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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)

(Singapore Company Registration Number 200414927H)

(Hong Kong Stock Code: 1085)

(Singapore Stock Code: I85)

ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL HIGHLIGHTS

1. Revenue decreased by 26.8% to RMB 1,183.1 million
2. Gross profit decreased by 29.1% to RMB 221.7 million
3. Net profit attributable to equity holders of the parent decreased by 31.6% to RMB 102.6 million
4. Basic earnings per share was RMB 0.30
5. Proposed final dividend of RMB 3.96 cents per share

The board of directors (the “**Board**”) of Hengxin Technology Ltd. (the “**Company**”) is pleased to announce the consolidated results of the Company and its subsidiary (collectively hereinafter referred as the “**Group**”) for the year ended 31 December 2010 and for the three months ended 31 December 2010 together with the comparative figures for the corresponding periods in 2009 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	<i>Notes</i>	2010 RMB ‘000 (unaudited)	2009 RMB ‘000
Revenue	5	1,183,131	1,615,265
Cost of sales		(961,470)	(1,302,579)
Gross profit		221,661	312,686
Other income	6	15,292	7,557
Selling and distribution expenses		(55,841)	(82,768)
Administrative expenses		(36,256)	(35,142)
Other operating expenses		(10,404)	(7,390)
Finance costs	7	(9,723)	(16,013)
Profit before income tax	8	124,729	178,930
Income tax expense	9	(22,174)	(29,064)
Net profit attributable to equity holders of the parent		102,555	149,866
Other comprehensive (loss) income:			
Exchange difference arising from consolidation of foreign operations		(20)	16
Total comprehensive income attributable to equity holders of the parent		102,535	149,882
Earnings per share attributable to equity holders of the parent			
Basic and diluted (RMB cents)	11	30.4	44.6
Dividends per share (RMB cents)	10	3.96	4.38

CONSOLIDATED INCOME STATEMENT

For the 3 months ended 31 December (“4Q”) 2010

	4Q ended 2010 RMB ‘000 (unaudited)	4Q ended 2009 RMB ‘000
Revenue	317,714	377,947
Cost of sales	<u>(261,495)</u>	<u>(304,277)</u>
Gross profit	56,219	73,670
Other income	2,390	2,243
Selling and distribution expenses	(14,566)	(18,236)
Administrative expenses	(10,889)	(4,686)
Other operating expenses	(3,598)	(2,008)
Finance costs	(751)	(3,118)
Profit before income tax	28,805	47,865
Income tax expense	(5,563)	(6,961)
Net profit attributable to equity holders of the parent	23,242	40,904
Other comprehensive (loss) income:		
Exchange difference arising from consolidation of foreign operations	<u>(25)</u>	<u>25</u>
Total comprehensive income attributable to equity holders of the parent	<u>23,217</u>	<u>40,929</u>
Earnings per share attributable to equity holders of the parent		
Basic and diluted (RMB cents)	<u>6.8</u>	<u>12.2</u>

Profit before income tax is determined after charging (crediting) the following: -

	Group			Group		
	3 mths ended 31 Dec			Full year ended 31 Dec		
	2010	2009	Change	2010	2009	Change
	(re-stated)			(re-stated)		
	<i>RMB'000</i>	<i>RMB'000</i>	%	<i>RMB'000</i>	<i>RMB'000</i>	%
(Reversal) Allowance for inventory obsolescence	618	(577)	N.M.	806	(577)	N.M.
Depreciation of property, plant and equipment	4,096	3,356	22.1	14,838	11,528	(28.7)
Fair value loss on held-for-trading investments	—	—	N.M.	1,472	—	N.M.
Gain on disposal of available-for-sale investment	—	(698)	(100.0)	(109)	(698)	(80.2)
Loss on disposal of property, plant and equipment	—	1	(100.0)	8	5	60.0
Amortisation of prepaid lease payments	140	140	0.0	560	537	4.3
Foreign exchange (gains) losses	762	(569)	N.M.	421	(1,553)	N.M.
Interest expense	751	3,118	(75.9)	9,723	16,013	(39.3)
Interest income	961	(1,048)	N.M.	(4,732)	(3,362)	N.M.
Research and development expenses ¹	2,613	2,576	2.7	7,054	8,437	(21.0)

N.M.: Not meaningful

¹ Included in Other Operating Expenses

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	<i>Notes</i>	2010	2009
		RMB '000	RMB '000
		(unaudited)	
ASSETS			
Current assets			
Cash and bank balances		247,078	147,676
Pledged cash deposits		62,596	120,486
Trade receivables	13	626,702	718,172
Other receivables and prepayments		12,958	24,148
Inventories		128,377	184,247
Available-for-sale investment		2,000	500
Prepaid lease payment		560	560
Total current assets		1,080,271	1,195,789
Non-current assets			
Prepaid lease payment		20,021	20,581
Available-for-sale investment		—	2,000
Property, plant and equipment		140,978	139,260
Deposit for acquisition of land use right		5,760	5,760
Deferred tax assets		2,518	2,398
Total non-current assets		169,277	169,999
Total assets		1,249,548	1,365,788
LIABILITIES AND EQUITY			
Current liabilities			
Short term loans		40,000	175,221
Trade payables	14	323,263	474,642
Other payables		25,476	32,390
Income tax payable		6,102	6,458
Total current liabilities		394,841	688,711
NET CURRENT ASSETS		685,429	507,078

CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONT'D

As at 31 December 2010

		2010	2009
	<i>Notes</i>	<i>RMB '000</i>	<i>RMB '000</i>
		<i>(unaudited)</i>	
Non-current liability			
Deferred tax liabilities		<u>1,998</u>	<u>1,413</u>
TOTAL LIABILITIES		<u>396,839</u>	<u>690,124</u>
NET ASSETS	15	<u>852,709</u>	<u>675,664</u>
Equity attributable to equity holders of the parent			
Share capital	11	295,000	205,771
General reserves		104,839	87,287
Special reserve		(6,017)	(6,017)
Translation reserve		(4)	16
Accumulated profits		<u>458,891</u>	<u>388,607</u>
TOTAL EQUITY		<u>852,709</u>	<u>675,664</u>
TOTAL EQUITY AND LIABILITIES		<u>1,249,548</u>	<u>1,365,788</u>

STATEMENT OF FINANCIAL POSITION - COMPANY LEVEL