2G base station, under the same power level. Therefore, operators with 2G networks need to build more base stations in rolling-out their 3G networks, while operators currently without mobile networks need to build new base stations. As a key component of the base station, the demand of RF cables has grown substantially.

INDUSTRY OVERVIEW

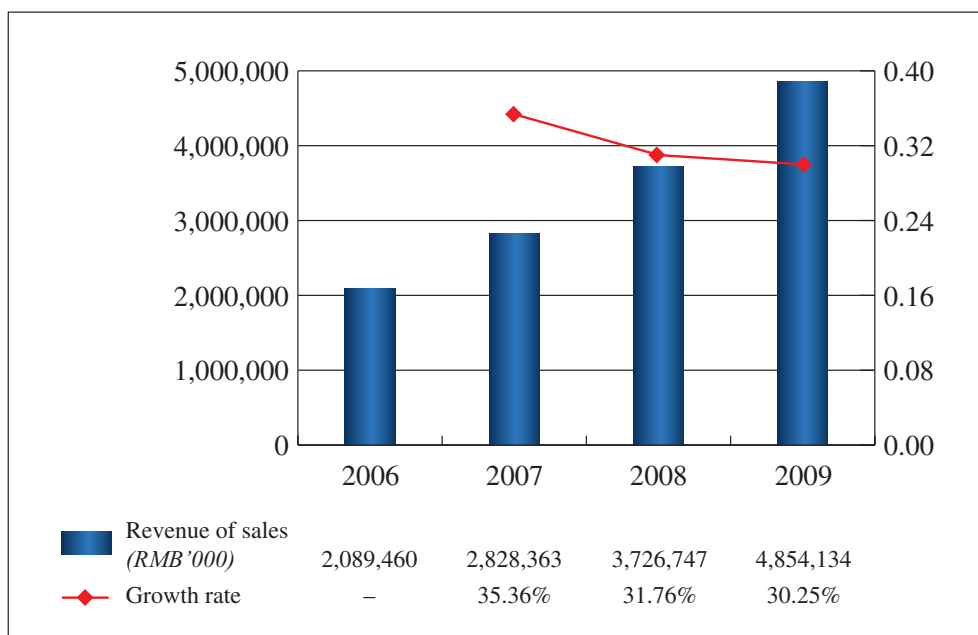
In general, WCDMA or CDMA2000 base stations require a batch of RF coaxial cables to transmit signals between base station equipment and antenna. TD-SCDMA base stations adopt a special solution that, the transmission of signals between base station equipment and antenna is separated into two parts: one part relies on a piece of fibre cable to transmit signals between base station equipment and a special equipment, while another part still relies on a batch of RF coaxial cables to transmit signals between the said special equipment and antenna. By using one single piece of fibre cable in part of the transmission of signals instead of a batch of RF coaxial cables, the production cost of base stations may be reduced and the transmission loss may be reduced. Currently, China Mobile establishes its 3G network using TD-SCDMA protocol, while each of China Unicom and China Telecom establishes its 3G network using WCDMA protocol or CDMA2000 protocol. At the end of June 2010, China Mobile had about 115,000 3G base stations, China Unicom had about 153,000 3G base stations and China Telecom had the widest 3G network coverage in the PRC.

According to CMMC, the mobile communications RF cable industry in the PRC has the following key characteristics:

- i. The quality of domestically produced mobile communications RF cables is equivalent to those famous brands overseas. Domestic mobile communications RF cables have been widely accepted by telecommunications operators and telecommunications equipment manufacturers. In 2009, the market share of domestic mobile communications RF cables in China amounted to approximately 90% of the total.
- ii. The competition in the industry in the PRC is intensive. Along with the development in the construction of mobile communications networks, the market for mobile communications RF cables has been expanding over the recent years and the number of domestic mobile communications RF cable enterprises keeps increasing, as more enterprises are attracted by the market potential geared by 3G development. Therefore, it is expected that the competition in the mobile communications RF cable industry in the PRC will continue to intensify.
- iii. The demand for mobile communications RF cable has grown rapidly at an annual growth rate of 30% during recent years.
- iv. The mobile communications RF cable industry in the PRC is highly concentrated. By the end of 2009, there are totally 32 enterprises in this industry in the PRC, increased from 22 in 2006. Among the 32 enterprises, revenues of the top two enterprises account for 55.5% of the total revenues of the industry in 2009; revenues of the top three enterprises in terms of revenue account for 67.6% of the total revenues of the industry in 2009; revenues of the top five enterprises in terms of revenue account for 88.4% of the total revenues of the industry in 2009.
- v. The mobile communications RF cable industry in the PRC has a relative high technical barrier and capital barrier. It requires RF cable enterprises to keep high and stable quality of their RF cable products, strong research and development capabilities to develop new and advanced products that keep up with the technology development and upgrade in the mobile communications industry. The establishment and operation of a RF cable enterprise involves high investment cost and long terms of occupation of funds by downstream enterprises, namely telecommunications operators and telecommunications equipment manufacturers.

INDUSTRY OVERVIEW

According to CMMC, the revenue of sales of the RF cable industry in the PRC has kept increasing since 2006. The revenue of sales in 2009 amounted to approximately RMB4,854 million, or a 30.25% growth as compared to 2008. The following chart shows the revenue of sales and its growth rate of the RF cable industry in the PRC from 2006 to 2009.



Source: CMMC

We face competition from existing players and new players in the PRC RF cable market from time to time. However, our Directors believe that our competitive strengths in the PRC RF cable market are as follows:

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; and

We have an experienced and professional management team.

With respect to the future, the mobile communications RF cable industry will continue to benefit from the urbanization, the increasing penetration of current 2G networks into remote areas and the rolling-out of 3G networks in the PRC.

INDUSTRY OVERVIEW

THE MOBILE COMMUNICATIONS INDUSTRY IN INDIA

Being the second biggest mobile communications market after China, India has also experienced fast growth in mobile communications market. India's total mobile subscribers arrived at approximately 670.6 million as at August 2010, with mobile penetration rates reaching 59.6%.

In response to India's auction of its 3G spectrum, many mobile operators had aggressively placed bids for the license to operate in the country. The proposed allocation of 3G spectrum lays the groundwork for the construction of 3G networks across the country, spiking demand for telecommunications equipments.

We face competition from both of international players and Indian local players in the Indian mobile communications market. Our major competitors in India are either private companies or subsidiaries of public companies, the operation and financial information of which are not publicly available or verifiable. Our Directors considers that the prices of our products are more competitive than some of our major competitors and the quality of our products is better than Indian local players. The prices of our products are more competitive than some of the Company's major competitors in India attributable to the reason that the raw materials used by these competitors are imported to India which resulted in a higher cost of the products of these competitors as compared to the Company. The quality of our products is better than Indian local players mainly attributable to the instable power supply in India which resulted in interruption of the operations of manufacturing equipments and thus a higher failure rate of the products. As more telecommunications operators in India tend to purchase locally, we have set up Hengxin (India) and recruited local employees in order to enable us to provide instant response to customers' needs and strengthen post-sale services. However, some of our major competitors have longer presence in India market and its sales and distribution network is more well-established than ours.

LAWS AND REGULATIONS

This section sets forth a summary of the most significant laws, regulations and requirements that affect our business activities in the PRC and India or our Shareholders' right to receive dividends and other distributions from us. As confirmed by our Directors and advised by our PRC legal advisers and Indian legal advisers, all relevant PRC and Indian regulatory requirements to which Hengxin (Jiangsu), our PRC operating subsidiary, and Hengxin (India), our Indian operating subsidiary, are subject, respectively and which have a material impact on them have been set forth below.

I. PRC LAWS AND REGULATIONS

Regulations on Foreign Investments

The establishment, operation and management of corporate entities in the PRC are governed by the *Company Law of the PRC* (中華人民共和國公司法) (the "**Company Law**"), which was promulgated by the Standing Committee of the National People's Congress on 29 December 1993 and became effective on 1 July 1994. It was subsequently amended on 25 December 1999, 28 August 2004 and 27 October 2005. The Company Law also applies to foreign-invested limited liability companies and companies limited by shares. According to the Company Law, where laws on foreign investment have other stipulations, such other stipulations shall apply.

The establishment, modification, termination of the limited liability company and joint stock limited company are subject to *Regulations of the PRC on the Administration of Company Registration* (中華人民共和國公司登記管理條例) (the "**Regulation on the Administration of Company Registration**"), which was promulgated by Order No. 156 of the State Council of the PRC on 24 June 1994 and was revised according to the Decision of the State Council on Revising the Regulations of the PRC on the Administration of Company Registration on 18 December 2005. According to the Regulation on the Administration of Company Registration, the registration of a foreign-invested company shall be subject to these Regulations. Where a law on foreign-invested enterprise provides otherwise for the registration of a foreign-invest ed enterprise, such a law shall apply.

The establishment procedures, approval procedures, registered capital requirement, organization structure and etc. matters of a wholly foreign-owned enterprise are regulated by the *Wholly Foreign-owned Enterprise Law of the PRC* (中華人民共和國外資企業法), which was passed on 12 April 1986 by the 4th Session of the sixth National People's Congress and amended on 31 October 2000. Our subsidiary, Hengxin (Jiangsu), as a wholly foreign-owned enterprise, is regulated by the law.

The legislation stipulates basic provisions that regulate the establishment of wholly foreign-owned enterprises and their daily business operations. Pursuant to this legislation, an enterprise with sole foreign investment shall pay tax in accordance with the relevant State tax regulations and may enjoy preferential reduction of or exemption from tax. Where an enterprise with sole foreign investment reinvests after-tax profits in the PRC, it may, in accordance, with State regulations, apply for reimbursement of the income tax already paid on the reinvested amount. The foreign investor may remit abroad legitimate profits earned from an enterprise with sole foreign investment, other legitimate income and funds obtained after liquidation of the enterprise. Wages and other legitimate income of foreign staff and workers of an enterprise with sole foreign investment may be remitted abroad after payment of individual income tax in accordance with the law.

LAWS AND REGULATIONS

Rules for the Implementation of the Law of the PRC on Wholly Foreign-owned Enterprises (中華人民共和國外資企業法實施細則) which is revised according to the Decision of the State Council Regarding the Revision of Rules for the Implementation of the Law of the PRC on wholly Foreign-owned enterprises on 12 April 2001, approved on 28 October 1990 by the State Council, issued on 12 December 1990 by the Ministry of Foreign Economic Relations and Trade, is formulated according to the Wholly Foreign-owned Enterprise Law of the PRC.

The regulation stipulates that in operating period, no wholly foreign-owned enterprise may reduce their registered capital. If however, it is really needed to make such reduction due to some changes such as those in the total amount of investment and production scale, it may be reduced upon the approval by the examining and approving authority. Upon the approval by the examining and approving authority, the foreign investors may also make their investments with their profits in Renminbi from any other enterprises established by them within the PRC. Wages and salaries as well as any other legitimate income in foreign exchange of foreign workers and staff members, or of the workers and staff members from Hong Kong, Macao or Taiwan, of a wholly foreign-owned enterprise may be remitted outside China freely after the income tax is paid in accordance with the provisions of the PRC tax law.

Investment in the PRC conducted by foreign investors and foreign-owned enterprises is regulated by the *Catalogue for the Guidance of Foreign Investment Industries (2007)* (外商投資產業指導目錄 (2007)) (the "Guidance Catalogue"), which was promulgated by the Ministry of Commerce and the National Development and Reform Commission on 31 October 2007 and became effective on 1 December 2007. The Guidance Catalogue specifically divides foreign investment industries into three categories: encouraged, restricted and prohibited. Industries not listed in the Guidance Catalogue are generally open to foreign investment unless specifically barred in other PRC regulations. The business scope of Hengxin (Jiangsu) does not fall into the restricted and prohibited categories.

Pursuant to the *Provisions for the Alteration of Investors' Equities in Foreign-invested Enterprises* (外商投資企業投資者股權變更的若干規定) promulgated by the Ministry of Foreign Trade and Economic Cooperation and the State Administration of Industry and Commerce on 28 May 1997, the term of "Alteration of investors' equities in foreign-invested enterprises" refers to alteration of investors of Sino-foreign equity joint ventures, Sino-foreign contractual joint ventures and foreign-owned enterprises set up in the PRC or their shares of investment in the enterprises. The department to examine and approve the alteration of investors' equities in the enterprises shall be the examination and approval department that has approved the establishment of this enterprise. Should changes take place in the equities of an investor in the enterprise due to multiplication of the enterprise's registered capital and the total investment of this enterprise surpass the limit of amount authorized to handle by the original examination and approval department as a result, alteration of the equities of the investors in the enterprise shall be reported for examination and approval to a senior examination and approval department in line with the limit of power of this department and pertinent regulations.

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Regulations on Foreign Currency Exchange

Pursuant to *Regulation of the PRC on Foreign Exchange Administration* (中華人民共和國外匯管理條例) (promulgated by Order No.193 of the State Council of the PRC on 29 January 1996, amended according to the Decision of the State Council on Amending the Regulation of the PRC on Foreign Exchange Administration on 14 January 1997, and amended again at the 20th executive meeting of the State Council on 1 August 2008), the RMB is freely convertible only to the extent of current account items, including the distribution of dividends, interests payments, trade and service-related foreign exchange transactions by complying with the certain procedure requirements. But the State supervises and controls the foreign exchange under the capital item. Any institution or individual borrowing foreign debts shall abide by the relevant state provisions and handle the foreign debt registration formalities at a foreign exchange administrative organ. An institution shall apply to a foreign exchange administrative organ before providing foreign guarantee. The foreign exchange administrative organ shall make a decision of approval or disapproval according to the asset-liability situation of the institution. In conclusion, foreign exchange transactions by our subsidiary in the PRC under capital accounts continue to be subject to significant foreign exchange controls and require the approval of, or registration with, PRC governmental authorities.

Invitation and Submission of Bids Law

Invitation and Submission of Bids Law (中華人民共和國招標投標法) was passed by the 11th meeting of the Standing Committee of the Ninth National People's Congress on 30 August 1999 and effective as of 1 January 2000. Bids must be invited for the following construction projects undertaken in the PRC, including surveying for, design, construction and supervision of the projects as well as the procurement of important equipment, materials, etc. for the construction: (1) projects with a bearing upon the public interest and public safety such as large-scale infrastructure projects, public utility projects, etc.; (2) projects that are totally or partially funded by the investment of State-owned funds or financed by the State; (3) projects using loans from international organizations or foreign governments, or aid funds.

Invitations of bids are divided into public invitation of bids and private invitation of bids. If the bid inviting party employs the public invitation of bids method, it shall issue a bid invitation announcement. The bid invitation announcement for a project for which the invitation of bids is legally required shall be issued in a State-designated newspaper or periodical, on a State-designated information network or in other State-designated media. If the bid inviting party employs the private invitation of bids method, it shall send a bid invitation letter to at least three specific legal persons or other organizations which have the ability to handle the project and which have a good credit standing.

The bidders shall deliver the bid documents to the bid submission address before the deadline for the submission of bid documents specified in the bid invitation documents. After receiving the bid documents, the bid inviting party shall sign for receipt and preserve the same, and may not open them. If there are fewer than three bidders, the bid inviting party shall invite bids anew according to this law. Two or more legal persons or other organizations may organize

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as a consortium and jointly submit a bid as a single bidder. Bidders may not collude on the bid price, may not preclude fair competition from other bidders or prejudice the lawful rights and interests of the bid inviting party or other bidders. Bidders and the bid inviting party may not collude in the submission of bids in order to harm the interests of the State, the public interest or the lawful rights and interests of a third party.

The winning bidder shall be determined by the bid inviting party on the basis of the written bid evaluation report submitted, and the candidates for the status of winning bidder recommended, by the bid evaluation committee. Alternatively, the bid inviting party may authorize the bid evaluation committee to directly determine the winning bidder. The bid of the winning bidder shall meet one of the following conditions: (1) it conforms to the greatest possible extent with all of the overall evaluation standards specified in the bid invitation documents; (2) it satisfies the substantive requirements of the bid invitation documents and its bid price is the lowest among those evaluated, except for bid prices below cost.

Environmental Regulations

We are subject to a variety of PRC national and local environmental laws and regulations, including the *Environmental Protection Law of the PRC* (中華人民共和國環境保護法), the *Law of PRC on the Prevention and Control of Water Pollution* (中華人民共和國水污染防治法), the *Law of PRC on the Prevention and Control of Air Pollution* (中華人民共和國大氣污染防治法), the *Law of PRC on the Prevention and Control of Noise Pollution* (中華人民共和國環境噪聲污染防治法), the *Law of PRC on the Prevention and Control of Solid Waste Pollution* (中華人民共和國固體廢物污染環境防治法), the *Administrative Regulations on Environmental Protection for Construction Projects* (建設項目環境保護管理條例) and the *Administrative Regulations on the Levy and Utilization of Sewage Charge* (排污費徵收使用管理條例).

Pursuant to such laws and regulations, any business operations that may cause environmental pollution and other public hazards shall incorporate the work of environmental protection into their plans and establish a reliable system for environmental protection, and must adopt effective measures to prevent and control the pollution and harms caused to the environment by waste gas, waste water, waste residues, dust, malodorous gases, radioactive substances, noise, vibration and electromagnetic radiation generated in the course of production, construction or other activities. Companies are also required to carry out an environmental impact assessment before commencing construction of production facilities and install pollution treatment facilities that meet the relevant environmental standards for treating pollutants before discharge. If a company fails to report and/or register any environmental pollution caused by it, it will be warned or subject to penalties. If the company then fails to restore the environment to its original state or improve the environment as affected by the pollution within the time limit, it will then be penalized and its business license may be suspended. Companies or enterprises causing environmental pollution and hazards are responsible for taking action to remedy the hazards and consequences caused by the pollution, and compensation for any loss or damages caused by the environmental pollution.

Enterprises are required to comply with the applicable national and local environmental laws and regulations.

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Labour Law

We are subject to the *PRC Labour Law* (中華人民共和國勞動法), pursuant to which companies must enter into employment contracts with their employees, based on the principles of equality, consent and agreement through consultation. Companies must establish and effectively implement a system of ensuring occupational safety and health, educate employees on occupational safety and health, preventing work-related accidents and reducing occupational hazards. Companies must also pay for their employees' social insurance premium.

The principal regulations governing the employment contract is *the PRC Labour Contract Law* (中華人民共和國勞動合同法) (the "**Labour Contract Law**"), which was promulgated by the Standing Committee of the National People's Congress on 29 June 2007 and came into effect on 1 January 2008. Pursuant to the Labour Contract Law, employers shall establish employment relationship with employees on the date that they start employing the employees. To establish employment, a written labour contract shall be concluded, or employers will be liable for the illegal actions. Furthermore, the probation period and liquidated damages shall be restricted by the law to safeguard employees' rights and interests.

Pursuant to the *Regulations on Occupational Injury Insurance* (工傷保險條例) promulgated on 27 April 2003 and effective on 1 January 2004 and the *Interim Measures concerning the Maternity Insurance for Enterprise Employees* (企業職工生育保險試行辦法) promulgated on 14 December 1994 and effective on 1 January 1995, PRC companies shall pay occupational injury insurance premiums and maternity insurance premiums for their employees. Pursuant to the *Interim Regulations on the collection and payment of Social Insurance Premium* (社會保險費征繳暫行條例) promulgated and effective on 22 January 1999 and the *Interim Measures concerning the Administration of the Registration of Social Insurance* (社會保險登記管理暫行辦法) promulgated and effective on 19 March 1999, basic pension insurance, medical insurance and unemployment insurance are collectively referred to as social insurance. Each of the PRC companies and their employees are required to contribute to the social insurance plan.

Safety Law

According to the *Production Safety Law of the PRC* (中華人民共和國安全生產法) which was promulgated on 29 June 2002 by the Standing Committee of the National People's Congress and became effective as of 1 November 2002, companies carrying out production activities are required to have safe production conditions as required by relevant laws and regulations. Companies having more than 300 employees are required to form a management department to carry out the functions of production safety or appoint personnel solely responsible for production safety. Companies are required to display warning signs at the location and on equipment with high potential risks. Companies are required to purchase job-related injury insurance according to relevant laws and regulations.

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According to the *Fire Control Law of the PRC* (中華人民共和國消防法), we are required to submit the design and drawings of a construction project to the relevant fire control bureau for approval before commencement of the construction. Also upon completion of a construction project, fire prevention mechanisms of the construction project should be evaluated and approved by the relevant fire control bureau before commencement of operation.

Regulations on Tax

Our company is incorporated under the Singapore Companies Act. Pursuant to the *PRC Enterprise Income Tax Law* (中華人民共和國企業所得稅法) (the "EIT Law") and its Implementation Regulations, enacted on 16 March 2007 and 6 December 2007, respectively, and became effective on 1 January 2008, enterprises are classified into resident and non-resident enterprises. The term "resident enterprise" means an enterprise which is set up under Chinese law within the territory of China, or set up under the law of a foreign country (region) but whose actual management organ is within the territory of China. For its incomes sourced from both inside and outside the territory of China, a resident enterprise shall pay the enterprise income tax at the tax rate of 25%. The term "non-resident enterprise" means an enterprise which is set up under the law of a foreign country (region) and whose actual management organization is not within the territory of China but who has organizations or establishments within the territory of China, or who does not have any organization or establishment within the territory of China but who has incomes sourced in China. In case a non-resident enterprise sets up an organization or establishment within the territory of China, it shall pay enterprise income tax at the tax rate of 25% on its incomes sourced inside the territory of China and incomes sourced outside the territory of China but actually connected with the said organization or establishment. In case a non-resident enterprise has no organization or establishment within the territory of China, or its incomes have no actual connection to its organization or establishment inside the territory of China, it shall pay enterprise income tax at the tax rate of 20% on the incomes sourced inside the territory of China. The Implementation Regulations reduced the rate from 20% to 10% effective from 1 January 2008.

As a majority of the members of our management team continue to be located in China after the effective date of the EIT Law, we may be treated as a resident enterprises for enterprise income tax purposes.

Based on the EIT Law, (i) dividends from the PRC companies to their foreign shareholders which are qualified as resident enterprises are tax exempt; (ii) dividends from a resident enterprise to a non-resident enterprise, who sets up an organization or establishment within the territory of China and there is actual connection between the dividends and such organization or establishment within the territory of China, are tax exempt; and (iii) dividends from a resident enterprise to a non-resident enterprise who has no organization or establishment within the territory of China or its incomes have no actual connection to its organization or establishment inside the territory of China are subject to a tax rate of 20%. The Implementation Regulations reduced the rate from 20% to 10% effective from 1 January 2008.

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According to the circular, *Ministry of Finance and the State Administration of Taxation Concerning Several Preferential Policies Relevant to Enterprise Income Tax* (財政部、國家稅務總局關於企業所得稅若干優惠政策的通知), the undistributed profits earned by foreign investment enterprises prior to 1 January 2008 and distributed to foreign investors later shall be exempt from PRC withholding tax, whereas the profits earned and distributed after 1 January 2008 shall be subject to PRC withholding tax pursuant to the EIT Law.

Prior to 1 August 2008, income tax payable by foreign-invested enterprises in the PRC was governed by the *Foreign-invested Enterprise and Foreign Enterprise Income Tax Law of the PRC* (中華人民共和國外商投資企業及外國企業所得稅法) and the related implementation rules. Pursuant to the law, any foreign-invested enterprise of a production nature scheduled to operate for a period of not less than ten years was exempted from income tax for two years commencing from the first profit-taking year (after offsetting all tax losses carried forward from previous years) and allowed a fifty percent reduction in the following three consecutive years.

In case an enterprise has already been set up before the promulgation of the new EIT Law and the Implementation Rules and enjoys low tax rates in accordance with the provisions of the tax laws and administrative regulations in force at that time, it may, in accordance with the provisions of the State Council, continue to enjoy the preferential treatments within five years as of the promulgation of the present Law and gradually transfer to the tax rate as prescribed in the present Law. In case an enterprise enjoys the preferential treatment of tax exemption for a fixed term, it may, after the promulgation of this Law, continue to enjoy such treatment in accordance with the provisions of the State Council until the fixed term expires. However, if an enterprise has failed to enjoy the preferential treatment by virtue of failure to make profits, the term of preferential treatment may be counted from 2008 when the present Law is effective.

Pursuant to the EIT Law and the Implementation Regulations, the High-tech Enterprises that require key state support certificated by the administrative departments of all provinces, autonomous regions, municipalities directly under the Central Government and cities specifically designated in state plan, in coordination with finance and taxation departments at the same level as the administrative departments are subject to the applicable enterprise income tax rate of 15%.

On 13 December 1993 the State Council promulgated *Provisional Regulation of the PRC on Value Added Tax* (中華人民共和國增值稅暫行條例) (the "VAT Provisional Regulation"). On 5 November 2008 the State Council amended the VAT provisional Regulation which became effective on 1 January 2009. Pursuant to the VAT provisional Regulation and its implementation rules, entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, and import of goods in the PRC are taxpayers of value added tax and shall pay value added tax at the rate of 17% unless otherwise stipulated.

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Regulations on Academician Workstation

Academician workstations (院士工作站) in Jiangsu Province are regulated by *Provisional Measures on Administration of Academician Workstations in Enterprises of Jiangsu Province* (江蘇省企業院士工作站管理辦法(試行)) (the "**Provisional Measures**"), promulgated by Jiangsu Science and Technology Bureau on and effective as of 18 December 2008. Pursuant to the Provisional Measures, Jiangsu Science and Technology Bureau is the governing body of all academician workstations in the enterprises of Jiangsu Province. Eligible enterprises can apply to the local bureau in charge of science and technology for setting up enterprise academician workstations. The local bureaus in charge of science and technology are responsible for preliminary examining the applications by enterprises and submitting such applications to Jiangsu Science and Technology Bureau. Jiangsu Science and Technology Bureau grants final approval based on the demand of innovation of science and technology of Jiangsu Province and the conditions of the enterprises that submitting the applications. The enterprises, which are granted the approval for setting up an academician workstation, are the main body for setting up and managing the academician workstation and are responsible for drawing up administrative measures on its academician workstation. Further, such enterprises are responsible for arranging special research budgets and operating budgets for the academician workstations annually, arranging particular administrative staff, providing supports and services to the research and daily needs of the team of the academician workstation, and providing at least one research assistant to each academician in the academician workstation.

II. INDIA LAWS AND REGULATIONS

Foreign Direct Investment

Foreign investment in India is primarily governed by the provisions of the Foreign Exchange Management Act, 1999 ("**FEMA**") and the rules and regulations promulgated there under. The RBI, in exercise of its powers under FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 ("**FEMA Regulations**") which prohibit, restrict and regulate, transfer or issue of securities, to a person resident outside India. Pursuant to the FEMA Regulations, no prior consent or approval is required from the Reserve Bank of India ("**RBI**") for foreign direct investment under the "automatic route" within the specified sectoral caps prescribed for various industrial sectors. In respect of all industries not specified under the automatic route, and in respect of investments in excess of the specified sectoral limits under the automatic route, approval for such investment may be required from the Foreign Investment Promotion Board and/or the RBI. Further, FIIs may purchase shares and convertible debentures of an Indian company under the portfolio investment scheme through registered brokers on recognized stock exchanges in India. Regulation 1 (4) of Schedule II of the FEMA Regulations provides that the total holding by each FII or Securities and Exchange Board of India approved sub-account of an FII shall not exceed 10% of the total paid-up equity capital of an Indian company or 10% of the paid-up value of each series of convertible debentures issued by an Indian company and the total holdings of all FIIs and sub accounts of FIIs added together shall not exceed 24% of the paid-up equity capital or paid-up value of each series of convertible

LAWS AND REGULATIONS

debentures. However, this limit of 24% may be increased up to the statutory ceiling as applicable, by the Indian company concerned passing a resolution by its board of directors followed by the passing of a special resolution to the same effect by its shareholders.

Foreign Trade (Development and Regulation) Act, 1992

This statute seeks to increase foreign trade by regulating the imports and exports to and from India. This legislation read with the Indian Foreign Trade Policy, 2004 provides that no export or import can be made by a person or company without an importer exporter code number unless such person or company is specifically exempt. An application for an importer exporter code number has to be made to the office of the Joint Director General of Foreign Trade, Ministry of Commerce. An importer-exporter code number allotted to an applicant is valid for all its branches, divisions, units and factories.

Master Circular on Import of Goods and Services

The Reserve Bank of India issues a Master Circular on Import of Goods and Services every year on July 1. Import of goods into India is allowed in terms of Section 5 of the Foreign Exchange Management Act 1999 (42 of 1999), read with the Foreign Exchange Management (Current Account) Rules, 2000 as amended from time to time. Import trade is regulated by the Directorate General of Foreign Trade under the Ministry of Commerce & Industry, Department of Commerce, Government of India. Authorised Dealer Category – I (“**AD Category – I**”) banks are required to ensure that the imports into India are in conformity with the Foreign Trade Policy in force and Foreign Exchange Management (Current Account Transactions) Rules, 2000 framed by the Government of India vide Notification No. G.S.R.381 (E) dated 3 May 2000 and the Directions issued by Reserve Bank under Foreign Exchange Management Act, 1999 from time to time. AD Category – I banks may also advise importers to ensure compliance with the provisions of Income Tax Act, wherever applicable.

The Companies Act, 1956

The Companies Act, 1956 deals with laws relating to companies and certain other associations. The Companies Act, 1956 primarily regulates the formation, financing, functioning and winding up of companies. The Companies Act, 1956 prescribes regulatory mechanism regarding all relevant aspects including organizational, financial and managerial aspects of companies. Regulation of the financial and management aspects constitutes the main focus of the Companies Act, 1956. In the functioning of the corporate sector, although freedom of companies is important, protection of the investors and shareholders, on whose funds they flourish, is equally important. The Companies Act, 1956 plays the balancing role between these two competing factors, namely, management autonomy and investor protection.

LAWS AND REGULATIONS

The Bombay Shops and Establishment Act, 1948

Under the provisions of the Bombay Shops and Establishment Act, 1948, all establishments are required to be registered. Such legislations regulate the working and employment conditions of the workers employed in shops and establishments including commercial establishments and provide for fixation of working hours, rest intervals, overtime, holidays, leave, termination of service, maintenance of shops and establishments and other rights and obligations of the employers and employees.

Income-tax Act, 1961

The Income Tax Act, 1961 deals with the taxation of individuals, partnership firms and others. As per the provisions of the Income Tax Act, 1961 the rates at which they are required to pay tax is calculated on the income declared by them or assessed by the authorities, after availing the deductions, exemptions and concessions accorded under the Income Tax Act, 1961. The maintenance of Books of Accounts and relevant supporting documents and registers are mandatory under the Income Tax Act, 1961. Filing of returns of Income is compulsory for all assesses.

Central Sales Tax Act ("CST")

The main object of the CST is to formulate principles for determining (a) when a sale or purchase takes place in the course of trade or commerce (b) When a sale or purchase takes place outside a State (c) When a sale or purchase takes place in the course of imports into or export from India, to provide for levy, collection and distribution of taxes on sales of goods in the course of trade or commerce, to declare certain goods to be of special importance trade or commerce and specify the restrictions and conditions to which State laws imposing taxes on sale or purchase of such goods of special importance (called as declared goods) shall be subject. CST imposes the tax on inter state sales and states the principles and restrictions as per the powers conferred by Constitution of India.

Value Added Tax ("VAT")

VAT is a system of multi-point levy on each of the purchases in the supply chain with the facility of set-off input tax on sales whereby tax is paid at the stage of purchase of goods by a trader and on purchase of raw materials by a manufacturer. VAT is based on the value addition of goods, and the related VAT liability of the dealer is calculated by deducting input tax credit for tax collected on the sales during a particular period. VAT is a consumption tax applicable to all commercial activities involving the production and distribution of goods and the provisions of services, and each state that has introduced VAT has its own VAT Act, under which, persons liable to pay VAT must register and obtain a registration number from Sales Tax Officer of the respective state.

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Excise duty

Excise duty is levied on the manufacture or production of goods in India and is collected at the time of removal of the goods from the place where they are manufactured or produced. It is levied under the provisions of the Central Excise Act, 1944 and is generally paid on the transaction value of the goods at the rates mentioned in the Central Excise Tariff Act, 1985. The rate of excise duty depends on the classification of the goods in the Tariff Act. Currently, the peak rate of excise duty is 10.30% (including education cess at the rate of 2% and secondary and higher education cess at the rate of 1%). However, the Government has the power to declare exemptions from the whole or a part of the excise duty chargeable. In addition, location based incentives have also been specified by the Government.

Standards of Weights and Measures Act, 1976

This legislation and the rules made there under apply to any packaged commodity that is sold or distributed. It provides for standardization of packages in specified quantities or numbers in which the manufacturer, packer or distributor shall sell, distribute or deliver some specified commodity to avoid undue proliferation of weights, measures or number in which such commodities may be packed. Any person intending to pre-pack or import any commodity for sale, distribution or delivery has to make an application to the Director of Legal Metrology for registration.

Standards of Weights and Measures Enforcement Act, 1985

The Standards of Weights and Measures Enforcement Act, 1985 regulates the classes of weights and measures manufactured, sold, distributed, marketed, transferred, repaired or used and the classes of users of weights and measures. The Standards of Weights and Measures Enforcement Act, 1985 was passed with a view of regulating and modernizing the standards used in India based on the metric system. The units of weight which are sought to be used in day to day trade are required to be periodically inspected and certified by the designated authorities under the Standards of Weights and Measures Enforcement Act, 1985 for their accuracy.

Approvals from Local Authorities

Setting up of a factory or manufacturing/housing unit entails the requisite planning approvals to be obtained from the relevant Local Panchayat(s) outside the city limits and appropriate Metropolitan Development Authority within the city limits. Consents from the state Pollution Control Board(s), the relevant state Electricity Board(s), the State Excise Authorities, Sales Tax Authorities, are required to be obtained before commencing the building of a factory or the start of manufacturing operations.

Competition Act, 2002, ("Competition Act")

The Competition Act, has been enacted to prevent anti-competitive practices, promote and sustain competition, protect the interests of consumers and ensure freedom of trade in markets in India.

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As per the notified sections of the Competition Act, entering into agreements between enterprises which *inter alia* affect the prices, supply, distribution or other such collusive arrangements are anti-competitive in nature and are prohibited under Section 3 of the Competition Act. Section 4 of the Competition Act, prohibits an enterprise that is in a dominant position from abusing its dominant position. Further, Section 5 of the Competition Act provides the assets/ turnover thresholds applicable to acquisitions, merger and amalgamations in order to determine whether the transaction would be regarded as a combination for the purposes of the Competition Act. However, Section 6 of the Competition Act which provides for regulation of 'combinations' has not been notified yet.

Environment (Protection) Act, 1986

The Environment (Protection) Act, 1986 was enacted as a general legislation to safeguard the environment from all sources of pollution by enabling coordination of the activities of the various regulatory agencies concerned, to enable creation of an authority with powers for environmental protection, regulation of discharge of environmental pollutants etc. The purpose of the Environment (Protection) Act, 1986 is to act as an "umbrella" legislation designed to provide a frame work for Central government co-ordination of the activities of various central and state authorities established under previous laws, such as Water Act & Air Act. It includes protection of water, air and land and the inter-relationships which exist among water, air and land, and human beings and other living creatures, plants, micro-organisms and property.

Trade Marks Act, 1999

The Trade Marks Act, 1999 ("**Trademark Act**") governs the statutory protection of trademarks in India. In India, trademarks enjoy protection under both statutory and common law. Indian trademark law permits the registration of trademarks for goods and services. Certification marks and collective marks can also be registered under the Trademark Act. An application for trademark registration may be made by individual or joint applicants and can be made on the basis of either use or intention to use a trademark in the future.

Applications for a trademark registration may be made in one or more international classes. Once granted, trademark registration is valid for ten years unless cancelled. If not renewed after ten years, the mark lapses and the registration has to be restored. The average timeline for the completion of the entire registration process is three to four years. However, it is likely that this timeline may be reduced in the near future due to initiatives which have been recently undertaken to expedite trademark filings. It also provides for penalties for infringement, falsifying and falsely applying trademarks.

LAWS AND REGULATIONS

The Payment of Gratuity Act, 1972

The Payment of Gratuity Act, 1972 was enacted to introduce a scheme for payment of gratuity to certain employees employed in Industrial and commercial establishment as a measure of social security. By the amendment of 1984 by act 26 of 1984 sub section (3A) was inserted in section 1 to the Payment of Gratuity Act, 1972 to ensure that once the Payment of Gratuity Act, 1972 has become applicable to such shop or establishment it shall continue to be so notwithstanding the fact that the number of persons employed therein at any time after it has become so applicable falls below ten. To ensure that an unscrupulous employer may not fabricate the records to avoid application of the Payment of Gratuity Act, 1972 or reduce the number of employees just to avoid payment of gratuity, various provisions, as to notice of opening, notice of change or closure of the shop or establishment, and appointment of inspectors have been made under the Payment of Gratuity Act, 1972. Any violation thereof have been made offences punishable with imprisonment or fine or with both.

The Payment of Wages Act, 1936

It regulates payment of wages to certain classes of employed persons. It makes every employer responsible for the payment of wages to person employed by him. No deductions can be made from the wages nor can any fine be levied on wages earned by a person employed except as provided under the Payment of Wages Act, 1936.

The Minimum Wages Act, 1948

It came into force with an objective to provide for the fixation of a minimum wage by the employer to the employee. Every employer is mandated to pay the minimum wages to all employees engaged to do any work skilled, unskilled, and manual or clerical (including out-workers) in any employment listed in the schedule to the Minimum Wages Act, 1948, in respect of which minimum rates of wages have been fixed or revised under the Minimum Wages Act, 1948.

The Payment of Bonus Act, 1965

It was enacted with the objective of providing of payment of bonus to employees on the basis of profit or on the basis of productivity. The Payment of Bonus Act, 1965 ensures that a minimum annual bonus is payable to every employee regardless of whether the employer has made a profit or a loss in the accounting year in which the bonus is payable. Every employer is bound to pay to every employee, in respect of the accounting year, a minimum bonus which is 8.33% of the salary or wage earned by the employee during the accounting year or Rs. 100, whichever is higher.

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

HISTORY AND CORPORATE STRUCTURE

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.

HISTORY AND CORPORATE STRUCTURE

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.

HISTORY AND CORPORATE STRUCTURE

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.

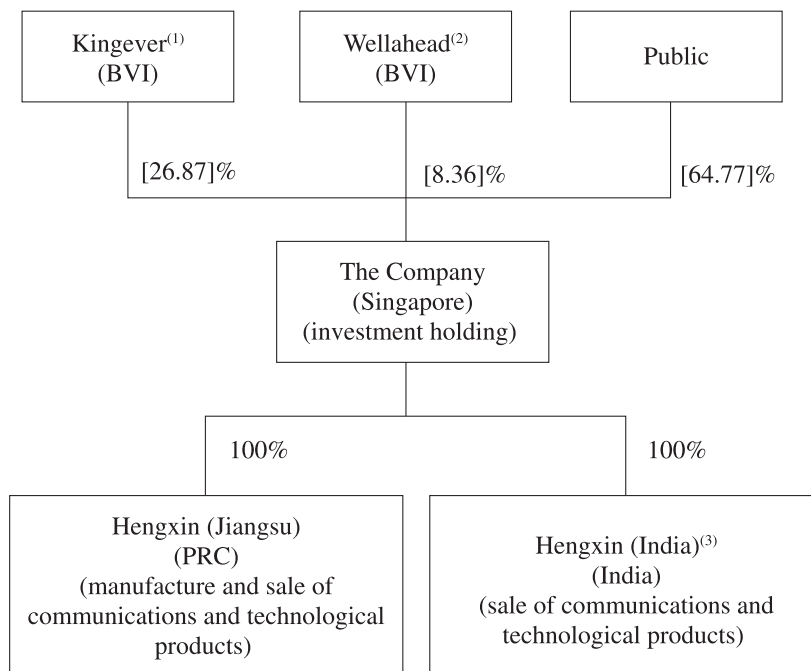
Establishment of Hengxin (India)

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.

HISTORY AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

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.]

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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, 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.

Our products, marketed under the award-winning "HongSun" brand name, are used in signal transmission systems by telecommunications operators and equipment manufacturers in the PRC and overseas market. With a strong focus on research, design and product development, our products are recognised for quality and are well received by major industry players.

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.

We have adopted a strategic regional sales system in the PRC. 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. Through such extensive sale and distribution network spanning the PRC, we serve a blue-chip and established customer base comprising major telecommunications operators such as China Unicom, China Mobile, China Telecom; and major telecommunications equipment manufacturers in the PRC. Outside of the PRC, our products are also exported to the international markets mainly within the Asian continent. In July 2009, we successfully established our wholly-owned subsidiary in India, Hengxin (India), through which we hope to grow our exports to the local market by selling our products directly to the Indian telecommunications operators. Hengxin (India) has recognised sales to local telecommunications operators since August 2010.

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 Shanghai 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

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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 track of 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 our 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 with another 6 patent applications have been accepted by the State Intellectual Property Bureau and are in the process of application.

We have achieved growth during the three years ended 31 December 2009. 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 was approximately 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 approximately 29.6%. Our net profit for the same periods was approximately RMB106.7 million, RMB106.7 million and RMB149.9 million respectively, representing a CAGR of approximately 20.2%. For the nine months ended 30 September 2010, we recorded revenue of approximately RMB865.4 million and net profit of approximately RMB79.3 million.

COMPETITIVE STRENGTHS

Our Directors believe that our competitive strengths are as follows:

We have a comprehensive sales and distribution network

Over the years, we have built a strong sales and marketing team, consisting of 55 professional sales personnel. To effectively serve our customers in the various markets and ensure efficient allocation of resources, our sales and marketing team comprises two main business units – market development department and overseas business department. For further details, please refer to the paragraph headed "Sales and Marketing" in this section below.

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Our sales personnel, strategically located throughout the PRC, are able to effectively market our products to our customers. In addition, they are trained to provide good pre-sales, during sales and after sales services to all our customers to ensure that we foster a close and strong working relationship with our customers. As at the [●], our products are principally sold 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. We believe that our strong sales and marketing network will enable us to maintain our existing customers, attract new customers and remain a market leader in the industry.

We enjoy a good reputation and brand name in the coaxial cable industry

We believe that our "HongSun" brand is a well-recognised brand of coaxial cables in the PRC and one that is associated with good quality products. This is evidenced by the various awards which we have received in recognition of our products. For details of our awards, please refer to the paragraph headed "Awards and Honors" in this section below. We have built a strong relationship with our customers and our market share has grown substantially over the years. As a testimony of the popularity of our products, based on statistical data in notices issued by 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.

We have advanced manufacturing technology and large-scale production capacity

We leverage on the latest technological developments in the coaxial cable industry by investing in new advanced manufacturing equipment to enhance our product quality and expand our manufacturing capacity. We interact frequently with reputable international cable equipment manufacturers to keep up to date with the latest technology and to enable us to upgrade our equipment or acquire new manufacturing technologies in the shortest possible time.

We are constantly expanding our production capacity to meet market demand. Our large-scale production capacity enables us to reduce production and operational cost and achieve economies of scale. We are thus able to increase the market competitiveness of our products.

We offer a comprehensive range of RF coaxial cables series for mobile communications

Our main products are set out under the paragraph headed "Products" in this section below. Our comprehensive range of RF coaxial cables series for mobile communications is able to provide our customers with solutions for signal transmission in mobile communications, for example, in base stations for mobile communications, high buildings, highways, subways, tunnels, underground parking spaces and elevators. In addition, our other telecommunications equipment which include coaxial cables for cable television network systems, coaxial cables for network access and 50Ω high-frequency coaxial cables are widely used for signal transmission in cable television networks, broadband access networks and within communications equipment. We believe that our comprehensive range of products will enable us to meet the requirements of our customers and remain competitive in the PRC coaxial cable industry.

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We have strong research and development capabilities

We are committed to continuously innovate and develop new products to meet diverse market needs. To this end, as at the [●], we have a research and development department comprising 31 experienced professionals who are responsible for new product development as well as improving existing production processes. We have established research and development collaborative relationships with a Shanghai research institute, Zhejiang University (浙江大學) and Beijing University of Posts and Telecommunications (北京郵電大學). 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, we are able to keep track of 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. As at the [●], we have developed and commercialised 59 new varieties of coaxial cables and telecommunications accessories to meet the requirements of our customers and have obtained 15 patents in respect of our coaxial cables and telecommunications accessories. Another 6 patent applications have been accepted by the State Intellectual Property Bureau and are in the process of application. We believe that our strength in research and development will enable us to remain competitive in the industry.

Please refer to the paragraphs headed "Research and Development" and "Intellectual Property Rights" in this section below for more details on our research and development work and patents.

We have an experienced and professional management team

We have an experienced management team with solid industry knowledge and extensive operational experience. Our management team, led by Mr. Cui, our Executive Chairman and one of the founders and directors of Hengxin (Jiangsu) since its establishment in June 2003, has gained invaluable experience in operations and business management. Dr. Song Haiyan, our Executive Director, has been in the PRC telecommunications industry for over 14 years and has established a wide network of contacts and experience in sales and marketing. Our senior managers, Mr. Li Qinghe and Mr. Ding Weilin, have on average more than 25 years of experience in the industry and are equipped with in-depth knowledge relating to the research and development. Our senior manager, Mr. Sun Yuliang, has more than 11 years of experience in the communications cable industry and has in-depth knowledge in production management.

Our experienced and highly committed management team can empower and motivate our staff to maximise their full potential to achieve results for our Company. We believe that our management team is key to our continued growth and expansion.

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BUSINESS STRATEGIES

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

Further expand our sales network into overseas market

In order to widen our revenue stream, to diversify our business risks and to position us for strategic growth beyond the PRC in the long term, we intend to further expand our sales network to cover the overseas market. We plan to strengthen our existing sales network in Southeast Asia and South Asia. Especially India, where the mobile communications market was adversely affected by the global financial crisis since late 2008 and, in view of many mobile operators had aggressively placed bids for 3G license in India and the India government had just approved the results of 3G license auction in May 2010, we expect it to recover in the coming years. We have established our subsidiary in India in July 2009 and recruited local employees to facilitate our direct sales to India, enable us to provide instant response to customers' needs and strengthen our post-sale services. Various regulatory approvals, permits and licenses that are materially necessary to carry on business in India have been properly obtained. We intend to recruit additional local experienced sales personnel to enhance our sales team. Currently, we have established business relationship with 2 telecommunications operators in India. In addition to strengthen the existing sales to telecommunications operators in India, we also target sales to equipment manufacturers by leveraging our sales experiences to equipment manufacturers in the PRC. We do not expect any capital expenditures to be incurred as Hengxin (India) is mainly a marketing company. We will also finance our expansion plan in India through our internal funds.

We also plan to identify and seek growth opportunities in other geographical markets, such as Russia, South America and Africa. We see potential for growth of the mobile communications market in these countries where the communication technology lags behind and the mobile phone penetration rate is lower than developed countries and the size of the populations is relatively large which will drive significant investment in communication infrastructure. Our expansion plans include conducting market research to understand the preference of the potential markets, actively participating in trade fairs and exhibitions so as to establish our presence, and paying visits to potential clients to promote our products. Our marketing strategies also include seeking cooperation opportunities with major equipment manufacturers given their established comprehensive sales network worldwide. We will actively communicate with equipment manufacturers to understand the demand and preference in the target markets. The package sold by equipment manufacturers, of which our products form a part, could give publicity to our products, which could in turn facilitate the promotion of our products to the customers. Moreover, we will consult competent agents in exploring the target markets if necessary. Our overseas business department pays close attention to the development of the overseas markets. If any target market demonstrates strong sales record and sound potential growth, we may set up sales office to cater to this market. As at the [●], we have not identified any target market to set up sales office.

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Diversify our product portfolio to antennas

We intend to develop antennas so as to boost our current range of communications and technological products. By expanding our range of products to include antennas, we shall be able to provide our customers with "one-stop value-added manufacturing services" along the value chain of the telecommunications industry.

Similar to our RF coaxial cables series for mobile communications, antennas are also a necessary part of a wireless communication network infrastructure which are responsible for transmitting and receiving electromagnetic waves for communication purposes. In view of the increasing number of mobile users in the PRC and emerging markets in Asia, such as India, as a result of the booming economy in this region which may lead to the continuing increasing volume of communication and thereby the demand for more communication network infrastructure in which antennas are important parts, our Directors anticipate that there would be a strong demand for antennas in the future. Our antennas project basically target the same customers with our existing products, i.e., telecommunications operators and equipment manufacturers. By leveraging our sales network, we will market the antennas products to our existing customers. Antenna is a mature product and we believe that we are able to master the relevant technical skills for antennas. All of our existing production equipment is unable to produce antennas. We need to purchase new production equipments to cope with the production requirement and new testing equipment to exam the performance of the antennas products. Also, we plan to acquire new parcel of land and establish new production plant. As at the [●], we are in the process of conducting initial research work on the antennas project.

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.

Diversify our product portfolio to high temperature resistant cables

We intend to develop high temperature resistant cables so as to boost our current range of communications and technological products. By expanding our range of products to include high temperature resistant cables, we shall be able to expand our target customer and provide a wider range of products.

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. Along with the enhancement of safety requirements for the above industries all the time, our Directors anticipate that the demand for high temperature resistant cables is growing. In addition, the technology for the manufacture of high temperature resistant cables in the PRC is in general not up to the worldwide standard. Therefore the PRC has a [strong] reliance on imported

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high-end high temperature resistant cables. In view of the above, our Directors consider that the prospects of high temperature resistant cables are brightening. Given the wide application areas of high temperature resistant cable, we intend to approach new customers, such as manufacturers of laptop computer, mobile phone, automotive or precision meter, operators for fixed installation in school, hospital, high-building or central business centre, and manufacturers in military industry. With our sophisticated technical skills and design experience in developing RF coaxial cables, our Directors believe that we will be a competent manufacturer of high temperature resistant cables. To implement our plan to develop and manufacture high temperature resistant cables, purchase of machinery is needed. Moreover, we plan to reconstruct our warehouse and use part of it as production plant for processing high temperature resistant cables. As at the [●], we are in the process of conducting research work on high temperature resistant cables project.

Enhance our research and development team

Our Directors consider our success is, to a significant extent, attributable to our strong research and development capability. In order to maintain and elevate our position as a leading RF coaxial cables manufacturer, we intend to devote additional resources to our research and development team by recruiting additional expertise so as to strengthen our research and development capabilities. We have plans to systematically recruit more graduates majoring in microwave communications as well as quality research and development personnel to facilitate our expansion. At the same time, we will continuously provide training programs to our research and development team so as to keep abreast of the latest technological developments in the communication industry. If necessary, we will also explore opportunities to collaborate with universities and research institutes in order to leverage on their expertise. Moreover, we have 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. The academician workstation is led by Dr. Song Haiyan, our executive Director and general manager of Hengxin (Jiangsu), and Mr. Liu Yunjie. Mr. Liu is an academician of Chinese Academy of Engineering (中國工程院) and an expert in communication and information system. He is currently the chief of the science and technology committee of China Unicom. The academic team introduced by Mr. Liu includes six scholars in Beijing University of Posts and Telecommunications (北京郵電大學) and major in communication engineering or electromagnetic field. Amongst the six scholars, one is professor, four are associate professors and one is lecturer. Our Directors believe that the establishment of an academician workstation will improve our research and development capability through the opportunities to jointly carry out research work with such talented academic team. For details of the academician workstation, please refer to the paragraph headed "Research and development" in this section.

PRODUCTS

Our products are generally classified into two categories according to their area of application, which comprise (i) RF coaxial cables series for mobile communications; and (ii) coaxial cables for telecommunications equipment and accessories.

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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	%	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	<u>144,180</u>	<u>15.0</u>	<u>140,220</u>	<u>11.5</u>	<u>271,251</u>	<u>16.8</u>	<u>196,061</u>	<u>16.0</u>	<u>142,652</u>	<u>16.5</u>
Total ⁽¹⁾	<u><u>962,824</u></u>	<u><u>100</u></u>	<u><u>1,214,179</u></u>	<u><u>100</u></u>	<u><u>1,615,265</u></u>	<u><u>100</u></u>	<u><u>1,222,938</u></u>	<u><u>100</u></u>	<u><u>865,416</u></u>	<u><u>100</u></u>

Note:

- (1) The sales mix between these two types of products is determined by the market demand and purchase orders from our customers.

During the [●], we derive revenue mainly from (i) RF coaxial cables under the category of RF coaxial cables series for mobile communications; and (ii) connectors and jumper cables under the category of coaxial cables for telecommunications equipment and accessories. We have also started to recognise revenue from the sales of leaky coaxial cables under the category of RF coaxial cables series for mobile communications in 2010.

The table below sets out details about our products.

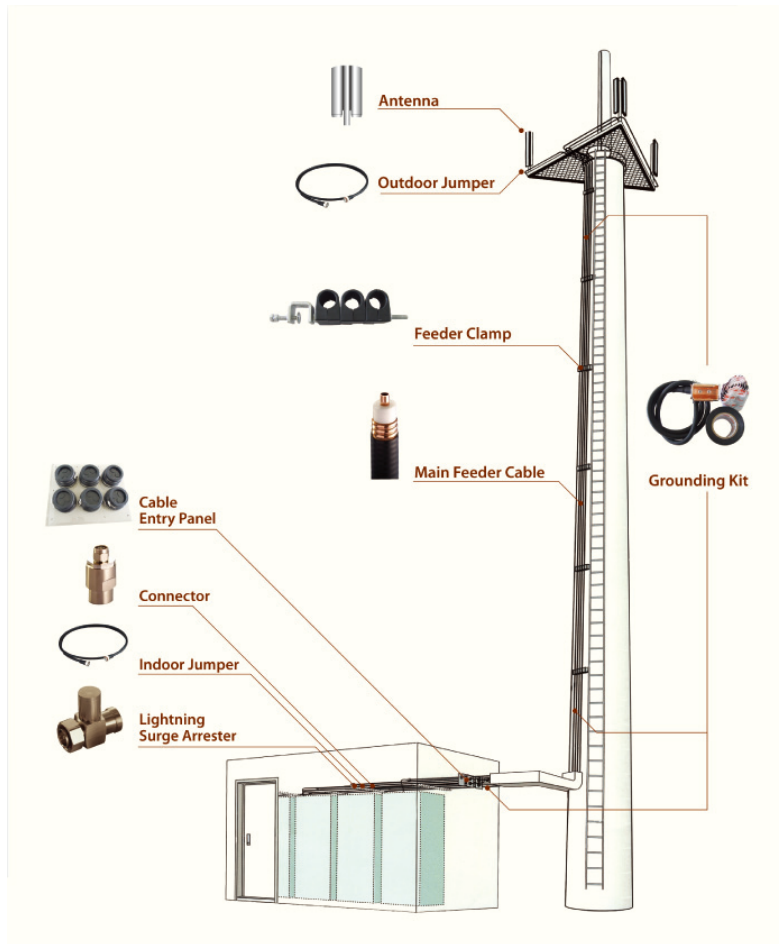
Product category	Product name	Major applications	Target customers	Structure characteristic
RF coaxial cables series for mobile communications	• RF coaxial cables	Transmit high-frequency signals between antenna and base station equipment. For use in outdoor base station wireless signal coverage system and indoor wireless signal coverage system in buildings.	– telecommunications operators – equipment manufacturers	– outer conductor is corrugated

BUSINESS

Product category	Product name	Major applications	Target customers	Structure characteristic
	<ul style="list-style-type: none"> Leaky coaxial cables 	<p>Transmit high-frequency signals and is designed to radiate signals to its surrounding environment through continuous small antenna elements along the entire length of the cable. For use in wireless signal coverage system for railways, highways, tunnels, underground car parks, elevators and high buildings.</p>	<ul style="list-style-type: none"> telecommunications operators equipment manufacturers 	<ul style="list-style-type: none"> outer conductor is corrugated slots are cut on the outer conductor
Coaxial cables for telecommunications equipment and accessories	<ul style="list-style-type: none"> Coaxial cables for cable television networks and broadband network access 	<p>Transmit signals in the cable television networks and user broadband network.</p>	<ul style="list-style-type: none"> cable television network operators in the PRC telecommunications operators in overseas market 	<ul style="list-style-type: none"> outer conductor is braided
	<ul style="list-style-type: none"> 50Ω high-frequency coaxial cables 	<p>Transmit signals within microwave communications systems, radio broadcast wireless systems and air/sea radar systems. For use in [communications equipment in control room] of base station.</p>	<ul style="list-style-type: none"> equipment manufacturers 	<ul style="list-style-type: none"> outer conductor is braided
	<ul style="list-style-type: none"> Accessories (Comprise connectors, jumper cables, adapters, lightning surge arresters, power splitters, feeder clamps, couplers, grounding kits, waterproof kits, nylon cable tie and other installation tools.) 	<p>Function as accessories to wireless signal coverage system for base station.</p>	<ul style="list-style-type: none"> telecommunications operators equipment manufacturers 	<ul style="list-style-type: none"> varied

BUSINESS

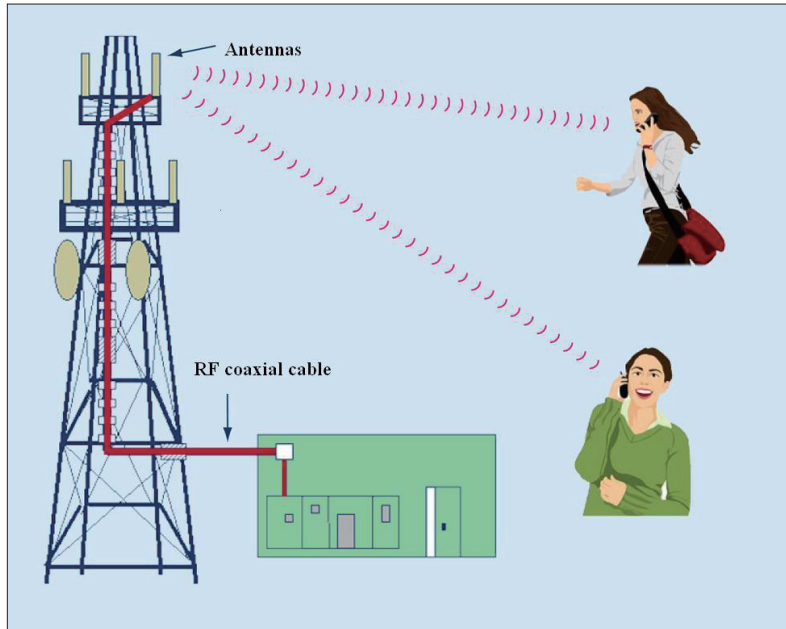
Our products are used in signal transmission systems for deployment into the network which telecommunications operators are constructing and operating in the PRC and overseas market. The following diagram illustrates how our products used in the base station wireless communication infrastructure.



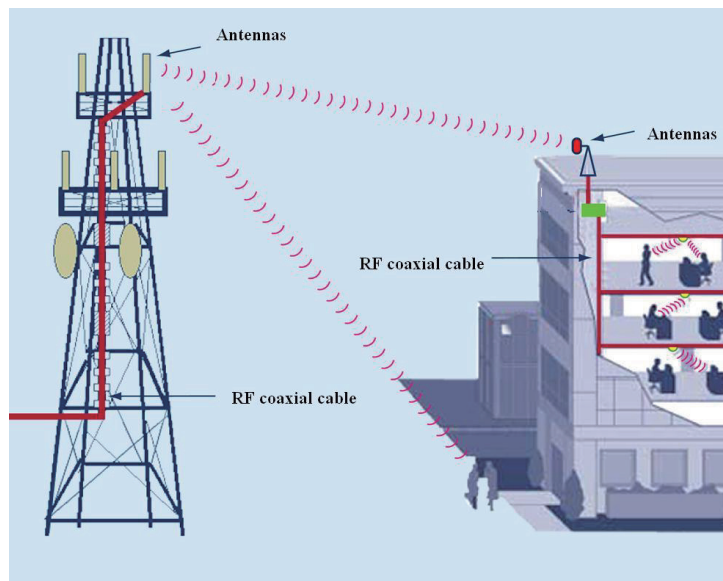
BUSINESS

The following diagrams illustrate the application of RF coaxial cables:

Outdoor Base Station Wireless Signal Coverage System



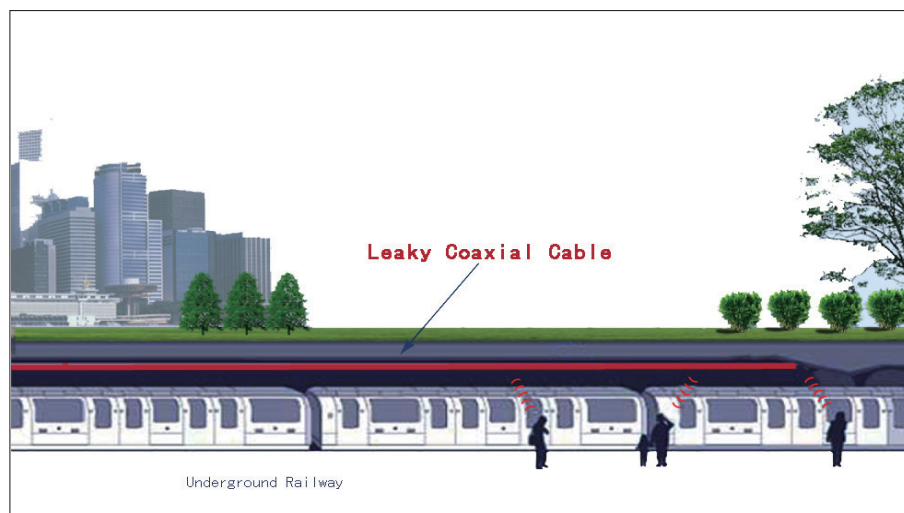
Indoor Wireless Signal Coverage System in Buildings



BUSINESS

The following diagram illustrates the application of leaky coaxial cables:

Wireless Signal Coverage System for Underground Railway and Tunnel



PRODUCTION

Production facilities and capacity

Our production activities are currently carried out at our production base located at No. 138 Taodu Road, Dingshu Town, Yixing City, Jiangsu Province, PRC with a site area of approximately 103,627 sq.m.. Several buildings and various ancillary structures with total gross floor area of approximately 41,948 sq.m. were erected on the land. Our production base complies with all applicable local and national environmental protection laws and regulations in the PRC. There are no regulatory requirements or environmental issues that may materially affect our utilisation of tangible fixed assets.

We have recently completed the construction of a new production plant, with a total gross floor area of approximately 12,515 sq.m., on a parcel of land with a total site area of approximately 19,947 sq.m. which is adjacent to our current production base. The new production plant has been commenced operation in October 2010. The new production plant is equipped with 12 production lines for the manufacture of RF coaxial cables series for mobile communications with an aggregate annual production capacity of 33,060 km. Our Directors believe that the expansion of production capacity will enable us to meet the growing demand for our products in the future. 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 will not be able to 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.

BUSINESS

We currently have a total of 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. These production lines for different stages of production comprise physical foaming production lines, argon arc welding production lines and sheath production lines. Some of these production lines, for example, physical foaming production lines and sheath production lines, can be used for both of the production of RF coaxial cables series for mobile communications and some of coaxial cables for telecommunications equipment and accessories including coaxial cables for cable television networks and broadband network access and 50Ω high-frequency coaxial cables. Argon arc welding production lines, which are exclusively used for the production of RF coaxial cables series for mobile communications, cannot be used for the production of coaxial cables for telecommunications equipment and accessories. We acquired all physical foaming production lines from Austria for the production of RF coaxial cables to enhance our product quality. Our Directors believe that these advanced manufacturing equipment together with the production know-how development by our research and development team have enabled us to produce high quality products consistently. The production lines generally operate 24 hours a day and six days a week. Our production staff generally work eight hours a day and there are three shifts per day at our manufacturing equipment. Our production staff keeps checking on the operation of the manufacturing equipment on a daily basis. In each January, our equipment department issues an annual maintenance schedule for each production line, followed by regular maintenance works which are carried out in order to ensure the proper functioning of the manufacturing equipment.

The annual production capacity and the utilisation rate for the production of our RF coaxial cable series for mobile communications during the [●] are as set out below. Due to the variety of our telecommunications equipment and accessories, no one single product can be considered a meaningful representative for the purpose of measuring production capacity and utilisation rate.

	Year ended 31 December			Nine months ended
	2007 ⁽²⁾	2008 ⁽³⁾	2009 ⁽⁴⁾	30 September 2010 ⁽⁵⁾
Production capacity (km) ⁽¹⁾	38,280	52,170	103,170	82,593
Production volume (km)	39,333	60,640	110,609	48,464
Utilisation rate (%)	102.8	116.2	107.2	58.7

Notes:

- (1) Our production capacity is estimated based on (i) [290] operating days per year and [207] operating days for the first nine months in 2010; and (ii) the estimated working shifts by our Company according to the expected demand during the respective year. According to our Company, there were two working shifts per operating day for our production facilities in 2007 and 2008 and three working shifts per operating day in 2009 and 2010. The additional working shift since 2009 reflected the expected strong demand from the construction of 3G network in the PRC.
- (2) For the year ended 31 December 2007, utilisation rate was in excess of 100% due to our production facilities operated up to 30 days per month in order to fulfil our customers' orders in certain months.

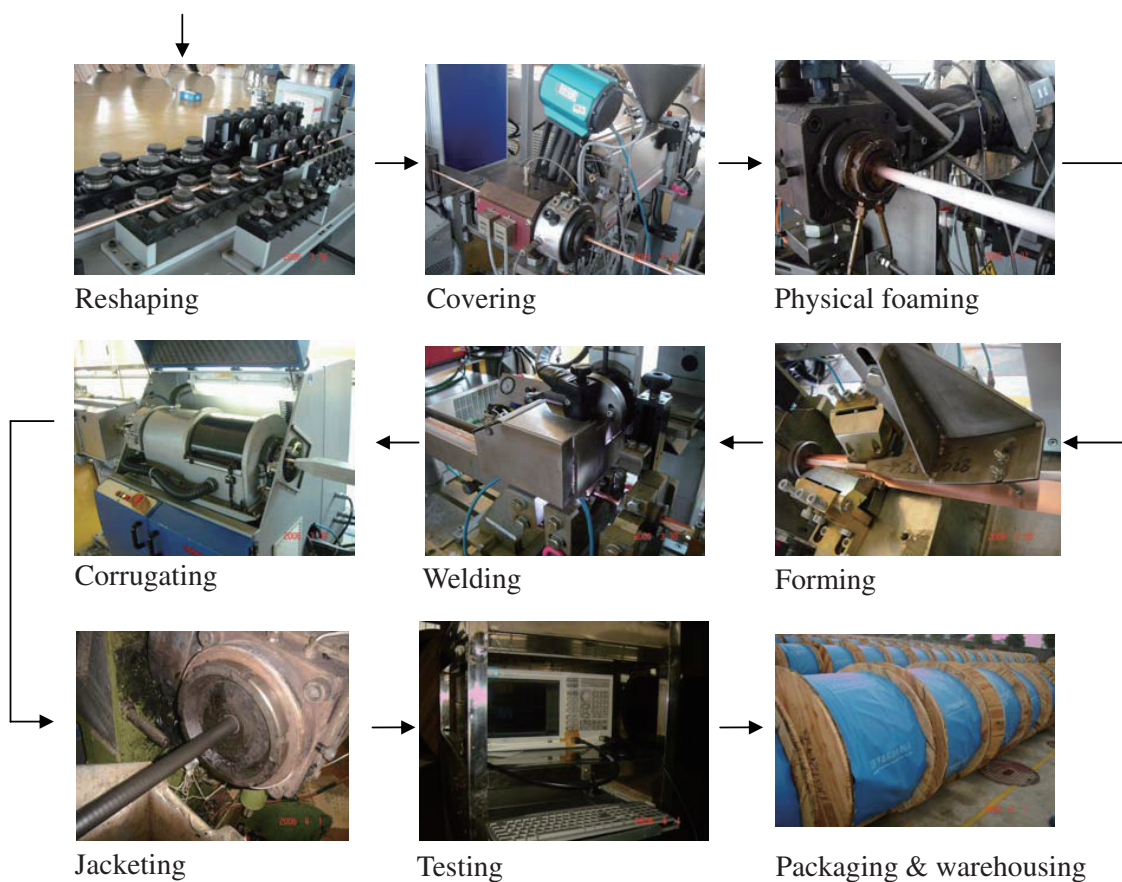
BUSINESS

- (3) For the year ended 31 December 2008, we increased our production capacity by adding one production line in March 2008 and fine-tuning our technical know how. Our utilisation rate was in excess of 100% due to our production facilities operated up to 30 days per month in order to fulfill our customers' orders in certain months.
- (4) For the year ended 31 December 2009, we increased our production capacity by adding two production lines in June 2009 and fine-tuning our technical know how. Our utilisation rate was in excess of 100% due to our production facilities operated up to 30 days per month in order to fulfill our customers' orders in certain months.
- (5) For the nine months ended 30 September 2010, the substantial decrease in utilisation rate was primarily due to the decrease in demand for our products from the three telecommunications operators in the PRC as a result of their reduction in capital expenditure in 2010. Our Group expects the fall in demand for our products will continue for the rest of 2010 and thereby induces the decrease in our revenue and net profits for the financial year of 2010.

Production process

The core process for manufacturing our main products – RF coaxial cable series for mobile communications is as follows:

Copper conductor



It generally takes about 200 minutes to produce one kilometre RF coaxial cables from reshaping to packaging.

Reshaping. The copper conductor is straightened in two vertical directions with multi-group roller straighteners to eradicate minor curvatures in the inner conductor. High-quality wiredrawing moulds are used to pull and reshape the copper conductor to clean and smooth its surface.

BUSINESS

Covering. An inner layer of low-density PE and EVA glue is squeezed onto the preheated inner conductor to serve as an adhesive and watertight layer.

Physical foaming. High-pressure gas is injected into the melted composite polythene (using our internally developed formula) to form a foaming insulation layer consisting of independent and evenly distributed air holes. This process employs precisely controlled air-injection system and unique die design and other advanced and automated technologies.

Forming. Copper tape is evenly and smoothly wrapped around the insulated core.

Welding. Under the protection of inert gas, an electric arc is ignited between the electrode and joining seam with high voltage and high-frequency or high-voltage pulse to generate high temperature and evenly fuse the joining seam to form the welded pipe.

Corrugating. The welded pipe is corrugated continuously using a specially designed mould under high-speed rotation to become a corrugated pipe.

Slotting. Used only for the manufacturing of leaky coaxial cables. Slots are cut on the outer conductor with a slotting equipment specially designed to produce a symmetrical ring or spiral design.

Jacketing. Melted PE or fire-retarding PE jacket material is squeezed out under high temperature and then wrapped evenly and continuously on the outer conductor.

Testing. The final product is checked to ensure that it is free from any defects and to ensure adherence with our quality standards and the requirements of our customers.

RAW MATERIALS AND PURCHASES

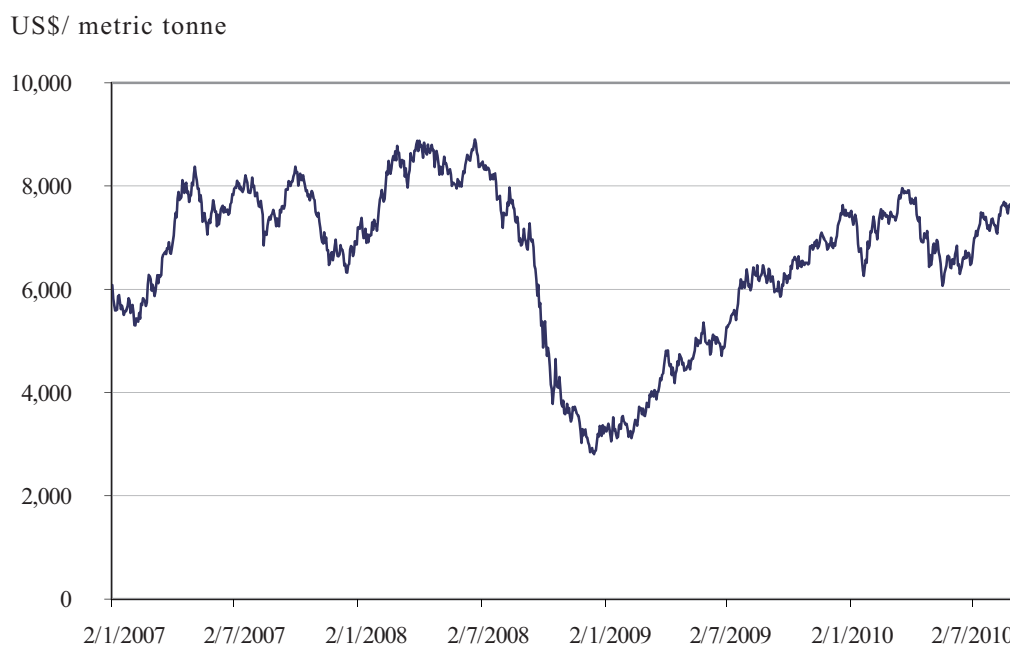
Our key raw materials comprise copper-based materials, such as copper tape and copper conductor, and PE. Copper-based materials form approximately 78.7%, 73.8%, 64.7% and 75.3% of our total purchases for each of the [●], respectively. PE for the same periods form about approximately 10.1%, 12.3%, 11.8% and 10.9% of our total purchases, respectively. To better control our inventory risk, we generally procure our key raw materials based on purchase orders.

In order to ensure the quality of raw material supply, our logistics department carries out stringent assessment on each potential supplier before putting on our qualified suppliers list. The assessment works cover operation scale, reputation, product portfolio and pricing level. We select suppliers by a tendering process organized quarterly or semiannually. We only invite our qualified suppliers to the tender. The bidders are required to submit tenders to our tendering committee comprising our general manager of Hengxin (Jiangsu) and other members from technical department, quality control department and logistics department. Our tendering committee carries out an evaluation process to assess the bidders taking into consideration the price, quality of service, quality of components, reliability, delivery time and credit terms provided. We usually select 2 to 3 winners and allocate our orders amongst them.

BUSINESS

We have not entered into any hedging transactions in relation to copper. However, we still have protective measure against the fluctuations in copper prices. On the purchases side, we only purchase copper when purchase orders are confirmed with our customers. Further, the copper-based materials are purchased on a "cost-plus" basis, pursuant to which the price of copper-based materials is determined on the prevailing price of copper plus a processing fee charged by the suppliers. On the sales side, in the framework agreements that we have entered into with the three telecommunications operators, the selling prices of our products are directly linked to the copper prices, which can hedge against our risk associated with the fluctuation of copper prices. Some of the framework agreements prescribe the selling prices for each category of products under different copper price ranges while some prescribe a basic selling price for each category of products and in addition a formula that allows the adjustment of the selling prices for each category of products in the event that the fluctuation of the copper price exceeds the prescribed limit. As such, we could pass on most of the risk of copper prices fluctuations to our customers.

Copper spot prices on London Metal Exchange (LME)



Source: Bloomberg

As per the chart above, during the [●], copper prices remained high during 2007 and the first half of 2008 at around US\$5,000 – US\$9,000 per metric tonne. As a result of the 2008 financial crisis, the copper price fell abruptly. Since beginning of 2009, copper prices were gradually on an upward trend.

BUSINESS

We purchase all our raw materials from local suppliers and foreign suppliers with distribution network in the PRC. We normally settle such purchases by way of banker's acceptance and bank transfers denominated in Renminbi. For copper-based materials, our suppliers normally grant us credit term of [15 days from the date of issuance of invoices], while for other raw materials we normally obtain credit terms in the range of [30 to 180 days from the date of issuance of invoices]. Sometimes, when we have urgent need for raw materials, we make payment upon delivery to ensure timely delivery of raw materials. Due to the close relationships with and proximity to our suppliers, we have not have experienced any significant problem with the supply of raw materials for our production needs during the [●].

For each of the [●], our five largest suppliers in aggregate accounted for approximately 67.4%, 63.8%, 57.4% and 61.6%, respectively, of our total purchases of raw materials. Purchases from our largest supplier for the same periods accounted for approximately 20.4%, 25.8%, 29.4% and 31.9%, respectively, of our total purchases. To the best knowledge of our Directors, none of our Directors, their associates or any shareholders of our Company holding more than 5% of the issued share capital of our Company, had any interest in any of the above five largest suppliers during the [●].

During the [●], we have purchased PE for the manufacture of our products from Suzhou Hengli Telecommunications Materials Co. Ltd. (蘇州亨利通信材料有限公司), a [●] of our Group under Chapter 14A of the [●], in the ordinary and usual course of business. Please refer to the section headed "Connected Transactions" in this document for the details of the transactions.

QUALITY CONTROL

We have established a quality management system with internal quality control guidelines based on the ISO9001:2000 standards and were awarded the ISO9001:2000 certification by the TL Certification Center (泰爾認證中心) (then known as the China Information and Industry Department, Telecommunications Certification Centre) (中國信息產業部郵電通信質量管理體系認證中心) in 2003. Our manufacture and service of RF coaxial cable, jumper cable and connector were accredited the ISO 14001:2004 certificate and the OHSAS 18001:2007 certificate by Det Norske Veritas in June 2010.

BUSINESS

Besides our internal quality controls, we are required to comply with various industry technical standards set by the various PRC authorities. The details of such standards are set out as follows:

Standards	Governing Authority	Products
YD/T1092-2004	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)	RF coaxial cable series for mobile communications (移動通信用RF電纜)
YD/T1120-2007	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)	Leaky coaxial cable (漏泄同軸電纜)
YD/T1119-2001	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)	Super-flexible RF coaxial cable series for mobile communications (移動通信用超柔RF電纜)
YD/T 1174-2008	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)	Central office coaxial cables (局用同軸電纜)
YD/T 1967-2009	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)	50Ω radio frequency coaxial connectors for mobile communications (移動通信用 50Ω射頻同軸連接器)
YD/T 1966-2009	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)	50Ω radio frequency coaxial jumpers for mobile communications (移動通信用 50Ω射頻同軸跳線)
YD/T 1542-2006	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)	Technical requirements and testing methods for surge protective devices of signaling networks (信號網絡浪湧保護器 (SPD)技術要求和測試方法)

BUSINESS

We have obtained a number of product certificates indicating our products are complied with the above industry technical standards. The validity of such product certificates are subject to annual inspection by the issuing authority. The details of our product certificates are as set out as follows:

Certificate	Applicable Standards	Issuing Authority	Validity
Product Certification (1/4" S super-flexible RF coaxial cable) (1/4" S 超柔射頻同軸電纜)	YD/T 1119-2001	TL Certification Centre (泰爾認證中心)	3 June 2009 to 2 June 2012
Product Certification (1/4" RF coaxial cable) (1/4" 射頻同軸電纜)	YD/T 1092-2004	TL Certification Centre (泰爾認證中心)	13 June 2008 to 12 June 2011
Product Certification (3/8" S RF coaxial cable) (3/8" S 超柔射頻同軸電纜)	YD/T 1119-2001	TL Certification Centre (泰爾認證中心)	25 May 2010 to 24 May 2013
Product Certification (3/8" RF coaxial cable) (3/8" 射頻同軸電纜)	YD/T 1092-2004	TL Certification Centre (泰爾認證中心)	25 May 2010 to 24 May 2013
Product Certification (1/2" S super-flexible RF coaxial cable) (1/2" S 超柔射頻同軸電纜)	YD/T 1119-2001	TL Certification Centre (泰爾認證中心)	25 May 2010 to 24 May 2013
Product Certification (1/2" RF coaxial cable) (1/2" 射頻同軸電纜)	YD/T 1092-2004	TL Certification Centre (泰爾認證中心)	25 May 2010 to 24 May 2013
Product Certification (7/8" S super-flexible RF coaxial cable) (7/8" S 超柔射頻同軸電纜)	YD/T 1119-2001	TL Certification Centre (泰爾認證中心)	25 May 2010 to 24 May 2013
Product Certification (7/8" RF coaxial cable) (7/8" 射頻同軸電纜)	YD/T 1092-2004	TL Certification Centre (泰爾認證中心)	25 May 2010 to 24 May 2013

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Certificate	Applicable Standards	Issuing Authority	Validity
Product Certification (7/8" leaky coaxial cable) (7/8"漏泄同軸電纜)	YD/T 1120-2007	TL Certification Centre (泰爾認 證中心)	24 June 2009 to 23 June 2012
Product Certification (1-1/4" RF coaxial cable) (1-1/4"射頻同軸電纜)	YD/T 1092-2004	TL Certification Centre (泰爾認 證中心)	25 May 2010 to 24 May 2013
Product Certification (1-5/8" RF coaxial cable) (1-5/8"射頻同軸電纜)	YD/T 1092-2004	TL Certification Centre (泰爾認 證中心)	25 May 2010 to 24 May 2013
Product Certification (1-5/8" leaky coaxial cable) (1-5/8"漏泄同軸電纜)	YD/T 1120-2007	TL Certification Centre (泰爾認 證中心)	24 June 2009 to 23 June 2012

For details of the financial impact on our Group if we fail to obtain or renew these product certificates, please refer to the paragraph headed "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" in the section headed "Risk Factors" in this document.

We have instituted the following quality control procedures into our manufacturing processes in order to ensure ongoing compliance with the product certificates and industry technical standards, as they are integral to the quality of our products:

Raw material quality control. We assess and select our suppliers after conducting market research and in accordance with our Company's internal formulated guidelines set out under "Standards for Procurement of Raw Materials" (原材料採購規範). We will also compile a list of selected suppliers to build up a database of good suppliers. Examination of each batch of incoming raw materials is carried out based on the "Standards for Inspection of Raw Materials" (原材料檢驗規範) and raw materials that do not fulfil the necessary quality requirements are rejected.

Production process quality control. We import advanced production equipment from countries such as Austria, the USA and Italy. Such production equipments are equipped with advanced automated control technology and automated monitoring control systems to carry out comprehensive checks on the quality of our cables.

Quality control of semi-finished products. At each physical foaming stage and welding stage, there is an examination station whereby inspection personnel are equipped with advanced testing equipment and an examination of the semi-finished product is carried out

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based on the internal guidelines set out in “Inspection Standards for Semi-finished Products” (半成品檢驗標準). These inspection personnel are responsible for examining semi-finished products and identifying any defects to ensure that the semi-finished products are free from defects before it goes on to the next stage of the production process.

Quality control of finished products. Our products are subject to a final quality inspection before they are delivered to our warehouse. In accordance with our internal guidelines “Inspection Standards for Finished Products” (產品出廠檢驗標準), our inspection personnel make use of advanced equipment to carry out inspections on the various performance parameters of our products to ensure that our products are free from defects and meet the requirements of our customers. Only products which pass the final quality control inspection are issued qualified product certificates and allowed to be sold on the market.

We have a team of [54] professional quality management personnel, who are responsible for the implementation of our quality management policy.

INVENTORY CONTROL

We closely monitor and control our inventory levels of raw materials and finished products to optimize our operations.

Our inventory of raw materials is primarily comprised of copper-based materials, and PE. We normally purchase key raw materials, i.e. copper-based materials, and PE, upon receipt of purchase orders from our customers. For our production purposes, we maintain a stock level of our requirement for copper-based materials for a period of 4 to 5 days and for PE of 3 days. In addition, our inventories are managed on a “first-in first-out” basis whereby supplies received first will be the first to be used for our manufacturing processes.

Our inventory of finished products is comprised mainly of products awaiting delivery to customers. We own warehouse in our production base and lease warehouse in India, which are directly monitored by Hengxin (Jiangsu) and Hengxin (India) respectively. We conduct stock take on a monthly basis on these warehouses. In addition, we have entered into logistics service agreements with four independent logistics service providers in Shenzhen, Guangzhou, Beijing and Shanghai in the PRC, which are near to our major customers and logistically convenient. Normally, we keep a reasonable level of common used finished products in the logistics service providers’ warehouses so as to serve our customers more efficiently. We track these finished products by placing delivery notice to the logistics service providers, conducting stock take on a semi-annual basis and preparing aging analysis report on a quarterly basis.

As at [●], our inventory, comprising raw materials, work-in-progress and finished goods, amounted to approximately RMB96.4 million, RMB123.3 million, RMB184.2 million and RMB102.6 million, respectively. Our inventory turnover days (being the average of the beginning and ending balance of inventory divided by cost of sales and multiplied by the number of days during the year/period) during the same period were approximately 45 days, 41 days, 43 days and 56 days, respectively.

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SALES AND MARKETING

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. Such products are principally sold to telecommunications operators and equipment manufacturers in the PRC and overseas market.

Sales network

Our sales are currently concentrated in the PRC. The following table sets forth our revenue by geographical areas during the [●].

	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, monitor product performance and customer satisfaction, provide technical supporting and follow up trade receivables.

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In addition, we have established the 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. Our sales to South Asia experienced substantial increase in 2008 and significant decline in 2009 and 2010. The reasons for the significant drop was mainly due to the global financial crisis since late 2008 which led to the decrease in the infrastructure investment in base stations, and a de-inventory process in India telecommunications equipments market in 2009 as a result of the higher level of inventory of telecommunications equipments in India in 2008. However, in view of many mobile operators had aggressively placed bids for 3G license in India and the India government had just approved the results of 3G license auction in May 2010, our Directors expect that the Indian market will be recovering in the coming years and our sales and marketing strategies in the overseas market remain unchanged. In July 2009, we successfully established our wholly-owned subsidiary in India, Hengxin (India), through which we hope to increase our exports to the local market by selling our products directly to the Indian telecommunications operators. Hengxin (India) has recognised sales to local telecommunications operators since August 2010.

Sales model

We normally have to bid for the sale of our products through tenders organised by our customers. Our sales representatives of each sales region, among their other duties, are responsible for liaising with customers and gathering information in respect of potential sales. After receipt of invitation by the customers, our commerce department prepare tender documents setting out our proposals based on the information required under the invitation. We would then submit the tender documents to our customers. If we are successful in the tenders, we will enter into formal agreement with the customer. Such formal agreement generally has a term of one year with major terms in product volume, product pricing, delivery time, payment terms, compliance with applicable national and industry standards and termination and liabilities in the event of breach. Based on the formal agreement, the customers will place purchase orders depending on their demand. The purchase orders specify product prices. We offer a warranty period of three years and delivery period of no more than three weeks to our customers in general. The warranty costs incurred during the [●] are immaterial to our revenue and net profits. We are responsible for supplying our products to our customers and no installation services are provided by us to our customers. Currently, we have entered into framework agreements with each of China Unicom, China Mobile and China Telecom, specifying expected purchasing amount, product pricing including price adjustment in accordance with fluctuation of copper price, delivery arrangement, product warranty and liabilities in the event of breach. The framework agreements are normally valid until the customers declare the result of the next tenders and/or we enter into new framework agreements with the customers. According to our PRC legal advisers, Shanghai Veritas Law Corporation, the framework agreements entered into between us and each of China Unicom, China Mobile and China Telecom are legally binding.

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.

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Pricing

Product and contract pricing is controlled and determined by our [management team] and it is the responsibility of our commerce department to execute such plan. We usually have to bid for contracts through a tendering process organized by our customers. In determining our bid price and each product price, we will have regard to a number of factors, including cost of production which is mainly affected by prices of raw materials such as copper and PE, our business strategies and the level of likely competitive price given the prevailing market conditions.

Credit policy

Our sales to domestic customers are settled in Renminbi by way of banker's acceptance and bank transfers, while our export sales are generally settled in US dollars by telegraphic transfer.

Before accepting any new customer, we assess the potential customer's credit quality and define credit limits by customer. We use publicly available financial information and our own trading records to rate our major customers. We only transacts with customers that have good credit quality. Our exposure and the credit ratings of our counterparties are continuously monitored. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the management. The management generally grants credit only to customers with good credit ratings and also closely monitors overdue trade debts. The credit terms that we offered to the three telecommunications operators in the PRC generally comprise two stages according to the payment terms as stipulated in the related framework agreement. At first stage, a portion of our bill is to be settled upon the receipt of our products. At second stage, the remaining portion will be settled upon the passing of final testing of the construction of their network infrastructures such as base stations in which our products form a part. The recoverable amount of each individual trade debt is reviewed at the end of each reporting period and adequate impairment for doubtful debts is made for irrecoverable amounts with reference to the aging of the trade debts, payment history, trading records and other publicly available information. In determining the recoverability of the trade receivables, we monitor any change in the credit quality of the trade receivables since the credit was granted and up to the end of the reporting period.

We have implemented a credit control system to minimise the risk of doubtful debts. Generally, we extend credit period of 180 days to our trade customers. The following are the key measures implemented to minimise our credit risk:

- We have implemented a system of credit period approval. Credit period which is longer than 180 days requires the approval by Dr. Song Haiyan, our executive Director.
- We focus our sales on customers which have proven financial track record and are creditworthy. Majority of the sales are generated from the major telecommunications companies in PRC, such as China Unicom, China Mobile and major equipment

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manufacturers. They are reputable in the industry and have strong financial resources. For customers other than the major telecommunications companies and major equipment manufacturers, we normally require cash on delivery.

- On a periodic basis, we review our customers' creditworthiness and payment trend. Under our internal control system, if a customer does not satisfy our credit review, we will list and highlight such customer to our sales personnel. We will only sell to such customer upon receipt of their advanced payments.

We made allowance for doubtful trade debts of approximately RMB15.8 million, RMB15.8 million, RMB15.8 million and RMB15.8 million as at [●], respectively.

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 in the PRC, 25 of 31 operating subsidiaries of China Mobile in the PRC, 29 of 31 subsidiaries of China Telecom in the PRC and 2 major equipment manufacturers. For each of the [●], revenue arising from sales to the China Unicom group of companies, the China Mobile group of companies and the China Telecom group of companies in aggregate accounted for 66.5%, 64.8%, 76.2% and 72.0% of our total revenue, respectively. 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 Group expects such slowdown in demand for our products induced by reduction in capital expenditure by the three telecommunications operators will continue for the rest of 2010, resulting in the decrease in our revenue and net profits for the year ending 31 December 2010.

We have established strong working relationships with our major customers, through the quality of our products and good customer service. Our sales team, including market development department and overseas business department, comprises 55 sales personnel who have accumulated on average of at least 5 years of sales experience each in the coaxial cable industry. Our sales team is responsible for coordinating with and handling enquiries from customers and providing after sales services including providing technical training, installation guidance and maintenance service in order to strengthen the relationship and communication with our customers. Our sales team also operates a 24-hour hotline and gives response within 24 hours. We had not encountered any material defective product claims during the [●].

If each group of China Mobile, China Unicom and China Telecom is regarded as a single customer, our five largest customers in aggregate accounted for approximately 88.0%, 83.9%, 86.7% and 85.5%, respectively, of our total sales for each of the [●]. Sales to our largest customer for the same periods accounted for approximately 34.7%, 32.1%, 36.8% and 36.6%,

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respectively, of our total sales. As at the [●], we have established two to seven years of business relationship with the five largest customers. To the best knowledge of our Directors, none of our Directors, their associates or any shareholders of our Company holding more than 5% of the issued share capital of our Company, had any interest in any of the above five largest customers during the [●].

Marketing

Our sales team is also responsible for conducting marketing activities to expand our business. We promote our products through participating in industry trade fairs and advertising in industry publications and on websites. For each of the [●], our marketing expenses were RMB0.1 million, RMB1.0 million, RMB4.2 million and RMB2.5 million, respectively.

In order to further expand our business, we intend to strengthen our market position and further increase our sales of leaky coaxial cables for railways uses in the PRC. Our sales team maintains close business relationship with our customers, which enable us to better understand their requirements and promptly respond to their procurement needs. At the same time, we will continue to pursue export opportunities in geographical markets outside the PRC. Please refer to the paragraph headed "Business Strategies" in this section.

RESEARCH AND DEVELOPMENT

We are committed to keeping up with advancements in technology and in developing new products. As at the [●], our research and development department comprises 31 professional technical personnel who each holds at least a tertiary degree and has accumulated much experience and expertise in the product development of coaxial cables.

During the [●], we have established collaborative relationships with a Shanghai research institute, Zhejiang University (浙江大學) and Beijing University of Posts and Telecommunications (北京郵電大學) which we believe will enhance our research and development capability. In March 2005, we entered into a cooperation agreement with such Shanghai research institute in respect of the material and application areas of environmental friendly cables. Such Shanghai research institute agreed to provide technical support and consultation, while we are mainly responsible for the cost and expenses, requisite equipment and raw materials and working place. The cooperation agreement has a term of 5 years and expired on 31 March 2010. No terms of the cost and profit sharing arrangement, right to intellectual properties and termination clause have been set out in the cooperation agreement. Our Directors confirm that the research results and the rights to intellectual properties under the cooperation program with such Shanghai research institute are owned exclusively by us. Under the cooperation program with such Shanghai research institute, we have developed and commercialised 1 new variety of coaxial cables and obtained 1 registered patent for such new product. Currently, we have no intention to renew the cooperation agreement with such Shanghai research institute. In August 2006, we entered into a cooperation agreement with Zhejiang University in respect of leaky coaxial cables and accessories for 3G base station. Zhejiang University has agreed to provide technical support, requisite equipment and personnel in consideration of our annual payment of RMB200,000 as research fee. The research results and the rights to intellectual properties will be owned exclusively by us and there is no profit-sharing arrangement in respect of such cooperation. The cooperation agreement has a

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term of 3 years and has been renewed for another 3 years commencing from 1 August 2009. Under the collaboration with Zhejiang University, we have developed and commercialized 4 new varieties of coaxial cables and telecommunications accessories, as shown in the below table, and are currently working on another 2 new varieties of coaxial cables and telecommunications accessories development projects with Zhejiang University.

Product	Awards/patents	Year of commercial sales
Quarter-wave broadband lightning surge arrester for mobile communications base station (移動通信基站用四分之一波長寬頻同軸避雷器)	Advanced Technology Product Certificate (高新技術產品認定證書) by Jiangsu Science and Technology Bureau (江蘇省科學技術廳)	2006
Surge protective device for 3G mobile communications TD-SCDMA technology (第三代(3G)移動通信TD-SCDMA技術用電湧保護器)	Advanced Technology Product Certificate (高新技術產品認定證書) by Jiangsu Science and Technology Bureau (江蘇省科學技術廳)	2009
Low attenuation connector for mobile communications antennas system (移動通信天饋系統用低損耗連接器)	obtained [3] patents	2009
Leaky coaxial cable for railway system (軌道交通系統用漏泄同軸電纜)	obtained [1] patent and in the process of applying for [2] more patents	2010

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. Beijing University of Posts and Telecommunications has agreed to provide technical support and consultation in consideration of our annual payment of RMB800,000 as research fee. The research results and the rights to intellectual properties will be owned by us and there is no profit-sharing arrangement in respect of such cooperation. The cooperation agreement has a term of 5 years commencing from 8 August 2010.

To ensure that we keep up with the latest technological developments and commercialise our research and development efforts into successful products in the market, we rely on our sales team to interact with our customers to understand market demands. Based on their feedback, we will research and develop new products suitable for the market. After the products are successfully developed, the research and development team will carry out relevant business training for our sales personnel to ensure that new products are marketed effectively

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as soon as possible. Our commitment to synergise our research and development with our sales and marketing efforts will satisfy our customers demand for new products and give us an edge over competitors in the industry.

In developing new products, we focus on enhancing the technology and increasing the market competitiveness of our products. As a result of the improvement in our technology, we have developed products such as the super-flexible coaxial cable and low-attenuation coaxial cable. In addition, we concentrate on developing relevant products used in communications system and research on applications of our products such as developing leaky coaxial cables to railways. As a testament of our research and development capabilities, we have received a number of awards for our products. Please refer to the paragraph headed "Awards and Honors" in this section for details on the awards.

We have developed and commercialised 59 new varieties of coaxial cables and telecommunications accessories since 2003. We have 7 new varieties of coaxial cables and telecommunications accessories under development (including 2 development projects with Zhejiang University (浙江大學)) as at the [●].

We have also set up an academician workstation (院士工作站) in September 2010. Academician workstations in Jiangsu Province are regulated by Provisional Measures on Administration of Academician Workstations in Enterprises of Jiangsu Province. The academician workstation is led by Dr. Song Haiyan, our executive Director and General Manager of Hengxin (Jiangsu) and Mr. Liu Yunjie. Mr. Liu is an academician of Chinese Academy of Engineering (中國工程院) and an expert in communication and information system. He is currently the chief of the science and technology committee of China Unicom. 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. The academic team comprises Mr. Liu Yunjie and five members. All the six persons are working in Beijing University of Posts and Telecommunications (北京郵電大學) and major in communication engineering or electromagnetic field. Amongst the five members, one is professor, three are associate professors and one is lecturer. All of our 31 research and development personnel will allocate part of their working time to participate in the academician workstation. The academician workstation will engage in the research work of internet of things (IOT), an advanced technology in the world today. The ownership of the research results of the research projects undertaken by academician workstation is determined in the Cooperation Agreement signed by Mr. Liu Yunjie and Hengxin (Jiangsu). For those projects proposed by Hengxin (Jiangsu), if such projects are financially supported and the research work thereof is mainly carried out in the premises of Hengxin (Jiangsu), the ownership of the research results of such projects will belong to Hengxin (Jiangsu). For other projects (including the projects that financially supported by both of Hengxin (Jiangsu) and Mr. Liu Yunjie, or the projects contributed at the preliminary stage by the research result of Mr. Liu Yunjie), prior to the commencement of such projects, Hengxin (Jiangsu) will negotiate with Mr. Liu Yunjie about their respective rights and the ownership of the research results of such projects. The expenses

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incurred by the academician workstation are to be borne by our Company and the government. Our Directors plan to use part of the [●] from the [●] to finance the operation of the academician workstation. The expenses mainly consist of construction of infrastructural facilities, acquisition of equipment, documentation fees, travelling fees and testing fees. The estimated annual research and operating budgets for each of the three years ending 31 December 2012 are approximately RMB8.1 million, RMB3.7 million and RMB4.2 million, respectively, among which, approximately 90% will be borne by our Company and approximately 10% will be borne by the government. A larger budget for 2010 is primarily due to the construction of infrastructural facilities and acquisition of requisite equipment.

Our research and development expenditures for each of the [●] were approximately RMB3.7 million, RMB5.5 million, RMB8.4 million and RMB4.4 million, respectively.

COMPETITION

The competition in the mobile communications RF cable industry in the PRC is intensive. Along with the development in the construction of mobile communications networks, the market for mobile communications RF cables has been expanding over recent years and the number of domestic mobile communications RF cable enterprises keeps increasing, as more enterprises are attracted by the market potential geared by 3G development. Therefore, it is expected that the competition in the mobile communications RF cable industry in the PRC will continue to intensify.

The mobile communications RF cable industry in the PRC is highly concentrated. By the end of 2009, there are 32 enterprises in this industry in the PRC, which increased from 22 in 2006. Among the 32 enterprises, revenues of the top two account for 55.5% of the total revenues of the industry in 2009; revenues of the top three enterprises in terms of revenue account for 67.6% of the total revenues of the industry in 2009; revenues of the top five enterprises in terms of revenue account for 88.4% of the total revenues of the industry in 2009.

Our Directors believe that our competitive strengths in the PRC RF cable market are as follows:

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; and

We have an experienced and professional management team.

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For more information on competition, please refer to the section headed "Risk Factors – We may not be able to maintain our competitive strengths in the telecommunications industry".

We face competition from both of international players and Indian local players in the Indian mobile communications market. Our major competitors in India are either private companies or subsidiaries of public companies, the operation and financial information of which are not publicly available or verifiable. Our Directors consider that the prices of our products are more competitive than some of our major competitors in India, mainly attributable to the reason that the raw materials used by these competitors are imported to India which resulted in a higher cost of the products produced by these competitors. Our Directors also consider that the quality of our products is better than Indian local players, mainly attributable to the instable power supply in India which resulted in interruption of the operations of manufacturing equipments and thus a higher failure rate of the products produced by these competitors. As more telecommunications operators in India tend to purchase locally, we have set up Hengxin (India) and recruited local employees in order to enable us to provide instant response to customers' needs and strengthen post-sale services. However, some of our major competitors have longer presence in India market and its sales and distribution network is more well-established than ours.

INTELLECTUAL PROPERTY RIGHTS

We have obtained 15 patents in the PRC for our products and are in the process of applying for another 6 patents for our products in the PRC. We have registered 4 trademarks in the PRC and 2 trademarks in Singapore. We have applied for 4 trademarks in India, 1 trademark in Singapore and 1 trademark in Hong Kong. Please refer to "Statutory and General Information" in Appendix [VI] to this document for more details.

We seek to protect our intellectual property rights by relying on laws and regulations such as trademark and patent law of the PRC and by imposing confidentiality obligations on employees in our research and development department and on our senior staff in the sales department.

Our Directors confirm that during the [●] we were not involved in any proceedings in respect of, and we have not received notice of any claims of infringement of any intellectual property rights that maybe threatened or pending, in which we may be involved whether as a claimant or as a respondent.

AWARDS AND HONORS

We have received several awards issued by the government and various organisations which enhanced our reputation among customers, helped us establish a good brand name and evidenced our efforts in research and development, quality control and environmental

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protection. Our commitment to excellence is evidenced by the following awards and certificates which we received amongst others during the [●]:

Awards/certificates	Issuing institutions	Year of grant/validity
Certificate of Jiangsu Famous Export Brand (江蘇省出口名牌)	Jiangsu Foreign Trade and Economic Cooperation Bureau (江蘇省對外貿易經濟合作廳)	2009-2010
Jiangsu Private Technology Enterprise (江蘇省民營科技企業)	Jiangsu Private Technology Enterprise Association (江蘇省民營科技企業協會)	December 2009 (two years)
Advanced Technology Enterprise (高新技術企業證書)	Jiangsu Science and Technology Bureau, Jiangsu Finance Bureau, Jiangsu State Tax Bureau, Jiangsu Local Tax Bureau (江蘇省科學技術廳、江蘇省財政廳、江蘇省國家稅務局、江蘇省地方稅務局)	24 September 2008 (three years)
Foreign Invested Advanced Technology Enterprise Certificate (外商投資先進技術企業確認證書)	Jiangsu Foreign Trade and Economic Cooperation Bureau (江蘇省對外貿易經濟合作廳)	2008
Certificate of the First Class Enterprise Producing Export Industrial Products in Jiangsu Province (江蘇出口工業產品生產企業分類一類企業證書)	Jiangsu Entry-exit Inspection & Quarantine Bureau of the PRC (中華人民共和國江蘇出入境檢驗檢疫局)	31 December 2008 to 31 December 2010
Jiangsu Famous Brand Certificate (江蘇名牌產品證書)	Jiangsu Promotion Committee for Top Brand Strategy (江蘇省名牌戰略推進委員會), a committee subordinate to Jiangsu Quality Supervision Bureau	December 2007 to December 2010
Jiangsu Environment Friendly Enterprise (江蘇省環境友好企業)	Jiangsu Environmental Protection Bureau (江蘇省環境保護廳)	2007

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In addition to the above awards, the following table sets out the various awards we hold for our products amongst others during the [●]:

Awards/certificates	Issuing institutions	Year of grant (validity)
National Key New Product Certificate (bundle cable for 3G mobile communications TD-SCDMA base station) (國家重點新產品證書(第三代(3G)移動通信TD-SCDMA基站用集束電纜))	Ministry of Science and Technology of the PRC, Ministry of Environmental Protection of the PRC, Ministry of Commerce of the PRC, General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國科學技術部、中華人民共和國環境保護部、中華人民共和國商務部、中華人民共和國國家質量監督檢驗檢疫總局)	November 2008 (three years)
Advanced Technology Product Certificate (surge protective device for 3G mobile communications TD-SCDMA technology) (高新技術產品認定證書 (第三代 (3G) 移動通信 TD-SCDMA技術用電湧保護器))	Jiangsu Science and Technology Bureau (江蘇省科學技術廳)	24 December 2008 (five years)

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Awards/certificates	Issuing institutions	Year of grant (validity)
Advanced Technology Product Certificate (low attenuation super-flexible coaxial cable for new generation mobile communications equipment) (高新技術產品認定證書 (新一代移動通信設備用低衰減超柔電纜))	Jiangsu Science and Technology Bureau (江蘇省科學技術廳)	15 October 2008 (five years)
Advanced Technology Product Certificate (bundle cable for 3G mobile communications TD-SCDMA base station) (高新技術產品認定證書 (第三代(3G)移動通信TD-SCDMA 基站用集束電纜))	Jiangsu Science and Technology Bureau (江蘇省科學技術廳)	20 December 2007 (five years)
Advanced Technology Product Certificate (low attenuation 7/8" RF coaxial cable) (高新技術產品認定證書 (低衰減7/8"射頻同軸電纜))	Jiangsu Science and Technology Bureau (江蘇省科學技術廳)	19 April 2006 (five years)
Advanced Technology Product Certificate (7-16 RF connector for mobile communications) (高新技術產品認定證書 (移動通信用7-16型射頻同軸連接器))	Jiangsu Science and Technology Bureau (江蘇省科學技術廳)	19 April 2006 (five years)

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EMPLOYEES

As at [30 September 2010], we had a total of 675 employees, almost all our employees are based in the PRC. A breakdown of our employees by function as at the same date is set forth below:

	As at [30 September 2010]
Management and administration (excluding the Directors)	73
Sales and marketing	55
Research and development	31
Quality control	54
Manufacturing	386
Back-end support	<u>76</u>
Total	<u><u>675</u></u>

The relationship and co-operation between our management and our employees has been good. Save as disclosed in the paragraph headed "Legal Compliance and Proceedings" in this section and the paragraph headed "Our inability to attract, retain and motivate skilled engineers, research personnel and our key management may adversely affect our business operations" in the section headed "Risk Factors", we have not experienced any incidence of work stoppage or labour dispute, nor have we experienced any significant turnover in employees during the [●].

We believe that our employees are important assets to our Group and we have adopted several human resource management policies to attract talent, retain good employees, develop and train our employees.

New employees are required to undergo training to familiarise themselves with the rules and regulations of our Company and the requirements of their job before they start working. They are also subject to a 3-month probation period. At the end of the probation period, they will have to pass a theoretical and practical assessment before they can be confirmed as full-time employees.

We also place emphasis on the continuing education and training of our staff. A detailed training plan is prepared every year to ensure that our staff improve their skills, acquire new knowledge and keep abreast of new developments. In particular, we focus on training our management and key personnel to develop their management and decision-making abilities to enhance their work performance. In this way, we strive to encourage a culture of learning and education in our Company.

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The remuneration package we offer to our employees includes salary, bonuses and allowances. In general, we determine employee salaries based on the individual's qualifications, position and seniority. We have designed an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary increments, bonuses and promotions. Our employee benefits expense amounted to approximately RMB35.5 million, RMB44.4 million, RMB64.5 million and RMB34.3 million for each of the [●].

PROPERTIES

Property interests owned and rented in the PRC

As at the [●], we had obtained land use rights certificates for three parcels of land with a total site area of approximately 103,627 sq.m. for our production base situated at No. 138 Taodu Road, Dingshu Town, Yixing City, Jiangsu Province, the PRC. As at the [●], we had obtained building ownership certificates for our existing production plants and other buildings with a total gross floor area of approximately 54,463 sq.m. erected on the above parcels of land.

Our PRC legal advisers, Shanghai Veritas Law Corporation, have advised that we have obtained all required land use rights certificates for the above parcels of land and building ownership certificates for the above properties.

We also have six buildings on the above parcels of land, which are used as warehouse, back-up power room, water pump room and gatehouse, with a total gross floor area of approximately 2,282 sq.m. Such buildings are in nature of temporaries and therefore we have not applied building ownership certificates for these buildings as at the [●]. Given the use purposes of these buildings are complied with the use purposes of the land use rights certificates, and these buildings are only used as storage place for auxiliaries. Our PRC legal advisers, Shanghai Veritas Law Corporation, have advised that the defects in the legal title of these buildings will not have material impact on our production and operation.

We have occupied a parcel of land with a total site area of approximately 19,947 sq.m. adjacent to our current production base in Yixing City, Jiangsu Province, the PRC, on which we have set up our new production workshop. 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. 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.

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Property interests rented in Singapore

As at the [●], we leased a property with a total gross floor area of approximately 452 sq.ft. as office in Singapore.

Property interests rented in India

After the establishment of our subsidiary, Hengxin (India), in India, we rented three properties with a total gross floor area of approximately 14,142 sq.ft. as our office, warehouse and staff quarters in India.

Our India legal advisers, DSK Legal have confirmed that the above lease is valid and enforceable in all material respects.

Valuation

CB Richard Ellis Limited, an independent property valuation firm, has assessed our property interests as at [●]. The letter, the summary of values and the valuation certificate issued by CB Richard Ellis Limited are set out in Appendix [III] to this document.

ENVIRONMENTAL PROTECTION

We are subject to the PRC national environmental laws and regulations and environmental regulations promulgated by the local governments where we operate. Please refer to the section headed "Laws and Regulations" in this document for details about the environmental protection requirements related to our operations.

There is no significant discharge of waste materials during our production process. We have implemented various environmental policies to ensure our compliance with the applicable law and regulations related to environmental protection. We were awarded Jiangsu Environment Friendly Enterprise (江蘇省環境友好企業) by Jiangsu Environmental Protection Bureau (江蘇省環境保護廳) in December 2007. According to a notice jointly announced by the Communist Party of China, Yixing Committee (中共宜興市委) and Yixing Municipal People's Government (宜興市人民政府) in April 2010, Hengxin (Jiangsu) was recognised as one of Jiangsu Yixing Advanced Ecological Construction Enterprises (江蘇省宜興市生態建設先進企業).

We have received a letter from Jiangsu Yixing Environmental Protection Department (江蘇省宜興市環境保護局) on 30 September 2010, confirming that Hengxin (Jiangsu) had been in compliance with national and local laws and regulations in respect of environmental protection since its establishment, and it had never been found to violate environment protection and had never been administratively punished for non-compliance with environmental protection laws and regulations. Our PRC legal advisers, Shanghai Veritas Law Corporation, have advised that we have complied with all applicable PRC environmental laws and regulations.

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INSURANCE

We have taken up insurance policies for our properties, fixed assets, inventory and motor vehicles. Our insurance coverage is in line with common commercial practice in the PRC. [During the [●], we have not made any material claims under our insurance policies.] Please refer to the paragraph headed "We may face disruptions in the business operations at our production facilities" in the section headed "Risk Factors" for more details.

The social insurance funds system in the PRC includes pension insurance, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance. During the [●], our subsidiary, Hengxin (Jiangsu), has failed to pay the social insurance funds for those employees in their probation period for the reason that the probation employees are usually subject to a higher chance of personnel changes, and we have not provided the social insurance contribution until after their probation period is completed. Pursuant to the PRC Labor Law and the PRC Labor Contract Law, employees who are under probation should participate in the social insurance funds system. Therefore, we are facing with risks and may be imposed of penalties, suffer loss arising from compensation sued by such employees and compensation to such employees if they suffer injuries during the probation period. Please refer to the paragraph headed "Our non-payment of social insurance funds for employees who are in probation could lead to imposition of penalties or other liabilities".

LEGAL COMPLIANCE AND PROCEEDINGS

Save as disclosed in this section, there were no legal proceedings or arbitrations, pending or threatened, against us during the [●] and/or as at the [●], which could be expected to have a material adverse effect on our business and operations. As confirmed by our PRC legal advisers, Shanghai Veritas Law Corporation, save as disclosed in the paragraph headed "Insurance" under the section headed "Business", we have obtained all licenses, approvals and permits for our operations in the PRC, and our operations comply with all the relevant requirements and rules of the competent authorities.

On 2 February 2007, Ruidi initiated legal action against Hengxin (Jiangsu) in the Yixing Court for infringement of its property interests in a parcel of land located at at No. 138 Taodu Road, Dingshu Town, Yixing City, Jiangsu Province, PRC, by which Ruidi requested that Hengxin (Jiangsu) should cease to infringe its interest, return the land use right of the land to Ruidi, and pay Ruidi fees for having used the land. On 3 July 2008, the court case was discontinued at Ruidi's own accord upon approval by the Yixing Court. But on the same day Ruidi started a fresh suit against Hengxin (Jiangsu) on substantially the same subject matter and same ground. On 11 October 2008, the Yixing Court pronounced its ruling that the suit should be suspended pending the outcome of another administrative lawsuit taken out by the former shareholder of Ruidi against the Foreign Investment Management Committee of Yixing City. On 2 November 2010, the court case was discontinued at Ruidi's own accord upon approval by the Yixing Court. But Ruidi started a fresh suit against Hengxin (Jiangsu) on substantially the same subject matter and same ground. The Yixing Court issued the Notice of

BUSINESS

Responding (應訴通知書)⁽¹⁾ to Action to Hengxin (Jiangsu) on 10 November 2010. 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.

On 3 March 2008, our Company filed lawsuits in the High Court of the Republic of Singapore against our former Directors, Mr. Qian Lirong and Mr. Jiang Wei (the "**Former Directors**") in respect of breaches of their respective service agreements dated 9 February 2006 and breaches of duties owed by them to our Company. Our Company claimed for injunctions restraining the Former Directors from further breaches of their service agreements and for damages. As a result, the Former Directors counterclaimed against our Company for alleged non-payment of bonuses. Judgment was issued on 19 November 2009 whereby our Company's claims against the Former Directors were dismissed with costs. As for the counterclaims, Mr Qian was awarded the sum of S\$1,260.28 and RMB1,480,474.85 and Mr. Jiang was awarded the sum of S\$4,701.37. On 9 December 2009, our Company filed a notice of appeal to the Singapore Court of Appeal against the Judgment. Subsequently, our Company entered into a settlement agreement with the Former Directors on 11 February 2010, and our Company thus withdrew the appeal and each party agreed to release and discharge the other party any and all manner of claims, actions, damages, liabilities of any nature whatsoever arising in connection with the relevant disputes. Mr. Qian was our executive Director prior to his departure in January 2007. He was responsible for directing our Group's overall strategy and growth as well as the overall management of our Group. Mr. Jiang was our executive Director and head of sales prior to his departure in January 2007. He was responsible for our sales and marketing activities. Our Directors are of the opinion that the lawsuits and the settlement, as well as the amounts payable under the aforesaid settlement agreement, have no material impact on the earnings and net tangible assets of our Group.

As confirmed by our India legal advisers, DSK Legal, we have obtained all licenses that are materially necessary to carry on its operation in India.

Note 1: When a court accepts a lawsuit filed by a plaintiff, the court will issue a Notice of Responding to Action to the defendant. Such a Notice of Responding to Action informs the defendant the complaint filed by the plaintiff usually with the attachment of the indictment and relevant evidences submitted by the plaintiff and the time limit for the defendant to respond to the lawsuit with a written answer to complaint and relative evidences.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board comprises of [6] Directors, among which there are 2 executive Directors, 1 non-executive Director and [3] independent non-executive Directors. The table below shows certain information in respect of members of the board of Directors of our Company:

Name	Age	Position
Mr. Cui Genxiang	[42]	Executive Chairman and executive Director
Dr. Song Haiyan	[42]	Executive Director and general manager of Hengxin (Jiangsu)
Ms. Zhang Zhong	[56]	Non-executive Director
Mr. Tay Ah Kong Bernard	[61]	Independent non-executive Director
Mr. Chee Teck Kwong Patrick	[56]	Independent non-executive Director
Mr. Tam Chi Kwan Michael	[46]	Independent non-executive Director

Executive 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 Hengxin (Jiangsu) 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. The re-designation to Executive Chairman is a result of the Nominating Committee of our Company with a view that Mr. Cui is able to lead our Group in its long-term and strategic directions and hence decided to re-designate him as Executive Chairman to take on an active role in the management of our Group. As the Executive Chairman of our Company, Mr. Cui assumed executive responsibilities over the business directions and operational decisions of our Group and he continued to play a pivotal role in steering the strategic direction and growth of our Group's business. Mr. Cui is also currently the chairman and general manager of Suzhou Nongkai Bio-products Co., Ltd. (蘇州農凱生物製品有限公司), 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 (吳江市洲際噴織有限公司), 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. 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 (吳江市七都織服廠) 1987 to 1988 and the vice factory head of Huzhou Sanchang Silk Weaving Factory (湖州市三長絲織廠) from 1985 to 1987. From 1983 to 1985, Mr. Cui was a technician at Wujiang Colour Woven Chemical Fibre Factory (吳江市色織化纖廠). Based on the written confirmation from Mr. Cui, Mr. Cui will devote sufficient time and resource to fulfil his duty as the Director of our Company.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Song Haiyan (宋海燕), aged [42], joined our Group in January 2010 as the General Manager of Hengxin (Jiangsu). [Dr. Song was appointed as our executive Director on [●] 2010, and assists Mr. Cui in respect of the business development of our Group]. Dr. Song has over 14 years of experience in the China Telecommunications industry. 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 1997.

Non-executive Director

Ms. Zhang Zhong (張鍾), aged [56], is our non-executive Director and was appointed on 23 June 2005. Ms. Zhang is one of the founders and directors of Hengxin (Jiangsu) since its establishment in 2003. Currently, Ms. Zhang is also the consultant of Sichuan Jiawei Materials Co., Ltd. (四川省佳煒物資有限公司), a company engaged in the sales of metals and construction materials, machinery and electronics equipment, which had no business activities with our Group and is independent from our Company and our shareholders except Ms. Zhang. From 1998 to 2004, she was the manager of the metals branch at Sichuan Science and Industrial Trade Agricultural Machinery Co. Ltd (四川省科工貿農機公司金屬材料分公司) 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 (四川省農機供銷總公司) and was responsible for market development and sales in the company. Between 1972 and 1982, she worked at Sichuan Chain Factory (四川省鏈條廠).

Independent non-executive Directors

Mr. Tay Ah Kong Bernard, aged [61], is our independent non-executive Director and was appointed on 18 January 2007. Mr. Tay is also an independent director of several public companies listed on the mainboard of the SGX-ST and Catalist. Mr. Tay has a wide range of experience, having worked in public accounting firms in the United Kingdom and Singapore, the Inland Revenue Authority of Singapore and companies in commerce, industry and

DIRECTORS AND SENIOR MANAGEMENT

management consulting for over 30 years. Saved as the abovementioned positions, Mr. Tay has current positions, awards, past positions and qualifications as follows:

Current positions:

Non-Executive Chairman of Horwath First Trust, a Certified Public Accountants firm	Since May 2007
Chairman of the Risk Management Committee of KW Capital Pte Ltd, an approved SGX Continuing Sponsor	Since January 2009
Senior Advisor to the Government of Huzhou City, Zhejiang Province of the PRC	Since August 2005
President of the Federation Internationale de l'Automobile Asia Pacific – Region 2	Since April 2009
President of the Automobile Association of Singapore	Since June 2006
Chairman of Singapore Road Safety Council	Since January 2010
Vice-President of the Singapore Productivity Association	Since September 1989
Member of Ministry of Home Affairs Community Involvement Steering Committee	Since May 2010

Past positions:

Member of Complaints and Disciplinary Panel – Public Accountants Oversight Committee under the Accounting and Corporate Regulatory Authority	2004-2008
Member of Standing Law Review Focus Group under the Accounting and Corporate Regulatory Authority	2005-2006
Member of Directors' Duties Study Team under the Accounting and Corporate Regulatory Authority	2007-2008
Member of the Singapore Corporate Awards Judging Panel for the Best Annual Report Award	2008/2009

Qualifications:

Fellow of the Association of Chartered Certified Accountants (U.K.)
Fellow of the Institute of Certified Public Accountants of Singapore
Fellow of the Taxation Institute of Australia
Fellow of the Singapore Institute of Directors
Chartered Accountant of Malaysia

Awards:

Service to Education Award	2001
Community Service Medal	1991 and 2009
Pingat Bakti Masyarakat (Public Service Medal) conferred by the President of Singapore	1990

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chee Teck Kwong Patrick (徐澤光), 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 practicing 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.

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 [●] 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 Masyarakat) from the President of Republic of Singapore.

Mr. Tam Chi Kwan Michael (譚志昆), aged [46], is our independent non-executive Director and was appointed on [●] 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 (practicing) 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.

SENIOR MANAGEMENT

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.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Di Hai (狄海), aged [38], joined our Group in March 2004. He is the deputy general manager of Hengxin (Jiangsu) and is responsible for sales and marketing business of the group. From 2002 to 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.

Mr. Li Qinghe (李慶和), aged [66], joined our Group in March 2006. He is the deputy general manager and chief engineer of Hengxin (Jiangsu) 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 (中國電子科技集團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) (國防科學技術進步獎) 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.

Mr. Ding Weilin (丁偉林), aged [41], joined our Group in February 2004. He is the assistant chief engineer of Hengxin (Jiangsu) 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 (重慶長江博華電纜公司). From 1995 to 1997, Mr. Ding worked as the director of technology department of Beijing Bohua Cable Company (北京博華電纜公司). 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.

Mr. Sun Yuliang (孫余良), aged [39], joined our Group in May 2003. He is the assistant to deputy general manager of Hengxin (Jiangsu) 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 (江蘇神鷹集團). Mr. Sun obtained Bachelor Degree in Manufacturing Technology of Machine and Equipment from Jiangnan University in 1994.

Ms. Shirley Lim Guat Hua (林月華), aged 53, has been appointed as one of our joint company secretaries since August 2010. Ms. Lim has been an Associate member of the Institute of Chartered Secretaries and Administrators since 1981 and has been registered as a Practising Chartered Secretary of the Singapore Association of the Institute of Chartered Secretaries and Administrators since 1988. Prior to joining Complete Corporate Services Pte Ltd in 1989, Ms. Lim worked in Compact Administrative Services Pte Ltd. (now known as Intertrust Singapore Corporate Services Pte Ltd.) in charge of the corporate secretarial department from 1982 to 1989. She is now a director of Complete Corporate Services Pte Ltd supervising the corporate services division. With her extensive experience of over 29 years in providing professional secretarial services to various companies in Singapore and international companies, Ms. Lim

DIRECTORS AND SENIOR MANAGEMENT

will be able to discharge her duties as a joint company secretary herself and commits to respond promptly and communicate with our Directors and senior management, as well as to co-operate with Ms. Wong Wai Han, another joint company secretary to advise on any compliance matters for our Company. Ms. Lim is currently appointed as a company secretary of the other 4 companies listed on the SGX-ST, namely UMS Holdings Limited, China Fashion Holdings Limited, Goodland Group Limited and Mary Chia Holdings Limited.

COMPANY SECRETARY

We have appointed Ms. Shirley Lim Guat Hua (林月華) and Ms. Wong Wai Han (黃慧嫻) as our joint company secretaries.

Ms. Shirley Lim Guat Hua (林月華), for the biography of Ms. Lim, see "Senior Management" above.

Ms. Wong Wai Han (黃慧嫻), aged 34, has been appointed as one of our joint company secretaries since [●] 2010. Ms. Wong has been an associate in Li & Partners, our Hong Kong legal advisers, since September 2006. She has experience in corporate finance and compliances matters for the listed companies in Hong Kong. Ms. Wong obtained a bachelor of laws from City University of Hong Kong in 1998 and obtained the bachelor of laws in China from Tsinghua University in 2004. She was admitted as solicitor of the High Court of Hong Kong in 2001, and is a practising solicitor in Hong Kong and a member of The Law Society of Hong Kong. Ms. Wong is also one of the joint company secretaries of China XLX Fertiliser Ltd., a company primarily dual listed on both the [●] and SGX-ST.

AUDIT COMMITTEE

Our Company established an audit committee in May 2006 which has written terms of reference. The main objective of the audit committee is to assist the Board in fulfilling its fiduciary responsibilities to the Company and each of its subsidiaries to act in the interest of the Company's shareholders as a whole. Its primary duties include: (i) to oversee and appraise the quality of the audit effort of the Company's internal audit function and of its external auditors; (ii) to review the adequacy of the Company's administrative and operating controls as well as internal accounting controls and evaluate adherence; (iii) to serve as an independent and objective party to review the integrity of the financial information presented by management to shareholders, regulators and the general public; (iv) to provide communication between the Board and the external and internal auditors; and (v) to review and report to the Board the independence of the external and internal auditors.

The audit committee consists of [four] members, namely, Mr. Tay Ah Kong Bernard, Mr. Chee Teck Kwong Patrick, Mr. Tam Chi Kwan Michael and Ms. Zhang. Mr. Tay Ah Kong Bernard was appointed as the chairman of the audit committee.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION COMMITTEE

Our Company established a remuneration committee in May 2006 which has written terms of reference. The main functions of the remuneration committee include: (i) to recommend to the Board a framework of remuneration for the Board and executive director; (ii) to review the remuneration packages of all managerial staff who are related to any of the executive directors or the CEO; (iii) to review the remuneration packages of the Directors and key officers of the Company; (iv) to review the compensation commitments in the directors' service contracts; (v) to recommend to the Board in consultation with Senior Management and the Chairman of the Board any long term incentive scheme; and (vi) in respect of any share option schemes as may be implemented, to consider whether directors should be eligible for benefits under such incentive schemes.

The remuneration committee consists of [three] members, namely, Mr. Chee Teck Kwong Patrick, Mr. Tay Ah Kong Bernard and Ms. Zhang. Mr. Chee Teck Kwong Patrick was appointed as the chairman of the remuneration committee.

NOMINATING COMMITTEE

Our Company established a nominating committee in May 2006 which has written terms of reference. The main objectives of the nominating committee are to implement a formal, transparent and objective procedure for appointing Board members and evaluating each Board member's performance and to provide clear disclosure of the Company's policies on nomination and evaluation of Board members in its [●]. Its primary functions include: (i) to establish procedures for and make recommendations to the Board on all board appointments and re-appointments; (ii) in respect of re-nominations, to have regard to the Director's contribution and performance including, if applicable, as an independent Director; (iii) where a Director has multiple board representations, to decide whether the Director is able to and has adequately carry out his duties as director; (iv) to determine annually whether a Director is independent; and (v) to establish procedures for evaluation of Board's performance and assess the effectiveness of the Board as a whole.

The nomination committee consists of [four] members, namely, Mr. Chee Teck Kwong Patrick, Mr. Tay Ah Kong Bernard, Ms. Zhang and Mr. Cui. Mr. Chee Teck Kwong Patrick was appointed as the chairman of the nomination committee.

DIRECTORS' REMUNERATION

For the [●], the aggregate remuneration paid to our Directors by us or any of our subsidiaries was approximately RMB3.2 million, RMB3.5 million, RMB5.0 million and RMB1.5 million respectively. Details of our Directors' remuneration are also set out in Note 10 to the Accountant's Report in Appendix I in this document.

Under the arrangement currently in force, the aggregate amount of the directors' fees and other emoluments for the year ending 31 December 2010 is estimated to be approximately RMB2.1 million.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS' INTERESTS

Save as disclosed in this document, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the [●]; (ii) had no other relationship with any Directors, senior management or [●] or [●] of our Company as at the [●]; and (iii) did not hold any other directorships in listed public companies in the three years prior to the [●]. As at the [●], save as the interests in the Shares held by Mr. Cui and Ms. Zhang which are disclosed in the section headed "Disclosure of interests" and the paragraph entitled "Further information about our Directors and our [●]" in Appendix VI to this document, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the [●] as at the [●].

CONNECTED TRANSACTIONS

Upon completion of the [●], transactions between us and our [●] will constitute connected transactions for us under Chapter 14A of the [●].

Further, the Company will be dual primary listed on both the [●] and the SGX-ST upon [●], the transactions described below will, in addition to being subject to and regulated by the [●], continue to be subject to and regulated by the [●] Manual and other applicable laws and regulations in Singapore as long as the Shares remain listed on the SGX-ST. However, the requirements of the [●] in relation to connected transactions differ from those of the [●]. In particular, the definition of [●] pursuant to the [●] is different from the definition of related parties pursuant to the [●] Manual. Therefore, a connected transaction pursuant to the [●] may not constitute a related party transaction pursuant to the [●] Manual, and vice versa.

We set out below details of our connected transactions.

CONNECTED PERSONS

Suzhou Hengli Telecommunications Materials Co., Ltd. (蘇州亨利通信材料有限公司) ("Suzhou Hengli") is in the principal business of manufacture and sale of metal plastic tape, aluminum plastic tape, polyethylene materials jacketing for RF copper cables, and sale of communication cables, communication equipments and accessories, which is wholly owned by Jiangsu Hengtong Cable Technology Co., Ltd. (江蘇亨通線纜科技有限公司) ("Hengtong Cable Technology"). Hengtong Cable Technology is in the principal business of manufacture and sale of local communications cables, data communications cables and other various cables widely used in railway signal transmission, ships, intelligent buildings, wind power, electrical transmission and etc., 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 Mr. Cui, our Executive Chairman, as to 90% of equity interest, and by Mr. Cui Wei, the son of Mr. Cui Genliang, as to 10% of the equity interest. In this regard, each of Mr. Cui Genliang, Mr. Cui Wei, Hengtong Group Co., Ltd., Hengtong Cable Technology and Suzhou Hengli is considered as a [●] of our Group under Rule 14A.11 of the [●].

As we are in the principal business of manufacture and sale of RF coaxial cables series for mobile communications, our products differ from the products of Hengtong Cable Technology in terms of usage, market conditions, pricing and expertise required. In terms of target customers, although Hengtong Cable Technology and we have common customers, they purchase different types of cables respectively from Hengtong Cable Technology and us for different uses.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following transactions have been carried out by our Group and the [●] during the [●] and are expected to be continued following the [●]. These transactions will constitute continuing connected transactions which are subject to the reporting and announcement requirements, but exempt from independent shareholders' approval requirement set out in Chapter 14A of the [●] upon the [●].

CONNECTED TRANSACTIONS

Purchase of raw materials

The Group entered into a master agreement ("Raw Materials Purchase Master Agreement") with Suzhou Hengli on the purchase of raw materials on 9 November 2010, by which Suzhou Hengli will supply metal plastic tape, aluminium plastic tape and other raw materials for production of RF coaxial cables, on the terms no less favourable than those offered by any Independent Third Parties. Pursuant to the Raw Materials Purchase Master Agreement, the term is valid until 31 December 2012 and such term may be extended by mutual agreement and the shareholders' approval and any other requirements in accordance with the [●] and [●] Manual at that time. In addition, the purchase price shall be determined in accordance with the following bases (a) the price set by the regulations of the PRC government or the relevant authority (if there is any); and (b) if no such price is set by the PRC government or the relevant authorities, Suzhou Hengli submits the purchase price through the tendering process; and (c) if there is no tender process, the purchase price shall be the lowest of the followings: (i) the fair market price which is provided by independent third parties; or (ii) the purchase price as agreed between the parties provided that such agreed price shall not be more than the actual costs of selling the raw materials plus a margin of an agreed rate (which shall not be more than the rate of increase of the consumer price index of Jiangsu Province in the most recent year) of such costs. The Raw Materials Purchase Master Agreement sets out that the details to be included in any separate purchase agreement to be entered into between the parties thereto.

As our usual practice, we will go through with the internal purchase procedures, which we have put in place a tender process in the purchase department and have also formed a dedicated team to adopt the purchase procedures. We will invite the raw materials suppliers for our projects through a tendering process. A potential supplier of raw materials must pass certain qualification procedures internally formulated by us based on qualifications, product equality and price in order to become a qualified supplier. We will enter into a separate purchase agreement with the successful bidder, and such purchase agreement will specify purchase details including raw material types and quantity, price and quality specifications. One of the bidders is Suzhou Hengli. In order to estimate the proposed annual caps for purchase of raw materials, we have taken into account our demand for the raw materials for the three years ending 31 December 2012 and have assumed that all the tenders submitted by Suzhou Hengli would be successful.

Our Directors confirm that the purchases of raw materials from Suzhou Hengli were made in accordance with the qualification and tender procedures and that the prices for such purchases were determined on arm's length basis and in line with normal commercial terms. Our Directors also believe that there is sufficient internal mechanism in place to ensure that the tender process is conducted in a fair and open manner. The tender process is supervised and monitored by our general manager in charge. There is no guarantee that a successful bidder in one particular tender will be selected in the next tender.

CONNECTED TRANSACTIONS

Historical figures

For each of the three years ended 31 December 2007, 2008 and 2009, our purchases from Suzhou Hengli amounted to, nil, approximately RMB179,000 and approximately RMB7,227,000 respectively. From 1 January 2010 to [30 September 2010], our purchases from Suzhou Hengli were approximately RMB6,627,000.

Annual caps

For each of the three years ending 31 December 2010, 2011 and 2012, the annual amount to be payable by us to Suzhou Hengli in connection with the purchase of raw materials will be no more than RMB9,000,000, RMB9,000,000 and RMB9,000,000, respectively. The proposed annual caps are determined with reference to the historical values, the prevailing market prices, expected growth in production and sales of our operation upon the commencement of the trial operation of the new production plant, and production capacity of raw materials supplied by Suzhou Hengli. After Suzhou Hengli becoming our [●] in December 2008, the transactions for purchase of raw materials between the Group and Suzhou Hengli amounted to approximately RMB179,000 during 2008 and substantially increased to RMB7,227,000 during 2009 and to RMB6,627,000 in the nine months of 2010. In addition, having considered that our production capacity of RF coaxial cables was approximately 103,170 km for the year ended 31 December 2009 and approximately 82,593 km for the nine months ended 30 September 2010, we expect that our production capacity will increase steadily for the three years ending 31 December 2012 subsequent to the commencement of operation of new production plant in October 2010. As a result, we will require more raw materials to satisfy the expected increase of our production capacity and volume. Given that the limit of Suzhou Hengli's production capacity of the plastic tapes and other raw materials, its supplies of plastic tapes and other raw materials will only reach approximately 15% of our demand per annum, and we expect that its production capacity will not increase significantly in the next three financial years. In this regard, we assume that Suzhou Hengli will be successful in the tender process, and the supplies by Suzhou Hengli and the prices of plastic tapes and other raw materials will remain stable in the next three financial years, our annual caps for such raw materials will be constant over the three years ending 31 December 2012.

Application for waiver

In relation to the above non-exempt continuing connected transactions, the applicable percentage ratio of each of the transactions under the paragraph headed "Non-exempt continuing connected transactions" above calculated by reference to Rule 14.07 of the Hong Kong [●] will be, on an annual basis, less than (1) 5% or (2) less than 25% and the annual consideration is less than HK\$10,000,000, and is thus only subject to the reporting and announcement requirements set out in Rule 14A.34(1) of the Hong Kong [●] following the [●].

CONNECTED TRANSACTIONS

Our Directors have confirmed that the said non-exempt continuing connected transactions have been, and will continue to be, conducted in the ordinary and usual course of business of our Group on normal commercial terms and on an arm's length basis in accordance with the pricing arrangements as set out in the relevant written agreement between our Group and Suzhou Hengli.

With respect to the said non-exempt continuing connected transactions, we have, pursuant to Rule 14A.42(3) of the [●], applied for and [the [●] has agreed to grant a waiver] from strict compliance with the announcement requirement under Rule 14A.47 of the [●].

Apart from the announcement requirement in respect of which a waiver has been sought, our Company will comply with the provisions in Chapter 14A of the [●] governing continuing connected transaction from time to time.

Opinion of our Directors

Our Directors (including our independent non-executive Directors) confirm that all the above-mentioned connected transactions have been entered into and are in the ordinary and usual course of business on normal commercial terms, and are fair and reasonable to our Group and are in the interests of our Shareholders as a whole, and the proposed annual caps for the transactions referred to in the paragraph headed "Non-exempt continuing connected transactions" above are fair and reasonable and in the interests of our Shareholders as a whole.

Confirmation from the [●]

The [●] consider that the above non-exempt continuing connected transactions for which waivers are sought have been entered into and are in the ordinary and usual course of business of our Group on normal commercial terms and are fair and reasonable and in the interest of our Shareholders as a whole; and the proposed annual caps for the above non-exempt continuing connected transactions are fair and reasonable and in the interests of our Shareholders as a whole.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [●] and [●] (not taking into account of options which have been or may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will, directly or indirectly, be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/Nature of interest	Number of Shares	Approximate percentage of shareholding
Kingever ⁽¹⁾	Beneficial owner	[90,294,662]	[23.27]%
Mr. Cui ⁽¹⁾	Interest in controlled corporation	[90,294,662]	[23.27]%
Wellahead ⁽²⁾	Beneficial owner	[28,082,525]	[7.24]%
Ms. Zhang ⁽²⁾	Interest in controlled corporation	[28,082,525]	[7.24]%

Notes:

1. Kingever is a company incorporated in the British Virgin Islands, and the entire issued share capital of which is beneficially owned by Mr. Cui.
2. Wellahead is a company incorporated in the British Virgin Islands, and the entire issued share capital of which is beneficially owned by Ms. Zhang.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the [●] (taking no account of the Shares which may be taken up under the [●]), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, who will, directly or indirectly, be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group and are therefore regarded as substantial shareholders under the [●].

Save for the personal investments made by Mr. Cui set forth below, none of our [●] have business interest other than their interest in our business.

SUBSTANTIAL SHAREHOLDERS

Personal investments in businesses held by Mr. Cui

The following table sets out the entities held by Mr. Cui during the [●] and/or as at the [●] and their respective principal businesses:

Name of entity	Principal business	Interest held by Mr. Cui
Wujiang Zhouji Penzhi Co., Ltd. (吳江市洲際噴織有限公司)	Processing and weaving of chemical fibre fabrics and silk	100%
Suzhou Nongkai Bio-products Co., Ltd. (蘇州農凱生物製品有限公司)	Research and development and manufacture of biological products	87%
Huzhou Nanxun South Hotel (湖州南潯南方大酒店)	Hotel operation	5%

Such investments do not and will not compete with the business currently conducted by us. Our [●] (including Mr. Cui) have undertaken to us that they will not be engaged in any competing business, and particulars of these undertakings are set forth in the paragraphs under "Deed of Non-Competition" in this section of the document.

None of our [●] or Directors is interested in any business apart from the business operated by us which competes or is likely to compete, directly or indirectly, with our Group's business under Rule 8.10 of the [●].

DEED OF NON-COMPETITION

Mr. Cui has entered into a deed of non-competition (the "Non-competition Deed") in favor of the Company, pursuant to which Mr. Cui has undertaken to the Company (for itself and for the benefit of its subsidiaries) that he would not, and would procure that his associates (except any members of the Group) would not, during the restricted period set out below, directly or indirectly, either on his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of our Group from time to time (the "Restricted Business"). Such non-competition undertaking does not apply where Mr. Cui has interests in the shares of a company whose shares are listed on a recognised stock exchange, provided that the total number of the shares held by any one of Mr. Cui and his associates does not exceed [10%] of the total issued shares of that class of the company in question and Mr. Cui and/or his associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company is more than the total number of shares held by Mr. Cui and his associates in aggregate.

SUBSTANTIAL SHAREHOLDERS

Under the Non-competition Deed, Mr. Cui further undertakes to the Company that:

- (a) Mr. Cui shall allow, and shall procure that the relevant associates (excluding us) allow, the independent non-executive Directors to review, at least on an annual basis, the compliance with the terms of the Non-competition Deed;
- (b) Mr. Cui shall provide all information necessary for the annual review by the independent non-executive Directors to determine whether the terms of the Non-competition Deed are complied with and enforced;
- (c) the Company shall disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement the terms of the Non-competition Deed either through the [●], or by way of announcement to the public; and
- (d) Mr. Cui shall provide to the Company with a confirmation annually for inclusion by the Company in its [●], in respect of their compliance with the terms of the Non-competition Deed.

The "restricted period" stated in the Non-competition Deed refers to the period during which (i) the Shares of the Company remain listed on the [●]; (ii) in relation to Mr. Cui or his associate holds an equity interest in the Company; and (iii) Mr. Cui or his associates jointly or severally are entitled to exercise or control the exercise of not less than [10%] in aggregate of the voting rights at general meetings of the Company.

CONTROLLING SHAREHOLDERS

According to the [●], as at the [●], our Company had no [●].

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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, a sub-association of the 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.

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.

Through an extensive sale and distribution network spanning the PRC, we serve a blue-chip and established customer base comprising major telecommunications operators including China Unicom, China Mobile, China Telecom and key telecommunications equipment manufacturers in the PRC.

Our Directors believe that our competitive strengths in the PRC RF cable market are as follows:

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; and

We have an experienced and professional management team.

Outside of the PRC, our products are also exported to the international markets mainly within the Asian continent. In July 2009, we successfully established our wholly-owned subsidiary in India, Hengxin (India), through which we hope to grow our exports to the local market by selling our products directly to the Indian telecommunications operators.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

Our company is a limited liability company incorporated in the Republic of Singapore on 18 November 2004. The principal activities of our Group are research, design, development and manufacture of telecommunications and technological products, production of radio frequency coaxial cables for mobile communications and mobile communications systems exchange equipment. Our consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("IFRSs") under the historical cost convention. The consolidated financial information is presented in Renminbi, which is also our functional currency.

FACTORS AFFECTING THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The factors affecting the results of operations and financial condition include the followings:

Economic cycles, including the recent global financial and economic crisis

Since the second half of 2008, the global financial crisis had led to reduced liquidity, greater volatility, widened credit spreads and a lack of price transparency in the global credit and financial markets. The difficulties in global credit and financial markets have also resulted in a widening global economic crisis and depressed consumer sentiments deep into the first half of 2009. The slowdown experienced in the economies of the United States, the European Union and certain Asian countries adversely affected the capital expenditures of the telecommunications operators in different countries. The resulting decrease and slowdown in demand for mobile communications infrastructure equipment has put significant downward pressure on prices of these products, including RF coaxial cables, which are our major source of sales revenues.

Our business model is very sensitive to the spending cycle of the telecommunications operators, and without a recovery in consumer usage, downward pressure on prices and demand for our products will persist. If the global economy continues to grow at a slower rate than expected or experiences a recession, growth in demand for the mobile communications infrastructure products will also continue to slow down or decrease. As a result, our business, financial condition and results of operations would continue to be adversely affected.

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Development of telecommunications industry in the PRC and overseas

Demand for our products depends primarily on the amount of capital spending by telecommunications operators and equipment manufacturers in the PRC and overseas. We sell our products to telecommunications operators and equipment manufacturers, who incorporate our products into equipments and hardware in areas such as base stations for wireless mobile communications and innovative indoor signal coverage systems. As the entire telecommunications industry in the PRC geared up for the phenomenal growth of 3G, the country's telecommunications operators pumped in significant capital to build their 3G infrastructure, spurring demand for related telecommunications equipments. This in turn, drove sales of our RF coaxial cables in 2009. 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 Group expects this trend will continue for the rest of 2010, resulting in the fall in demand for our products and the decrease in our revenue and net profits for this financial year. Our future success depends upon the growth in demand for wireless mobile communications and innovative indoor signal coverage systems.

Further, capital spending by telecommunications operators and equipment manufacturers in the PRC, our largest market, can be influenced by a variety of factors, including the evolution of the Chinese communication network standards, the intensity of competition and the international stock exchange listings of some of the telecommunications operators and equipment manufacturers, which could result, among other things, in greater access to capital for infrastructure building or an increased focus on controlling costs in order to increase returns for investors.

These factors can cause our operating results to fluctuate from period to period. If telecommunications operators and equipment manufacturers delay or reduce their levels of capital spending, our operating results would be negatively affected.

Market competition

We are in an extremely competitive industry, which is characterized by rapid technological advancement, downward pricing trends and high working capital requirements. We primarily compete on the following bases:

- Quality of RF coaxial cables;
- Extensive sale and distribution network spanning the PRC;
- Strong focus on research, design and product development;
- After-sales services; and
- Relationships with telecommunications operators.

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There can be no assurance that we will maintain our competitiveness in these areas. If we fail to develop new products and services, maintain high quality of our products and services, or otherwise compete successfully, it would reduce our sales and adversely affect our future prospects.

Pressure on selling prices

The increasing competition in the mobile communications market is expected to put margin pressure on the telecommunications operators and equipment manufacturers, as prices of 2G services and 3G services are kept depressed as a result of the keen competition. This in turn has an impact on the selling prices that equipment suppliers like us can command. Further, the intensifying competition among telecommunications equipment suppliers also placed much pressure on our selling prices.

However, there can be no assurance that we will maintain our overall gross profit margin in the future. If we fail to maintain our gross profit margin, it would adversely affect our profitability.

CRITICAL ACCOUNTING POLICIES AND JUDGEMENTS

Critical accounting policies are those that require management to exercise judgments and make estimates which yield materially different results if management were to apply different assumptions or make different estimates. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The preparation of the Combined Financial Information requires management to make judgments, estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Revenue recognition

Our revenue comprises the fair value for the sale of goods and is recognized upon delivery of goods and pass of title. It is recorded net of sales related taxes.

Inventory valuation

Inventory is valued at the lower of cost and net realisable value. Cost is calculated using the weighted average method. The Group regularly inspects and reviews its inventory levels in order to identify slow-moving and obsolete inventory. The amount of the impairment loss is measured as the difference between inventories' cost and net realized value. The identification of impairment of inventories requires the use of judgement and estimate of expected net realisable value. Where the net realizable value

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is lower than the cost, a material impairment loss may arise. When subsequent evaluations show that the circumstances that previously caused inventories to be written down below cost no longer exist, or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, write-down of inventories previously recognised are reversed.

Our inventories had been reduced by RMB555,000, RMB798,000, RMB221,000 and RMB409,000 of such write-downs for the [●]. For the years ended 31 December 2007 and 2008, our cost of sales had included inventory provision of RMB148,000 and RMB243,000, respectively. For the year ended 31 December 2009, our cost of sales had been reduced by reversal of write-downs of inventories of RMB577,000. For the nine months ended 30 September 2010, our cost of sales had included inventory provision of RMB188,000.

We consider our existing inventory policy to be adequate because we generally procure raw materials and schedule our production based on customers' purchase orders that we have received and we adjust our provisions by taking stock of our inventory and conducting write-downs on an annual basis.

Impairment of trade receivables

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

We make 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.

In determining the recoverability of the trade receivables, we monitor any change in the credit quality of the trade receivables since the credit was granted and up to the date of the accountants' report. After reassessment, our directors believe that no further allowance is required.

Property, plant and equipment

Our property, plant and equipment other than construction-in-progress are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Construction-in-progress is stated at cost which includes all construction costs and other direct costs attributable to such projects.

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Our construction-in-progress is carried at cost less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, on the following bases:

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

The estimated useful lives of property, plant and equipment are reviewed at the end of each annual reporting period. At the end of the reporting period, management reviews the carrying amounts of its property, plant and equipment 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. 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. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is determined as the difference between the net disposal proceeds and the carrying amounts of the asset and is recognized in the profit and loss statement in the period in which the asset is derecognised.

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

Revenue comprises the fair value for the sale of goods and is recognized upon delivery of goods and pass of title. It is recorded net of sales related taxes. All of our revenue is generated from the sale of RF coaxial cables and telecommunications equipment and accessories.

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The following table sets out a breakdown of our revenue from different business segments during the [●]:

	Year ended 31 December						Nine months ended 30 September			
	2007		2008		2009		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	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	<u>962,824</u>	<u>100</u>	<u>1,214,179</u>	<u>100</u>	<u>1,615,265</u>	<u>100</u>	<u>1,222,938</u>	<u>100</u>	<u>865,416</u>	<u>100</u>

During the [●], over 80% of our revenue is generated from the sales of RF coaxial cables series for mobile communications. As a result, fluctuation of our revenue is mainly attributable to fluctuation of revenue from RF coaxial cables series for mobile communications. During the three years ended 31 December 2009, the average unit selling prices (the "ASP") of RF coaxial cables series for mobile communications were on a downward trend. The average monthly unit selling prices of RF coaxial cables series for mobile communications decreased by approximately 19.4% and 42.2% for 2008 and 2009 as compared to the corresponding period for 2007 and 2008 respectively. This is mainly due to intense competition which led to selling price under pressure as players lower their prices during tenders in order to win the bid. However, the revenue had been increasing during the same period, mainly attributable to an increase in the sales volume of RF coaxial cables series for mobile communications especially arising from the issue of 3G licences by the PRC government to the 3 main telecommunications operators in January 2009. The sales volume of RF coaxial cables series for mobile communications increased by approximately 46.0% and 93.0% for 2008 and 2009 as compared to the corresponding period for 2007 and 2008, respectively. For the nine months ended 30 September 2010, the average monthly unit selling prices of RF coaxial cables series for mobile communications increased by approximately 13.1% as compared to the corresponding period for 2009, however, the sales volume of RF coaxial cables series for mobile communications decreased by approximately 37.5% for the same period. The decrease in revenue was primarily due to the decrease in demand for our products from the three telecommunications operators in the PRC as a result of their reduction in capital expenditure in 2010. Our Group expects the fall in demand for our products will continue for the rest of 2010 and thereby induces the decrease in our revenue and net profits for the financial year of 2010.

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The following table sets out a breakdown of our revenue from different geographic segments during the [●]:

	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	0	0	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:

- The countries of the external customers included in this category included India, Indonesia, Singapore and Australia etc. The reasons for the significant drop in revenue from "South Asia" are mainly due to that, (i) the global financial crisis since late 2008 has led to the decrease in the infrastructure investment in base stations, and (ii) the inventory of telecommunications equipments in India was relatively high in 2008 and as a result, the telecommunications equipments market in India in 2009 experienced a de-inventory process. However, our Directors expect that the Indian market will be recovering in the coming years. No further analysis by countries of this category is presented because the revenue from each individual country is insignificant to the total revenue.
- 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.

Cost of sales

Our cost of sales consists of raw materials, labor costs and manufacturing costs.

The following table sets out a breakdown of our cost of sales during the [●]:

	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)									
Raw materials	709,597	94.3	943,491	95.4	1,229,376	94.4	933,626	94.7	656,102	93.7
Labor costs	8,398	1.1	13,004	1.3	20,353	1.6	15,931	1.6	9,449	1.4
Manufacturing costs	34,774	4.6	32,465	3.3	52,850	4.0	36,871	3.7	34,424	4.9
Total	752,769	100	988,960	100	1,302,579	100	986,428	100	699,975	100

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The following table sets out a breakdown of our cost of sales during the [●]:

	Year ended 31 December						Nine months ended 30 September			
	2007		2008		2009		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
RF coaxial cables series for mobile communications	648,466	86.1	876,392	88.6	1,093,589	84.0	833,687	84.5	595,302	85.0
Coaxial cables for telecommunications equipment and accessories	104,303	13.9	112,568	11.4	208,990	16.0	152,741	15.5	104,673	15.0
Total	<u>752,769</u>	<u>100</u>	<u>988,960</u>	<u>100</u>	<u>1,302,579</u>	<u>100</u>	<u>986,428</u>	<u>100</u>	<u>699,975</u>	<u>100</u>

Gross profit and gross profit margin

The following table sets out our total gross profit and gross profit margin by business segment during the [●]:

	Year ended 31 December						Nine months ended 30 September			
	2007		2008		2009		2009		2010	
	Gross		Gross		Gross		Gross		Gross	
	profit		profit		profit		profit		profit	
	margin		margin		margin		margin		margin	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
RF coaxial cables series for mobile communications	170,178	20.8	197,567	18.4	250,425	18.6	193,190	18.8	127,462	17.6
Coaxial cables for telecommunications equipment and accessories	39,877	27.7	27,652	19.7	62,261	23.0	43,320	22.1	37,979	26.6
Total	<u>210,055</u>	<u>21.8</u>	<u>225,219</u>	<u>18.5</u>	<u>312,686</u>	<u>19.4</u>	<u>236,510</u>	<u>19.3</u>	<u>165,441</u>	<u>19.1</u>

Other income

Our other income comprises mainly of interest income, government grants, gain on disposal of available-for-sale investments, and sundry income. Government grants mainly include (i) reward for listed companies in Yixing City; (ii) reward to encourage companies investing in advanced equipments; (iii) reward for Advanced Technology Product (高新技術產品).

Distribution and selling expenses

Our distribution and selling expenses comprise mainly of salary expenses paid to our distribution and sales employees, customer development expenses, telecommunications expenses, the costs of advertising, travel, carriages and rent.

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Administrative and general expenses

Our administrative and general expenses comprise mainly of salary expenses paid to our management and administrative personnel, maintenance of our administrative office, depreciation, rent and utilities, travel, transportation, social welfare obligations, auditors' and professional fees.

Other expenses

Our other expenses comprise mainly of net foreign exchange loss (gain), donation, loss on disposal of property, plant and equipment, research and development expenses and others.

Finance costs

Our finance costs comprise mainly of interest expense on bank loans.

Income tax expense

Our income tax expense comprises of corporate income tax for the companies of the Group. Our company is incorporated in Singapore and has no assessable profits subject to Singapore income tax since its incorporation.

PRC Enterprise Income Tax ("EIT") is calculated at rates prevailing under the relevant laws and regulations in the PRC. Under the PRC Enterprise Income Tax Law (the "EIT Law") and Implementation Regulation of the EIT Law, the statutory tax rate is 25% from 1 January 2008 onwards. Our subsidiary, Hengxin (Jiangsu) is incorporated in the PRC and is a wholly foreign-owned enterprise, which used to be eligible for certain tax holidays and concessions and was exempted from PRC EIT for two years starting from the first profit-making year, followed by a 50% reduction for the following three years. The subsidiary commenced its first profit-making year in the financial year ended 31 December 2005. The effective tax rate for the subsidiary is 12%, 12.5% and 12.5% for each of the three years ended 31 December 2009. It acquired "High-tech enterprise" certificate in 2008. According to the EIT Law, applicable income tax rate of the Company in 2010 is 15%.

Our subsidiary, Hengxin (India), is incorporated in India on 10 June 2009 and is not in taxable position for the year ended 31 December 2009 and the nine months ended 30 September 2010.

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RESULTS OF OPERATIONS

The following table presents our consolidated statements of comprehensive income for the [●].

	Year ended 31 December			Nine months ended 30 September	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Revenue	962,824	1,214,179	1,615,265	1,222,938	865,416
Cost of sales	<u>(752,769)</u>	<u>(988,960)</u>	<u>(1,302,579)</u>	<u>(986,428)</u>	<u>(699,975)</u>
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	<u>(23,764)</u>	<u>(21,743)</u>	<u>(16,013)</u>	<u>(12,895)</u>	<u>(8,972)</u>
Profit before tax	120,579	123,524	178,930	128,342	95,923
Income tax expense	<u>(13,880)</u>	<u>(16,781)</u>	<u>(29,064)</u>	<u>(21,137)</u>	<u>(16,611)</u>
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	<u>—</u>	<u>—</u>	<u>16</u>	<u>(9)</u>	<u>5</u>
Total comprehensive income for the year/period attributable to owners of the Company	<u>106,699</u>	<u>106,743</u>	<u>149,882</u>	<u>107,196</u>	<u>79,317</u>
	<i>RMB cents</i>	<i>RMB cents</i>	<i>RMB cents</i>	<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share – basic	<u>31.8</u>	<u>31.8</u>	<u>44.6</u>	<u>31.9</u>	<u>23.6</u>

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PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine months ended 30 September 2010 compared to nine months ended 30 September 2009

Revenue

Revenue for the nine months ended 30 September 2010 was RMB865.4 million, a decrease of RMB357.5 million, or 29.2%, from revenue of RMB1,222.9 million for the nine months ended 30 September 2009. Revenue from RF coaxial cables series for mobile communications was RMB722.8 million for the nine months ended 30 September 2010, a decrease of RMB304.1 million or 29.6%, from revenue of RMB1,026.9 million from RF coaxial cables series for mobile communications for the nine months ended 30 September 2009. Revenue from the coaxial cables for telecommunications equipment and accessories segment were RMB142.7 million for the nine months ended 30 September 2010, a decrease of RMB53.4 million or 27.2%, from revenue of RMB196.1 million from the coaxial cables for telecommunications equipment and accessories segment for the nine months ended 30 September 2009. Revenue from export sales to India were RMB15.4 million for the nine months ended 30 September 2010, a decrease of RMB47.0 million or 75.3% from revenue of RMB62.4 million from export sales to India for the nine months ended 30 September 2009.

The decrease in revenue in the nine months ended 30 September 2010 was primarily due to reduction in capital expenditure by the three telecommunications operators in the PRC which resulted in decreased demand for our products. The decrease in revenue from export sales to India in the nine months ended 30 September 2010 was primarily due to the reason that in anticipation of the issuance of 3G License, most of the telecommunications operators halted their network expansion, which resulted in decreased demand for our products.

Cost of sales

Cost of sales for the nine months ended 30 September 2010 was RMB700.0 million, a decrease of RMB286.4 million, or 29.0%, from cost of sales of RMB986.4 million for the nine months ended 30 September 2009, which was in line with the decrease in revenue. Cost of sales from RF coaxial cables series for mobile communications was RMB595.3 million for the nine months ended 30 September 2010, a decrease of RMB238.4 million or 28.6%, from cost of sales of RMB833.7 million from RF coaxial cables series for mobile communications for the nine months ended 30 September 2009. Cost of sales from the coaxial cables for telecommunications equipment and accessories segment was RMB104.7 million for the nine months ended 30 September 2010, a decrease of RMB48.0 million or 31.4%, from cost of sales of RMB152.7 million from the coaxial cables for telecommunications equipment and accessories segment for the nine months ended 30 September 2009.

Gross profit and Gross profit margin

Gross profit for the nine months ended 30 September 2010 was RMB165.4 million, a decrease of RMB71.1 million, or 30.1%, from gross profit of RMB236.5 million for the nine

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months ended 30 September 2009. Gross profit margin 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. Gross profit margin of coaxial cables for telecommunications equipment and accessories increased from 22.1% for the nine months ended 30 September 2009 to 26.6% for the nine months ended 30 September 2010, which was mainly attributable to the improved production efficiencies during the period.

Other income

Other income for the nine months ended 30 September 2010 was RMB12.9 million, an increase of RMB7.6 million, or 143.4%, from other income of RMB5.3 million for the nine months ended 30 September 2009. The increase was mainly attributable to increase in government grants by RMB5.9 million and increase in interest income by RMB1.5 million.

Distribution and selling expenses

Distribution and selling expenses for the nine months ended 30 September 2010 were RMB41.3 million, a decrease of RMB23.2 million, or 36.0%, from distribution and selling expenses of RMB64.5 million for the nine months ended 30 September 2009. The decrease was mainly due to decreased marketing expenses in line with lower sales.

Administrative and general expenses

Administrative expenses for the nine months ended 30 September 2010 were RMB25.4 million, a decrease of RMB5.3 million, or 17.3%, from RMB30.7 million for the nine months ended 30 September 2009. The decrease was mainly due to lower staff costs during the period.

Other expenses

Other expenses for the nine months ended 30 September 2010 were RMB6.8 million, an increase of RMB1.4 million, or 25.9%, from RMB5.4 million for the nine months ended 30 September 2009. The increase was mainly due to loss on disposal of held-for-trading investments of RMB1.5 million.

Finance costs

Finance costs for the nine months ended 30 September 2010 were RMB9.0 million, a decrease of RMB3.9 million, or 30.2%, from RMB12.9 million for the nine months ended 30 September 2009. The decrease was mainly due to lower average amount of loans during the nine months ended 30 September 2010.

Profit before income tax

Profit before income tax for the nine months ended 30 September 2010 was RMB95.9 million, a decrease of RMB32.4 million, or 25.3%, from RMB128.3 million for the nine months ended 30 September 2009. The decrease was in line with lower sales.

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Income tax expense

Income tax expense for the nine months ended 30 September 2010 was RMB16.6 million, a decrease of RMB4.5 million, or 21.3%, from RMB21.1 million for the nine months ended 30 September 2009. The decrease was in line with lower sales.

Net profit for the period attributable to owners of the Company

Net profit for the nine months ended 30 September 2010 attributable to owners of the Company was RMB79.3 million, a decrease of RMB27.9 million, or 26.0%, from RMB107.2 million for the nine months ended 30 September 2009 attributable to owners of the Company. The decrease was in line with lower sales.

Total comprehensive income for the period attributable to owners of the Company

Total comprehensive income for the nine months ended 30 September 2010 attributable to owners of the Company was RMB79.3 million, a decrease of RMB27.9 million, or 26.0%, from RMB107.2 million for the nine months ended 30 September 2009 attributable to owners of the Company. The decrease was in line with lower sales.

Year ended 31 December 2009 compared to year ended 31 December 2008

Revenue

Revenue for the year ended 31 December 2009 were RMB1,615.3 million, an increase of RMB401.1 million, or 33.0%, from RMB1,214.2 million for the year ended 31 December 2008. Revenue from RF coaxial cables series for mobile communications were RMB1,344.0 million for the year ended 31 December 2009, an increase of RMB270 million or 25.1%, from RMB1,074.0 million from RF coaxial cables series for mobile communications for the year ended 31 December 2008. Revenue from the coaxial cables for telecommunications equipment and accessories segment were RMB271.3 million for the year ended 31 December 2009, an increase of RMB131.1 million or 93.5%, from RMB140.2 million from the coaxial cables for telecommunications equipment and accessories segment for the year ended 31 December 2008. Revenue from export sales to India were RMB83.9 million for the year ended 31 December 2009, a decrease of RMB165.0 million or 66.3% from revenue of RMB248.9 million from export sales to India for the year ended 31 December 2008.

The increase in revenue for the year ended 31 December 2009 was primarily attributable to the issue of 3G licenses in the PRC in January 2009, the introduction of one additional player China Telecom and our customers' increased intensity of capital expenditure in building their 3G infrastructure in the major cities.

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Cost of sales

Cost of sales for the year ended 31 December 2009 was RMB1,302.6 million, an increase of RMB313.6 million, or 31.7%, from RMB989.0 million for the year ended 31 December 2008, which was in line with the increase in revenue. Cost of sales from RF coaxial cables series for mobile communications was RMB1,093.6 million for the year ended 31 December 2009, an increase of RMB217.2 million or 24.8%, from RMB876.4 million from RF coaxial cables series for mobile communications for the year ended 31 December 2008. Cost of sales from the coaxial cables for telecommunications equipment and accessories segment was RMB209.0 million for the year ended 31 December 2009, an increase of RMB96.4 million or 85.6%, from RMB112.6 million from the coaxial cables for telecommunications equipment and accessories segment for the year ended 31 December 2008.

Gross profit and Gross profit margin

Gross profit for the year ended 31 December 2009 was RMB312.7 million, an increase of RMB87.5 million, or 38.9%, from gross profit of RMB225.2 million for the year ended 31 December 2008. Gross profit margin increased to 19.4% for the year ended 31 December 2009 as compared to 18.5% for the year ended 31 December 2008. This increase was achieved through better control of costs. Gross profit margin of coaxial cables for telecommunications equipment and accessories increased from 19.7% for the year ended 31 December 2008 to 23.0% for the year ended 31 December 2009, which was mainly attributable to the cost-control approaches undertaken by us to reduce the use of raw materials for telecommunications accessories during 2009 so that to cope with the more intense competition, which effectively increased the gross profit margin.

Other income

Other income for the year ended 31 December 2009 was RMB7.6 million, an increase of RMB0.2 million, or 2.7%, from RMB7.4 million for the year ended 31 December 2008. The increase was mainly due to gain on disposal of available-for-sale investments amounting RMB0.7 million, partially offset by decrease in interest income by RMB1.2 million.

Distribution and selling expenses

Distribution and selling expenses for the year ended 31 December 2009 were RMB82.8 million, an increase of RMB34.3 million, or 70.7%, from RMB48.5 million for the year ended 31 December 2008. The increase was mainly due to increased marketing costs in line with higher revenue and change in terms of revenue, which encompasses payment of export related custom duties and the amount is correspondingly recorded in distribution and selling expenses.

Administrative and general expenses

Administrative and general expenses for the year ended 31 December 2009 were RMB35.1 million, an increase of RMB4.6 million, or 15.1%, from RMB30.5 million for the year ended 31 December 2008. The increase was mainly due to increased staff costs by RMB3.6 million in line with the Group's overall better performance.

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Other expenses

Other expenses for the year ended 31 December 2009 were RMB7.4 million, a decrease of RMB1.0 million, or 11.9%, from RMB8.4 million for the year ended 31 December 2008. The decrease was mainly due to foreign exchange losses of RMB2.3 million incurred in 2008.

Finance costs

Finance costs for the year ended 31 December 2009 were RMB16.0 million, a decrease of RMB5.7 million, or 26.3%, from finance costs of RMB21.7 million for the year ended 31 December 2008. The decrease was mainly due to lower amount of loans and lower interest rates carrying on the loans obtained in 2009.

Profit before income tax

Profit before income tax for the year ended 31 December 2009 was RMB178.9 million, an increase of RMB55.4 million, or 44.9%, from profit before income tax of RMB123.5 million for the year ended 31 December 2008. The increase was mainly due to the increase in our revenues and better control of our cost of sales.

Income tax expense

Income tax expense for the year ended 31 December 2009 was RMB29.1 million, an increase of RMB12.3 million, or 73.2%, from income tax expense of RMB16.8 million for the year ended 31 December 2008. The increase was mainly due to the increase of RMB7.1 million in PRC enterprise income tax and the increase of RMB4.7 million in withholding tax.

Net profit for the year attributable to owners of the Company

Net profit for the year ended 31 December 2009 attributable to owners of the Company was RMB149.9 million, an increase of RMB43.2 million, or 40.5%, from net profit of RMB106.7 million for the year ended 31 December 2008 attributable to owners of the Company. The increase was mainly due to the increase in our revenues and better control of our cost of sales.

Total comprehensive income for the year attributable to owners of the Company

Total comprehensive income for the year ended 31 December 2009 attributable to owners of the Company was RMB149.9 million, an increase of RMB43.2 million, or 40.5%, from total comprehensive income of RMB106.7 million for the year ended 31 December 2008 attributable to owners of the Company. The increase was mainly due to the increase in our revenues and better control of our cost of sales.

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Year ended 31 December 2008 compared to year ended 31 December 2007

Revenue

Revenue for the year ended 31 December 2008 was RMB1,214.2 million, an increase of RMB251.4 million, or 26.1%, from RMB962.8 million for the year ended 31 December 2007. Revenue from RF coaxial cables series for mobile communications were RMB1,074.0 million for the year ended 31 December 2008, an increase of RMB255.4 million or 31.2%, from RMB818.6 million from RF coaxial cables series for mobile communications for the year ended 31 December 2007. Revenue from the coaxial cables for telecommunications equipment and accessories segment were RMB140.2 million for the year ended 31 December 2008, a decrease of RMB4.0 million or 2.8%, from RMB144.2 million from the coaxial cables for telecommunications equipment and accessories segment for the year ended 31 December 2007. Revenue from export sales to India were RMB248.9 million for the year ended 31 December 2008, an increase of RMB125.2 million or 101.2% from revenue of RMB123.7 million from export sales to India for the year ended 31 December 2007.

The increase in revenue for the year ended 31 December 2008 was primarily attributable to strengthening of current 2G networks in PRC, commencement of construction of base stations in anticipation of 3G license issue and increased exports mainly to India.

Cost of sales

Cost of sales for the year ended 31 December 2008 was RMB989.0 million, an increase of RMB236.2 million, or 31.4%, from cost of sales of RMB752.8 million for the year ended 31 December 2007, which was basically in line with the increase in revenue. Cost of sales from RF coaxial cables series for mobile communications was RMB876.4 million for the year ended 31 December 2008, an increase of RMB227.9 million or 35.1%, from RMB648.5 million from RF coaxial cables series for mobile communications for the year ended 31 December 2007. Cost of sales from the coaxial cables for telecommunications equipment and accessories segment was RMB112.6 million for the year ended 31 December 2008, an increase of RMB8.3 million or 8.0%, from RMB104.3 million from the coaxial cables for telecommunications equipment and accessories segment for the year ended 31 December 2007.

Gross profit and Gross profit margin

Gross profit for the year ended 31 December 2008 was RMB225.2 million, an increase of RMB15.1 million, or 7.2%, from gross profit of RMB210.1 million for the year ended 31 December 2007. Gross profit margin decreased to 18.5% for the year ended 31 December 2008 as compared to 21.8% for the year ended 31 December 2007. This decrease was mainly due to decreased selling prices in response to decreasing copper prices due to financial crisis. Gross profit margin of coaxial cables for telecommunications equipment and accessories decreased from 27.7% for the year ended 31 December 2007 to 19.7% for the year ended 31 December 2008, which was mainly due to the more intense competition in 2008.

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Other income

Other income for the year ended 31 December 2008 was RMB7.4 million, an increase of RMB1.4 million, or 23.3%, from other income of RMB6.0 million for the year ended 31 December 2007. The increase was mainly due to increase in interest income as more fixed deposits were placed with financial institutions and increase in outright government grants given as a result of our Company's listed status.

Distribution and selling expenses

Distribution and selling expenses for the year ended 31 December 2008 were RMB48.5 million, an increase of RMB12.8 million, or 35.9%, from distribution and selling expenses of RMB35.7 million for the year ended 31 December 2007. The increase was mainly due to increased marketing costs in exploring overseas markets and attending overseas exhibitions.

Administrative and general expenses

Administrative and general expenses for the year ended 31 December 2008 were RMB30.5 million, an increase of RMB2.4 million, or 8.5%, from administrative and general expenses of RMB28.1 million for the year ended 31 December 2007. The increase was mainly due to increase in staff costs.

Other expenses

Other expenses for the year ended 31 December 2008 were RMB8.4 million, an increase of RMB0.5 million, or 6.3%, from other expenses of RMB7.9 million for the year ended 31 December 2007. The increase was mainly due to increase in research and development expenses for developing new products and improving manufacturing processes of existing products, partially offset by a decrease in net foreign exchange loss.

Finance costs

Finance costs for the year ended 31 December 2008 were RMB21.7 million, a decrease of RMB2.1 million, or 8.8%, from finance costs of RMB23.8 million for the year ended 31 December 2007. The decrease was mainly due to lower amount of loans obtained during 2008.

Profit before income tax

Profit before income tax for the year ended 31 December 2008 was RMB123.5 million, an increase of RMB2.9 million, or 2.4%, from profit before income tax of RMB120.6 million for the year ended 31 December 2007.

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Income tax expense

Income tax expense for the year ended 31 December 2008 was RMB16.8 million, an increase of RMB2.9 million, or 20.9%, from income tax expense of RMB13.9 million for the year ended 31 December 2007. The increase was mainly due to the increase of RMB0.9 million in PRC enterprise income tax and the increase of RMB2.4 million in deferred tax charge, partially offset by decrease of RMB0.5 million in over provision of current tax in prior years.

Net profit for the year attributable to owners of the Company

Net profit for the year ended 31 December 2008 attributable to owners of the Company was RMB106.7 million, which is relatively constant compared to the net profit of RMB106.7 million for the year ended 31 December 2007 attributable to owners of the Company.

Total comprehensive income for the year attributable to owners of the Company

Total comprehensive income for the year ended 31 December 2008 attributable to owners of the Company was RMB106.7 million, which is relatively constant compared to the total comprehensive income of RMB106.7 million for the year ended 31 December 2007 attributable to owners of the Company.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our operations primarily from cash flows from operating activities and bank borrowings. Our principal uses of cash have been, and are expected to continue to be, operational costs and capital expenditures.

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The following table is a summary of our cash flows during the [●].

	Year ended 31 December			Nine months ended 30 September	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
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

Net cash generated from operating activities

Our net cash flow generated from operating activities reflects our profit before taxation, as adjusted for non-cash items, such as depreciation and amortization, and the effects of changes in working capital, such as increases or decreases in trade and other receivables, accruals and other payables.

For the nine months ended 30 September 2010, we had net cash from operating activities of RMB46.2 million, primarily as a result of operating profits of RMB95.9 million, a decrease in inventories of RMB81.4 million and a decrease in trade payables of RMB134.3 million. The decrease in inventories was mainly due to decrease in demand for our products in line with lower sales which requires a lower level of inventories compared with previous year. The decrease in trade payables was mainly due to less purchases from suppliers in line with lower sales.

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For the year ended 31 December 2009, we had net cash from operating activities of RMB173.9 million, primarily as a result of operating profits of RMB178.9 million, an increase in inventories of RMB60.4 million, an increase in trade receivables of RMB163.7 million and an increase in trade payables of RMB270.7 million. The increase in inventories was primarily attributable to growing product demand in 2009. The increase in trade receivables was primarily attributable to an increase in sales. The increase in trade payables was primarily attributable to increased purchases of supplies as a result of business growth and an increase in the number of turnover days of accounts payable.

For the year ended 31 December 2008, we had net cash from operating activities of RMB66.7 million, primarily as a result of operating profits of RMB123.5 million, and an increase in inventories of RMB27.1 million, an increase in trade receivables of RMB134.9 million, an increase in trade payables of RMB99.3 million. The increase in inventories was primarily attributable to growing product demand in 2008. The increase in trade receivables was primarily attributable to an increase in sales. The increase in trade payables was primarily attributable to increased purchases of supplies as a result of business growth.

For the year ended 31 December 2007, we had net cash from operating activities of RMB128.7 million, primarily as a result of operating profits of RMB120.6 million, and a decrease in trade receivables of RMB74.6 million and a decrease in trade payables of RMB51.7 million. The decrease in trade receivables was primarily attributable to amounts received from customers in 2007. The decrease in trade payables was primarily attributable to amounts paid to customers in 2007.

Net cash used in investing activities

Our cash from investing activities primarily consists of proceeds from disposal of available-for-sale investments and property, plant and equipment. Our cash used in investing activities primarily consists of capital expenditures for the purchase of property, plant and equipment, land use rights and available-for-sale investments.

For the nine months ended 30 September 2010, we had net cash used in investing activities of RMB9.4 million, primarily as a result of RMB10.0 million used for the payment of acquisition of property, plant and equipment.

For the year ended 31 December 2009, we had net cash used in investing activities of RMB65.0 million, primarily as a result of RMB60.0 million used for the purchase of property, plant and equipment, RMB28.6 million used for the payment of available-for-sale investments and RMB29.3 million generated from disposal of available-for-sale investments.

For the year ended 31 December 2008, we had net cash used in investing activities of RMB22.6 million, primarily as a result of RMB38.5 million used for the purchase of available-for-sale investments and RMB36.0 million from the proceeds from disposal of available-for-sale investments.

For the year ended 31 December 2007, we had net cash used in investing activities of RMB16.0 million, primarily as a result of RMB17.0 million used for the purchase of property, plant and equipment.

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Net cash used in financing activities

For the nine months ended 30 September 2010, we had net cash used in financing activities of RMB45.0 million, primarily as a result of RMB410.0 million raised from short-term bank loans and RMB475.0 million used for repayment of short-term bank loans.

For the year ended 31 December 2009, we had net cash used in financing activities of RMB151.8 million, primarily as a result of RMB948.8 million used for repayment of short-term bank loans, RMB49.7 million increase in pledged bank deposits and RMB852.2 million raised from the short-term bank loans.

For the year ended 31 December 2008, we had net cash used in financing activities of RMB67.6 million, primarily as a result of RMB621.0 million used for repayment of short-term bank loans, RMB39.4 million increase in pledged bank deposits and RMB603.8 million raised from the short-term bank loans.

For the year ended 31 December 2007, we had net cash used in financing activities of RMB12.4 million, primarily as a result of RMB435.0 million used for repayment of short-term bank loans, RMB45.8 million decrease in pledged bank deposits and RMB389.0 million raised from the short-term bank loans.

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NET CURRENT ASSETS

The following table sets out details of our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 September	As at [31 October]
	2007	2008	2009	2010	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					(unaudited)
Current assets					
Inventories	96,440	123,258	184,247	102,614	115,322
Trade receivables	419,657	554,521	718,172	700,653	661,139
Other receivables and prepayments	1,804	1,449	24,148	22,938	21,574
Available-for-sale investments	–	500	500	2,000	2,000
Leasehold land	491	491	560	560	560
Bank balances and cash	212,061	191,132	147,676	139,691	177,656
Pledged bank deposits	31,335	70,769	120,486	85,785	86,605
	<u>761,788</u>	<u>942,120</u>	<u>1,195,789</u>	<u>1,054,241</u>	<u>1,064,856</u>
Current liabilities					
Trade payables	104,637	203,935	474,642	340,361	366,824
Other payables	31,346	44,199	32,390	24,320	24,716
Tax liabilities	5,762	6,394	6,458	4,760	1,835
Short-term bank loans	289,000	271,800	175,221	109,528	89,715
	<u>430,745</u>	<u>526,328</u>	<u>688,711</u>	<u>478,969</u>	<u>483,090</u>
Net current assets	<u><u>331,043</u></u>	<u><u>415,792</u></u>	<u><u>507,078</u></u>	<u><u>575,272</u></u>	<u><u>581,766</u></u>

Our net current assets increase from RMB575.3 million as of 30 September 2010 to RMB581.8 million as of [31 October] 2010, primarily due to decrease in short-term loans arising from repayment of such loans during the period and increase in bank balances and cash.

Our net current assets increased from RMB507.1 million as of 31 December 2009 to RMB575.3 million as of 30 September 2010, primarily due to a decrease in trade payables of RMB134.2 million as a result of less purchases from suppliers in line with lower sales and a

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decrease in short-term bank loans of RMB65.7 million as a lower amount of bank loans were raised during the period. This increase was partially offset by a decrease in inventories of RMB81.6 million as decrease in demand for our products in line with lower sales which requires a lower level of inventories during the period and a decrease in pledged bank deposits of RMB34.7 million.

We had net current assets of RMB507.1 million as of 31 December 2009, as compared to net current assets of RMB415.8 million as of 31 December 2008, primarily due to an increase in inventories of RMB61.0 million and trade receivables of RMB163.7 million as a result of the increase in revenue, and a decrease in short-term bank loans of RMB96.6 million as a result of repayment of such amounts. This increase was partially offset by an increase in trade payables of RMB270.7 million due to our purchase of more raw materials to support the increase in production volume and our use of more bills to settle such payments.

We had net current assets of RMB415.8 million as of 31 December 2008, as compared to net current assets of RMB331.0 million as of 31 December 2007, primarily due to an increase in trade receivables of RMB134.9 million as a result of the increase in revenue. This increase was partially offset by an increase in trade payables of RMB99.3 million due to our purchase of more raw materials to support the increase in production volume and our use of more bills to settle such payments.

INVENTORY ANALYSIS

During the [●], inventories were one of the major components of our current assets. The following table sets out a summary of our inventory balances as at the respective balance sheet dates.

	As at 31 December			As at 30
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Inventories				
Raw materials	20,632	25,644	25,436	35,499
Work in progress	6,932	8,878	8,779	7,923
Finished goods	69,431	89,534	150,253	59,601
	<u>96,995</u>	<u>124,056</u>	<u>184,468</u>	<u>103,023</u>
Write down of inventories to net book value	(555)	(798)	(221)	(409)
	<u>96,440</u>	<u>123,258</u>	<u>184,247</u>	<u>102,614</u>

We review our inventory levels on a periodical basis in order to identify slow-moving and obsolete inventory throughout the [●]. This review requires comparison of estimated net

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realisable value with the cost of inventory. For the years ended 31 December 2007 and 2008, we recorded inventory provision of RMB148,000 and RMB243,000, respectively, due to lower estimated net realisable value comparing to the cost of inventory. For the year ended 31 December 2009, we recorded a reversal of inventory write-downs of RMB577,000, as the inventories were sold above carrying amounts. For the nine months ended 30 September 2010, we recorded inventory provision of RMB188,000.

Our inventory balance increased by approximately RMB26.9 million, or approximately 27.9%, from approximately RMB96.4 million as of 31 December 2007 to approximately RMB123.3 million as of 31 December 2008, which was in line with our increase in revenue for the year ended 31 December 2008. Our inventory balance increased by approximately RMB60.9 million, or approximately 49.4%, from approximately RMB123.3 million as of 31 December 2008 to approximately RMB184.2 million as of 31 December 2009 due primarily to our increased scale of operation.

Up to 31 October 2010, approximately RMB99.1 million or approximately 96.2% of the inventories as at 30 September 2010 were subsequently used/sold.

The following table sets out our average inventory turnover days for the period indicated:

	Year ended 31 December			Nine months ended
	2007	2008	2009	30 September 2010
Average inventory turnover days ⁽¹⁾	45	41	43	56

Note:

- (1) Average inventory turnover days equals average of the beginning and ending balance of inventories for the period divided by cost of sales for the period, and multiplied by the number of days during the period.

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TRADE RECEIVABLES

The following table sets out a breakdown of our trade receivables as at the respective balance sheet dates:

	As at 31 December			As at 30 September
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Third parties	416,517	561,838	729,037	693,721
Less: Allowance for doubtful debts	<u>(15,762)</u>	<u>(15,762)</u>	<u>(15,762)</u>	<u>(15,762)</u>
Net	400,755	546,076	713,275	677,959
Notes receivables	<u>18,902</u>	<u>8,445</u>	<u>4,897</u>	<u>22,694</u>
	<u><u>419,657</u></u>	<u><u>554,521</u></u>	<u><u>718,172</u></u>	<u><u>700,653</u></u>

Appropriate allowances for estimated irrecoverable amounts are recognized in the profit or loss when there is objective evidence that the asset is impaired. In making this judgment, we consider the procedures that have been in place to monitor this risk as a significant proportion of the Group's working capital is devoted to trade receivables. We have 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. We only transact with entities that have good credit quality. We use publicly available financial information and our own trading records to rate our major customers. Our exposure and the credit ratings of our 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.

We make 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. After assessment, the Directors believe that no further allowance is required.

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The following table sets out the aging analysis of our trade receivables as at the respective balance sheet dates:

	As at 31 December			As at 30 September
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 to 180 days	368,112	527,202	565,117	530,184
181 to 360 days	47,481	27,319	149,860	111,497
Over 360 days	4,064	–	3,195	58,972
	<u>419,657</u>	<u>554,521</u>	<u>718,172</u>	<u>700,653</u>

Our trade receivables balance increased by approximately RMB134.8 million, or approximately 32.1%, from approximately RMB419.7 million as of 31 December 2007 to approximately RMB554.5 million as of 31 December 2008, which was in line with our increase in revenue for the year ended 31 December 2008. Our trade receivables balance increased by approximately RMB163.7 million, or approximately 29.5%, from approximately RMB554.5 million as of 31 December 2008 to approximately RMB718.2 million as of 31 December 2009, which was in line with our increase in revenue for the year ended 31 December 2009.

Up to [31 October 2010], approximately RMB138.2 million or approximately 19.7% of the trade receivables which were outstanding as at 30 September 2010 were subsequently settled.

The following table sets out our average trade receivables turnover days for the period indicated:

	Year ended 31 December			Nine months ended 30 September
	2007	2008	2009	2010
Average trade receivables turnover days ⁽¹⁾	179	151	147	229 ⁽²⁾

Note:

- (1) Average trade receivables turnover days equals average of the beginning and ending balance of gross trade receivables (i.e. trade receivables plus allowance for doubtful debts) for the period divided by sales for the period, and multiplied by the number of days during the period.
- (2) The reasons for the significant increase in trade receivables turnover days for the nine months ended 30 September 2010 are attributable to two principal factors: (i) the increase in the trade receivables due over 360 days as at 30 September 2010 from one major customer who is one of the three principal telecommunications operators in the PRC. Such increase was because of the relatively slower bill repayment from this telecommunications operator. As advised by the Directors, similar to other two telecommunications operators, this telecommunications operator will settle our bill in two stages according to the credit terms as stipulated in the related framework agreement. At first stage, a portion of our bill is to be settled upon the receipt of our products. At second stage, the remaining portion of our bill will be settled upon the passing of final testing of the construction of their network infrastructures such as base stations in which our products form a part. During the nine months ended 30 September 2010, the Directors were given to understand that the related network infrastructures of

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this telecommunications operators in which our products are used had a relatively longer construction period and the final testing was still under progress. As such, there was a slower bill repayment from this telecommunications operator during the period; and (ii) the revenue decreased significantly during the period principally as a result of decreased demand of our products due to the reduction in capital expenditure by our principal customers in the PRC. Although there were an increase in the trade receivables due over 360 days from such telecommunications operator during the nine months ended 30 September 2010, our Directors consider that (i) this customer is a sizeable and reputable stated-owned enterprise and as one of the three principal telecommunications operators in the PRC; and (ii) such overdue from such customer was not unusual but this customer would eventually settle the related trade receivables, we have not written off any bad debts from the telecommunications operator during the [●]. The average trade receivables turnover days for the nine months ended 30 September 2009 was 154.

OTHER RECEIVABLES AND PREPAYMENTS

The following table sets out a breakdown of our other receivables and prepayments as at the dates indicated:

	As at 31 December			As at
	2007	2008	2009	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments	92	112	129	231
Advance payment to suppliers	561	666	22,930	9,472
Prepayment for listing related expenses	–	–	–	7,864
Others	1,151	671	1,089	5,371
	<u>1,804</u>	<u>1,449</u>	<u>24,148</u>	<u>22,938</u>

Our advance payment to suppliers refers to the deposit paid by us upon signing the purchase orders. Such deposit will be deducted from the total amount payable by us under the purchase orders. The higher balance of advance payment to suppliers as at 31 December 2009 was due to increase in purchase of raw materials which is in line with higher demand for our products.

TRADE PAYABLES

The following table sets out a breakdown of our trade payables as at the dates indicated:

	As at 31 December			As at
	2007	2008	2009	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	37,015	80,875	158,035	96,024
Notes payables	67,622	123,060	316,607	244,337
	<u>104,637</u>	<u>203,935</u>	<u>474,642</u>	<u>340,361</u>

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The following table sets out the aging analysis of our trade payables and notes payables as at the dates indicated:

	As at 31 December			As at 30 September
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 to 90 days	94,737	192,619	286,955	207,531
91 to 180 days	9,618	10,337	185,961	129,980
181 to 360 days	248	494	1,532	2,609
Over 360 days	34	485	194	241
	<u>104,637</u>	<u>203,935</u>	<u>474,642</u>	<u>340,361</u>

Our trade payables balance increased by approximately RMB99.3 million, or approximately 94.9%, to approximately RMB203.9 million as of 31 December 2008, and further increased by approximately RMB270.7 million, or approximately 132.8%, to approximately RMB474.6 million as of 31 December 2009, which was mainly due to increased purchases of raw materials in line with increased sales and the increasing use of bank acceptance bills (銀行承兌匯票) to settle the payment to suppliers, most of which are six-month term bank acceptance bills and thus our actual cash outflow for the payment to suppliers are postponed six months further, among which, some bank acceptance bills are outstanding as at the end of a financial year.

Up to [31 October 2010], approximately RMB96.6 million or approximately 28.4% of the trade payables which were outstanding as at 30 September 2010 were subsequently settled.

The following table sets out our average trade payables turnover days for the period indicated:

	Year ended 31 December			Nine months ended 30 September
	2007	2008	2009	2010
	Average trade payables turnover days ⁽¹⁾	63	57	95

Notes:

- (1) Average trade payables turnover days equals average of the beginning and ending balance of trade payables for the period divided by cost of sales for the period, and multiplied by the number of days during the period.
- (2) The significant increase in trade payables turnover days for the nine months ended 30 September 2010 was mainly due to the increasing use of bank acceptance bills (銀行承兌匯票) to settle the payment to

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suppliers, most of which are six-month term bank acceptance bills and thus our actual cash outflow for the payment to suppliers are postponed six months further, among which, some bank acceptance bills are outstanding as at the end of a financial year.

OTHER PAYABLES

The following table sets out a breakdown of our other payables as at the dates indicated:

	As at 31 December			As at
	2007	2008	2009	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accruals	6,122	5,898	7,960	4,770
Payroll payables	22,131	15,695	22,528	15,281
Other tax liabilities	2,343	21,731	819	3,044
Others	750	875	1,083	1,225
	<u>31,346</u>	<u>44,199</u>	<u>32,390</u>	<u>24,320</u>

MAJOR FINANCIAL RATIOS

The following table sets out our major financial ratios as at the dates indicated:

	As at 31 December			As at
	2007	2008	2009	30 September
				2010
Return on equity ⁽¹⁾	24.5%	20.1%	22.2%	10.7%
Return on assets ⁽²⁾	12.3%	10.1%	11.0%	6.5%
Current ratio ⁽³⁾	1.8	1.8	1.7	2.2
Debt to equity ratio ⁽⁴⁾	17.7%	15.2%	4.1%	Net cash

Notes:

- (1) Return on equity equals the profit for the period divided by equity attributable to equity holders of our Company and multiplied by 100%.
- (2) Return on assets equals the profit for the period divided by total assets as at the end of the period and multiplied by 100%.
- (3) Current ratio equals total current assets divided by total current liabilities as at the end of the period.
- (4) Debt to equity ratio equals net debt divided by total equity as at the end of the period and multiplied by 100%. Net debt is calculated as total borrowings less cash and cash equivalents.

Return on equity for the nine months ended 30 September 2010 decreased to 10.7% from return on equity of 22.2% for the year ended 31 December 2009, which was due to decreased profit for the period in line with lower sales. Return on equity for the year ended 31 December

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2009 increased to 22.2% from return on equity of 20.1% for the year ended 31 December 2008, which was primarily attributable to the higher net profits attained in 2009 than 2008. Return on equity for the year ended 31 December 2008 decreased to 20.1% from return on equity of 24.5% for the year ended 31 December 2007, which was mainly due to the higher equity base in 2008 contributed from net profits in 2007.

Return on assets for the nine months ended 30 September 2010 decreased to 6.5% from return on assets of 11.0% for the year ended 31 December 2009, which was due to decreased profit for the period in line with lower sales. Return on assets for the year ended 31 December 2009 increased to 11.0% from return on assets of 10.1% for the year ended 31 December 2008, which was primarily attributable to the higher net profits attained in 2009 than 2008. Return on assets for the year ended 31 December 2008 decreased to 10.1% from return on assets of 12.3% for the year ended 31 December 2007, which was due to the higher assets base in 2008 mainly from the increase in trade receivables in 2008.

Current ratio for the nine months ended 30 September 2010 increased to 2.2 from current ratio at 1.7 for the year ended 31 December 2009, which was mainly due to decrease in trade payables as a result of less purchases from suppliers in line with lower sales and decrease in short-term bank loans as less bank loans raised during the period. Current ratio was stable during the three years ended 31 December 2009.

Debt to equity ratio for the nine months ended 30 September 2010 was not applicable due to the reason that the balance of bank balances and cash is larger than the balance of short-term bank loans as a lower amount of borrowings were raised during the period. Debt to equity ratio for the year ended 31 December 2009 decreased to 4.1% from debt to equity ratio of 15.2% for the year ended 31 December 2008, which was primarily attributable to the lower borrowings raised, the higher cash from collections and the higher equity base in 2009. Debt to equity ratio for the year ended 31 December 2008 decreased to 15.2% from debt to equity ratio of 17.7% for the year ended 31 December 2007, which was mainly due to the higher equity base in 2008 contributed from net profits in 2007.

WORKING CAPITAL

We have historically financed our operations through cash from operating activities and bank borrowings. In the future, we expect to use funds from a combination of sources to fund our operation and expansion plan, including bank loans, internally generated cash flow and [●] from the [●].

The Directors confirm that the Group has sufficient working capital for its requirements for at least the next 12 months from the date of this document, taking into account the estimated [●] from the [●], available banking facilities and cash flows from operations.

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INDEBTEDNESS

Borrowings

At the close of business on [31 October] 2010, which is the latest practicable date for the purpose of ascertaining information contained in the indebtedness statement prior to the printing of this document, we had outstanding short-term loans of approximately RMB89.7 million (of which approximately RMB9.7 million was secured by certain pledged bank deposits of RMB11.0 million). As of [31 October] 2010, we have a total available banking facilities of approximately RMB1,610.0 million, of which approximately RMB213.8 million have been utilized.

Subject to the completion of this [●], we do not intend to raise material external debt financing. There are no material covenants relating to the outstanding bank borrowing.

	As at 31 December			As at 30 September	As at 31 October
	2007	2008	2009	2010	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Secured	289,000	181,800	10,221	9,528	9,715
Unsecured	—	90,000	165,000	100,000	80,000
	<u>289,000</u>	<u>271,800</u>	<u>175,221</u>	<u>109,528</u>	<u>89,715</u>

At 31 December 2007, bank loans amounting to RMB263,000,000 were guaranteed by a related party and bear interest in the range from 6.57% to 7.13% per annum. Bank loans amounting to RMB26,000,000 were secured by certain of the Group's buildings and land use right and bear interest at 6.57% per annum.

At 31 December 2008, bank loans amounting to RMB133,000,000 were secured and guaranteed by a related party and bear interest in the range from 4.86% to 5.04% per annum. Bank loans amounting to RMB44,000,000 were secured by certain of the Group's buildings, land use right and machinery and bear interest at 6.03% per annum. Bank loans amounting to RMB4,800,000 were secured by certain of the Group's trade receivable of RMB4,800,000 and bear interest at 6.03% per annum. Bank loans amounting to RMB90,000,000 were unsecured and bear interest in the range from 5.04% to 5.29% per annum.

At 31 December 2009, bank loans amounting to RMB165,000,000 are unsecured and bear interest in the range from 4.37% to 4.86% per annum. Bank loans amounting to RMB10,221,000 are secured by certain of the Group's pledged bank deposits of RMB11,000,000 and bear interest at 2.36% per annum.

At 30 September 2010, bank loans amounting to RMB100,000,000 are unsecured and bear interest of 4.37% per annum. A bank loans amounting to RMB9,528,000 is secured by certain of the Group's pledged bank deposit of RMB11,000,000 and bears interest at 2.36% per annum.

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As at 31 October 2010, bank loans amounting to RMB80,000,000 are unsecured and bear interest of 4.37% per annum. A bank loan amounting to RMB9,715,000 is secured by certain of the Group's pledged bank deposit of RMB11,000,000 and bears interest at 2.36% per annum.

Disclaimer

Save as aforesaid, the Group did not have any outstanding bank borrowings, bank overdrafts, mortgages, charges, debentures, loan capital, debt securities or other similar indebtedness, finance leases or hire purchase commitments, acceptance liabilities or acceptance credits, any guarantees or other material contingent liabilities as at [31 October 2010]. The Directors confirm that there has been no material change in the Group's indebtedness and contingent liabilities since [31 October 2010].

CAPITAL EXPENDITURES

The following table sets out the Group's capital expenditures for the periods indicated. Our capital expenditures were funded out of the proceeds of bank loans and cash generated from operating activities.

	Year ended 31 December			Nine months ended
	2007	2008	2009	30 September 2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
(A) Capital expenditures on project basis				
Buildings	317	796	941	115
Plant and machinery	3,058	675	1,110	48
Construction in progress	12,523	13,983	56,164	9,402
Land use rights	–	–	3,396	–
(B) Capital expenditures on non-project basis				
Office equipment	918	240	1,567	418
Motor vehicles	144	1,545	206	–
	<u>16,960</u>	<u>17,239</u>	<u>63,384</u>	<u>9,983</u>

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CAPITAL COMMITMENTS

The following table sets out the Group's capital commitments as of the dates indicated:

	Year ended 31 December			Nine months ended
	2007	2008	2009	30 September 2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for:				
Property, plant and equipment	3,745	25,775	4,225	9,663

We lease various offices and workshop properties under non-cancellable operating lease agreements. Leases are negotiated for an average term of 1 to 3 years.

As at the dates presented, the future aggregate minimum lease payments of our Group under the non-cancellable operating leases were as follows:

	As at 31 December			As at
	2007	2008	2009	30 September 2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	317	474	686	578
In the second to fifth years inclusive	212	118	895	587
Total	529	592	1,581	1,165

DIVIDEND POLICY

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

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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.

OFF-BALANCE SHEET ARRANGEMENTS

As of the close of business on 30 September 2010, we did not have any outstanding derivative financial instruments, off-balance sheet guarantees, interest rate swap transactions or foreign currency forward contracts.

MARKET RISKS

Credit risk

Our credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to our Company. Our credit risk is primarily attributable to our 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 the majority of the trade receivables. Our management 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. The top five raw material suppliers did not account for any of the carrying amount of trade prepayments as at each end of the [●]. In order to minimize the risk, trade prepayments are generally made to suppliers with good credit ratings and with good trading history with our Group. The credit risk in relation to our bank balances and cash and pledged bank deposits is not significant as the corresponding banks are reputable banking institutions in the PRC. For more details, please see the section "Credit Policy" under the section headed "Sales and Marketing" and "Appendix I – Accountants' Report" of this document.

Interest rate risk

We are exposed to fair value interest rate risk which arose primarily from fixed-rate bank borrowings. We are also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and deposits. We currently have not implemented any interest rate hedging policy.

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Management considers the exposure to interest rates on these borrowings to be limited and will consider restructuring our credit facilities should the need arises. 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, our profit for the nine months ended 30 September 2010 and each of the years ended 31 December 2009, 2008 and 2007 would decrease/increase by RMB213,000, RMB459,000, RMB232,000 and RMB700,000, respectively. This is mainly attributable to our exposure to interest rates on variable rate borrowings.

Currency risk

Our exposure to foreign currency risk is attributable to the trade and other receivables, trade and other payables, and recognized assets and liabilities which are denominated in currencies other than the functional currency of the entity to which they relate (mainly US dollars, Singapore dollars and Euro). Currently, transactions in Indian Rupees are limited. We have 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. We have not entered into such forward contracts. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amount of the foreign currency denominated monetary assets and monetary liabilities at the end of each reporting period are as follows:

	As of 31 December			As of
	2007	2008	2009	30 September
	<i>RMB in thousands</i>			2010
Assets				
USD	51,532	43,358	27,806	21,219
EUR	413	0	0	0
SGD	1,888	4,807	8,328	2,534
INR	0	0	799	1,161
	<u>0</u>	<u>0</u>	<u>799</u>	<u>1,161</u>
Liabilities				
USD	0	20	991	3,191
EUR	0	0	11,681	9,528
	<u>0</u>	<u>0</u>	<u>11,681</u>	<u>9,528</u>

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The following table details the sensitivity to a 10% change in RMB against USD, EUR, SGD and INR. 10% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the end of each reporting period for a 10% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in profit for the year/period where the relevant foreign currencies strengthen 10% against RMB. For a 10% weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact on the profit for the year/period.

	Year ended 31 December			Nine months ended
	2007	2008	2009	30 September 2010
	<i>RMB in thousands</i>			
USD impact	4,535	3,792	2,346	1,532
EUR impact	36	0	(1,022)	(810)
SGD impact	166	421	729	215
INR impact	0	0	70	99
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposure at the end of each reporting period does not reflect the exposure during each of the respective reporting period.

Liquidity risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance our operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilization of bank borrowing and ensure compliance with loan covenants. In addition, our Management maintains flexibility in funding through having available source of bank financing.

PROPERTY INTERESTS

CB Richards Ellis, an independent property valuer, has valued our property interests as at [30 September] 2010 and is of the opinion that the value of our property interests as of such date was an aggregate amount of RMB87.0 million. The full text of the letter, summary of valuation and valuation certificates with regard to such property interests are set out in Appendix III to this document.

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The table below sets out the reconciliation of the net book value of our Group's property interests as at [30 September 2010] and the valuation of such property interests as at [30 September 2010]:

	<i>RMB'000</i>
Net book values of property interests as of 30 September 2010:	
Building included in property, plant and equipment carried at cost	35,383
Leasehold land carried at cost	20,722
	<hr/>
	56,105
	<hr/>
Revaluation surplus	30,895
	<hr/>
Valuation as of 30 September 2010	87,000
	<hr/> <hr/>

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in our consolidated financial statements included in the Accountant's Report set out in Appendix I in this document, our Directors confirm that these transactions were conducted on normal commercial terms and/or such terms no less favorable to us than terms available to Independent Third Parties and which were fair and reasonable and in the interests of our Shareholders as a whole.

For details of related party transactions, please refer to Note 31 to the Accountant's Report in Appendix I in this document.

DISTRIBUTABLE AND STATUTORY RESERVE

According to relevant PRC laws and regulations applicable to foreign investment enterprises and the Articles of Association of the Company, Hengxin (Jiangsu) is required to transfer 15% of its net profit after taxation, as reported in the PRC statutory financial statements, to the statutory surplus reserve fund until the balance reaches 50% of its registered capital. The statutory surplus reserve fund may be used to make up prior year losses incurred and, with approval from relevant government authority, to increase capital.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since 30 September 2010, the date to which the latest audited financial statements of our Group were made up.



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88 Queensway
Hong Kong

[Date]

The Directors
Hengxin Technology Ltd.
[●] Capital Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Hengxin Technology Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the [●] (the "[●]"), for inclusion in the document of the Company dated [●] (the "[●]") in connection with [●] on the [●] of [●].

The Company is incorporated in the Republic of Singapore on 18 November 2004 under the Singapore Companies Act, Cap. 50, as a private limited company under the name of Hengxin International Pte. Ltd. ("HXI"). On 12 January 2006, HXI was converted into a public limited company and changed its name to Hengxin Technology Ltd. The Company is incorporated for the purpose of acquiring the shares in Jiangsu Hengxin Technology Co., Ltd. The shares of the Company are listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") on 11 May 2006 and its registered office is at 10 Anson Road, #15-07 International Plaza, Singapore 079903. The principal activity of the Group is 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.

All companies now comprising the Group have adopted 31 December as their financial year end date. However, as a statutory requirement, Hengxin Technology (India) Pvt Ltd. established in India prepares its statutory accounts with financial year end date on 31 March.

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The Company has direct interests in the following subsidiaries during the [●] and at the date of this report:

Name of company	Country and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital at the date of this report	Attributable equity interest of the Group					Principal activities	Legal form
			As at 31 December		At 30 September 2009	At date of this report			
			2007	2008					
Jiangsu Hengxin Technology Co., Ltd. ("Hengxin (Jiangsu)")	People's Republic of China ("PRC") 26 June 2003	RMB 319,675,640	100%	100%	100%	100%	100%	Research, design, development and manufacture of telecommunications and technological products, company production of radio frequency coaxial cables for mobile communications and mobile communications systems exchange equipment.	Wholly foreign-owned limited liability
Hengxin Technology (India) Pvt Ltd. ("Hengxin (India)")	India 10 June 2009	INR 9,522,000	N/A	N/A	100%	100%	100%	Marketing and trading of the Group's products to the Indian telecommunications operators	Private company

The statutory financial statements of the entities comprising the Group were audited by the following certified public accountants registered in their respective jurisdictions.

Name of Group entity	Financial year	Name of statutory auditor
The Company	For each of the three years ended 31 December 2009	Deloitte & Touche LLP, Singapore
Hengxin (Jiangsu)	For each of the three years ended 31 December 2009	無錫宜信會計師事務所 Wuxi Yixin Certified Public Accountants Co., Ltd.
Hengxin (India)	For period ended 31 March 2010	Kamdar Desai & Patel Chartered Accountants

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The statutory financial statements of the Company were prepared in accordance with the Singapore Financial Reporting Standards. The statutory financial statements of Hengxin (Jiangsu) were prepared in accordance with the relevant PRC accounting principles. The statutory financial statements of Hengxin (India) were prepared in accordance with the relevant accounting principles in India.

The directors of the Company have prepared the consolidated financial statements of the Group for each of the three years ended 31 December 2009 in accordance with Singapore Financial Reporting Standards and the consolidated financial statements of the Group for the period ended 30 September 2010 in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board (the "IASB") (the "Underlying Financial Statements"). The Underlying Financial Statements of the Group for each of the three years ended 31 December 2009 were audited by Deloitte & Touche LLP, Singapore, in accordance with Singapore Standards on Auditing. We have conducted audit procedures on the consolidated financial statements of the Group for each of the three years ended 31 December 2009 in accordance with International Standards on Auditing. For the purpose of this report, we have undertaken independent audits of the consolidated financial statements of the Group for the nine months ended 30 September 2010 in accordance with International Standards on Auditing.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The Financial Information of the Group for the [●] as set out in this report has been prepared with the accounting policies set out in Note 3 which are in conformity with IFRSs, and from the Underlying Financial Statements after making necessary adjustments as we considered appropriate for the purpose of preparing our report for the inclusion in the [●].

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are responsible for the contents of the [●] in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and the Group as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 September 2010 and of the consolidated results and consolidated cash flows of the Group for each of the [●].

The comparative consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the nine months ended 30 September 2009 together with the notes thereon (the "September 2009 Financial Information") have been extracted from the Group's unaudited consolidated financial

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information for the same period, which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the September 2009 Financial Information in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the September 2009 Financial Information consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the September 2009 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the September 2009 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with IFRSs.

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A. FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

	NOTES	Year ended 31 December			Nine months ended 30 September	
		2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 <i>(unaudited)</i>	2010 RMB'000
Revenue	6	962,824	1,214,179	1,615,265	1,222,938	865,416
Cost of sales		<u>(752,769)</u>	<u>(988,960)</u>	<u>(1,302,579)</u>	<u>(986,428)</u>	<u>(699,975)</u>
Gross profit		210,055	225,219	312,686	236,510	165,441
Other income	7	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	8	(7,894)	(8,368)	(7,390)	(5,374)	(6,805)
Finance costs		<u>(23,764)</u>	<u>(21,743)</u>	<u>(16,013)</u>	<u>(12,895)</u>	<u>(8,972)</u>
Profit before tax	9	120,579	123,524	178,930	128,342	95,923
Income tax expense	11	<u>(13,880)</u>	<u>(16,781)</u>	<u>(29,064)</u>	<u>(21,137)</u>	<u>(16,611)</u>
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		<u>—</u>	<u>—</u>	<u>16</u>	<u>(9)</u>	<u>5</u>
Total comprehensive income for the year/period attributable to owners of the Company		<u>106,699</u>	<u>106,743</u>	<u>149,882</u>	<u>107,196</u>	<u>79,317</u>
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
		<i>cents</i>	<i>cents</i>	<i>cents</i>	<i>cents</i>	<i>cents</i>
Earnings per share – basic	12	<u>31.8</u>	<u>31.8</u>	<u>44.6</u>	<u>31.9</u>	<u>23.6</u>

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Consolidated Statements of Financial Position

		As at 31 December			As at 30 September
	NOTES	2007	2008	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment	14	84,187	90,810	139,260	138,492
Available-for-sale investments	20	–	2,000	2,000	–
Leasehold land	15	18,281	17,791	20,581	20,162
Deferred tax assets	16	1,958	2,070	2,398	2,426
Deposit paid for acquisition of land use right		–	3,396	5,760	5,760
		<u>104,426</u>	<u>116,067</u>	<u>169,999</u>	<u>166,840</u>
Current assets					
Inventories	17	96,440	123,258	184,247	102,614
Trade receivables	18	419,657	554,521	718,172	700,653
Other receivables and prepayments	19	1,804	1,449	24,148	22,938
Available-for-sale investments	20	–	500	500	2,000
Leasehold land	15	491	491	560	560
Bank balances and cash	21	212,061	191,132	147,676	139,691
Pledged bank deposits	22	31,335	70,769	120,486	85,785
		<u>761,788</u>	<u>942,120</u>	<u>1,195,789</u>	<u>1,054,241</u>
Current liabilities					
Trade payables	23	104,637	203,935	474,642	340,361
Other payables	24	31,346	44,199	32,390	24,320
Tax liabilities		5,762	6,394	6,458	4,760
Short-term bank loans	25	289,000	271,800	175,221	109,528
		<u>430,745</u>	<u>526,328</u>	<u>688,711</u>	<u>478,969</u>
Net current assets		<u>331,043</u>	<u>415,792</u>	<u>507,078</u>	<u>575,272</u>

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		As at 31 December			As at 30 September
	NOTES	2007	2008	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000
Total assets less current liabilities		<u>435,469</u>	<u>531,859</u>	<u>677,077</u>	<u>742,112</u>
Non-current liabilities					
Deferred tax liabilities	16	<u>–</u>	<u>581</u>	<u>1,413</u>	<u>1,850</u>
		<u>435,469</u>	<u>531,278</u>	<u>675,664</u>	<u>740,262</u>
Capital and reserves					
Share capital	26	<u>205,771</u>	<u>205,771</u>	<u>205,771</u>	<u>205,771</u>
Reserves		<u>229,698</u>	<u>325,507</u>	<u>469,893</u>	<u>534,491</u>
Total equity attributable to owners of the Company		<u>435,469</u>	<u>531,278</u>	<u>675,664</u>	<u>740,262</u>

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Statements of Financial Position of the Company

		As at 31 December			As at 30 September
	NOTES	2007	2008	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets					
Property, plant and equipment		19	10	24	17
Investments in subsidiaries	33	163,655	231,784	320,961	321,984
		<u>163,674</u>	<u>231,794</u>	<u>320,985</u>	<u>322,001</u>
Current assets					
Other receivables and prepayments	19	68,984	382	1,416	9,682
Bank balances and cash		21,612	24,781	9,307	6,742
		<u>90,596</u>	<u>25,163</u>	<u>10,723</u>	<u>16,424</u>
Current liabilities					
Other payables		2,802	5,763	7,694	4,483
		<u>2,802</u>	<u>5,763</u>	<u>7,694</u>	<u>4,483</u>
Net current assets		<u>87,794</u>	<u>19,400</u>	<u>3,029</u>	<u>11,941</u>
Total assets less current liabilities		<u>251,468</u>	<u>251,194</u>	<u>324,014</u>	<u>333,942</u>
Capital and reserves					
Share capital	26	205,771	205,771	205,771	205,771
Reserves		45,697	45,423	118,243	128,171
Total equity		<u>251,468</u>	<u>251,194</u>	<u>324,014</u>	<u>333,942</u>

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Consolidated Statements of Changes in Equity

	Equity attributable to owners of the Company					Total RMB'000
	Share capital RMB'000	PRC Statutory reserve RMB'000	Translation reserves RMB'000	Special reserve RMB'000	Accumulated profits RMB'000	
		(note 1)				
At 1 January 2007	205,771	27,569	–	(6,017)	113,614	340,937
Net profit and total comprehensive income for the year	–	–	–	–	106,699	106,699
Transfer	–	17,336	–	–	(17,336)	–
Dividend paid (Note 13)	–	–	–	–	(12,167)	(12,167)
At 31 December 2007	205,771	44,905	–	(6,017)	190,810	435,469
Net profit and total comprehensive income for the year	–	–	–	–	106,743	106,743
Transfer	–	17,436	–	–	(17,436)	–
Dividend paid (Note 13)	–	–	–	–	(10,934)	(10,934)
At 31 December 2008	205,771	62,341	–	(6,017)	269,183	531,278
Net profit for the year	–	–	–	–	149,866	149,866
Exchange differences on translation	–	–	16	–	–	16
Total comprehensive income for the year	–	–	16	–	149,866	149,882
Transfer	–	24,946	–	–	(24,946)	–
Dividend paid (Note 13)	–	–	–	–	(5,496)	(5,496)
At 31 December 2009	205,771	87,287	16	(6,017)	388,607	675,664
Net profit for the period	–	–	–	–	79,312	79,312
Exchange differences on translation	–	–	5	–	–	5
Total comprehensive income for the period	–	–	5	–	79,312	79,317
Dividend paid (Note 13)	–	–	–	–	(14,719)	(14,719)
At 30 September 2010	205,771	87,287	21	(6,017)	453,200	740,262

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	Equity attributable to owners of the Company					Total
	Share capital	PRC			Accumulated profits	
		Statutory reserve	Translation reserves	Special reserve		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
		(note 1)		(note 2)		
For the nine months ended						
30 September 2009 (unaudited)						
At 1 January 2009	205,771	62,341	–	(6,017)	269,183	531,278
Net profit for the period	–	–	–	–	107,205	107,205
Exchange differences on translation	–	–	(9)	–	–	(9)
Total comprehensive income for the period	–	–	(9)	–	107,205	107,196
Dividend paid (Note 13)	–	–	–	–	(5,496)	(5,496)
At 30 September 2009	<u>205,771</u>	<u>62,341</u>	<u>(9)</u>	<u>(6,017)</u>	<u>370,892</u>	<u>632,978</u>

Note:

1. The PRC statutory reserve represents the amount transferred from net profit for the year of the subsidiary established in the PRC in accordance with the relevant PRC laws until the PRC statutory reserve reaches 50% of the registered capital of the subsidiary. The statutory reserve cannot be reduced except either in setting off the accumulated losses or increasing capital.
2. The special reserve represents the difference between the acquisition cost and carrying amount of net assets of Hengxin (Jiangsu) arising from the acquisition of Hengxin (Jiangsu) in 2004.

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Consolidated Statements of Cash Flows

	Year ended 31 December			Nine months ended 30 September	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Operating activities					
Profit before tax	120,579	123,524	178,930	128,342	95,923
Adjustments for:					
Depreciation of property, plant and equipment	8,849	10,128	11,528	8,172	10,744
Allowance for (Reversal of) inventory obsolescence	148	243	(577)	–	188
Interest expense	23,764	21,743	16,013	12,895	8,972
Loss on disposal of property, plant and equipment	13	5	5	4	5
Release of leasehold land	490	490	537	396	419
Gain on disposal of available-for-sales investments	(644)	(22)	(698)	–	(109)
Interest income	(3,427)	(4,551)	(3,362)	(2,314)	(3,771)
Unrealised net foreign exchange loss (gain)	135	(2,607)	571	(252)	(859)
	<u>120,579</u>	<u>123,524</u>	<u>178,930</u>	<u>128,342</u>	<u>95,923</u>
Operating cash flows before movements in working capital	149,907	148,953	202,947	147,243	111,512
(Increase) decrease in inventories	(6,695)	(27,061)	(60,412)	(38,026)	81,445
Decrease (increase) in trade receivables	74,602	(134,864)	(163,651)	(242,989)	17,519
Decrease (increase) in other receivables	1,275	355	(22,699)	(6,928)	1,210
(Decrease) increase in trade payables	(51,663)	99,298	270,707	300,092	(134,281)
(Decrease) increase in other payables	(8,291)	12,853	(11,809)	160	(8,070)
	<u>149,907</u>	<u>148,953</u>	<u>202,947</u>	<u>147,243</u>	<u>111,512</u>
Cash generated from operations	159,135	99,534	215,083	159,552	69,335
Interest paid	(23,764)	(21,743)	(16,013)	(12,895)	(8,972)
Interest received	3,427	4,551	3,362	2,314	3,771
Income taxes paid	(10,076)	(15,680)	(28,496)	(21,136)	(17,901)
	<u>128,722</u>	<u>66,662</u>	<u>173,936</u>	<u>127,835</u>	<u>46,233</u>
Net cash generated from operating activities	<u>128,722</u>	<u>66,662</u>	<u>173,936</u>	<u>127,835</u>	<u>46,233</u>

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	Year ended 31 December			Nine months ended 30 September	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				<i>(unaudited)</i>	
Investing activities					
Payments for acquisition of property, plant and equipment	(16,960)	(17,239)	(59,988)	(36,842)	(9,983)
Payments for land use rights	–	(3,396)	(5,760)	(5,760)	–
Payment for available-for-sale investments	–	(38,500)	(28,600)	(2,600)	–
Proceeds from disposal of available-for- sale investments	894	36,022	29,298	2,600	609
Proceeds from disposal of property, plant and equipment	42	483	5	5	2
Net cash used in investing activities	<u>(16,024)</u>	<u>(22,630)</u>	<u>(65,045)</u>	<u>(42,597)</u>	<u>(9,372)</u>
Financing activities					
Decrease (increase) in pledged bank deposits	45,817	(39,434)	(49,717)	(81,597)	34,701
Short-term bank loans raised	389,000	603,800	852,221	632,000	410,000
Repayment of short-term bank loans	(435,000)	(621,000)	(948,800)	(588,800)	(475,000)
Dividends paid	(12,167)	(10,934)	(5,496)	(5,496)	(14,719)
Net cash used in financing activities	<u>(12,350)</u>	<u>(67,568)</u>	<u>(151,792)</u>	<u>(43,893)</u>	<u>(45,018)</u>
Net increase (decrease) in cash and cash equivalents	100,348	(23,536)	(42,901)	41,345	(8,157)
Cash and cash equivalents at beginning of 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 end of year/period, represented by					
Bank balances and cash	<u>212,061</u>	<u>191,132</u>	<u>147,676</u>	<u>232,721</u>	<u>139,691</u>

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Notes to the Financial Information

1. CORPORATE INFORMATION

The Company was 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. The Company is listed on the [●] of the Singapore Exchange Securities Trading Limited.

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 functional currency of the Company is Renminbi ("RMB"), which is also the functional currency of Hengxin (Jiangsu), the subsidiary in the PRC, and the presentation currency for the consolidated financial statements. The functional currency of Hengxin (India) is Indian Rupees. The choice of presentation currency is to better reflect the currency that mainly determines economic effects of transactions, events and conditions of the Group.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information, the Group has applied a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and the related Interpretations ("IFRICs") ("hereinafter collectively referred to as new IFRSs") which are effective on 1 January 2010.

IFRS 3 (2008) *Business Combinations* has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. IFRS 3 (2004) *Business Combinations* has been applied to business combinations for which the acquisition date is before 1 January 2010.

IAS 27 (2008) *Consolidated and Separate Financial Statements* has been applied consistently throughout the [●] with the following exceptions which have been applied prospectively from 1 January 2010:

- (i) total comprehensive income is attributed to the owners of the Company and non-controlling interests even if this results in the non-controlling interests having a deficit balance; and
- (ii) changes of the Group's ownership interest in a subsidiary are accounted for as equity transactions.

Other new IFRSs have been applied consistently throughout the [●].

The Group has not applied the following new and revised standards, amendments or interpretations that have been issued but not yet effective.

IFRSs (Amendments)	Improvements to IFRSs May 2010 ¹
IAS 24 (Revised)	Related Party Disclosures ⁴
IAS 32 (Amendment)	Classification of Rights Issues ²
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters ³
IFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets ⁵
IFRS 9	Financial Instruments ⁶
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirement ⁴
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 February 2010

³ Effective for annual periods beginning on or after 1 July 2010

⁴ Effective for annual periods beginning on or after 1 January 2011

⁵ Effective for annual periods beginning on or after 1 July 2011

⁶ Effective for annual periods beginning on or after 1 January 2013

The Group has not early adopted these new and revised standards, amendments or interpretations in the preparation of the Financial Information.

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The directors of the Company anticipate that the application of these new or revised standards, amendments and interpretations will have no material impact on the consolidated financial statements of the Group.

3. PRINCIPAL ACCOUNTING POLICIES

Basis of accounting

The Financial Information has been prepared on the historical cost convention except for certain financial instruments, which are measured at fair values, and in accordance with the accounting policies set out below which are in conformity with IFRSs. These policies have been consistently applied throughout the [●].

In addition, the Financial Information includes applicable disclosures required by the [●] and by the Hong Kong Companies Ordinance.

The principle accounting policies adopted are as follows:

Basis of consolidation

The Financial Information 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 (other than business combinations involving entities under common control) are included in the consolidated statement of comprehensive income from the effective date of acquisition and 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 in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of sales related taxes.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

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 the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods and services, or administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, on the following bases:

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

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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.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period in which the item is derecognised.

Leasing

Leases are classified as finance leases wherever 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.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally classified as finance lease. To the extent the allocation of the lease payments can be made reliably, leasehold land is classified as finance leases if substantially all the risk and rewards incidental to ownership of the land element is transferred to the Group. In other cases, leasehold land is classified as operating leases.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than that entity's functional currency (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

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.

Government grants

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Other

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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.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

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 consolidated 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 never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those 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 associated with 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflect 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 is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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;

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- 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 asset 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 asset is measured at cost less accumulated amortisation and accumulated impairment losses (see the accounting policy in respect of impairment losses on non-current assets below), if any. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Impairment losses on non-current assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-current 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale investments.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or where appropriate, a shorter period to the net carrying amount on initial recognition.

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Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at fair value through profit and loss

Financial assets at FVTPL include financial assets held for trading investments.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, bank balances and cash and pledged bank deposits are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the 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 financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, 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 reorganisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently 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, observable changes in national or local economic conditions that correlate with default on receivables.

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For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the 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 and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of 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 that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade and other payables, and short-term bank loans are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make 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.

Key sources of estimation uncertainty

The following are 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 following financial year.

Impairment of 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 the 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. As at 31 December 2007, 2008, 2009 and 30 September 2010, the carrying amount of trade receivables are RMB419,657,000, RMB554,521,000, RMB718,172,000 and RMB700,653,000, net of allowance for doubtful debts of RMB15,762,000, RMB15,762,000, RMB15,762,000 and RMB15,762,000 respectively.

Write-down of inventories

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. As at 31 December 2007, 2008, 2009 and 30 September 2010, the carrying amount of inventories are RMB96,440,000, RMB123,258,000, RMB184,247,000 and RMB102,614,000, net of write-down of inventories of RMB555,000, RMB798,000, RMB221,000 and RMB409,000, respectively.

Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the [●], management is satisfied that there is no change in the estimated useful lives of the property, plant and equipment from prior years. The carrying amounts of property, plant and equipment at the end of the reporting period are disclosed in note 14.

Impairment of property, plant and equipment and leasehold land

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.

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5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Capital risk management

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 optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the [●], the Group is in compliance with all capital requirements on its external borrowings.

The capital structure of the Group consists of debt, which includes the bank borrowings and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure on an on-going basis. As 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 repayment 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 short-term loans less cash and cash equivalents at the end of the reporting period.

	As at 31 December			As at
	2007	2008	2009	30 September
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
Net cash borrowings	76,939	80,668	27,545	(30,163)
Total equity	435,469	531,278	675,664	740,262
Net gearing ratio (%)	17.67	15.18	4.08	(4.07)

Categories of financial instruments

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

	The Group			As at
	As at 31 December			30 September
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Available-for-sale investments	–	2,500	2,500	2,000
Loan and receivables (including Cash and cash equivalents)	664,204	817,093	987,423	931,500
Financial liabilities				
Amortised cost	394,387	476,610	650,946	451,114

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	The Company			As at
	As at 31 December			30 September
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets				
Loan and receivables (including Cash and cash equivalents)	90,570	25,163	10,723	8,560
Financial liabilities				
Amortised cost	142	261	25	53

Financial risk management objectives and policies

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.

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 ("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") 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:

	As at 31 December			As at
	2007			30 September
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
The Group				
USD	51,532	43,358	27,806	21,219
EUR	413	–	–	–
SGD	1,888	4,807	8,328	2,534
INR	–	–	799	1,161
The Company				
SGD	1,888	4,807	8,328	2,534
Liabilities				
The Group				
USD	–	20	991	3,191
EUR	–	–	11,681	9,528

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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.

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 10% change in RMB against USD, EUR, SGD and INR. 10% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at each of the end of the reporting period for a 10% change in foreign currency rates. A positive (negative) number below indicates an increase (decrease) in profit for the year/period where the relevant foreign currencies strengthen 10% against RMB. For a 10% weakening of the relevant foreign currency against RMB, there would be an equal and opposite impact on the net profit for the year/period.

	Year ended 31 December			Nine months ended
	2007	2008	2009	30 September 2010
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
USD impact	4,535	3,792	2,346	1,532
EUR impact	36	–	(1,022)	(810)
SGD impact	166	421	729	215
INR impact	–	–	70	99
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
The Company				
SGD impact	166	421	729	215
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Interest rate risk management

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings. The Group's cash flow interest rate risk relates primarily to their 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 analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the [●]. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liabilities outstanding at the end of the [●] was outstanding for the whole year. A 50 basis point for bank borrowing 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 the bank borrowings interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's net profit for the year ended December 31, 2007, 2008 and 2009 and nine months ended 30 September 2010 would decrease/increase by RMB700,000, RMB232,000, RMB459,000 and RMB213,000 respectively. This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

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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 88%, 92%, 93% and 89% of the carrying amounts of trade receivables as at 31 December 2007, 2008 and 2009 and 30 September 2010. 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 amount of trade prepayments as at each end of the [●]. 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 bank balances and cash and pledged bank deposits is not significant as the corresponding banks are reputable banking institutions in the PRC.

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.

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 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 months RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
The Group:						
At 31 December 2007						
Financial liabilities						
Trade and other payables	–	41,858	62,784	745	105,387	105,387
Short-term bank loans	6.66	40,134	–	257,639	297,773	289,000
		<u>81,992</u>	<u>62,784</u>	<u>258,384</u>	<u>403,160</u>	<u>394,387</u>

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	Weighted average effective interest rate %	On demand or less than 1 months RMB'000	1-3 months RMB'000	3 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
At 31 December 2008						
Financial liabilities						
Trade and other payables	-	42,733	46,969	115,108	204,810	204,810
Short-term bank loans	4.27	20,024	33,296	223,868	277,188	271,800
		<u>62,757</u>	<u>80,265</u>	<u>338,976</u>	<u>481,998</u>	<u>476,610</u>
At 31 December 2009						
Financial liabilities						
Trade and other payables	-	165,110	216,747	93,967	475,725	475,725
Short-term bank loans	4.55	35,130	-	142,576	177,706	175,221
		<u>200,141</u>	<u>216,747</u>	<u>236,543</u>	<u>653,431</u>	<u>650,946</u>
At 30 September 2010						
Financial liabilities						
Trade and other payables	-	117,836	103,690	120,060	341,586	341,586
Short-term bank loans	4.20	20,036	90,159	-	110,195	109,528
		<u>137,872</u>	<u>193,849</u>	<u>120,060</u>	<u>451,781</u>	<u>451,114</u>
The Company:						
At 31 December 2007						
Financial liabilities						
Other payables	-	124	-	18	142	142
		<u>124</u>	<u>-</u>	<u>18</u>	<u>142</u>	<u>142</u>
At 31 December 2008						
Financial liabilities						
Other payables	-	261	-	-	261	261
		<u>261</u>	<u>-</u>	<u>-</u>	<u>261</u>	<u>261</u>
At 31 December 2009						
Financial liabilities						
Other payables	-	25	-	-	25	25
		<u>25</u>	<u>-</u>	<u>-</u>	<u>25</u>	<u>25</u>
At 30 September 2010						
Financial liabilities						
Other payables	-	53	-	-	53	53
		<u>53</u>	<u>-</u>	<u>-</u>	<u>53</u>	<u>53</u>

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Fair value

The fair value of the Group's financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded in 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 is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Financial Information approximate their fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from 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 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31/12/2008			
	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Available-for-sale investments				
Listed investment fund	500	–	–	500
Unlisted investment fund	–	2,000	–	2,000
	<u>500</u>	<u>2,000</u>	<u>–</u>	<u>2,500</u>

	31/12/2009			
	Level 1 <i>RMB'000</i>	Level 2 <i>RMB'000</i>	Level 3 <i>RMB'000</i>	Total <i>RMB'000</i>
Available-for-sale investments				
Listed investment fund	500	–	–	500
Unlisted investment fund	–	2,000	–	2,000
	<u>500</u>	<u>2,000</u>	<u>–</u>	<u>2,500</u>

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	30/09/2010			Total RMB'000
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	
Available-for-sale investments				
Unlisted investment fund	–	2,000	–	2,000

There were no transfers between Level 1 and 2 during the [●].

6. REVENUE AND SEGMENT INFORMATION

The Group has consistently applied IFRS 8 *Operating Segments* throughout the [●]. IFRS 8 is a disclosure standard that requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), the board of directors in order to allocate resources to segments and to assess their performance.

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

For management purposes, the Group is organised into two core product lines, radio frequency coaxial cables series for mobile communications, and coaxial cables for telecommunications equipment and accessories. These products are the basis on which the Group reports its segment information.

The following is an analysis of the Group's revenue and results by operating segments for the [●]:

	Year ended 31 December						Nine months ended 30 September			
	2007 RMB'000	%	2008 RMB'000	%	2009 RMB'000	%	2009 RMB'000	%	2010 RMB'000	%
Segment revenue										
Radio frequency coaxial cables series for mobile communications	818,644	85	1,073,959	88	1,344,014	83	1,026,877	84	722,764	84
Coaxial cables for telecommunications equipment and accessories	144,180	15	140,220	12	271,251	17	196,061	16	142,652	16
Total revenue	962,824	100	1,214,179	100	1,615,265	100	1,222,938	100	865,416	100
Segment profit										
Radio frequency coaxial cables series for mobile communications	119,759	79	131,378	88	167,651	83	123,073	84	84,078	84
Coaxial cables for telecommunications equipment and accessories	31,156	21	18,193	12	33,835	17	23,498	16	16,594	16
Total segment profit	150,915	100	149,571	100	201,486	100	146,571	100	100,672	100

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	Year ended 31 December						Nine months ended 30 September			
	2007		2008		2009		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Other income	5,976		7,405		7,557		5,306		12,901	
Other expenses (exclude research and development expenses)	(4,222)		(2,908)		1,047		478		(2,364)	
Financial costs	(23,764)		(21,743)		(16,013)		(12,895)		(8,972)	
Unallocated administrative and general expenses	(8,326)		(8,801)		(15,147)		(11,118)		(6,314)	
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	<u>106,699</u>		<u>106,743</u>		<u>149,866</u>		<u>107,205</u>		<u>79,312</u>	

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the [●].

The accounting policies of the operating segments are the same as the Group's accounting policies describe in Note 3 to the Financial Information. Segment profit represents the gross profit earned by each segment, less distribution and selling expenses, research and development expenses, and certain administration and general expenses. This is the measure reported to CODM for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's assets and liabilities by operating segment:

	Radio frequency coaxial cables series for mobile communications RMB'000	Coaxial cables for tele- communication equipment and accessories RMB'000	Total RMB'000
At 31 December 2007			
Assets:			
Segment assets	717,739	126,408	844,147
Unallocated assets			<u>22,067</u>
Total assets			<u>866,214</u>
Liabilities:			
Segment liabilities	363,860	64,083	427,943
Unallocated liabilities			<u>2,802</u>
Total liabilities			<u>430,745</u>

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	Radio frequency coaxial cables series for mobile communications <i>RMB'000</i>	Coaxial cables for tele- communication equipment and accessories <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2008			
Assets:			
Segment assets	913,716	119,298	1,033,014
Unallocated assets			25,173
Total assets			<u>1,058,187</u>
Liabilities:			
Segment liabilities	461,375	59,771	521,146
Unallocated liabilities			5,763
Total liabilities			<u>526,909</u>
At 31 December 2009			
Assets:			
Segment assets	1,127,489	227,552	1,355,041
Unallocated assets			10,747
Total assets			<u>1,365,788</u>
Liabilities:			
Segment liabilities	567,834	114,596	682,430
Unallocated liabilities			7,694
Total liabilities			<u>690,124</u>
At 30 September 2010			
Assets:			
Segment assets	1,014,089	200,151	1,214,240
Unallocated assets			6,841
Total assets			<u>1,221,081</u>
Liabilities:			
Segment liabilities	397,819	78,517	476,336
Unallocated liabilities			4,483
Total liabilities			<u>480,819</u>

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than property, plant and equipment, other receivables and bank balances of the Company and Hengxin (India). Assets used jointly by operating segments are allocated on the basis of the revenues earned by individual operating segments;

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- all liabilities are allocated to operating segments other than other payables of the Company. Liabilities for which operating segments are jointly liable are allocated in proportion to segment assets.

Other segment information

	Radio frequency coaxial cables series for mobile communications <i>RMB'000</i>	Coaxial cables for tele- communication equipment and accessories <i>RMB'000</i>	Subtotal <i>RMB'000</i>	Adjustments <i>RMB'000</i> <i>(note 2)</i>	Total <i>RMB'000</i>
Amounts included in the measure of segment profit or loss or segment assets:					
For the year ended					
31 December 2007					
Addition to non-current assets <i>(note 1)</i>	14,413	2,538	16,951	9	16,960
Depreciation and amortisation	7,933	1,397	9,330	9	9,339
Write-down of inventories	129	19	148	–	148
For the year ended					
31 December 2008					
Addition to non-current assets <i>(note 1)</i>	17,779	526	18,305	2,330	20,635
Depreciation and amortisation	9,393	1,216	10,609	9	10,618
Write-down of inventories	234	9	243	–	243
For the year ended					
31 December 2009					
Addition to non-current assets <i>(note 1)</i>	54,396	10,978	65,374	374	65,748
Depreciation and amortisation	10,031	2,024	12,055	10	12,065
Write-down of inventories	(480)	(97)	(577)	–	(577)
For the period ended					
30 September 2009					
(unaudited)					
Addition to non-current assets <i>(note 1)</i>	35,697	6,816	42,513	89	42,602
Depreciation and amortisation	6,856	1,309	8,165	7	8,172
Write-down of inventories	–	–	–	–	–
For the period ended					
30 September 2010					
Addition to non-current assets <i>(note 1)</i>	8,297	1,638	9,935	48	9,983
Depreciation and amortisation	8,891	1,755	10,646	98	10,744
Write-down of inventories	157	31	188	–	188

Notes:

1. Non-current assets excluded financial instruments and deferred tax assets.
2. Adjustments represent the information related to items relevant to the Company that cannot be allocated to the operating segments.

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Geographical information

The Group's operations are mainly located in the PRC.

The Group's revenue from continuing operation from external customers, based on location of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers				
	Year ended 31 December			Nine months ended	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
PRC (including Hong Kong)	837,233	954,804	1,526,800	1,156,710	838,285
South Asia (note 1)	124,971	259,375	85,165	64,968	21,426
Others (note 2)	620	–	3,300	1,260	5,705
Total	<u>962,824</u>	<u>1,214,179</u>	<u>1,615,265</u>	<u>1,222,938</u>	<u>865,416</u>

	Non-current assets (note 3)			
	As at 31 December			As at
	2007	2008	2009	30 September
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
PRC	102,449	111,987	165,453	164,315
Singapore and India	19	10	148	99
Total	<u>102,468</u>	<u>111,997</u>	<u>165,601</u>	<u>164,414</u>

Notes:

- 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.
- 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.
- Non-current assets excluded financial instruments and deferred tax assets.

The majority of the Group's non-current assets are located in the PRC, the country of domicile of the major subsidiary, Hengxin (Jiangsu), at the end of each reporting period.

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Information about major customers

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

	Year ended 31 December			Nine months ended 30 September	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Customer A ¹	287,549	390,090	594,634	521,619	162,894
Customer B ¹	334,327	351,842	373,220	231,292	317,041
Customer C ¹	N/A ²	N/A ²	263,120	185,152	142,803
Customer D ¹	122,348	136,060	N/A ²	N/A ²	N/A ²
Customer E ¹	N/A ²	N/A ²	N/A ²	N/A ²	N/A ²
Total	<u>744,224</u>	<u>877,992</u>	<u>1,230,974</u>	<u>938,063</u>	<u>622,738</u>

¹ Revenue from radio frequency coaxial cables.

² The corresponding revenue did not contribute over 10% of the total sales of the Group.

7. OTHER INCOME

	Year ended 31 December			Nine months ended 30 September	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Interest income	3,427	4,551	3,362	2,314	3,771
Government grants	1,105	2,406	2,856	2,489	8,430
Gain on disposal of available-for-sale investments	644	22	698	–	109
Sales of scrap material	475	7	–	–	–
Others	325	419	641	503	591
	<u>5,976</u>	<u>7,405</u>	<u>7,557</u>	<u>5,306</u>	<u>12,901</u>

8. OTHER EXPENSES

	Year ended 31 December			Nine months ended 30 September	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Net foreign exchange loss (gain)	3,649	2,264	(1,553)	(982)	(343)
Donation	560	630	501	500	500
Loss on disposal of property, plant and equipment	13	5	5	4	5
Research and development expenses	3,672	5,460	8,437	5,852	4,441
Loss on fair value change of held-for-trading investments (note)	–	–	–	–	1,472
Others	–	9	–	–	730
	<u>7,894</u>	<u>8,368</u>	<u>7,390</u>	<u>5,374</u>	<u>6,805</u>

Note: The amount represents the decrease in fair value of the Group's held-for-trading investments, which comprised listed fund in the PRC purchased and sold during the period ended 30 September 2010.

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9. PROFIT BEFORE TAX

	Year ended 31 December			Nine months ended 30 September	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Profit before tax has been arrived at after charging:					
Amortisation of leasehold land	490	490	537	396	419
Audit fees paid:					
to the auditors of the Company	345	370	390	341	320
to other auditors	560	781	1,063	778	929
Cost of inventories recognised as expense (including allowance for (reversal of) inventory obsolescence)	752,769	988,960	1,302,579	986,428	699,975
Depreciation of property, plant and equipment	8,849	10,128	11,528	8,172	10,744
Cost of defined contribution plans	1,327	1,897	2,246	1,667	1,857
Directors' emoluments					
Directors of the Company (<i>note 10</i>)	3,202	3,536	4,989	3,725	1,543
Directors of the subsidiary	419	547	439	424	206
Employee benefits expense	35,451	44,406	64,509	49,083	34,344
Total staff cost	40,399	50,386	72,183	54,899	37,950
Less: staff cost included in research and development expenses	(2,129)	(2,594)	(4,449)	(2,863)	(2,520)
	38,270	47,792	67,734	52,036	35,430
Research and development expenses (included in other expenses)	3,672	5,460	8,437	5,852	4,441

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid to the directors of the Company for the [●] were as follows:

	Year ended 31 December			Nine months ended 30 September	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (unaudited)	2010 RMB'000
Directors' emoluments:					
– Directors' fee	1,084	1,082	1,270	939	998
– Salaries and other benefits	1,251	1,263	1,244	930	545
– Performance related incentive payments (<i>note</i>)	867	1,191	2,475	1,856	–
Total	3,202	3,536	4,989	3,725	1,543

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	Directors' fee <i>RMB'000</i>	Salaries and other benefits <i>RMB'000</i>	Performance related incentive payments <i>(note)</i> <i>RMB'000</i>	Total <i>RMB'000</i>
For the year ended				
31 December 2007				
Raymond Ong*	76	–	–	76
Lai Seng Kwoon*	50	–	–	50
Cui Genxiang	202	–	–	202
Zhang Zhong	202	–	–	202
Tay Ah Kong Bernard	302	–	–	302
Chee Teck Kwong Patrick	252	–	–	252
Xu Guochen#	–	1,251	867	2,118
	<u>1,084</u>	<u>1,251</u>	<u>867</u>	<u>3,202</u>
For the year ended				
31 December 2008				
Cui Genxiang	172	–	–	172
Zhang Zhong	172	–	–	172
Tay Ah Kong Bernard	394	–	–	394
Chee Teck Kwong Patrick	344	–	–	344
Xu Guochen#	–	1,263	1,191	2,454
	<u>1,082</u>	<u>1,263</u>	<u>1,191</u>	<u>3,536</u>
For the year ended				
31 December 2009				
Cui Genxiang	188	–	–	188
Zhang Zhong	188	–	–	188
Tay Ah Kong Bernard	470	–	–	470
Chee Teck Kwong Patrick	424	–	–	424
Xu Guochen#	–	1,244	2,475	3,719
	<u>1,270</u>	<u>1,244</u>	<u>2,475</u>	<u>4,989</u>
For the period ended				
30 September 2009 (unaudited)				
Cui Genxiang	139	–	–	139
Zhang Zhong	139	–	–	139
Tay Ah Kong Bernard	348	–	–	348
Chee Teck Kwong Patrick	313	–	–	313
Xu Guochen#	–	930	1,856	2,786
	<u>939</u>	<u>930</u>	<u>1,856</u>	<u>3,725</u>
For the period ended				
30 September 2010				
Cui Genxiang	–	443	–	443
Zhang Zhong	185	–	–	185
Tay Ah Kong Bernard	425	–	–	425
Chee Teck Kwong Patrick	388	–	–	388
Xu Guochen#	–	102	–	102
	<u>998</u>	<u>545</u>	<u>–</u>	<u>1,543</u>

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* The directors have resigned on 17 January 2007

The director has resigned on 1 April 2010

Note: The performance related incentive payment is determined as a percentage of the net profit of the Group during the [●].

The five highest paid individuals included one, one, one, one and nil directors of the Group, for each of the years ended 31 December 2007, 2008 and 2009 and nine months ended 30 September 2009 and 2010, respectively. Details of whose emoluments are set out above. The emoluments of the remaining individuals during the [●] were as follows:

	Year ended 31 December			Nine months ended 30 September	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Employees					
– salaries and other benefits	2,824	3,782	4,515	2,650	3,610
– retirement benefit schemes contributions	30	64	62	50	64
	<u>2,854</u>	<u>3,846</u>	<u>4,577</u>	<u>2,700</u>	<u>3,674</u>

During the [●], no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the [●].

Their emoluments were within the following bands:

	Year ended 31 December			Nine months ended 30 September	
	2007	2008	2009	2009	2010
	No. of employees	No. of employees	No. of employees	No. of employees	No. of employees
HKD nil to HKD1,000,000	4	0	0	4	4
HKD1,000,001 to HKD1,500,000	–	4	4	–	1

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11. INCOME TAX EXPENSE

	Year ended 31 December			Nine months ended 30 September	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000	2010 RMB'000
				<i>(unaudited)</i>	
Current tax:					
PRC enterprise income tax ("EIT")	15,838	16,768	23,846	16,837	16,132
Withholding tax	–	–	4,675	4,675	–
Under (Over) provision of current tax in prior years	–	(456)	39	39	70
Deferred tax charge (credit):					
current year (<i>note 16</i>)	(1,958)	469	504	(414)	409
	<u>13,880</u>	<u>16,781</u>	<u>29,064</u>	<u>21,137</u>	<u>16,611</u>

The tax charge for the [●] can be reconciled to profit before tax as follows:

	Year ended 31 December			Nine months ended 30 September	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000	2010 RMB'000
				<i>(unaudited)</i>	
Profit before tax	<u>120,579</u>	<u>123,524</u>	<u>178,930</u>	<u>128,342</u>	<u>95,923</u>
Tax at the PRC income tax rate of 25% (2007: 24%)	28,939	30,881	44,732	32,086	23,981
Tax effect of expenses not deductible	3,735	2,591	3,923	2,319	3,414
Tax effect of income not taxable in determining taxable profit	–	–	(50)	–	–
Tax effect of previously not recognized deductible temporary difference	(1,941)	–	–	–	–
Effect of PRC exemption and concessions	(16,853)	(16,737)	(24,673)	(17,568)	(11,291)
Under (Over) provision of current tax in prior years	–	(456)	39	39	70
Increase in opening deferred tax balances resulting from an increase in applicable tax rate	–	(79)	(414)	(414)	–
Withholding tax	–	581	5,507	4,675	437
Taxation for the year/period	<u>13,880</u>	<u>16,781</u>	<u>29,064</u>	<u>21,137</u>	<u>16,611</u>

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The Company

The Company has no assessable profits subject to Singapore income tax since its incorporation.

Hengxin (Jiangsu)

PRC Enterprise Income Tax ("EIT") is calculated at rates prevailing under the relevant laws and regulations in the PRC.

For the year ended 31 December 2007, Hengxin (Jiangsu) was entitled to a preferential corporate tax rate of 24% as Hengxin (Jiangsu) is established in the city of the coastal open economic zone in the PRC. Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the statutory tax rate is 25% from 1 January 2008 onwards. Hengxin (Jiangsu) acquired "High-tech enterprise" certificate, "No. GR200832000262" which was jointly authorized by Jiangsu Science and Technology Department, Jiangsu Finance Department, Jiangsu Provincial Office of State Administration of Taxation and Jiangsu Local Taxation Bureau. According to the EIT Law effective from 1 January 2008, applicable income tax rate of Hengxin (Jiangsu) in 2010 is 15%.

Hengxin (Jiangsu) used to be eligible for certain tax holidays and concessions and was exempted from PRC EIT for two years starting from the first profit-making year, followed by a 50% reduction for the following three years. Hengxin (Jiangsu) commenced its first profit-making year in the financial year ended 31 December 2005.

Hengxin (India)

The subsidiary has no assessable profits subject to local income tax since its incorporation.

12. EARNINGS PER SHARE

The calculation of the basic earnings per share for the [●] is based on the following:

	Year ended 31 December			Nine months ended	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Profits					
Profit attributable to owners of the Company	<u>106,699</u>	<u>106,743</u>	<u>149,866</u>	<u>107,205</u>	<u>79,312</u>
Number of shares ('000)	336,000	336,000	336,000	336,000	336,000
Earnings per share (RMB cents) – Basic	<u>31.8</u>	<u>31.8</u>	<u>44.6</u>	<u>31.9</u>	<u>23.6</u>

The Group has no potential ordinary shares throughout the [●].

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13. DIVIDEND

	Year ended 31 December			Nine months ended 30 September	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Dividend recognised as distribution during the year/period:					
Final dividend of SGD 0.0091 (2009: 0.0035; 2008: 0.0064; 2007: 0.0071) per share of the Company paid in respect of the previous financial year	12,167	10,934	5,496	5,496	14,719
	<u>12,167</u>	<u>10,934</u>	<u>5,496</u>	<u>5,496</u>	<u>14,719</u>

14. PROPERTY, PLANT AND EQUIPMENT

	Building	Plant and machinery	Office equipment	Motor vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
COST						
At 1 January 2007	17,822	73,134	3,694	3,291	464	98,405
Additions	317	3,058	918	144	12,523	16,960
Transfers	-	834	-	-	(834)	-
Disposals	-	-	(150)	-	-	(150)
	<u>17,822</u>	<u>73,134</u>	<u>3,694</u>	<u>3,291</u>	<u>464</u>	<u>98,405</u>
At 31 December 2007	18,139	77,026	4,462	3,435	12,153	115,215
Additions	796	675	240	1,545	13,983	17,239
Transfers	4,626	14,046	14	-	(18,686)	-
Disposals	(283)	(324)	(110)	(716)	-	(1,433)
	<u>18,139</u>	<u>77,026</u>	<u>4,462</u>	<u>3,435</u>	<u>12,153</u>	<u>115,215</u>
At 31 December 2008	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)
	<u>23,278</u>	<u>91,423</u>	<u>4,606</u>	<u>4,264</u>	<u>7,450</u>	<u>131,021</u>
At 31 December 2009	33,737	120,627	6,209	4,470	25,901	190,944
Additions	115	48	418	-	9,402	9,983
Transfers	8,675	23,483	72	500	(32,730)	-
Disposals	-	-	(85)	-	-	(85)
	<u>33,737</u>	<u>120,627</u>	<u>6,209</u>	<u>4,470</u>	<u>25,901</u>	<u>190,944</u>
At 30 September 2010	42,527	144,158	6,614	4,970	2,573	200,842
	<u>42,527</u>	<u>144,158</u>	<u>6,614</u>	<u>4,970</u>	<u>2,573</u>	<u>200,842</u>

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	Building <i>RMB'000</i>	Plant and machinery <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
DEPRECIATION						
At 1 January 2007	2,611	16,608	1,911	1,144	–	22,274
Provided for the year	863	6,665	716	605	–	8,849
Eliminated on disposals	–	–	(95)	–	–	(95)
At 31 December 2007	3,474	23,273	2,532	1,749	–	31,028
Provided for the year	1,064	7,672	723	669	–	10,128
Eliminated on disposals	(65)	(142)	(93)	(645)	–	(945)
At 31 December 2008	4,473	30,803	3,162	1,773	–	40,211
Provided for the year	1,337	9,147	385	659	–	11,528
Eliminated on disposals	–	(6)	(49)	–	–	(55)
At 31 December 2009	5,810	39,944	3,498	2,432	–	51,684
Provided for the period	1,334	8,515	499	396	–	10,744
Eliminated on disposals	–	–	(78)	–	–	(78)
At 30 September 2010	7,144	48,459	3,919	2,828	–	62,350
CARRYING VALUES						
At 31 December 2007	<u>14,665</u>	<u>53,753</u>	<u>1,930</u>	<u>1,686</u>	<u>12,153</u>	<u>84,187</u>
At 31 December 2008	<u>18,805</u>	<u>60,620</u>	<u>1,444</u>	<u>2,491</u>	<u>7,450</u>	<u>90,810</u>
At 31 December 2009	<u>27,927</u>	<u>80,683</u>	<u>2,711</u>	<u>2,038</u>	<u>25,901</u>	<u>139,260</u>
At 30 September 2010	<u>35,383</u>	<u>95,699</u>	<u>2,695</u>	<u>2,142</u>	<u>2,573</u>	<u>138,492</u>

At 31 December 2007, 2008, 2009 and 30 September 2010, buildings, plant and equipment with a carrying value of RMB14,407,000, RMB60,913,000, nil and nil respectively has been pledged as collaterals to secure certain short term bank loans (Note 25) of the Group.

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15. LEASEHOLD LAND

	As at 31 December			As at
	2007	2008	2009	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2010
				<i>RMB'000</i>
Cost				
At beginning of the year/period	20,980	20,980	20,980	24,376
Addition	–	–	3,396	–
	<u>20,980</u>	<u>20,980</u>	<u>24,376</u>	<u>24,376</u>
At end of the year/period	<u>20,980</u>	<u>20,980</u>	<u>24,376</u>	<u>24,376</u>
Accumulated amortisation				
At beginning of the year/period	1,718	2,208	2,698	3,235
Amortisation	490	490	537	419
	<u>2,208</u>	<u>2,698</u>	<u>3,235</u>	<u>3,654</u>
At end of the year/period	<u>2,208</u>	<u>2,698</u>	<u>3,235</u>	<u>3,654</u>
Carrying amount				
	<u>18,772</u>	<u>18,282</u>	<u>21,141</u>	<u>20,722</u>
Current asset	491	491	560	560
Non-current asset	<u>18,281</u>	<u>17,791</u>	<u>20,581</u>	<u>20,162</u>
	<u>18,772</u>	<u>18,282</u>	<u>21,141</u>	<u>20,722</u>

The amount represents land use rights located in the PRC and are amortised on a straight-line basis over the lease terms of 42 to 48 years.

At 31 December 2007, 2008, 2009 and 30 September 2010, the land use right with carrying amount of RMB18,772,000, RMB18,282,000, nil and nil respectively has been pledged as security for the Group's short term bank loans (Note 25). The pledged was discharged during the year ended 31 December 2009 upon the repayment of bank loans.

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16. DEFERRED TAX

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the [●]:

	Allowance for doubtful receivables <i>RMB'000</i>	Write down of inventories <i>RMB'000</i>	Withholding tax on undistributed profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2007	–	–	–	–
Credit to profit or loss	1,891	67	–	1,958
At 31 December 2007	1,891	67	–	1,958
Credit (charge) to profit or loss	–	33	(581)	(548)
Effect of change in tax rate	79	–	–	79
At 31 December 2008	1,970	100	(581)	1,489
Credit (charge) to profit or loss	–	(86)	(832)	(918)
Effect of change in tax rate	394	20	–	414
At 31 December 2009	2,364	34	(1,413)	985
Credit (charge) to profit or loss	–	28	(437)	(409)
At 30 September 2010	2,364	62	(1,850)	576

The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December			As at
	2007	2008	2009	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax assets	1,958	2,070	2,398	2,426
Deferred tax liabilities	–	(581)	(1,413)	(1,850)

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiary as at 31 December 2008, 2009 and 30 September 2010 amounting to RMB104,621,000, RMB254,288,000 and RMB332,959,000 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The deferred tax balance has reflected the tax rates that are expected to apply in the respective periods when the asset is realised or the liability is settled.

As at the end of each reporting period, the Group had no other significant unprovided deferred taxation.

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17. INVENTORIES

	As at 31 December			As at
	2007	2008	2009	30 September
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
Raw materials	20,632	25,644	25,436	35,499
Work-in-progress	6,932	8,878	8,779	7,923
Finished goods	69,431	89,534	150,253	59,601
	<u>96,995</u>	<u>124,056</u>	<u>184,468</u>	<u>103,023</u>
Write down of inventories to net book value	<u>(555)</u>	<u>(798)</u>	<u>(221)</u>	<u>(409)</u>
	<u>96,440</u>	<u>123,258</u>	<u>184,247</u>	<u>102,614</u>

When subsequent evaluations show that the circumstances that previously caused inventories to be written down below cost no longer exist, or when there is clear evidence of an increase in net realisable value because of changed economic circumstances, write-downs of inventories previously recognised are reversed.

18. TRADE RECEIVABLES

	As at 31 December			As at
	2007	2008	2009	30 September
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
Third parties	416,517	561,838	729,037	693,721
Less: Allowance for doubtful debts	<u>(15,762)</u>	<u>(15,762)</u>	<u>(15,762)</u>	<u>(15,762)</u>
Net	400,755	546,076	713,275	677,959
Notes receivables	<u>18,902</u>	<u>8,445</u>	<u>4,897</u>	<u>22,694</u>
Total	<u>419,657</u>	<u>554,521</u>	<u>718,172</u>	<u>700,653</u>

The Group allows credit period of 180 days to its trade customers. The aging 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:

	As at 31 December			As at
	2007	2008	2009	30 September
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
0 to 180 days	368,112	527,202	565,117	530,184
181 to 360 days	47,481	27,319	149,860	111,497
Over 360 days	<u>4,064</u>	<u>–</u>	<u>3,195</u>	<u>58,972</u>
	<u>419,657</u>	<u>554,521</u>	<u>718,172</u>	<u>700,653</u>

At 31 December 2007, 2008, 2009 and 30 September 2010, 88%, 95%, 79% and 76% of the trade receivables that are neither past due nor impaired. No impairment loss is provided for these receivables because they are within the credit period granted to the respective customer and the management considers the default rate is low for such receivables based on historical information and experience.

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Included in the Group's trade receivables are debtors with a carrying amount of RMB51,545,000, RMB27,319,000, RMB153,055,000 and RMB170,469,000 as at 31 December 2007, 2008, 2009 and 30 September 2010 respectively, which were overdue for which the Group has not provided for impairment loss as there has not been a significant change in good credit quality and the amounts are still considered recoverable.

Aging of trade receivables which are past due but not impaired

	As at 31 December			As at
	2007	2008	2009	30 September
	RMB'000	RMB'000	RMB'000	2010
181 to 360 days	47,481	27,319	149,860	111,497
Over 360 days	4,064	–	3,195	58,972
	<u>51,545</u>	<u>27,319</u>	<u>153,055</u>	<u>170,469</u>

Movement in the allowance for doubtful debts:

	As at 31 December			As at
	2007	2008	2009	30 September
	RMB'000	RMB'000	RMB'000	2010
Balance at beginning of the year/period	15,771	15,762	15,762	15,762
Amounts written off as uncollectible	(9)	–	–	–
Impairment losses recognised on receivables	–	–	–	–
Balance at end of the year/period	<u>15,762</u>	<u>15,762</u>	<u>15,762</u>	<u>15,762</u>

The Group does not hold any collateral over these balances. In determining the recoverability of the trade receivables, the Group monitors any change in the credit quality of the trade receivables since the credit was granted and up to the reporting date. After reassessment, the directors believe that no further allowance is required.

The Group's trade receivables that were denominated in USD, foreign currency of the relevant group entities, were re-translated in RMB and stated for reporting purposes as:

	As at 31 December			As at
	2007	2008	2009	30 September
	RMB'000	RMB'000	RMB'000	2010
Trade receivables denominated in USD	<u>7,843</u>	<u>15,198</u>	<u>24,779</u>	<u>15,285</u>

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19. OTHER RECEIVABLES AND PREPAYMENTS

	The Group			As at
	As at 31 December			30 September
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments	92	112	129	231
Advance payment to suppliers	561	666	22,930	9,472
Prepayment for listing related expenses	–	–	–	7,864
Others	1,151	671	1,089	5,371
	<u>1,804</u>	<u>1,449</u>	<u>24,148</u>	<u>22,938</u>

	The Company			As at
	As at 31 December			30 September
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Dividend receivable from subsidiary	68,548	–	–	–
Prepayments	26	–	–	–
Prepayment for listing related expenses	–	–	–	7,864
Others	410	382	1,416	1,818
	<u>68,984</u>	<u>382</u>	<u>1,416</u>	<u>9,682</u>

20. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December			As at
	As at 31 December			30 September
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current asset:				
Listed investment fund, at fair value, listed in PRC	–	500	500	–
Unlisted investment fund, at fair value	–	–	–	2,000
	<u>–</u>	<u>500</u>	<u>500</u>	<u>2,000</u>
Non-current asset				
Unlisted investment fund, at fair value	–	2,000	2,000	–
	<u>–</u>	<u>2,000</u>	<u>2,000</u>	<u>–</u>

The unlisted investment fund is an investment through a fund which invests in the equity of a listed security. It is due for maturity in 2011 and does not have a fixed rate of return. The fair values of unlisted investment fund are estimated using cash flow model. The management consider that the carrying amount approximate its fair value.

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21. BANK BALANCES AND CASH

Bank balances and cash comprise cash held by the Group and the Company and short-term bank deposits with an original maturity of three months or less which carried interest at market rates ranging from 0.72% to 1.35% per annum, 0.36% to 1.35% per annum, 0.36% to 1.35% per annum, 0.36% to 1.35% per annum, at 31 December 2007, 2008 and 2009 and 30 September 2010, respectively.

The Group's bank balances and cash that were denominated in currencies other than the functional currency of the relevant group entities are set out below:

	As at 31 December			As at
	2007	2008	2009	30 September 2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Denominated in:				
USD	43,689	28,160	3,027	5,934
EUR	413	–	–	–
SGD	1,888	4,807	8,328	2,534
INR	–	–	799	990
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

22. PLEDGED BANK DEPOSITS

Pledged bank deposits of the Group represents deposits pledged as securities of notes payables and letter of guarantee and carries interest rate as follows:

	As at 31 December			As at
	2007	2008	2009	30 September 2010
Annun interest rate	1.8-3.42%	1.71%	1.98%	1.98%
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

23. TRADE PAYABLES

	As at 31 December			As at
	2007	2008	2009	30 September 2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	37,015	80,875	158,035	96,024
Notes payables	67,622	123,060	316,607	244,337
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>104,637</u>	<u>203,935</u>	<u>474,642</u>	<u>340,361</u>

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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:

Age	As at 31 December			As at
	2007	2008	2009	30 September
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
0 to 90 days	94,737	192,619	286,955	207,531
91 to 180 days	9,618	10,337	185,961	129,980
181 to 360 days	248	494	1,532	2,609
Over 360 days	34	485	194	241
	<u>104,637</u>	<u>203,935</u>	<u>474,642</u>	<u>340,361</u>

The Group's trade payables that were denominated in USD and EUR, foreign currencies of the relevant group entities, were re-translated in RMB and stated for reporting purposes as:

Trade payables denominated in	As at 31 December			As at
	2007	2008	2009	30 September
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
USD	–	20	991	3,191
EUR	–	–	1,460	–
	<u>–</u>	<u>20</u>	<u>1,460</u>	<u>3,191</u>

24. OTHER PAYABLES

	As at 31 December			As at
	2007	2008	2009	30 September
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
Accruals	6,122	5,898	7,960	4,770
Payroll payables	22,131	15,695	22,528	15,281
Other tax liabilities	2,343	21,731	819	3,044
Others	750	875	1,083	1,225
	<u>31,346</u>	<u>44,199</u>	<u>32,390</u>	<u>24,320</u>

25. SHORT-TERM BANK LOANS

	As at 31 December			As at
	2007	2008	2009	30 September
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
Secured	289,000	181,800	10,221	9,528
Unsecured	–	90,000	165,000	100,000
	<u>289,000</u>	<u>271,800</u>	<u>175,221</u>	<u>109,528</u>

At 31 December 2007, bank loans amounting to RMB263,000,000 were guaranteed by related party (note 31) and bear interest in the range from 6.57% to 7.13% per annum. Bank loans amounting to RMB26,000,000 were secured by certain of the Group's buildings and land use right and bear interest at 6.57% per annum.

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At 31 December 2008, bank loans amounting to RMB133,000,000 were secured and guaranteed by related party (note 31) and bear interest in the range from 4.86% to 5.04% per annum. Bank loans amounting to RMB44,000,000 were secured by certain of the Group's buildings, land use right and machinery and bear interest at 6.03% per annum. Bank loans amounting to RMB4,800,000 were secured by certain of the Group's trade receivable of RMB 4,800,000 and bear interest at 6.03% per annum. Bank loans amounting to RMB90,000,000 were unsecured and bear interest in the range from 5.04% to 5.29% per annum.

At 31 December 2009, bank loans amounting to RMB165,000,000 are unsecured and bear interest in the range from 4.37% to 4.86% per annum. Bank loans amounting to RMB10,221,000 are secured by certain of the Group's pledged bank deposits of RMB11,000,000 and bear interest at 2.36% per annum.

At 30 September 2010, bank loans amounting to RMB100,000,000 are unsecured and bear interest of 4.37% per annum. Bank loans amounting RMB9,528,000 are secured by certain of the Group's pledged bank deposit of RMB11,000,000 and bear interest at 2.36% per annum.

The Group's short term bank loans that were denominated in EUR were re-translated in RMB and stated for reporting purposes as:

	As at 31 December			As at
	2007	2008	2009	30 September
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
Short term loans denominated in EUR	–	–	10,221	9,528

26. SHARE CAPITAL

	Number of shares	Amount
	('000)	\$\$'000
Issued and paid-up:		
At beginning and end of each [●]	336,000	40,766
Equivalent to approximately (RMB'000)		205,711

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

27. PRC STATUTORY RESERVE

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.

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28. OPERATING LEASES

	Year ended 31 December			Nine months ended 30 September	
	2007	2008	2009	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Minimum lease payments paid under operating leases in the year/period	380	563	778	555	790
	<u>380</u>	<u>563</u>	<u>778</u>	<u>555</u>	<u>790</u>

(unaudited)

At the end of each reporting period, the Group has outstanding commitment in respect of non-cancellable operating leases which fall due as follows:

	As at 31 December			As at 30 September
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	317	474	686	578
In the second to fifth years inclusive	212	118	895	587
	<u>212</u>	<u>118</u>	<u>895</u>	<u>587</u>
Total	529	592	1,581	1,165
	<u>529</u>	<u>592</u>	<u>1,581</u>	<u>1,165</u>

Operating lease payments represented rentals payable by the Group and Company for certain of its offices and workshop properties. Leases are negotiated for terms from 1 to 3 years.

29. COMMITMENTS

	As at 31 December			As at 30 September
	2007	2008	2009	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for:				
Property, plant and equipment	3,745	25,775	4,225	9,663
	<u>3,745</u>	<u>25,775</u>	<u>4,225</u>	<u>9,663</u>

At 30 September 2010, included in building in note 14 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 RMB5,760,000 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 RMB6,800,000 or at a higher price to be authorised by the directors.

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30. RETIREMENT BENEFITS SCHEMES

Pursuant to the relevant regulations of the PRC government, Hengxin (Jiangsu) has participated in central pension schemes ("the Schemes") operated by local municipal government whereby Hengxin (Jiangsu) 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 Hengxin (Jiangsu). The only obligation of Hengxin (Jiangsu) 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.

During the [●], the total amounts contributed by the Group to the schemes and charged to profit or loss represent contribution payable to the schemes by the Group at rates specified in the rules of the schemes and are as follows:

	Year ended 31 December			Nine months ended	
	2007	2008	2009	30 September	2010
	RMB'000	RMB'000	RMB'000	2009	2010
				RMB'000	RMB'000
				<i>(unaudited)</i>	
Amount contributed and charged to the profit or loss	1,327	1,897	2,246	1,667	1,857

As at 31 December 2007, 2008, 2009 and 30 September 2010, the contributions due in respect of the year/period that had not been paid over to the schemes were RMB88,000, RMB184,600, RMB192,600 and RMB230,600, respectively.

31. RELATED PARTY TRANSACTIONS

Related party transactions

During the [●], the Group had the following related party transactions:

	Year ended 31 December			Nine months ended	
	2007	2008	2009	30 September	2010
	RMB'000	RMB'000	RMB'000	2009	2010
				RMB'000	RMB'000
				<i>(unaudited)</i>	
Discontinued related party transaction: Provide guarantee for short-term bank loans by: Hengtong Group Co., Ltd <i>(note 1)</i>	263,000	133,000	-	-	-
Continuing related party transaction: Purchase of raw materials from: Suzhou Hengli Telecommunications Materials Co., Ltd <i>(note 2)</i>	-	179	7,227	4,966	6,627

Note 1: A director of Hengtong Group Co., Ltd is a sibling of Mr. Cui Genxiang, who is director of the Company.

Note 2: A subsidiary of Hengtong Group Co., Ltd.

APPENDIX I

ACCOUNTANTS' REPORT

Compensation of key management personnel

The remuneration of directors and other members of key management during the [●] were as follows:

	Year ended 31 December			Nine months ended	
				30 September	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Short-term benefits	6,177	7,783	9,369	6,799	6,144
Retirement benefits scheme contributions	37	64	67	50	78
	<u>6,214</u>	<u>7,847</u>	<u>9,436</u>	<u>6,849</u>	<u>6,222</u>

32. PLEDGE OF ASSETS

At the end of each reporting period, the following assets were pledged to banks for banking facilities, including bank loans, notes payables and letter of guarantee.

	As at 31 December			As at
				30 September
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Bank deposits	31,335	70,769	120,486	85,785
Buildings	14,407	12,400	–	–
Plant and equipment	–	48,513	–	–
Land use rights	18,772	18,282	–	–
	<u>64,514</u>	<u>149,964</u>	<u>120,486</u>	<u>85,785</u>

33. INVESTMENTS IN SUBSIDIARIES

	As at 31 December			As at
				30 September
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Unquoted share capital, at cost				
At beginning of year/period	163,655	163,655	231,784	320,961
Capitalisation of dividend receivable	–	68,129	88,826	–
Addition	–	–	351	1,023
	<u>163,655</u>	<u>231,784</u>	<u>320,961</u>	<u>321,984</u>

APPENDIX I

ACCOUNTANTS' REPORT

B. DIRECTORS' REMUNERATION

Save as disclosed herein, no remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the [●].

Under the arrangement currently in force, the aggregate amount of the directors' fees and other emoluments for the year ended 31 December 2010 is estimated to be approximately RMB2,065,000.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2010.

Yours faithfully
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

APPENDIX III

PROPERTY VALUATION

The following is the text of a letter with the summary of values and valuation certificate received from CB Richard Ellis Limited, prepared for the purpose of incorporation in the document, in connection with their valuation as at [30 September 2010] of all the property interests of the Group.

CBRE
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地產代理 (公司) 牌照號碼

Estate Agent's Licence (Co.) No. C-004065

[●] 2010

The Board of Directors,
Hengxin Technology Ltd.,
16 Raffles Quay,
#33-02B Hong Leong Building,
Singapore 048581

Dear Sirs,

In accordance with your instructions for us to value the property interests held by Hengxin Technology Ltd. (the "Company") and its subsidiaries (hereinafter together known as the "Group") in the People's Republic of China (the "PRC") and India. We confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of such property interests as at [30 September 2010] (the "date of valuation").

Our valuation is our opinion of Market Value which is defined to mean "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

Unless otherwise stated, our valuation is prepared in accordance with the "First Edition of The HKIS Valuation Standards on Properties" published by The Hong Kong Institute of Surveyors ("HKIS"). We have also complied with all the requirements contained in Paragraph 46 of Schedule 3 of the Companies Ordinance (Cap. 32), Chapter 5, Practice Note 12 and Practice Note 16 of [●].

APPENDIX III

PROPERTY VALUATION

Our valuation has been made on the assumption that the owner sells the properties on the open market without the benefit or the burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

Unless otherwise stated, all the property interests are valued by the comparison method on the assumption that each property can be sold with the benefit of vacant possession. Comparison is based on prices realized on actual transactions or asking price of comparable properties. Comparable properties with similar sizes, character and locations are analyzed, and carefully weighted against all respective advantages and disadvantages of each property in order to arrive at a fair comparison of value.

In valuing the property interests in Group I, which is held by the Group for occupation in the PRC, we have adopted the market approach in valuing the land portion of the property and depreciated replacement cost approach in assessing buildings and structures standing on the land. In the valuation of the land portion, reference has been made to the standard land prices and the sales evidence as available to us in the locality.

Depreciated Replacement Cost is based on an estimate of the Market Value for the existing use of the land, plus the current gross replacement (or reproduction) costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization.

Where due to the specific purpose for which the buildings and structures of the property interests have been constructed, or where the property interests are located in markets where there are no readily identifiable market comparables, the property interests have been valued on the basis of the depreciated replacement cost. The depreciated replacement cost approach considers the cost to reproduce or replace in new condition the property appraised in accordance with current construction costs for similar property in the locality, with allowance for accrued depreciation as evidence by observed condition or obsolescence present, whether arising from physical, functional or economic causes. The depreciated replacement cost approach generally furnishes the most reliable indication of value for property in the absence of a known market based on comparable sales.

For the property interests in Group II which are rented by the Group in India, are considered to have no commercial value due mainly to the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

For the property interests in Group III which are rented by the Group in Singapore, are considered to have no commercial value due mainly to the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

APPENDIX III

PROPERTY VALUATION

In the course of our valuation for the property interests in the PRC, we have relied on the legal opinion provided by the Group's PRC legal advisor, Shanghai Veritas Law Corporation (the "PRC Legal Opinion"). We have been provided with extracts from title documents relating to such property interests. We have not, however, searched the original documents to verify ownership or existence of any amendment which does not appear on the copies handed to us. All documents have been used for reference only.

We have relied to a considerable extent on information given by the Group, in particular, but not limited to, the planning approvals, statutory notices, easements, tenancies and floor areas. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificates are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Group, which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided to us.

We have inspected the properties to such extent as for the purpose of this valuation. In the course of our inspection, we did not notice any serious defects. However, we have not carried out any structural survey nor any tests were made on the building services. Therefore, we are not able to report whether the properties are free of rot, infestation or any other structural defects. We have not carried out investigations on the site to determine the suitability of the ground conditions and the services etc. for any future development.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their values.

Unless otherwise stated, all monetary amounts are stated in Renminbi ("RMB").

We enclose herewith a summary of values and our valuation certificates.

Yours faithfully,
For and on behalf of
CB Richard Ellis Limited
Leo MY Lo
Director
Valuation & Advisory Services

Note: Mr. Leo MY Lo is a member of Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors. He has over 7 years' valuation experience in the PRC Hong Kong and the Asia Pacific Region.

APPENDIX III

PROPERTY VALUATION

SUMMARY OF VALUES

Property Interests	Capital Value in existing state as at [30 September 2010] (RMB)	Interests attributable to the Group	Capital Value attributable to the Group as at [30 September 2010] (RMB)
Group I – Property interests held by the Group for occupation in the PRC			
1. An industrial complex, No.138 Taodu Road, Dingshu Town, Yixing City, Jiangsu Province, the PRC	[87,000,000]	[100%]	[87,000,000]
		Group I Sub-total:	<u>[87,000,000]</u>
Group II – Property interests rented by the Group in India			
2. 53/603, Seawoods Estate, Phase-II, P-I Sec-54/56/58, Nerul, Navi Mumbai, India			No commercial value
3. Office no.1 on the 9th floor, 'B' wing of the building known as Aggarwal Trade Centre, lying on Plot no. 62, Sector-11, CBD Belapur, Navi Mumbai, India			No commercial value
4. Godowns No. C1/2, C1/3, C1/4, C1/5 in Sagar Complex situated in Owali Village, Mumbai Nasik Bypass, Bhiwandi, Dist. Thane, India			No commercial value
		Group II Sub-total:	<u>No commercial value</u>

APPENDIX III

PROPERTY VALUATION

Property Interests	Capital Value in existing state as at [30 September 2010] (RMB)	Interests attributable to the Group	Capital Value attributable to the Group as at [30 September 2010] (RMB)
 Group III – Property interests rented by the Group in Singapore			
5. 16 Raffles Quay, #33-02B Hong Leong Building, Singapore 048581			No commercial value <hr/>
		Group III Sub-total:	No commercial value <hr/>
		Grand total:	[87,000,000] <hr/> <hr/>

APPENDIX III

PROPERTY VALUATION

VALUATION CERTIFICATE

Group I – Property interests held by the Group for occupation in the PRC

Property	Description and tenure	Details of occupancy	Capital value in existing state as at [30 September 2010] (RMB)
1. An industrial complex, No.138 Taodu Road, Dingshu Town, Yixing City, Jiangsu Province, The PRC	<p>The property comprises various workshops, offices, facilities with a total gross floor area of approximately [64,227.53] sq.m. occupying on a site with an area of approximately [123,573.80] sq.m. (the "Site").</p> <p>The property was completed from 1990's to 2010.</p> <p>The land use rights of the property are held under [3] State-owned Land Use Rights Certificates with various land use terms expiring on 18 July 2045, 28 November 2051 and 12 May 2058 for industrial use.</p>	The property is currently occupied by the Group for industrial production, office and ancillary purposes.	[87,000,000] ([100%] interests attributable to the Group: RMB[87,000,000] (please refer to note c for details)

Notes:

- a) Pursuant to the following State-owned Land Use Rights Certificates issued by Yixing Municipal State-owned Land and Resource Bureau, the land use rights of the Site with a total site area of approximately [103,627.00] sq.m. have been granted to Jiangsu Hengxin Technology Co., Ltd. for industrial use.

State-owned Land

Use Rights Certificate Number	Issue Date	Site Area (sq.m.)	Use/Expiry Date
Yi Guo Yong (2005) Zi No. 000001	04 January 2005	[11,602.10]	Industrial: 28 November 2051
Yi Guo Yong (2005) Zi No. 000002	04 January 2005	[81,528.60]	Industrial: 18 July 2045
Yi Guo Yong (2009) Zi No. 36600516	19 May 2009	[10,496.30]	Industrial: 12 May 2058
	Total:	[103,627.00]	

APPENDIX III

PROPERTY VALUATION

- b) Pursuant to the following Building Ownership Certificates, the building ownership of the property with a total gross floor area of approximately [54,462.93] sq.m. has been held by Jiangsu Hengxin Technology Co., Ltd. for industrial use.

Building Ownership Certificates Number	Issue Date	Gross Floor Area (sq.m.)
Yi Fang Quan Zheng Din Shu Zi No. B0010387	18 January 2005	[89.11]
Yi Fang Quan Zheng Din Shu Zi No. B0010388	18 January 2005	[1,639.04]
Yi Fang Quan Zheng Din Shu Zi No. B0010390	18 January 2005	[377.29]
Yi Fang Quan Zheng Din Shu Zi No. B0010391	18 January 2005	[375.77]
Yi Fang Quan Zheng Din Shu Zi No. B0010392	18 January 2005	[1,869.60]
Yi Fang Quan Zheng Din Shu Zi No. B0010393	18 January 2005	[545.69]
Yi Fang Quan Zheng Din Shu Zi No. B0010395	18 January 2005	[1,888.02]
Yi Fang Quan Zheng Din Shu Zi No. B0010396	18 January 2005	[945.29]
Yi Fang Quan Zheng Din Shu Zi No. B0010397	18 January 2005	[4,239.41]
Yi Fang Quan Zheng Din Shu Zi No. B0010398	18 January 2005	[17.89]
Yi Fang Quan Zheng Din Shu Zi No. B0010389	18 January 2005	[170.12]
Yi Fang Quan Zheng Din Shu Zi No. B0010400	18 January 2005	[8,118.97]
Yi Fang Quan Zheng Din Shu Zi No. B0010401	18 January 2005	[210.60]
Yi Fang Quan Zheng Din Shu Zi No. B0010402	18 January 2005	[154.16]
Yi Fang Quan Zheng Din Shu Zi No. B0010403	18 January 2005	[4,322.56]
Yi Fang Quan Zheng Din Shu Zi No. B0016122	13 March 2008	[4,094.40]
Yi Fang Quan Zheng Din Shu Zi No. 1000029328	19 May 2010	[8,719.48]
Yi Fang Quan Zheng Din Shu Zi No. 1000029996	26 May 2010	[4,170.23]
Yi Fang Quan Zheng Din Shu Zi No. 1000037907	17 September 2010	12,515.3
	Total:	<u>[54,462.93]</u>

- c) As advised by the Group, portion of the property, with a gross floor area of approximately [12,515.3] sq.m. and occupying a site with an area of approximately [19,946.8] sq.m., have not obtained the State-owned Land Use Rights Certificate. In the course of our valuation, we have ascribed no commercial value to the portion. Had the Group obtained the State-owned Land Use Rights Certificate, the capital value of the portion of the property in existing state as at [30 September 2010] would be RMB[28,000,000] ([100%] interests attributable to the Group: RMB[28,000,000]).
- d) As advised by the Group, portion of the property, with a gross floor area of approximately [2,282] sq.m. has not obtained the Building Ownership Certificate(s) for they are regarded as temporary constructions. We have ascribed no commercial value to the portion.
- e) As advised by the Group, 2 blocks of industrial buildings with a total gross floor area of approximately [236.77] sq.m. have been demolished. We have ascribed no commercial value to the buildings.
- f) Portion of the property, with a gross floor area of approximately 7,482.6 sq.m. which is currently under construction, has not yet obtained the State-owned Land Use Rights Certificate. In the course of our valuation, we have ascribed no commercial value to that portion of property.
- g) We have been provided with a legal opinion on the property prepared by the Group's PRC legal advisor, which contains, inter alia, the following information:
- i) The Group has obtained the State-owned Land Use Rights Certificates of the property, the Group is entitled to legally own the land use rights to the site (except for the portion which has not obtained the relevant State-owned Land Use Rights Certificates). The Group is entitled to occupy, use, lease, transfer or otherwise dispose of the Site.
 - ii) The site has not been mortgaged, seized nor subject to any other dispute.

APPENDIX III

PROPERTY VALUATION

- iii) Pursuant to various Building Ownership Certificates, the Group is entitled to occupy, use, lease, transfer or other dispose of the buildings (except for the portion which has not obtained the relevant Building Ownership Certificates).
- iv) Regarding the land without State-owned Land Use Rights Certificate, on the condition that the relevant litigation is end and the land would be auctioned by the court, the Group would obtain the State-owned Land Use Rights Certificate.
- v) Regarding the portion of the property as mentioned in note c above, under the condition that the land use rights can not be retrieved by Yixing Municipal through release of sequestration, whilst other third party obtain the land use rights. Since the Group occupies the land parcel and constructed workshop, the Group may be deemed as violating the land use rights owned by other parties. Once the violation is confirmed, the Group may be ordered to demolish the building. However, the Group has the rights to require the compensation from the government for the loss.
- vi) Regarding to the building which is under construction, the Group has obtained the Construction Land Planning Permit, Construction Works Planning Permit and Construction Works Commencement Permit. Had the Group obtained the relevant State-owned Land Use Rights Certificate and the relevant Completion Construction Works Certified Report, the Group can apply for the Building Ownership Certificate of the property from the relevant government department.
- vii) As advised by the legal advisor, one of the Building Ownership Certificates with a gross floor area of approximately 12,515.3 sq.m. were reclaimed by the government on 25 November 2010. The abovementioned Building Ownership Certificate faces a risk of being cancelled before the release of legal dispute regarding the relevant land use rights.

APPENDIX III

PROPERTY VALUATION

VALUATION CERTIFICATE

Group II – Property interests rented by the Group in India

Property	Description and tenure	Details of occupancy	Capital value in existing state as at [30 September 2010] (HK\$)
2. 53/603, Seawoods Estate, Phase-II, P-I Sec-54/56/58, Nerul, Navi Mumbai, India	The property is used for residential purposes. The total gross floor area of the property is approximately 1,450 sq.ft.	The property is leased by Mrs. Reeta W/o Mr. Upendra Prasad Roy under a tenancy agreement with a term 11 months with effect from 1 February 2010 to 31 December 2010 in a monthly rental of [Rs.20,000]. A sum of Rs.100,000 shall be paid as interest free security deposit.	No commercial value

Notes:

- a) Pursuant to the following tenancy agreements entered between Mrs. Reeta Roy W/o Mr. Upendra Prasad Roy ("Party A") and M/s Hengxin Technology (India) Pvt Ltd. ("Party B"), Party A agreed to lease the property to the Group and some of the important terms stipulated in the tenancy agreements are, inter alia, as followings,
 - i) The rent is exclusive of management fee and other outgoings.
- b) The registered owner of the property is [Mrs. Reeta Roy W/o Mr. Upendra Prasad Roy].

APPENDIX III

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at [30 September 2010] (HK\$)
3. Office no. 1 on the 9th Floor, 'B' wing of the building known as Aggarwal Trade Centre, lying on Plot no. 62, Sector-11, CBD Belapur, Navi Mumbai, India	The property is used for commercial purpose. The total gross floor area of the property is approximately 692 sq.ft.	The property is leased by Shri. Surendra Singh Batra under a tenancy agreement with a term of 36 months with lock-in period of the first 12 months, the lock-in period of the first twelve months i.e. for the period 10 August 2009 to 9 August 2011. Effective from 10 August 2009 to 9 August 2012 in a monthly rental of [Rs.27,000] for the first 12 months, [Rs.29,000] for the second 12 months and [Rs.31,000] for the last 12 months.	No commercial value

Notes:

- a) Pursuant to the following tenancy agreements entered between Shri. Surendra Singh Batra ("Party A") and M/s Hengxin Technology (India) Pvt. Ltd. ("Party B"), Party A agreed to lease the property to the Group and some of the important terms stipulated in the tenancy agreements are, inter alia, as followings,
 - i) The rent is exclusive of Service Tax which will be borne by the Licensee if applicable.
- b) The registered owner of the property is [Shri. Surendra Singh Batra].

APPENDIX III

PROPERTY VALUATION

VALUATION CERTIFICATE

Property	Description and tenure	Details of occupancy	Capital value in existing state as at [30 September 2010] (HK\$)
4. Godowns No. C1/2, C1/3, C1/4, C1/5 in Sagar Complex situated in Owali Village, Mumbai Nasik Bypass, Bhiwandi, Dist. Thane, India	The property is used for storage purposes. The total gross floor area of the property is approximately 12,000 sq.ft. With its total built up area of 10,000 sq.ft.	The property is leased by Shri Shankar S. Pawar under a tenancy agreement with a term of 35 months with effect from 24 August 2009 to 23 July 2012 with lock in period of 12 months from 24 August 2009 to 23 July 2010. With a monthly rental of [Rs.91,000] for the first 12 months, [97,000] for the second 12 months period and [104,000] for the third 12 months period. A sum of Rs.100,000 shall be paid as interest free security deposit.	No commercial value

Notes:

- a) Pursuant to the following tenancy agreements entered between Shri Shankar S. Pawar ("Party A") and M/S Hengxin Technology (India) Pvt Ltd. ("Party B"), Party A agreed to lease the property to the Group and some of the important terms stipulated in the tenancy agreements are, inter alia, as followings,
 - i) The rent is exclusive of electricity bills, telephone bills etc. for the personal & commercial use from electric meter lying in the said Godowns.
- b) The registered owner of the property is [Shri Shankar S. Pawar].

APPENDIX III

PROPERTY VALUATION

VALUATION CERTIFICATE

Group III – Property interests rented by the Group in Singapore

Property	Description and tenure	Details of occupancy	Capital value in existing state as at [30 September 2010] (HK\$)
5. 16 Raffles Quay, #33-02B Hong Leong Building, Singapore 048581	The property is used for commercial purposes. The total gross floor area of the property is approximately 452 sq.ft.	The property is leased by Hong Leong Holdings Limited under a tenancy agreement with a term of 36 months with effect from 7 June 2010 to 6 June 2013 in a monthly rental of [Sgd. 3,390].	No commercial value

Notes:

- a) Pursuant to the following tenancy agreements entered between Hong Leong Holdings Limited ("Party A") and Hengxin Technology Ltd. ("Party B"), Party A agreed to lease the property to the Group.
- b) The registered owner of the property is [Hong Leong Holdings Limited].

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY

SELECTED EXTRACTS OF OUR ARTICLES OF ASSOCIATION

The discussion below provides information about certain provisions of our Memorandum and Articles of Association and the laws of Singapore. This description is only a summary and is qualified by reference to Singapore law and our Memorandum and Articles of Association. The instruments that constitute and define our Company are the Memorandum and Articles of Association of the Company.

Memorandum of Association

The name of the Company is Hengxin Technology Ltd. The registered office of the Company is at 10 Anson Road, #15-07 International Plaza, Singapore 079903, and the liability of the members is limited.

Articles of Association

The Articles of Association referred to and disclosed in this document refer to the set of Articles of Association approved by our Shareholders at an extraordinary general meeting held on 27 October 2010. Such Articles of Association shall be effective upon the listing of the Company on [●].

A copy of the full set of the Memorandum and Articles of Association will be available for inspection by Shareholders at the offices of Li & Partners at 22nd Floor, World-Wide House, Central, Hong Kong, during normal business hours up to and including [●].

A summary of the provisions in the Articles of Association of our Company relating to the following matters are set out below:

- (a) *a Director's power to vote on a proposal, arrangement or contract in which the Director is interested*

Article 100

A Director shall not vote in respect of any contract or arrangement or any other proposal whatsoever in which he or any of his associates has any interest, directly or indirectly. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting, but this prohibition shall not apply to any of the following matters namely:

- (a) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY

- (b) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
 - (c) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
 - (d) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;
 - (e) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in five (5) per cent or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associate is derived); or
 - (f) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.
- (b) *the Director's power to vote on remuneration (including pension or other benefits) for himself or for any other director, and whether the quorum at a meeting of the board of Directors to vote on Directors' remuneration may include the director whose remuneration is the subject of the vote*

Article 77

The ordinary remuneration of the Directors, which shall from time to time be determined by an Ordinary Resolution of the Company, shall not be increased except pursuant to an Ordinary Resolution passed at a General Meeting where notice of the proposed increase shall have been given in the notice convening the General

APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY

Meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. The ordinary remuneration of an executive Director may not include a commission on or a percentage of turnover and the ordinary remuneration of a non-executive Director shall be a fixed sum, and not by a commission on or a percentage of profits or turnover.

Article 78

Any Director who holds any executive office, or who serves on any committee of the Directors, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, commission or otherwise as the Directors may determine, other than by a commission on or percentage of commission or turnover, Provided that such extra remuneration (in case of an executive Director) shall not by way of commission on or a percentage of turnover and (in the case of a non-executive Director) shall be by a fixed sum, and not by a commission on or a percentage of profits or turnover.

Article 79

The Directors may repay to any Director all such reasonable expenses as he may incur in attending and returning from meetings of the Directors or of any committee of the Directors or General Meetings or otherwise in or about the business of the Company.

Article 80

The Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to (or to any person in respect of) any Director for the time being holding any executive office and for the purpose of providing any such pensions or other benefits to contribute to any scheme or fund or to pay premiums.

(c) borrowing powers exercisable by the Directors and how such borrowing powers can be varied

Article 108

Subject as hereinafter provided and to the provisions of the Statutes, the Directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

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(d) retirement or non-retirement of Directors under an age limit requirement

There is no retirement age limit for Directors under our Articles of Association. Section 153(1) of the Companies Act, however, provides that no person of or over the age of 70 years shall be appointed a director of a public company, unless he is appointed or reappointed as a director of the company or authorised to continue in office as a director of the company by way of an ordinary resolution passed at an annual general meeting of the company.

Article 89

At each Annual General Meeting, 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. For the avoidance of doubt, each Director shall retire at least once every three years. A Director holding the office of Managing Director or Joint Managing Director shall be taken into account in determining the number of Directors to retire.

Article 90

The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who is due to retire at the meeting by reason of age or who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by ballot. A retiring Director shall be eligible for re-election.

Article 91

The Company at the meeting at which a Director retires under any provision of these presents may by Ordinary Resolution fill the office being vacated by electing thereto the retiring Director or some other person eligible for appointment. In default, the retiring Director shall be deemed to have been re-elected except in any of the following cases:

- (a) where at such meeting it is expressly resolved not to fill such office or a resolution for the reelection of such Director is put to the meeting and lost; or
- (b) where such Director has given notice in writing to the Company that he is unwilling to be reelected; or
- (c) where the default is due to the moving of a resolution in contravention of the next following Article; or

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(d) where such Director has attained any retiring age applicable to him as Director.

The retirement shall not have effect until the conclusion of the meeting except where a resolution is passed to elect some other person in the place of the retiring Director or a resolution for his reelection is put to the meeting and lost and accordingly a retiring Director who is re-elected or deemed to have been re-elected will continue in office without a break.

(e) the number of shares, if any, required for Director's qualification

Article 76

A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to receive notice of and to attend and speak at General Meetings.

(f) rights, preferences and restrictions attaching to each class of shares

Article 4

(A) Subject to the Act and to these presents, no shares may be issued by the Directors without the prior approval of the Company in General Meeting pursuant to Section 161 of the Act, but subject thereto and the terms of such approval, and to Article 5, and to any special rights attached to any shares for the time being issued, the Directors may allot (with or without conferring a right of renunciation) or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and whether or not subject to the payment of any part of the amount thereof in cash or otherwise as the Directors may think fit, and any shares may, subject to compliance with Sections 70 and 75 of the Act, be issued with such preferential, deferred, qualified or special rights, privileges, conditions or restrictions, whether as regards dividend, return of capital, participation in surplus assets and profits, voting, conversion or otherwise, as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors in accordance with the Act, Provided Always that no options shall be granted over unissued shares except in accordance with the Act and the listing rules Designated [●].

(B) No shares shall be issued to transfer a controlling interest in the Company without the specific prior approval of the Company in General Meeting.

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- (C) The Directors may, at any time after the allotment of any share but before any person has been entered in the Register of Members as the holder, recognize a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit to impose.
- (D) Except so far as otherwise provided by the conditions of issue or by these presents, all new shares shall be issued subject to the provisions of the Statutes and of these presents with reference to allotment, payment of calls, lien, transfer, transmission, forfeiture or otherwise.
- (E) Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by the Company in general meeting, either generally or with regard to specific purchases. If purchases are by tender, tenders shall be available to all members alike.

Article 8

- (A) The rights attached to shares issued upon special conditions shall be clearly defined in the Memorandum and Articles and the rights attaching to shares of a class other than ordinary shares shall be expressed. The total number of issued preference shares shall not at any time exceed the total issued ordinary shares, Provided Always that the preference shares shall be issued subject to such limitation thereof as may be prescribed by any applicable rules of the Designated [●]. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance-sheets and attending General Meetings of the Company, and preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing capital or winding-up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrear.
- (B) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares already issued.

Article 9

- (A) Whenever the share capital of the Company is divided into different classes of shares, the variation or abrogation of the special rights attached to any class may, subject to the provisions of the Act, be made either with the consent in writing of the holders of three quarters of the total number of issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise)

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and may be so made either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provisions of these presents relating to General Meetings of the Company and to the proceedings thereat shall mutatis mutandis apply, except that the necessary quorum shall be two or more persons holding at least one-third of the total number of the issued shares of the class present in person or by proxy or attorney and that any holder of shares of the class present in person or by proxy or attorney may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him where the class is a class of equity shares within the meaning of Section 64(1) of the Companies Act or at least one vote for every share of the class where the class is a class of preference shares within the meaning of Section 180(2) of the Act, Provided Always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, the consent in writing, if obtained from the holders of three-quarters of the total number of the issued shares of the class concerned within two months of such General Meeting, shall be as valid and effectual as a Special Resolution carried at such General Meeting.

- (B) The provisions in Article 9(A) shall mutatis mutandis apply to any repayment of preference capital (other than redeemable preference capital) and any variation or abrogation of the rights attached to preference shares or any class thereof.
- (C) The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto.

Article 15

Every person whose name is entered as a Member in the Register of Members shall be entitled, within ten market days (or such period as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated [●] from time to time) after the closing date of any application for shares or (as the case may be) the date of lodgement of a registrable transfer, to one certificate for all his shares of any one class or to several certificates in reasonable denominations each for a part of the shares so allotted or transferred.

Article 35

- (A) There shall be no restriction on the transfer of fully paid up shares (except where required by law or by the rules, bye-laws or listing rules of the Designated [●]) and fully paid up Shares shall also be free from all liens but

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the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien, and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve, Provided Always that in the event of the Directors refusing to register a transfer of shares, the Company shall within ten market days (or such period as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated [●] from time to time) after the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.

- (B) The Directors may decline to register any instrument of transfer unless:
- (a) such fee not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated [●] from time to time) as the Directors may from time to time require is paid to the Company in respect thereof;
 - (b) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid;
 - (c) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by a certificate of payment of stamp duty (if stamp duty is payable on such instrument of transfer in accordance with any law for the time being in force relating to stamp duty,), the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and
 - (d) the instrument of transfer is in respect of only one class of shares.

Article 42

A reference to a member shall be a reference to a registered holder of shares in the Company, or where such registered holder is CDP or a clearing house (as the case may be), the Depositors on behalf of whom CDP or the clearing house (as the case may be) holds the shares, Provided that:

- (a) a Depositor shall only be entitled to attend any General Meeting and to speak and vote thereat if his name appears on the Depository Register maintained by CDP or a clearing house (as the case may be) forty-eight (48) hours before the General Meeting as a Depositor on whose behalf

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CDP or the clearing house (as the case may be) holds shares in the Company, the Company being entitled to deem each such Depositor, or each proxy of a Depositor who is to represent the entire balance standing to the Securities Account of the Depositor, to represent such number of shares as is actually credited to the Securities Account of the Depositor as at such time, according to the records of CDP or the clearing house (as the case may be) as supplied by CDP or the clearing house (as the case may be) to the Company, and where a Depositor has apportioned the balance standing to his Securities Account between two proxies, to apportion the said number of shares between the two proxies in the same proportion as previously specified by the Depositor in appointing the proxies; and accordingly no instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the proportion of Depositor's shareholding specified in the instrument of proxy, or where the balance standing to a Depositor's Securities Account has been apportioned between two proxies the aggregate of the proportions of the Depositor's shareholding they are specified to represent, and the true balance standing to the Securities Account of a Depositor as at the time of the General Meeting, if the instrument is dealt with in such manner as is provided above;

- (b) the payment by the Company to CDP or a clearing house (as the case may be) of any Dividend payable to a Depositor shall to the extent of the payment discharge the Company from any further liability in respect of the payment;
- (c) the delivery by the Company to CDP or a clearing house (as the case may be) of provisional allotments or share certificates in respect of the aggregate entitlements of Depositors to new shares offered by way of rights issue or other preferential offering or bonus issue shall to the extent of the delivery discharge the Company from any further liability to each such Depositor in respect of his individual entitlement; and
- (d) the provisions in these presents relating to the transfers, transmissions or certification of shares shall not apply to the transfer of book-entry securities (as defined in the Statutes).

Article 43

Except as required by the Statutes or law, no person shall be recognized by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these presents or by the Statutes or law otherwise provided) any other right in respect of any share, except an absolute

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right to the entirety thereof in the registered holder and nothing in these presents contained relating to CDP or a clearing house or their respective nominees (as the case may be) or to Depositors or in any depository agreement made by the Company with any common depository for shares shall in any circumstances be deemed to limit, restrict or qualify the above.

Article 64

In the case of joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members or, as the case may be, the order in which the names appear in the Depository Register in respect of the joint holding.

Article 65

Where in Singapore or elsewhere a receiver or other person (by whatever name called) has been appointed by any court claiming jurisdiction in that behalf to exercise powers with respect to the property or affairs of any member on the ground (however formulated) of mental disorder, the Directors may in their absolute discretion, upon or subject to production of such evidence of the appointment as the Directors may require, permit such receiver or other person on behalf of such member, to vote in person or by proxy at any General Meeting, or to exercise any other right conferred by membership in relation to meetings of the Company.

Article 66

No Member shall be entitled in respect of shares held by him to vote at a General Meeting either personally or by proxy or to exercise any other right conferred by membership in relation to General Meetings if any call or other sum payable by him to the Company in respect of such shares remains unpaid.

Article 66A

Where the Company has knowledge that any member is, under the listing rules of the Designated [●], required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(g) any change in capital

Article 11

The Company may by Ordinary Resolution:

- (a) consolidate and divide all or any of its share capital;

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- (b) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person or which have been forfeited and diminish the amount of its capital by the amount of the shares so cancelled;
- (c) subject to the provisions of the Statutes, sub-divide its shares, or any of them, so however that the proportion of the amount paid to the amount unpaid (if any) on each sub-divided share is the same as on the original share from which it was derived; and the resolution whereby any share is sub-divided being otherwise permitted to determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred, qualified or other special rights, or be subject to any such restrictions, as the Company has then the authority to attach to unissued or new shares;
- (d) subject to the provisions of the Statutes, convert or exchange any class of shares into or for any other class of shares; and/or
- (e) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in General Meeting, as the Directors may determine provided always that where the Company issues shares which do not carry voting rights, the words "non-voting" shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words "restricted voting" or "limited voting".

Article 12

- (A) Subject to a special resolution being passed by the shareholders of the Company in General Meeting and court approval being obtained, the Company may reduce its share capital any undistributable reserve in any manner permitted, and with, and subject to, any incident authorized, and consent or confirmation required, by law, and by way of special resolution with approval from the court in reducing its share capital.
- (B) Subject to and in accordance with the provisions of the Statutes and any applicable listing rules of the Designated [●] (hereinafter the "Relevant Laws"), the Company may authorise the Directors in General Meeting to purchase or otherwise acquire any of its issued shares (which expression as used in this Article includes redeemable Shares) out of distributable profits of

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the Company or out of the proceeds of a fresh issue of shares made for the purposes of such purchase or acquisition on such terms as the Company may think fit and in the manner prescribed by the Act. All shares purchased by the Company shall, unless held in treasury in accordance with the Act, be deemed to be cancelled immediately on purchase or acquisition. On the cancellation of a share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, or in accordance with, the Relevant Laws. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these presents, the number of issued shares of the Company shall be diminished by the number of the shares so cancelled and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.

- (h) *any change in the respective rights of the various classes of shares including the action necessary to change the rights*

Article 9

- (A) Whenever the share capital of the Company is divided into different classes of shares, the variation or abrogation of the special rights attached to any class may, subject to the provisions of the Act, be made either with the consent in writing of the holders of three-quarters of the total number of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting of the holders of the shares of the class (but not otherwise) and may be so made either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate General Meeting all the provisions of these presents relating to General Meetings of the Company and to the proceedings thereat shall *mutatis mutandis* apply, except that the necessary quorum shall be two or more persons holding at least one-third of the total number of the issued shares of the class present in person or by proxy or attorney and that any holder of shares of the class present in person or by proxy or attorney may demand a poll and that every such holder shall on a poll have one vote for every share of the class held by him where the class is a class of equity shares within the meaning of Section 64(1) of the Act or at least one vote for every share of the class where the class is a class of preference shares within the meaning of Section 180(2) of the Act, Provided Always that where the necessary majority for such a Special Resolution is not obtained at such General Meeting, the consent in writing, if obtained from the holders of three-quarters of the total number of the issued shares of the class concerned within two months of such General Meeting, shall be as valid and effectual as a Special Resolution carried at such General Meeting.
- (B) The provisions in Article 9(A) shall *mutatis mutandis* apply to any repayment of preference capital (other than redeemable preference capital) and any variation or abrogation of the rights attached to preference shares or any class thereof.

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(C) The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto.

(i) *dividends and distribution*

Article 123

The Company may by Ordinary Resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors.

Article 124

If and so far as in the opinion of the Directors, the profits of the Company justify such payments, the Directors may declare and pay the fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time declare and pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.

Article 125

Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise permitted under the Act:

- (a) all Dividends in respect of shares must be paid in proportion to the number of shares held by a Member, but where shares are partly paid, all Dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and
- (b) all Dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the Dividend is paid.

For the purposes of this Article, an amount paid or credited as paid on a share in advance of a call is to be ignored.

Article 126

- (A) No Dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Statutes. Any dividend unclaimed after six (6) years from the date of declaration shall be made forfeit and revert to the Company.

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- (B) A payment by the Company to CDP or a clearing house (as the case may be) of any Dividend or other moneys payable to a Depositor shall, to the extent of the payment made, discharge the Company from any liability to the Depositor in respect of that payment.

Article 127

No dividend or other monies payable on or in respect of a share shall bear interest as against the Company.

Article 128

- (A) The Directors may retain any dividend or other monies payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
- (B) The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmission of shares herein before contained entitled to become a member, or which any person is under those provisions entitled to transfer, until such person shall become a member in respect of such shares or shall transfer the same.

Article 129

The waiver in whole or in part of any dividend on any share by any document (whether or not under seal) shall be effective only if such document is signed by the member (or the person entitled to the share in consequence of the death or bankruptcy of the holder) and delivered to the Company and if or to the extent that the same is accepted as such or acted upon by the Company.

Article 130

The Company may upon the recommendation of the Directors by Ordinary Resolution direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company) and the Directors shall give effect to such resolution, provided that the amount of its net assets shall not be less than the aggregate of its called up share capital and undistributable reserves; and if, and to the extent that, the distribution does not reduce the amount of those assets to less than that aggregate. Where any difficulty arises with regard to such distribution, the Directors may settle the same as they think expedient and in particular, may issue fractional certificates, may fix the value for distribution of such specific assets or any part thereof, may determine that cash payments shall be made to any member upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.

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Article 131

Any dividend or other monies payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address appearing in the Register of Members or (as the case may be) the Depository Register of the member or person entitled thereto (or, if two or more persons are registered in the Register of Members or (as the case may be) entered in the Depository Register as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons) or to such person and such address as such member or person or persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque or warrant by the banker upon whom it is drawn shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby.

Article 132

If two or more persons are registered in the Register of Members or (as the case may be) the Depository Register as joint holders of any share, or are entitled jointly to a share in consequence of the death or bankruptcy of the holder, any one of them may give effectual receipts for any dividend or other monies payable or property distributable on or in respect of the share.

Article 133

Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares.

- (j) ***any limitation on the right to own Shares, including limitations on the right of non-resident or foreign Shareholders to hold or exercise voting rights on their Shares***

Article 5

- (A) Subject to any direction to the contrary that may be given by the Company in General Meeting or except as permitted by the rules of the Designated [●], all new shares shall before issue be offered to such persons who as at the date (as

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determined by the Directors) of the offer are entitled to receive notices from the Company of General Meetings in proportion, as far as the circumstances admit, to the number of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article 5(A).

- (B) The Company may, notwithstanding Articles 5(A) above, authorize the Directors not to offer new shares to members to whom by reason of foreign securities laws, such offers may not be made without registration of the shares or a prospectus or other document, but to sell the entitlements to the new shares on behalf of such members on such terms and conditions as the Company may direct.

Article 35

- (A) There shall be no restriction on the transfer of fully paid up shares (except where required by law or by the rules, bye-laws or listing rules of the Designated [●]) and fully paid up shares shall also be free from all lien but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien, and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve, Provided Always that in the event of the Directors refusing to register a transfer of shares, the Company shall within ten market days (or such period as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated [●] from time to time) after the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.
- (B) The Directors may decline to register any instrument of transfer unless:
 - (a) such fee not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated [●] from time to time) as the Directors may from time to time require is paid to the Company in respect thereof;
 - (b) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid;

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- (c) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by a certificate of payment of stamp duty (if stamp duty is payable on such instrument of transfer in accordance with any law for the time being in force relating to stamp duty.), the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and

- (d) the instrument of transfer is in respect of only one class of shares.

Article 43

Except as required by the Statutes or law, no person shall be recognized by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by these presents or by the Statutes or law otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the registered holder and nothing in these presents contained relating to CDP or a clearing house or their respective nominees (as the case may be) or to Depositors or in any depository agreement made by the Company with any common depository for shares shall in any circumstances be deemed to limit, restrict or qualify the above.

- (k) ***prohibition in providing financial assistance for purchase of the Company's shares***

Article 8A

Except as allowed by Statute and subject further to compliance with the rules and regulations of the Designated [●] and any other relevant regulatory authority the Company shall not give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

- (l) ***approval for issue of new ordinary Shares***

Article 4(A)

Subject to the Act and to these presents, no shares may be issued by the Directors without the prior approval of the Company in General Meeting pursuant to Section 161 of the Act, but subject thereto and the terms of such approval, and to Article 5, and to any special rights attached to any shares for the time being issued, the Directors may allot (with or without conferring a right of renunciation)

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or grant options over or otherwise dispose of the same to such persons on such terms and conditions and for such consideration and at such time and whether or not subject to the payment of any part of the amount thereof in cash or otherwise as the Directors may think fit, and any shares may, subject to compliance with Sections 70 and 75 of the Act, be issued with such preferential, deferred, qualified or special rights, privileges, conditions or restrictions, whether as regards dividend, return of capital, participation in surplus assets and profits, voting, conversion or otherwise, as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors in accordance with the Act, Provided Always that no options shall be granted over unissued shares except in accordance with the Act and the listing rules Designated [●].

(m) registration and recognition as members of the Company

Article 33

All transfers of shares shall be effected by written instruments of transfer in the form for the time being approved by the Directors and the Designated [●]. An instrument of transfer shall be signed by or on behalf of both the transferor and the transferee and be witnessed, provided always that the Depository (or its nominees) or CDP (as the case may be) shall not be required to sign, as transferee, any instrument of transfer relating to any transfer of shares to it during such period as the Directors may think fit, or if the transferor or transferee is a clearing house (or its nominee(s)), any instrument of transfer relating to any transfer of shares to it shall be signed by hand or by machine imprinted signature or by such other manner of execution as the Directors may approve from time to time. The transferor shall be deemed to remain the holder of the shares concerned until the name of the transferee is entered in the Register of Members in respect thereof.

Article 34

The Register of Members and of Transfers may be closed at such times and for such periods as the Directors may from time to time determine, Provided Always that such Registers shall not be closed for more than thirty days in any year, and that the Company shall give prior notice of each such closure, as may be required, to the Designated [●], stating the period and purpose or purposes for which such closure is made.

Article 43

Except as required by the Statutes or law, no person shall be recognized by the Company as holding any share upon any trust, and the Company shall not be bound by or compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share, or any interest in any

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fractional part of a share, or (except only as by these presents or by the Statutes or law otherwise provided) any other right in respect of any share, except an absolute right to the entirety thereof in the registered holder and nothing in these presents contained relating to CDP or a clearing house or their respective nominees (as the case may be) or to Depositors or in any depository agreement made by the Company with any common depository for shares shall in any circumstances be deemed to limit, restrict or qualify the above.

Article 133

Any resolution declaring a Dividend on shares of any class, whether a resolution of the Company in General Meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of such shares in the Register of Members or (as the case may be) the Depository Register at the close of business on a particular date and thereupon the Dividend shall be payable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such Dividend of transferors and transferees of any such shares.

(n) transfer of ordinary shares and replacement of share certificates

Article 35

- (A) There shall be no restriction on the transfer of fully paid up shares (except where required by law or by the rules, bye-laws or listing rules of the Designated [●]) and fully paid up Shares shall also be free from all liens but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien, and in the case of shares not fully paid up, may refuse to register a transfer to a transferee of whom they do not approve, Provided Always that in the event of the Directors refusing to register a transfer of shares, the Company shall within ten market days (or such period as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated [●] from time to time) after the date on which the application for a transfer of shares was made, serve a notice in writing to the applicant stating the facts which are considered to justify the refusal as required by the Statutes.
- (B) The Directors may decline to register any instrument of transfer unless:
- (a) such fee not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated [●] from time to time) as the Directors may from time to time require is paid to the Company in respect thereof;
 - (b) the amount of proper duty (if any) with which each instrument of transfer is chargeable under any law for the time being in force relating to stamps is paid;

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- (c) the instrument of transfer is deposited at the Office or at such other place (if any) as the Directors may appoint accompanied by a certificate of payment of stamp duty (if stamp duty is payable on such instrument of transfer in accordance with any law for the time being in force relating to stamp duty), the certificates of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and
- (d) the instrument of transfer is in respect of only one class of shares.

Article 17

Subject to the provisions of the Statutes, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a written indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of the Designated [●] or on behalf of its or their client or clients as the Directors shall require, and (in case of defacement or wearing out) on delivery up of the old certificate, and in any case on payment of such sum not exceeding S\$2.00 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by the Designated [●] from time to time) as the Directors may from time to time require. In the case of destruction, loss or theft, a shareholder or person entitled to,

(o) general meeting of shareholders

Article 47

Subject to the Statutes, an Annual General Meeting shall be held once in every year, at such time (within a period of not more than fifteen months after the holding of the last preceding Annual General Meeting) and place as may be determined by the Directors. The interval between the close of a financial year of the Company and the date of the Annual General Meeting shall not exceed four months or such other period as prescribed by the Designated [●] and the provisions of the Act from time to time. All other General Meetings shall be called Extraordinary General Meetings.

Article 48

The Directors may whenever they think fit, and shall on requisition in accordance with the Statutes, proceed with proper expedition to convene an Extraordinary General Meeting.

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Article 50

- (A) Every notice calling a General Meeting shall specify the place and the day and hour of the meeting, and there shall appear with reasonable prominence in every such notice a statement that a member entitled to attend and vote is entitled to appoint more than one proxy to attend and vote instead of him and that a proxy need not be a member of the Company.
- (B) In the case of an Annual General Meeting, the notice shall also specify the meeting as such.
- (C) In the case of any General Meeting at which business other than routine business ("special business") is to be transacted, the notice shall specify the general nature of such business, and if any resolution is to be proposed as a Special Resolution, the notice shall contain a statement to that effect.
- (D) The notice shall disclose any material interests of any Director in the matter dealt with by the resolution so far as the resolution affects those interests differently from the interests of other members of the Company.

Article 146

If the Company shall be wound up (whether the liquidation is voluntary, under supervision, or by the court) the Liquidator may, with the authority of a Special Resolution, divide among the members *in specie* or in kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the members of different classes of members. The Liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the Liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

Article 12

- (A) Subject to a special resolution being passed by the shareholders of the Company in General Meeting and court approval being obtained, the Company may reduce its share capital any undistributable reserve in any manner permitted, and with, and subject to, any incident authorized, and consent or confirmation required, by law, and by way of special resolution with approval from the court in reducing its share capital.

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(B) Subject to and in accordance with the provisions of the Statutes and any applicable listing rules of the Designated [●] (hereinafter the "Relevant Laws"), the Company may authorise the Directors in General Meeting to purchase or otherwise acquire any of its issued shares (which expression as used in this Article includes redeemable Shares) out of distributable profits of the Company or out of the proceeds of a fresh issue of shares made for the purposes of such purchase or acquisition on such terms as the Company may think fit and in the manner prescribed by the Relevant Laws. All shares purchased by the Company shall, unless held in treasury in accordance with the Relevant Laws, be deemed to be cancelled immediately on purchase or acquisition. On the cancellation of a share as aforesaid, the rights and privileges attached to that share shall expire. In any other instance, the Company may hold or deal with any such share which is so purchased or acquired by it in such manner as may be permitted by, or in accordance with, the Relevant Laws. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these presents, the number of issued shares of the Company shall be diminished by the number of the shares so cancelled and, where any such cancelled share was purchased or acquired out of the capital of the Company, the amount of share capital of the Company shall be reduced accordingly.

Article 49

Any Extraordinary General Meeting at which it is proposed to pass a Special Resolution or (save as provided by the Statutes) a resolution of which special notice has been given to the Company, shall be called by twenty-one days' notice in writing at the least and an Annual General Meeting or any other Extraordinary General Meeting, by fourteen days' notice in writing at the least. The period of notice shall in each case be exclusive of the day on which it is served or deemed to be served and of the day on which the meeting is to be held and shall be given in manner hereinafter mentioned to all members other than such as are not under the provisions of these presents and the Act entitled to receive such notices from the Company, Provided that a General Meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:

- (a) in the case of an Annual General Meeting by all the members entitled to attend and vote thereat; and
- (b) in the case of an Extraordinary General Meeting by a majority in number of the members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent. of the total voting rights of all the members having a right to vote at that meeting.

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Provided also that the accidental omission to give notice to or the non-receipt of notice by any person entitled thereto shall not invalidate the proceedings at any General Meeting so long as shares in the Company are listed on any Designated [●], at least fourteen days' notice of any General Meeting shall be given by advertisement in the daily press and in writing to the Designated [●], Provided Always that in the case of any Extraordinary Annual General Meeting at which it is proposed to pass a Special Resolution, at least twenty-one days' notice in writing of such Extraordinary General Meeting shall be given to the Designated [●].

(p) voting rights

Article 63

Subject to any special rights or restrictions as to voting attached by or in accordance with these presents to any class of shares, and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder. A Member who is bankrupt shall not, while his bankruptcy continues, be entitled to exercise his rights as a Member, or attend, vote or act at any meeting of the Company.

Article 69

(A) A Member shall be entitled to appoint more than one proxy to attend and vote at the same General Meeting, Provided that if the member shall nominate more than one proxy then the member shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

(B) A proxy need not be a member of the Company.

Article 54

No business other than the appointment of a chairman shall be transacted at any General Meeting unless a quorum is present at the time when the meeting proceeds to business. Save as herein otherwise provided, the quorum at any General Meeting shall be two members present in person or by proxy. For the purpose of this Article, "Member" includes a person attending by proxy or by attorney or as representing a corporation which is a Member. Provided that (i) a proxy representing more than one Member shall only count as one Member for the purpose of determining the quorum; and (ii) where a Member is represented by more than one proxy, such proxies shall count as only one Member for the purpose of determining the quorum.

Article 59

At any General Meeting a resolution put to the vote of the meeting shall be decided on a poll.

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Article 60

As a resolution put to the vote of a general meeting is decided on a poll, it shall be taken in such manner (including the use of ballot or voting papers or tickets) as the chairman of the meeting may direct, and the result of the poll shall be deemed to be the resolution of such meeting. The chairman of the meeting may (and if so directed by the meeting shall) appoint scrutineers and may adjourn the meeting to some place and time fixed by him for the purpose of declaring the result of the poll.

Article 61

In the case of an equality of votes, the chairman of the meeting shall be entitled to a casting vote.

(q) *capitalisation and rights issues*

Article 134

(A) The Directors may, with the sanction of an Ordinary Resolution of the Company (including any Ordinary Resolution passed pursuant to Article 4(A)):

- (a) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) the Depository Register at the close of business on:
 - (i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or
 - (ii) (in the case of an Ordinary Resolution passed pursuant to Article 4(A)) such other date as may be determined by the Directors, in proportion to their then holdings of shares; and/or
- (b) capitalize any sum standing to the credit of any of the Company's reserve accounts as representing profits available for distribution under the provisions of the Statutes by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) the Depository Register at the close of business on:
 - (i) the date of the Ordinary Resolution (or such other date as may be specified therein or determined as therein provided); or
 - (ii) (in the case of an Ordinary Resolution passed pursuant to Article 4(A)) such other date as may be determined by the Directors,

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in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full new shares or (subject to any special rights previously conferred on any shares or class of shares for the time being issued) new shares of any other class not being redeemable shares for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.

The Directors may do all acts and things considered necessary or expedient to give effect to any such bonus issue and/or capitalisation, with full power to the Directors to make such provisions as they think fit for any fractional entitlements which would arise on the basis aforesaid (including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the members concerned). The Directors may authorise any person to enter on behalf of all the members interested into an agreement with the Company providing for any such bonus issue or capitalisation and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

- (B) In addition and without prejudice to the powers provided for by this Article 134(A), the Directors shall have power to issue shares for which no consideration is payable and to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up in full, in each case on terms that such shares shall, upon issue, be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by shareholders in General Meeting in such manner and on such terms as the Directors shall think fit.

(r) indemnity

Article 148

Subject to the provisions of and so far as may be permitted by the Statutes, every Director, Auditor, Secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him in the execution and discharge of his duties or in relation thereto including any liability by him in defending any proceedings, civil or criminal, which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company and in which judgment is given in his favour (or the proceedings otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application under any statute for relief from liability in respect of any such act or omission in which relief is granted to him by the court.

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Without prejudice to the generality of the foregoing, no Director, Manager, Secretary or other officer of the Company shall be liable for the acts, receipts, neglect or defaults of any other Director or officer or for joining in any receipt or other act for conformity or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or effects shall be deposited or left or for any other loss, damage or misfortune whatsoever which shall happen in the execution of the duties of his office or in relation thereto unless the same shall happen through his own negligence, wilful default, breach of duty or breach of trust.

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SUMMARY OF SALIENT PROVISIONS OF THE LAWS OF SINGAPORE

The following summarises the salient provisions of the laws of Singapore applicable to the Shareholders as the date of this document. The summaries below are for general guidance only and do not constitute legal advice, nor must they be used as a substitute for, or specific legal advice, on the corporate law of Singapore. The summaries below are not meant to be a comprehensive or exhaustive description of all the obligations, rights and privileges of Shareholders imposed on or conferred by the corporate law of Singapore. In addition, prospective investors and/or Shareholders should also note that the laws applicable to Shareholders may change, whether as a result of proposed legislative reforms to the Singapore laws or otherwise. Prospective investors and/or Shareholders should consult their own legal advisers for specific legal advice concerning their legal obligations under the relevant laws.

1. REPORTING OBLIGATIONS OF SHAREHOLDERS

Obligation to notify Company of substantial shareholding and change in substantial shareholding

Section 81 of the Companies Act (Chapter 50) of Singapore (the "Companies Act")

A person has a substantial shareholding in a company if he has an interest or interests in one or more voting shares in the company, and the total votes attached to that share, or those shares, is not less than 5 per cent of the total votes attached to all the voting shares in the company.

Section 82 of the Companies Act

A substantial shareholder of a company is required to notify the company of his interests in the voting shares in the company within two business days after becoming a substantial shareholder.

Sections 83 and 84 of the Companies Act

A substantial shareholder is required to notify the company of changes in the percentage level of his shareholding or his ceasing to be a substantial shareholder, again within two business days after he is aware of such changes. The reference to changes in "percentage level" means any changes in a substantial shareholder's interest in the company which results in his interest, following such change, increasing or decreasing to the next discrete 1% threshold. For example, an increase in interests in the company from 5.1% to 5.9% need not be notified, but an increase from 5.9% to 6.1% will have to be notified.

Consequences of non-compliance

Section 89 of the Companies Act

Section 89 of the Companies Act provides for the consequences of non-compliance with sections 82, 83 and 84. Under section 89, a person who fails to comply shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000 and in the case of a continuing offence to a further fine of S\$500 for every day during which the offence continues after conviction.

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Section 90 of the Companies Act

Section 90 of the Companies Act provides for a defence to a prosecution for failing to comply with sections 82, 83 or 84. It is a defence if the defendant proves that his failure was due to his not being aware of a fact or occurrence the existence of which was necessary to constitute the offence and that he was not so aware on the date of the summons; or he became so aware less than 7 days before the date of the summons. However, a person will conclusively be presumed to have been aware of a fact or occurrence at a particular time (a) of which he would, if he had acted with reasonable diligence in the conduct of his affairs, have been aware at that time; or (b) of which an employee or agent of the person, being an employee or agent having duties or acting in relation to his master's or principal's interest or interests in a share or shares in the company concerned, was aware or would, if he had acted with reasonable diligence in the conduct of his master's or principal's affairs, have been aware at that time.

Powers of the court with respect to defaulting substantial shareholders

Section 91 of the Companies Act

Section 91 of the Companies Act provides that where a substantial shareholder fails to comply with sections 82, 83 or 84, the Court may, on the application of the Minister, whether or not the failure still continues, make one of the following orders:

- (a) an order restraining the substantial shareholder from disposing of any interest in shares in the company in which he is or has been a substantial shareholder;
- (b) an order restraining a person who is, or is entitled to be registered as, the holder of shares referred to in paragraph (a) from disposing of any interest in those shares;
- (c) an order restraining the exercise of any voting or other rights attached to any share in the company in which the substantial shareholder has or has had an interest;
- (d) an order directing the company not to make payment, or to defer making payment, of any sum due from the company in respect of any share in which the substantial shareholder has or has had an interest;
- (e) an order directing the sale of all or any of the shares in the company in which the substantial shareholder has or has had an interest;
- (f) an order directing the company not to register the transfer or transmission of specified shares;
- (g) an order that any exercise of the voting or other rights attached to specified shares in the company in which the substantial shareholder has or has had an interest be disregarded; or

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- (h) for the purposes of securing compliance with any other order made under this section, an order directing the company or any other person to do or refrain from doing a specified act.

Any order made under this section may include such ancillary or consequential provisions as the Court thinks just. The Court may not make an order other than an order restraining the exercise of voting rights, if it is satisfied (a) that the failure of the substantial shareholder to comply was due to his inadvertence or mistake or to his not being aware of a relevant fact or occurrence; and (b) that in all the circumstances, the failure ought to be excused. Any person who contravenes or fails to comply with an order made under this section that is applicable to him shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$5,000 and, in the case of a continuing offence, to a further fine of S\$500 for every day during which the offence continues after conviction.

Obligation to notify the SGX-ST of substantial shareholding and change in substantial Shareholding

Section 137(1) of the Securities and Futures Act ("SFA")

A substantial shareholder is also required under section 137(1) of the SFA to give the above notifications to the SGX-ST at the same time. Any person who fails to comply with section 137(1) is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$25,000 and, in the case of a continuing offence, to a further fine of S\$2,500 for every day or part thereof during which the offence continues after conviction.

Duty not to furnish false statements to securities exchange, futures exchange, designated clearing house and Securities Industry Council of Singapore

Section 330 of the SFA

Section 330 of the SFA provides that any person who, with intent to deceive, makes or furnishes, or knowingly and wilfully authorises or permits the making or furnishing of, any false or misleading statement or report to a securities exchange, futures exchange, designated clearing house or any officers thereof relating to dealing in securities shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$50,000 or to imprisonment for a term not exceeding 2 years or to both. Section 330 further provides that any person who, with intent to deceive, makes or furnishes or knowingly and willfully authorises or permits the making or furnishing of, any false or misleading statement or report to the Securities Industry Council or any of its officers, relating to any matter or thing required by the Securities Industry Council in the exercise of its functions under the SFA shall be guilty of an offence and shall be liable on conviction to a fine not exceeding S\$50,000 or to imprisonment for a term not exceeding 2 years or to both.

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Obligation to disclose beneficial interest in the voting shares of the company

Section 92 of the Companies Act

Section 92 of the Companies Act provides that a company which has all of its shares listed on a stock exchange in Singapore may require any member to inform it whether the member holds the voting shares in the company as beneficial owner or trustee, and in the latter, who the beneficiaries are. If the member discloses that he is holding the shares on trust for another party, the company may additionally require the other party to inform it whether the other party holds the interests as beneficial owner or as trustee and if the latter, for whom. A listed company also has the right to require the member to inform it of any voting agreement that he may have in relation to the shares held by him.

Consequences of non-compliance

Section 92 of the Companies Act

Section 92(6) of the Companies Act provides that the failure to comply with a notice requiring disclosure of information is an offence, unless it can be shown that the information was already in the possession of the company or that the requirement to give it was frivolous or vexatious. A person who deliberately or recklessly makes a statement that is false in a material particular in compliance to a request for information under section 92 is also guilty of an offence, and is likewise liable on conviction to a fine not exceeding S\$10,000 or to imprisonment for a term not exceeding 2 years.

2. PROHIBITED CONDUCT IN RELATION TO TRADING IN THE SECURITIES OF THE COMPANY

Prohibitions against false trading and market manipulation

Section 197 of the SFA

Section 197 of the SFA prohibits (i) the creation of a false or misleading appearance of active trading in any securities on a securities exchange; (ii) the creation of a false or misleading appearance with respect to the market for, or price of, any securities on a securities exchange; (iii) affecting the price of securities by way of purchases or sales which do not involve a change in the beneficial ownership of those securities; and (iv) affecting the price of securities by means of any fictitious transactions or devices.

Section 197(3) of the Companies Act provides that a person is deemed to have created a false or misleading appearance of active trading in securities on a securities market if he does any of the following acts:

- (i) if he effects, takes part in, is concerned in or carries out, directly or indirectly, any transaction of purchase or sale of any securities, which does not involve any change in the beneficial ownership of the securities;

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- (ii) if he makes or causes to be made an offer to sell any securities at a specified price where he has made or caused to be made or proposes to make or to cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to purchase the same number, or substantially the same number, of securities at a price that is substantially the same as the first-mentioned price; or
- (iii) if he makes or causes to be made an offer to purchase any securities at a specified price where he has made or caused to be made or proposes to make or to cause to be made, or knows that a person associated with him has made or caused to be made or proposes to make or to cause to be made, an offer to sell the same number, or substantially the same number, of securities at a price that is substantially the same as the first-mentioned price, unless he establishes that the purpose or purposes for which he did the act was not, or did not include, the purpose of creating a false or misleading appearance of active trading in securities on a securities market.

Section 197(5) provides that a purchase or sale of securities does not involve a change in the beneficial ownership if a person who had an interest in the securities before the purchase or sale, or a person associated with the first-mentioned person in relation to those securities, has an interest in the securities after the purchase or sale.

Section 197(6) provides a defence to proceedings against a person in relation to a purchase or sale of securities that did not involve a change in the beneficial ownership of those securities. It is a defence if the defendant establishes that the purpose or purposes for which he purchased or sold the securities was not, or did not include, the purpose of creating a false or misleading appearance with respect to the market for, or the price of, securities.

Prohibition against securities market manipulation

Section 198 of the SFA

Section 198(1) of the SFA provides that no person shall carry out directly or indirectly, 2 or more transactions in securities of a corporation, being transactions that have, or likely to have, the effect of raising, lowering, maintaining or stabilising the price of the securities with intent to induce other persons to purchase them. Section 198(2) provides that transactions in securities of a corporation includes (i) the making of an offer to purchase or sell such securities of the corporation; and (ii) the making of an invitation, however expressed, that directly or indirectly invites a person to offer to purchase or sell such securities of the corporation.

Prohibition against the manipulation of the market price of securities by the dissemination of misleading information

Sections 199 and 202 of the SFA

Section 199 of the SFA prohibits the making of false or misleading statements. Under this provision, a person shall not make a statement, or disseminate information, that is false or

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misleading in a material particular and is likely (a) to induce other persons to subscribe for securities; (b) to induce the sale or purchase of securities by other persons; or (c) to have the effect of raising, lowering, maintaining or stabilising the market price of securities, if, when he makes the statement or disseminates the information, he either does not care whether the statement or information is true or false, or knows or ought reasonably to have known that the statement or information is false or misleading in a material particular.

Section 202 of the SFA prohibits the dissemination of information about illegal transactions. This provision prohibits the circulation or dissemination of any statement or information to the effect that the price of any securities of a corporation will rise, fall or be maintained by reason of transactions entered into in contravention of sections 197 to 201 of the SFA. This prohibition applies where the person who is circulating or disseminating the information or statements (i) is the person who entered into the illegal transaction; or (ii) is associated with the person who entered into the illegal transaction; or (iii) is the person, or associated with the person, who has received or expects to receive (whether directly or indirectly) any consideration or benefit of circulating or disseminating the information or statements.

Prohibition against fraudulently inducing persons to deal in securities

Section 200 of the SFA

Section 200 of the SFA prohibits a person from inducing or attempting to induce another person to deal in securities, (a) by making or publishing any statement, promise or forecast that he knows or ought reasonably to have known to be misleading, false or deceptive; (b) by artful dishonest concealment of material facts; (c) by the reckless making or publishing of any statement, promise or forecast that is misleading, false or deceptive; or (d) by recording or storing in, or by means of, any mechanical, electronic or other device information that he knows to be false or misleading in a material particular, unless it is established that, at the time when the defendant so recorded or stored the information, he had no reasonable grounds for expecting that the information would be available to any other person.

Prohibition against employment of manipulative and deceptive devices

Section 201 of the SFA

Section 201 of the SFA prohibits (i) the employment of any device, scheme or artifice to defraud; (ii) engaging in any act, practice or course of business which operates as a fraud or deception, or is likely to operate as a fraud or deception, upon any person; and (iii) making any untrue statement of a material fact or (iv) omitting to state a material fact necessary to make statements made not misleading, in connection with the subscription, purchase or sale of any securities.

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Prohibition against the dissemination of information about illegal transactions

Section 202 of the SFA

Section 202 of the SFA prohibits the circulation or dissemination of any statement or information to the effect that the price of any securities of a corporation will rise, fall or be maintained by reason of any transaction entered into or to be entered into in contravention of sections 197 to 201 of the SFA. This prohibition applies where the person who is circulating or disseminating the information or statements (i) is the person who entered into the illegal transaction; or (ii) is associated with the person who entered into the illegal transaction; or (iii) is the person, or associated with the person, who has received or expects to receive (whether directly or indirectly) any consideration or benefit of circulating or disseminating the information or statements.

Prohibition against insider trading

Sections 218 and 219 of the SFA

Sections 218 and 219 of the SFA prohibit persons from dealing in securities of a corporation if the person knows or reasonably ought to know that he is in possession of information that is not generally available, which is expected to have a material effect on the price or value of securities of that corporation. Such persons include substantial shareholders of a corporation or a related corporation, and persons who occupy a position reasonably expected to give him access to inside information by virtue of professional or business relationship by being an officer or a substantial shareholder of the corporation or a related corporation, or any other person in possession of inside information. For an alleged contravention of section 218 or 219, section 220 makes it clear that it is not necessary for the prosecution or plaintiff to prove that the accused person or defendant intended to use the information referred to in section 218(1)(a) or (1A)(a) or 219(1)(a) in contravention of section 218 or 219, as the case may be.

Section 216 of the SFA

Section 216 of the SFA provides that a reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether or not to subscribe for, buy or sell the first-mentioned securities.

Penalties

Section 232 of the SFA

Section 232 of the SFA provides that the Monetary Authority of Singapore may, with the consent of the Public Prosecutor, bring an action in a court against the offender to seek an order for a civil penalty in respect of any contravention. If the court is satisfied on the balance of

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probabilities that the contravention resulted in the gain of a profit or avoidance of a loss by the offender, the offender may have to pay a civil penalty of a sum (a) not exceeding 3 times the amount of the profit that the person gained; or the amount of the loss that he avoided, as a result of the contravention; or (b) equal to S\$50,000 if the person is not a corporation, or S\$100,000 if the person is a corporation, whichever is the greater. If the court is satisfied on a balance of probabilities that the contravention did not result in the gain of a profit or avoidance of a loss by the offender, the court may make an order against him for the payment of a civil penalty of a sum not less than S\$50,000 and not more than S\$2 million.

Section 204 of the SFA

Any person who contravenes sections 197, 198, 201 or 202 is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding 7 years or to both under section 204 of the SFA. Section 204 further provides that no proceedings shall be instituted against a person for the offence after a court has made an order against him for the payment of a civil penalty under section 232 in respect of the contravention.

Section 221 of the SFA

Any person who contravenes section 218 or 219, is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding 7 years or to both under section 221 of the SFA. Section 221 further provides that no proceedings shall be instituted against a person for an offence in respect of a contravention of section 218 or 219 after a court has made an order against him for the payment of a civil penalty under section 232 in respect of that contravention.

3. TAKEOVER OBLIGATIONS

Offences and obligations relating to take-overs

Section 140 of the SFA

Section 140 of the SFA provides that a person shall not give notice or publicly announce that he intends to make a take-over *offer* if (a) he has no intention to make a take-over offer; or (b) he has no reasonable or probable grounds for believing that he will be able to perform his obligations if the take-over offer is accepted or approved, as the case may be. A person who contravenes section 140 is guilty of an offence and shall be liable on conviction to a fine not exceeding S\$250,000 or to imprisonment for a term not exceeding 7 years or to both.

Obligations under the Singapore Code on Take-overs and Mergers (the "Singapore Code") and the consequences of non-compliance

Obligations under the Singapore Code

The Singapore Code regulates the acquisition of ordinary shares of public companies and contains certain provisions that may delay, deter or prevent a future takeover or change in

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control of the Company. Any person acquiring an interest, either on his own or together with parties acting in concert with him, in 30.0% or more of our voting Shares, or, if such person holds, either on his own or together with parties acting in concert with him, between 30.0% and 50.0% (both inclusive) of our voting Shares, and if he (or parties acting in concert with him) acquires additional voting Shares representing more than 1.0% of our voting Shares in any six-month period, must, except with the consent of the Securities Industry Council in Singapore, extend a takeover offer for the remaining voting Shares in accordance with the provisions of the Singapore Code.

“Parties acting in concert” comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of Shares in a company, to obtain or consolidate effective control of that company. Certain persons are presumed (unless the presumption is rebutted) to be acting in concert with each other. They are as follows:

- (a) a company and its related companies, the associated companies of any of the company and its related companies, companies whose associated companies include any of these companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;
- (b) a company and its directors (including their close relatives, related trusts and companies controlled by any of the directors, their close relatives and related trusts);
- (c) a company and its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis;
- (e) a financial or other professional advisers and its clients in respect of Shares held by the advisers and persons controlling, controlled by or under the same control as the advisers and all the funds managed by the advisers on a discretionary basis, where the shareholdings of the advisers and any of those funds in the client total 10.0% or more of the client’s equity share capital;
- (f) directors of a company (including their close relatives, related trusts and companies controlled by any of such directors, their close relatives and related trusts) which is subject to an offer or where the directors have reason to believe a bona fide offer for the company may be imminent;
- (g) partners; and
- (h) an individual and his close relatives, related trusts, any person who is accustomed to act in accordance with his instructions and companies controlled by the individual, his close relatives, his related trusts or any person who is accustomed to

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act in accordance with his instructions and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights.

In the event that one of the abovementioned trigger-points is reached, the person acquiring an interest (the "Offeror") must make a public announcement stating the terms of the offer and its identity. The Offeror must post an offer document not earlier than 14 days and not later than 21 days from the date of the offer announcement. An offer must be kept open for at least 28 days after the date on which the offer document was posted.

The Offeror may vary the offer by offering more for the shares or by extending the period in which the offer remains open. If a variation is proposed, the Offeror is required to give a written notice to the offeree company and its shareholders, stating the modifications made to the matters set out in the offer document. The revised offer must be kept open for at least another 14 days. Where the consideration is varied, shareholders who agree to sell before the variation are also entitled to receive the increased consideration.

A mandatory offer must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the offeror or parties acting in concert with the offeror within the six months preceding the acquisition of Shares that triggered the mandatory offer obligation.

Under the Singapore Code, where effective control of a company is acquired or consolidated by a person, or persons acting in concert, a general offer to all other shareholders is normally required. An offeror must treat all shareholders of the same class in an offeree company equally. A fundamental requirement is that shareholders in the company subject to the takeover offer must be given sufficient information, advice and time to consider and decide on the offer.

Consequences of non-compliance with the requirements under the Singapore Code

The Singapore Code is non-statutory in that it does not have the force of law. Therefore, as provided in section 139(8) of the SFA, a failure of any party concerned in a take-over offer or a matter connected therewith to observe any of the provisions of the Singapore Code shall not of itself render that party liable to criminal proceedings. However, the failure of any party to observe any of the provisions of the Singapore Code may, in any civil or criminal proceedings, be relied upon by any party to the proceedings as tending to establish or to negate any liability which is in question in the proceedings.

Section 139 further provides that where the Securities Industry Council has reason to believe that any party concerned in a take-over offer or a matter connected therewith is in breach of the provisions of the Singapore Code or is otherwise believed to have committed acts of misconduct in relation to such take-over offer or matter, the Securities Industry Council has power to enquire into the suspected breach or misconduct. The Securities Industry Council may summon any person to give evidence on oath or affirmation, which it is thereby authorised to administer, or produce any document or material necessary for the purpose of the enquiry.

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4. MINORITY RIGHTS

Section 216 of the Companies Act

The rights of minority shareholders of Singapore-incorporated companies are protected under Section 216 of the Companies Act, which gives the Singapore courts a general power to make any order, upon application by any shareholder of the Company, as they think fit to remedy any of the following situations:

- (a) the affairs of the Company are being conducted or the powers of the Board are being exercised in a manner oppressive to, or in disregard of the interests of, one or more of the shareholders; or
- (b) the Company takes an action, or threatens to take an action, or the shareholders pass a resolution, or propose to pass a resolution, which unfairly discriminates against, or is otherwise prejudicial to, one or more of the shareholders, including the applicant.

Singapore courts have wide discretion as to the reliefs they may grant and those reliefs are in no way limited to those listed in the Companies Act itself. Without prejudice to the foregoing, Singapore courts may:

- (a) direct or prohibit any act or cancel or vary any transaction or resolution;
- (b) regulate the conduct of the affairs of the Company in the future;
- (c) authorise civil proceedings to be brought in the name of, or on behalf of, the Company by a person or persons and on such terms as the court may direct;
- (d) provide for the purchase of a minority shareholder's shares by the other shareholders or by the Company and, in the case of a purchase of shares by the Company, a corresponding reduction of its share capital;
- (e) provide that the Memorandum or the Articles be amended; or
- (f) provide that the Company be wound up.

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5. EXCHANGE CONTROLS

There are no Singapore governmental laws, decrees, regulations or other legislation that may restrict the following:

- (a) the import or export of capital, including the availability of cash and cash equivalents for use by our Group; and
- (b) the remittance of dividends, interest or other payments to non-resident holders of our Company's securities.

6. MERGERS' REQUISITION TO CONVENE EXTRAORDINARY GENERAL MEETINGS

Section 176 of the Companies Act

Section 176 of the Companies Act provides that the directors shall, on the requisition of members holding not less than 10% of such of the paid-up capital of a company or in the case of a company not having a share capital, of members representing not less than 10% of the total voting rights of all the members, proceed to convene an extraordinary general meeting of the Company.

Section 183 of the Companies Act

Section 183 of the Companies Act provides that a company is under a duty, on the requisition in writing of such number of members, to give to members of such company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting and to circulate to such members any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. Number of members as required for such a requisition shall be any number of members representing not less than 5% of the total voting rights of all members having at the date of the requisition a right to vote at the meeting to which the requisition relates or not less than 100 members holding shares in the company on which there has been paid up an average sum, per member, of not less than S\$500.

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A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in Singapore under the Singapore Companies Act as a private limited company under the name of "Hengxin International Pte. Ltd." on 18 November 2004. We changed our name to "Hengxin Technology Pte. Ltd." on 18 November 2005. On 12 January 2006, we further changed our name to "Hengxin Technology Ltd." in connection with our Company's conversion to a public company limited by shares. Our Company has registered a place of business in Hong Kong at 2201-03, 22nd Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong and was registered on 6 August 2010 as an overseas company in Hong Kong under Part XI of the Companies Ordinance with its trading name for carrying on business in Hong Kong as "HX Singapore Ltd.". Ms. Wong Wai Han, our authorised representative for the purposes of Part XI of the Companies Ordinance, has been appointed as our agent for the acceptance of service of process and notices on our behalf in Hong Kong. Our address for service of process and notices in Hong Kong is 2201-03, 22nd Floor, World-Wide House, 19 Des Voeux Road Central, Hong Kong. As our Company was incorporated in Singapore, it operates subject to the Singapore Companies Act and to its constitution comprising the memorandum of association of our Company and the Articles. A summary of various provisions of the memorandum of association of our Company and the Articles and certain relevant aspects of the Singapore Companies Act are set out in Appendix IV and Appendix V respectively to this document.

Our registered office is at 10 Anson Road, #15-07 International Plaza, Singapore 079903, and our headquarter and principal place of business in the PRC is located at No. 138 Taodu Road, Dingshu Town, Yixing City, Jiangsu Province, the PRC.

2. Changes in share capital of our Group

(a) *Our Company*

- As at the date of incorporation of our Company on 18 November 2004, the authorized share capital of our Company was S\$100 divided into 100 ordinary shares of par value of S\$1.00 each. Two shares was issued to Mr. Shen Mingquan, which were subsequently transferred to Siskin Investments Ltd.
- At an extraordinary general meeting of our Company held on 22 June 2005, our then shareholder approved, inter alia, the authorized share capital of our Company was increased to S\$100,000 divided in 100,000 ordinary shares of par value of S\$1.00 each. The Company issued and allotted 3,675 shares to Siskin Investments Ltd., 4,823 shares to Kingever and 1,500 shares to Wellahead, on the same date.
- At an extraordinary general meeting held on 9 January 2006, our then Shareholders approved, inter alia, the authorised share capital of our Company was increased to S\$50,000,000 divided into 50,000,000 ordinary shares of par value of S\$1.00 each.

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- The Singapore Companies Act was amended to abolish the concepts of par value, authorised share capital, share premium, capital redemption reserve and share discounts, effective from 30 January 2006.
- At an extraordinary general meeting held on 9 February 2006, our then Shareholders approved, inter alia, (i) the issue of 10,692,800 new shares at an issue price of S\$1.00 each in the capital of our Company prior to the invitation by way of capitalising the advances from the then shareholders of our Company, by which our Company issued and allotted 5,157,137 shares, 1,603,920 shares and 3,931,743 shares to Kingever, Wellahead and Siskin Investments Ltd. respectively; (ii) the bonus issue of 6,098,544 shares in the capital of our Company to 17 shareholders prior to the invitation by way of capitalising the retained earnings of our Company; (iii) issue of 1,919,232 shares and 1,439,424 shares respectively in the capital of our Company to Achieve New Investments Limited and New Bright Assets Management Limited as the pre-IPO investors at a subscription price of S\$1.70 per new share, upon conversion of convertible loans pursuant to the convertible loan agreement dated 14 March 2005 between, among others, our Company, Achieve New Investments Limited and New Bright Assets Limited; (iv) the sub-division of every 8 shares in the then existing issued and paid-up share capital into 100 shares; and (v) issue of 84,000,000 new shares pursuant to invitation by our Company to the public to subscribe at the issue price of S\$0.25 for each new share.
- On 11 May 2006, an aggregate of 336,000,000 Shares were listed on the SGX-ST for trading.
- Immediately upon completion of the [●] will be issued fully paid or credited as fully paid.

Save as disclosed above and the trading of Shares on SGX-ST, there has been no alteration in the share capital of our Company and the Shares held by Kingever and Wellahead respectively within two years preceding the date of this document.

(b) Our subsidiaries

Further information of our subsidiaries is set forth in the accountants' report, the text of which is set forth in Appendix I to this document.

The following alterations in the share capital of our subsidiaries have taken place within two years immediately preceding the date of this document:

Hengxin (Jiangsu)

- On 18 August 2008, the board of directors of Hengxin (Jiangsu) resolved to increase the registered capital of Hengxin (Jiangsu) from US\$20,000,000 to US\$30,000,000.

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- On 1 June 2009, the board of directors of Hengxin (Jiangsu) resolved to increase the registered capital of Hengxin (Jiangsu) from US\$30,000,000 to US\$48,000,000.

Hengxin (India)

- Hengxin (India) was incorporated under the laws of India with limited liability on 10 June 2009 with an authorised share capital of INR 100,000 divided into 10,000 of equity shares of INR 10 each. Pursuant to the incorporation of the Hengxin (India), 7,000 equity shares of Hengxin (India) and 3,000 equity shares of Hengxin (India) were subscribed by Mr. Sunil Kumer Tater and Mr. Ankur Sushil Agrawal respectively.
- On 8 July 2009, upon acquisition of the 10,000 of equity shares in Hengxin (India) from Mr. Sunil Kumer Tater and Mr. Ankur Sushil Agrawal, the two subscribers, our Company held 9,900 of equity shares of Hengxin (India), while Mr. Leow Chin Boon, our chief financial officer, held 100 of equity shares of Hengxin (India) who does not have any beneficial interest in the shares and holds the shares on behalf of our Company. The beneficial interest in the shares held by Mr. Leow Chin Boon lies with our Company. The Companies Act of India, 1956 requires a company incorporated in India to have a minimum of 2 shareholders.
- On 26 June 2009, the authorised capital of Hengxin (India) was increased from INR 100,000 to INR 500,000.
- On 28 July 2009, the authorised capital of Hengxin (India) was increased from INR 500,000 to INR 2,500,000.
- On 30 July 2009, the paid-up capital of Hengxin (India) was increased by INR 2,300,000 to INR 2,400,000 and such increase was solely contributed by our Company in cash.
- On 9 March 2010, the authorised capital of Hengxin (India) was further increased from INR 2,500,000 to INR 10,000,000.
- On 30 March 2010, the paid-up capital of Hengxin (India) was increased by INR 7,122,000 to INR 9,522,000 and solely contributed by our Company in cash.

Save as disclosed above, there has been no other alterations in the share capital of the subsidiary of our Company within two years preceding the date of this document.

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3. Resolutions of our Shareholders passed at our Company's general meetings on 29 April 2010 and 27 October 2010

At the annual general meeting of our Company held on 29 April 2010, resolutions of Shareholders were passed pursuant to which, amongst other things, approval was given to our Directors at any time to such persons and upon such terms and for such purposes as our Directors may in their absolute discretion deem fit, to:

- (a) [●]
- (b) Renewal of share purchase mandate
 - (i) for the purposes of Sections 76C of the Singapore Companies Act, our Directors are authorized to make purchase or otherwise acquire the Shares from time to time by way of market purchases or off-market purchases on an equal access schemes of up to 10% of the total issued Shares as at the date of the last annual general meeting, held before the resolution authorizing such share purchase mandate is passed or as at the date of the resolution authorizing the share purchase mandate is passed, whichever is higher, excluding treasury shares at the price up to the Maximum Price (as hereafter defined), in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Singapore Companies Act, and otherwise in accordance with all laws, regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally; and
 - (ii) unless revoked or varied by our Company in general meeting, the authority conferred on the Directors of our Company pursuant to the share purchase mandate may be exercised by our Directors at any time and from time to time during the period commencing from the date of the passing of the resolution (i.e. 29 April 2010 and expiring on the earlier of, (i) the date of the next annual general meeting of our Company or required by law to be held; or (ii) the date on which the Share purchases are carried out to the full extent mandate; or (iii) the date on which the authority conferred by such share purchase mandate is revoked or varied by the Shareholders of our Company in general meeting.

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“Maximum Price” in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed (i) in the case of a market purchase, one hundred and five per cent. (105%) of the average closing price; and (ii) in the case of an off-market purchase, one hundred and twenty per cent. (120%) of the average closing price. For this purpose, the average closing market price is the average of the closing prices of the Shares transacted on the SGX-ST over the last five (5) market days, on which transactions in the Shares are recorded, immediately preceding the date of the market purchase by our Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase pursuant to the equal access scheme, and deemed to be adjusted in accordance with the listing rules for any corporate action that occurs after the relevant five (5) day period.

At an extraordinary general meeting of our Company held on 27 October 2010, resolutions of Shareholders were passed pursuant to which, amongst other things;

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

We have entered into the following contracts (not being entered into in the ordinary course of business) within the two years immediately preceding the date of this document that are or may be material:

- (a) Deed of non-competition in Chinese dated [●] entered into between our Company and Mr. Cui and Kingever, details of which have been set out under the paragraph headed “Deed of Non-Competition” in the section headed [●] of this document; and
- (b) the [●].




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2. Intellectual property

(a) Trademark

As at the [●], we have the following registered trademarks:

Trademark	Place of registration	Class	Registration number	Effective period
	PRC	9	3854562	14 January 2006 to 13 January 2016
<i>HonSun</i>	PRC	9	3921055	28 June 2006 to 27 June 2016
<i>HongSun</i>	PRC	9	3921056	14 April 2006 to 13 April 2016
	PRC	9	5158591	7 November 2009 to 6 November 2019
<i>HongSun</i>	Singapore	9	T0500744Z	24 January 2005 to 23 January 2015
	Singapore	9	T0601499G	25 January 2006 to 24 January 2016

As at the [●], we have applied for registration of the following trademarks, but registration of the same has not been granted:

Trademark	Place of application	Class	Application date	Application number
<i>HongSun</i>	India	9	31 December 2007	1636410
	India	9	31 December 2007	1636411
HENGXIN TECHNOLOGY	India	9	31 December 2007	1636412
	India	9	24 May 2010	1970273
	Singapore	9	20 May 2010	T1006418
	Hong Kong	9	6 August 2010	301683522

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(b) Patent

As at the [●], we owned the following registered patents:

Title of patent	Place of registration	Patent number	Duration of validity
Corrugated pipe external conductor RF coaxial cable connector (波紋銅管外導體射頻同軸連接器)	PRC	ZL200420054213.4	9 December 2004 to 8 December 2014
Smooth corrugated pipe internal conductor RF coaxial cable connector (光滑銅管內導體射頻同軸電纜連接器)	PRC	ZL200420054212.X	9 December 2004 to 8 December 2014
Coaxial cable for signal transmission with thick insulation layer (厚絕緣信號傳輸用同軸電纜)	PRC	ZL200520140660.6	29 December 2005 to 28 December 2015
Improved 7/8" corrugated pipe outer conductor RF coaxial cables (改良的 7/8"波紋管外導體射頻同軸電纜)	PRC	ZL200420054214.9	9 December 2004 to 8 December 2014
Numerically-controlled tool cart for machining parts automatic feeding device (數控機床車加工零件棒料自動送料裝置)	PRC	ZL200620077976.X	18 September 2006 to 17 September 2016
Third generation mobile communications coaxial cable (第三代移動通信用同軸電纜)	PRC	ZL200720038601.7	9 July 2007 to 8 July 2017
RF coaxial cable connector ramp angular plate (射頻同軸電纜連接器電纜連接斜面量角板)	PRC	ZL200620077927.6	13 September 2006 to 12 September 2016
RF coaxial cable series for mobile communications (移動通信用射頻同軸電纜)	PRC	ZL200820030890.0	14 January 2008 to 13 January 2018
Cable Box (電纜包裝盒)	PRC	ZL200820038241.5	14 June 2008 to 13 June 2018
RF coaxial cable production connecting rod for mobile communications (移動通信用射頻同軸電纜生產連接杆)	PRC	ZL200820216136.6	17 November 2008 to 16 November 2018
Cable Box (電纜包裝盒)	PRC	ZL200830036992.9	10 June 2008 to 9 June 2018
Connector for RF coaxial cable PRC (射頻同軸電纜用連接器)	PRC	ZL200920283149.X	29 December 2009 to 28 December 2019
Physically foaming insulated coaxial cables and tools for telecommunications (移動通信用皺紋管外導體射頻同軸電纜)	PRC	Z200610161279.7	8 December 2006 to 7 December 2026
Stripping device for coaxial cable (同軸電纜連接用剝線器)	PRC	Z201020022694.6	13 January 2010 to 12 January 2020
Cable clip for RF coaxial cable (射頻同軸連接電纜夾)	PRC	Z201020022695.0	13 January 2010 to 12 January 2020

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As at the [●], we have applied for registration of the following patents, but registration of the same has not yet been granted:

Title of patent	Place of application	Application date	Application number
Numerically-controlled tool cart for machining parts and angular automatic feeding device (數控機床車加工零件棒料自動送料方法及裝置)	PRC	18 September 2006	200610041588.0
Wrinkled external leaky RF coaxial cable series for mobile communications (移動通信用皺紋管外導體漏泄射頻同軸電纜)	PRC	8 December 2006	200610161278.2
Physically foamed dielectric RF coaxial cables series and process for mobile communications (移動通信用物理發泡絕緣同軸電纜及製備)	PRC	8 December 2006	200610161280.X

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Title of patent	Place of application	Application date	Application number
3G coaxial cable and clustering method for telecommunications (第三代移動通信用同軸電纜及集束絞合方法)	PRC	9 July 2007	200710025181.3
RF coaxial cable and its production method for telecommunications (移動通信用射頻同軸電纜及製備方法)	PRC	14 January 2008	200810019162.4
Feeder fixture (一種饋線卡具)	PRC	7 July 2010	201020252143.9

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(c) *Domain names*

As at the [●], we have registered the following domain names:

Domain name	Date of registration	Expiry date
www.hengxin.com.sg	14 December 2005	14 December 2010
www.hengxin.com	26 September 2000	26 September 2019

3. Further information about our Subsidiaries

(a) *Hengxin (Jiangsu)*

- (i) nature of the company: Wholly-foreign owned enterprise
- (ii) incorporation date: 26 June 2003
- (iii) term of business operation: commencing on 26 June 2003 and expiring on 23 December 2054
- (iv) registered capital: US\$48,000,000
- (v) total investment: US\$85,000,000
- (vi) shareholders: The Company
- (vii) legal representative: Cui Genxiang
- (viii) scope of business: Research, design, development, manufacture and packaging services of communications and technological products (where there is specific regulations by the State, such business may be carried out subject to approval), production of RF coaxial cables, RF cables for mobile communications, mobile communications system exchange equipment (including connectors, antennas, lightning arresters, receivers and transmitters, etc) and wood drums (the business scope does not fall into the restricted and prohibited categories)

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(b) *Hengxin (India)*

- | | | |
|-------|---------------------------------------|--|
| (i) | nature of the company: | Private limited company |
| (ii) | incorporation date: | 10 June 2009 |
| (iii) | authorised share capital: | INR 10,000,000 divided into 1,000,000 equity shares of INR 10 each |
| (iv) | issued and paid-up capital: | INR 9,522,000 |
| (v) | attributable interest of the company: | 99.99 % held by our Company and 0.01% (100 shares) are being held by Mr. Leow Chin Boon, our chief financial officer who does not have any beneficial interest in the shares and holds the shares on behalf of our Company. The beneficial interest in the shares held by Mr. Leow Chin Boon lies with our Company |
| (vi) | principal activities: | To facilities direct sales of our Company's products to the Indian telecommunications operators. |

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND OUR [●]

1. Disclosure of interests

Directors

Immediately following completion of the [●] and the [●] (but taking no account of the options which have been or may be granted under the Share Option Scheme), the interests and short positions of our Directors and our chief executive of our Company in our Shares, underlying Shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the [●] pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he or she is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required

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to be notified to our Company and the [●] pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the [●], will be as follows:

Long positions in Shares

[●]

2. Particulars of our Directors' service contracts

(1) Executive Director

Mr. Cui entered into a service agreement with the Company on 29 April 2010, pursuant to which he has been re-designated and appointed as an executive Director and chairman, and his service agreement is of an initial period of three (3) years commencing on 1 January 2010, with an annual basic salary of [S\$120,000]. Dr. Song Haiyan has entered into a service agreement with our Company on [●], pursuant to which Dr. Song Haiyan agreed to act as an executive Directors for an initial term of three (3) years commencing on [●] Date, with an annual basic salary of [S\$60,000]. All travelling and travel-related expenses, entertainment expenses and other out-of-pocket expenses reasonably incurred by Mr. Cui and Dr. Song Haiyan during such appointment shall be borne by our Company. We shall also bear the reasonable medical expenses incurred by them in accordance with the Company's staff policy. The services agreements may be terminated by either party giving not less than six (6) months' prior notice in writing to the other, or in accordance with other terms of the service agreement.

Each of our executive Directors is entitled to the respective basic salary, subject to an annual review by the Board and the Remuneration Committee which is in line with the Company's annual year-end salary review exercise. Any increase in the Director's salary shall be subject to the approval of the Remuneration Committee.

(2) Non executive Director and independent non-executive Directors

The appointments of our non-executive Director, Ms. Zhang, and independent non-executive Directors, Mr. Tay Ah Kong Bernard, Mr. Chee Teck Kwong Patrick and Mr. Tam Chi Kwan Michael, are subject to the provisions of the Articles with regard to vacation of the office of Directors, removal and retirement by rotation of Directors. The annual fee of Ms. Zhang, our non-executive Director, is expected to be S\$[50,000], and the annual fees for Mr. Tay Ah Kong Bernard, Mr. Chee Teck Kwong Patrick and Mr. Tam Chi Kwan Michael, our independent non-executive Directors, are expected to be S\$[115,000], S\$[105,000] and S\$50,000.

Save as disclosed above, none of our Directors has or is proposed to have entered into any service contracts with any members of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

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3. Directors' remuneration

- (1) Our Company determines our Directors' remuneration based on factors including, but not limited to duties, qualifications, experience and performance of our Directors. For the [●], the aggregate remuneration paid to our Directors by us or any of our subsidiaries was approximately RMB3.2 million, RMB3.5 million, RMB5.0 million and RMB1.5 million respectively.
- (2) Our Directors confirm that our Company's remuneration policies for Directors will remain the same immediately after the [●].
- (3) None of the directors or any past directors or any members of our Group was paid any sum of money for each of the three years ended 31 December 2009:
 - (a) as an inducement to join or upon joining our Company; or
 - (b) for his loss of office as a director of any member of our Group in connection with the management of the affairs of any member of our Group; or
 - (c) There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the three years ended 31 December 2009; or
 - (d) Save as disclosed above, no remuneration or benefit in kind have been made or are payable, in respect of the three years ended 31 December 2009, by our Group to or on behalf of any Directors.

4. Fees or commissions received

Save as disclosed in this document, none of our Directors or any of the persons whose names are listed in the paragraph headed "Consents" in this appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group from our Group within the two years preceding the date of this document.

5. Related party transactions

Our Group had entered into related party transactions within the two years immediately preceding the date of this document as mentioned in note 31 headed "Related party transactions" of the accountants' report as set out in Appendix I to this document and the section headed "[●]" in this document.

6. Disclaimers

Save as disclosed in this document:

- (a) none of our Directors has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of our Group;

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- (b) none of the experts named in the section headed "Other Information – 7. Consents of experts" in this appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors or chief executives of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the [●] pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the [●] pursuant to the Model Code for Securities Transactions by Directors of Listed Companies once our Shares are listed;
- (e) not taking into account of Shares which may be taken up under the [●] and [●], none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the [●] and [●], have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the [●]) or shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group; and
- (g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

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D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme and adopted conditionally approved by a resolution of our Shareholders in an extraordinary general meeting held on 27 October 2010 (the "Adoption Date"):

For the purpose of this section, unless the context otherwise requires:

"[●]" has the meaning as ascribed thereto under the [●] Manual.

"[●]" means the date of grant of the Option in accordance with the Share Option Scheme;

"Grantee" means any Participant (as defined below) who accepts an offer of grant of any Option in accordance with the terms of the Share Option Scheme of (where the context so permits) a person entitled, in accordance with the laws of succession, to any Option in consequence of the death of the original Grantee;

"Options" means the options to subscribe for Shares pursuant to the Share Option Scheme; and

"Option Period" means the period of time where the Grantee may exercise the Option, which period shall not be more than 10 years from the Offer Date to be notified by the remuneration committee of our Company (the "Committee") to each Grantee which period of time shall commence on the Offer Date and expire on such earlier date as may be determined by the Committee.

(a) Who may join

The Directors may at their absolute discretion grant Options to all Directors (whether executive or non-executive and whether independent or not), any employee (whether full-time or part-time) of our Company or our Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), who, in the absolute opinion of the Committee, have contributed to our Company or our Group and each of the persons mentioned above is referred to as a "Participant".

(b) Purpose of the scheme

The purpose of the Share Option Scheme is to provide the people and the parties working for the interests of our Group with an opportunity to obtain an equity interest in our Company, thus linking their interest with the interest of our Group and thereby providing them with an incentive to work better for the interest of our Group.

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(c) Conditions

The Share Option Scheme is conditional upon:

[●]

(d) Duration and administration

The Share Option Scheme shall continue in force for the period commencing from the Adoption Date and expiring at the close of business on the tenth anniversary of the Adoption Date (the "Scheme Period"), after which period no further Options shall be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects in respect of Options remaining outstanding and exercisable on the expiry of the Scheme Period.

The Share Option Scheme shall be subject to the administration of the Committee whose decision (save as otherwise provided in the Scheme) shall be final and binding on all parties.

(e) Grant of Options

An offer of the grant of Options shall be made to a Participant in writing in such form as the Committee may from time to time determine specifying, inter alia, the maximum number of Shares in respect of which such offer is made and requiring the Participant to undertake to hold the Options on the terms of which they are to be granted and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the Participant to whom the offer is made for a period of twenty eight (28) days (or such other period as the Committee may determine) from the Offer Date provided that no such offer shall be open for acceptance after the expiry of the Share Option Scheme Period or after the Share Option Scheme has been terminated in accordance with the terms of the Share Option Scheme.

On and subject to the terms of the Share Option Scheme, the Committee shall be entitled at any time during the Scheme Period to offer to grant Options to any Participant as the Committee may at its absolute discretion select, and subject to such conditions and restrictions as the Committee may think fit.

An offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Options, duly signed by the Participant, together with the remittance of S\$1.00 in favor of our Company, irrespective of the number of Shares in respect of which the Options is accepted, as consideration for the grant is received by our Company within twenty eight (28) days from the Offer Date (or such other period as the Committee may determine).

The Offer Date shall be the date on which the offer relating to such Options are duly approved by the Committee in accordance with the Share Option Scheme.

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(f) Subscription price

The subscription price in respect of each share issued pursuant to the exercise of any particular Options shall be such price as the Committee may at its absolute discretion determine at the time of the grant of the relevant Options (and shall be stated in the letter containing the offer of the grant of the Options (the "Subscription Price")), but in any case the Subscription Price must be at least the highest of (i) the closing price of the Shares as stated in the [●]'s or the SGX-ST's (whichever is higher) daily quotations sheet on the Offer Date, which must be a business day; and (ii) the average closing price of the Shares as stated in the [●]'s or the SGX-ST's daily quotations sheets for the five (5) Consecutive business days immediately preceding the Offer Date (whichever is higher). For the purpose of calculating the Subscription Price where our Company has been listed for less than five (5) business days before the Offer Date, the Subscription Price shall be used as the closing price of any business day falling within the period before [●].

(g) Rights are personal to Grantee

Options shall be personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (whether legal or beneficial) in favor of any third party over or in relation to any Options or enter into any agreement to do so.

(h) Exercise of Options

Subject to any condition or restriction in connection with the exercise of the Options which may be imposed by the Committee when granting the Options and other provisions of the Schemes, the Options may be exercised in whole or in part by the Grantee (or his legal personal representative) anytime after the first (1st) anniversary of the Offer Date and during the Option Period, provided that paragraph (j), (k) or (l) below have been satisfied.

(i) Grant of Options to [●]

Where a grant of Options to a Connected Person of our Company under the Share Option Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

Where any Options granted to a substantial shareholder (as defined in the [●]) of our Company or an independent non-executive Director or any of their respective associates would result in the number and value of Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding but excluding Options which have lapsed) to such person in the 12-month period up to and including the date of such grant (i)

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exceeding in aggregate over 0.1% of the Shares in issue; and (ii) exceeding an aggregate value, (based on the closing price of the Shares on the [●]'s daily quotations sheet at the Offer Date) in excess of HK\$5,000,000, such further grant of Options must be approved by the Shareholders by taking of a poll in a general meeting. The Company must send a circular to the Shareholders. All Connected Persons of our Company must abstain from voting (except that any Connected Person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular) at the general meeting. The circular must contain: (i) details of the number and terms (including the Subscription Price) of the Options to be granted to each Participant, which must be fixed before the general meeting concerned; (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the Grantee of the Options) to the independent Shareholders as to voting; and (iii) the information required under the relevant provisions of Chapter 17 of the [●] and the [●] Manual.

In addition, grant of Options to [●] and their associates must be approved by Shareholders, such Shareholders' resolution stating the number and terms of Options to be granted to each such Participant.

(j) Rights on ceasing employment

In the event that the Grantee ceases to be a Participant for any reason (other than on his death) including the termination of his employment or engagement with our Group on one or more of the grounds specified in (q)(vi) below, the Option granted to such Grantee will lapse on the date of such cessation (to the extent not already exercised) and will not be exercisable unless the Committee otherwise determines to grant an extension at the absolute discretion of the Committee in which event the Grantee may exercise the Option within such period of extension and up to a maximum entitlement directed at the absolute discretion of the Committee on the date of grant of extension (to the extent which has become exercisable and not already exercised) and subject to any other terms and conditions decided at the discretion of the Committee. For the avoidance of doubt, such period of extension (if any) shall be granted within and in any event ended before the expiration of the period of one month following the date of his cessation to be a Participant or the relevant Option Period, whichever is earlier.

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(k) Rights on death

In the event the Grantee who is an individual dies before exercising the Option in full and none of the events which would be a ground for termination of his employment or engagement under (q)(vi) arises, the personal representative(s) of the Grantee shall be entitled to exercise the Option up to the entitlement of such Grantee as at the date of death (to the extent which has become exercisable and not already exercised) within a period of 12 months from the date of death (provided that such exercise is made during the Option Period) or such longer period as the Committee may at its absolute discretion determine.

(l) Rights on a take-over or share repurchase

If a general or partial offer, whether by way of take-over or share re-purchase offer (but other than by way of scheme of arrangement), is made to all the Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert (within the meaning of the Hong Kong Takeovers Codes and the Singapore Code) with the offeror) and if such offer becomes or is declared unconditional prior to the expiry of the relevant Option Period, the Grantee (or his personal representative(s)) shall be entitled to exercise the Option in full (to the extent which has become exercisable on the date of the notice of the offeror and not already exercised) at any time within one (1) month after the date on which the offer becomes or is declared unconditional.

(m) Rights on a compromise or arrangement

Other than a general or partial offer by way of a scheme of arrangement contemplated under the Share Option Scheme, if a compromise or arrangement between our Company and its Shareholders or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice thereof to all the Grantees on the same date as it dispatches the notice which is sent to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon each Grantee may by notice in writing to our Company accompanied by the remittance for the full amount of the Subscription Price in respect of the relevant Option (such notice to be received by our Company not later than two (2) Business Days before the proposed meeting) exercise any of his Options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an Option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. Our Company shall as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed meeting referred to above, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise credited as fully paid and register the Grantee as holder of such Shares. Upon such

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compromise or arrangement becoming effective, all Options shall lapse except insofar as previously exercised under the Share Option Scheme. Our Company may require the Grantee (or his personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of Options in these circumstances so as to place the Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(n) Rights on winding-up by court order

If a notice is given by our Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith after it despatches such notice to each member of our Company give notice thereof to all the Grantees and thereupon, each Grantee (or his respective personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to our Company, accompanied by the remittance for the full amount of the Subscription Price in respect of the relevant Option (such notice to be received by our Company not later than two (2) Business Days prior to the proposed general meeting of our Company) exercise the Option (to the extent which has become exercisable and not already exercised) whether in full or in part and our Company shall as soon as possible and, in any event, no later than one (1) Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue such number of Shares to the Grantee which falls to be issued on such exercise credited as fully paid and register the Grantee as holder of such Shares.

(o) Ranking of shares

The Shares to be allotted and issued upon the exercise of Options will be subject to the Articles of Association in force at that time including with respect to voting and transfer rights and rights arising on a liquidation of our Company and will rank *pari passu* in all respects with the fully paid Shares in issue as of the date of allotment and thereafter the holders thereof will be entitled to participate in all dividends or other distributions paid or made on or after the date of allotment other than any dividends or other distributions previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment.

(p) Performance target

The Grantee will not be required to achieve, meet or exceed any performance targets before that particular Grantee can exercise the Options granted, except those otherwise imposed by the Committee pursuant to paragraph (e) above and/or stated in the offer of grant of the Options.

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(q) Lapse of options

The right to exercise an Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of the periods referred to in paragraph (j), (k) or (m), where applicable;
- (iii) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining shares in the offer, the expiry of the period referred to in paragraph (l);
- (iv) subject to the scheme of arrangement becoming effective, the Grantee may thereafter (but only until such time as shall be notified by our Company, after which it shall lapse) exercise the Option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in such notice;
- (v) subject to the expiry of the period of extension (if any) referred to in paragraph (j), the date on which the grantee ceases to be a Participant for any reason other than his death or the termination of his employment or engagement on one or more grounds specified in (vi) below;
- (vi) the date on which the grantee of an option ceases to be a Participant by reason of the termination of his employment or engagement on grounds including, but not limited to, misconduct, bankruptcy, insolvency, and conviction of any criminal offence. For the avoidance of doubt, Options granted shall survive a Grantee's termination of employment on grounds other than the aforementioned;
- (vii) subject to paragraph (n) the date of the commencement of the winding-up of our Company;
- (viii) the date on which the grantee commits a breach of paragraph (g); or
- (ix) the date on which the option is cancelled by the Committee as set forth in paragraph (c).

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(r) *Maximum number of Shares available for subscription*

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Company must not exceed in aggregate 15 per cent. of the Shares of our Company in issue from time to time (the "Overall Scheme Limit"). No Options may be granted under any schemes of our Company (or its subsidiaries) if such grant will result in the Overall Scheme Limit being exceeded. The total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other schemes must not in aggregate exceed 10 per cent. of the Shares of our Company issue on the Adoption Date (the "Scheme Mandate Limit") for this purpose. Options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit.

Subject to the Overall Scheme Limit, our Company may seek approval from our Shareholders in general meeting for "refreshing" the Scheme Mandate Limit. However, the total number of Shares which may be issued upon exercise of all Options to be granted under all of the schemes of our Company under the limit as "refreshed" must not exceed 10 per cent. of the Shares in issue as of the date of approval by our Shareholders of the renewed limited (the "Refreshed Scheme Mandate Limit"); Options previously granted under any existing schemes (including those outstanding, cancelled or lapsed in accordance with the Share Option Scheme or exercised Options) shall not be counted for the purpose of calculating the Refreshed Scheme Mandate Limit. The Company must send a circular to our Shareholders containing the information required under the relevant provisions of Chapter 17 of the [●] and the [●] Manual. Subject to the Overall Scheme Limit, our Company may seek approval from our Shareholders in general meeting for "refreshing" the Scheme Mandate Limit.

Subject to the Overall Scheme Limit, our Company may seek separate approval from our Shareholders in a general meeting for granting Options to subscribe for Shares beyond the Scheme Mandate Limit or the Refreshed Scheme Mandate Limit (as the case may be) provided that the Options in excess of the Scheme Mandate Limit or the Refreshed Scheme Mandate Limit are granted only to Participants specifically identified by our Company before such approval is sought and our Company must send a circular to our Shareholders containing the information specified in the relevant provisions of the [●] and the [●] Manual. Unless approved by our Shareholders in general meeting at which the relevant Participant and his/her associates abstain from voting in the manner prescribed by the relevant provisions of Chapter 17 of the [●] and the [●] Manual, the total number of Shares issued and to be issued upon exercise of the Options granted to such Participant (including exercised, cancelled and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue (the "Individual Limit") at such time. With respect to any further grant of Options to an Participant exceeding in aggregate the

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Individual Limit, our Company must send a circular to our Shareholders and the circular must disclose the identity of the Participant, the number and terms of the Options to be granted (and Options previously granted to such Participant), and the information required under the relevant provisions of Chapter 17 of the [●] and the [●] Manual. The number and terms (including the Subscription Price) of Options to be granted to such Participant must be fixed before the general meeting at which the same are approved, and the date of the Board meeting for proposing such further grant should be taken as the Option Date for the purpose of calculating the Subscription Price.

In addition, grant of Options to [●] and their associates must be approved by our Shareholders, such Shareholders' resolution stating the number and terms of Options to be granted to reach Participant.

The aggregate number of Shares available to [●] and their associates must not exceed 25% of the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme.

The aggregate number of Shares available to each [●] or his associates must not exceed 10% of the maximum number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme.

(s) Price sensitive information

No offer of Options shall be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been published by our Company. In particular, during the period commencing one (1) month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified to the [●] or the SGX-ST in accordance with the [●] and the [●] Manual) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the [●]), and (ii) the deadline of our Company to publish its interim or annual results announcement under the [●] or the [●] Manual, or quarterly or any other interim period (whether or not required under the [●] or the [●] Manual), and ending on the date of the results announcement, no Options may be granted. The period during which no Options may be granted will cover any period of delay in the publication of a results announcement.

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(t) Cancellation of Options

The Committee may, with the consent of the relevant Grantee and such consent shall not be unreasonably withheld, at any time cancel any Option granted but not exercised. Where our Company cancels the Options and offers new Options to the same Option holder, the offer of such new Options may only be made under the Share Option Scheme with available Options (to the extent not yet granted and excluding the cancelled Options) within the limit approved by our Shareholders as mentioned in paragraph(s) above.

(u) Alteration of capital structure

In the event of any alteration in the capital structure of our Company whilst any Options remain exercisable, whether by way of capitalization issue, rights issue, subdivision, consolidation, or reduction of the share capital of our Company or otherwise howsoever in accordance with legal requirements and requirements of the [●]. The issue of securities as consideration for an acquisition will normally not be regarded as a circumstance requiring adjustment. Such corresponding alterations (if any) must be made in such a way that a Participant will not receive a benefit that a Shareholder does not receive, and shall be made to:

- (i) the number of Shares subject to the Options so far as unexercised; or
- (ii) the Subscription Price for the Shares subject to the Option so far as unexercised; or
- (iii) the Shares to which the Option relates; or
- (iv) the method of exercise of the Option (if applicable);

or any combination thereof, as an independent financial adviser or the auditors for the time being of our Company shall at the request of the Committee certify in writing to the Directors, either generally or as regards any particular Grantee, to be in their opinion fair and reasonable and that any such alterations shall satisfy the requirements set out in the note to Rule 17.03(13) of the [●] and shall give a Grantee the same proportion of the issued share capital of our Company as that to which the Grantee was previously entitled provided that no such alterations shall be made to the effect of which would be to enable a Share to be issued at a less than nominal value and/or cause the Grantee to receive a benefit that our Shareholders do not receive and in no event shall adjustments be made to the advantage of a Grantee without specific prior Shareholder's approval in accordance with the [●] and the [●] Manual. The capacity of the independent financial adviser or the auditors for the time being of our Company in this paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on our Company and the Grantees. The costs of the independent financial adviser or the auditors for the time being of our Company shall be borne by our Company.

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(v) Alteration of Scheme

- (i) subject to (ii) below, the terms and conditions of the Share Option Scheme may be altered by resolution of the Committee in any respect, or in any way to the extent necessary to cause the Scheme to comply with any statutory provision or regulations of any regulatory or other relevant authority or body (including the SGX-ST, the [●], or any other stock exchange on which the Shares are quoted or listed), from time to time except that the provisions relating to matters contained in Rule 17.03 of the [●] and all such matters as set out in Rules 844 to 849 and 853 to 854 of the [●] Manual shall not be altered to extend the class of persons eligible for the grant of Options or to the advantage of Grantees or Participants except with the prior approval of the Shareholders in general meeting, with Grantees and their associates abstaining from voting, and no such alteration shall not operate to affect materially and adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the grantees as would be required of the Shareholders under the Articles of our Company for the time being for a variation of the rights attached to the Shares;
- (ii) any alterations of the terms and conditions of the Share Option Scheme, which are of a material nature or change the authority of the Committee, shall be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme;
- (iii) the amended terms of the Share Option Scheme or the Options must still comply with the relevant requirements of Chapter 17 of the [●] and Chapter 8 of the [●] Manual. If required, no modification or alteration shall be made without the prior approval of the SGX-ST, the [●], or any other stock exchange on which the Shares are quoted or listed, and such other regulatory authorities as may be necessary; and
- (iv) any change to the authority of our Directors or scheme administrators, if any, in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.

Shareholders who are Grantees shall abstain from voting on any alteration to the Share Option Scheme.

(v) Termination of Scheme

Our Company by ordinary resolution in general meeting or the Committee may at any time terminate the operation of the Share Option Scheme and in such event no further Options shall be offered but in all other respects the provisions of the

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Share Option Scheme shall remain in full force and effect. Options granted prior to such termination but not exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

2. **Litigation**

Please refer to the paragraph headed "Legal Compliance and Proceedings" under the section headed "Business" for details as to the legal proceedings involving our Group. As of the [●], no member of our Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened against any member of our Group that would have a material adverse effect on our Group's results of operations or financial condition.

3. [●]

4. **Preliminary expenses**

Our preliminary expenses are estimated to be approximately RMB30,000 and are payable by us.

5. **Promoter**

We have no promoter and no cash, securities or other benefit has been paid, allotted or given, or proposed to be paid, allotted or given, to any promoters within two years preceding the date of this document.

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6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in, or referred to in, this document:

Name of expert	Qualifications
[●]	

7. Consents of experts

Each of [●], Deloitte Touche Tohmatsu, Shanghai Veritas Law Corporation, WongPartnership LLP, DSK Legal and CB Richard Ellis Limited has given and has not withdrawn its consent to the issue of this document with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and/or references to its name included in the form and content in which it is respectively included.

As of the [●], none of the experts named above has any shareholding interests in our Group or the right (whether legally enforceable or not) to subscribe for or, to nominate persons to subscribe for securities in any member of our Group.

8. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries under the laws of Singapore, the PRC or India, being jurisdictions in which one or more of the companies comprised the Group are incorporated.

9. Taxation of holders of Shares

(i) Hong Kong

The sale, purchase and transfer of Shares registered with the Hong Kong Branch Share Registrar will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(ii) Singapore

Dividend Distributions

A one-tier corporate system took effect from 1 January 2003 under which the tax collected on corporate profits is final and Singapore dividends are tax exempt in the hands of all shareholders. There will be no tax credits attached to such dividends.

Our Company falls under the one-tier system. Thus dividends of our Company will be tax exempt to all Shareholders. The dividends will have no tax credit attached.

No withholding tax is imposed on dividend payments made, whether to resident or non-resident Shareholders.

Gains on Disposal of Ordinary Shares

Singapore does not impose tax on capital gains. However, gains arising from the disposal of the Shares (irrespective of the Shares registered with the Singapore Principal Share Registrar or the Hong Kong Branch Share Registrar) that are construed to be of an income nature will be subject to tax. Hence, any profits from the disposal of the Shares are not taxable in Singapore unless the seller is regarded as having derived gains of an income nature in Singapore, in which case the gains on disposal of the Shares would be taxable.

Similarly, if the gains are regarded by the Inland Revenue Authority of Singapore as having arisen from the carrying on of a trade or business in Singapore, such gains may be taxed as trading income.

Stamp Duty

Where existing Shares evidenced in certificated form are acquired in Singapore, stamp duty is payable on the instrument of transfer of the Shares at the rate of S\$2.00 for every S\$1,000 or any part thereof of the consideration for or market value of, the Shares, whichever is higher. The purchaser is liable for stamp duty, unless otherwise agreed.

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No stamp duty is payable if no instrument of transfer is executed (such as in the case of scripless shares, the transfer of which does not require instruments of transfer to be executed) or if the instrument of transfer is executed outside Singapore. However, stamp duty will be payable if the instrument of transfer which is executed outside Singapore is subsequently received in Singapore.

(iii) Consultation with professional advisers

Potential holders of the Shares are recommended to consult their professional advisers if they are in any doubt about the taxation implications of the subscription, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Shares. It is emphasised that none of our Company, the [●], any of their respective directors, agents, employees, advisors or affiliates or any other person involved in the [●] accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Shares.

10. Register of members and branch register of members

Subject to the provisions of the Singapore Companies Act, the principal register of members of our Company will be maintained in Singapore and the branch register of members of our Company will be maintained in Hong Kong. Unless the Directors otherwise agree, all transfers and other documents of title of Shares which are traded on the [●] must be lodged for registration with and registered by, Hong Kong Branch Share Registrar and may not be lodged in Singapore.

11. [●]

12. [●]

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13. Particulars of the [●]

The particulars of the [●] are set out as follows:

[●]

14. Miscellaneous

- (1) Save as disclosed below, within the two years immediately preceding the date of this document:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders, management or deferred shares of our Company or any of its subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of its subsidiaries;
 - (v) no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in our Company; and
 - (vi) our Group has no outstanding convertible debt securities or debentures.
- (2) Save for our Company, no member of our Group is presently listed on any stock exchange or traded on any trading system.
- (3) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this document.
- (4) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.
- (5) Our Directors confirm that there has not been any material adverse change in the financial or trading position or prospects of our Group since 30 September 2010 (being the end of the period reported on in the audited consolidated financial statements of our Group).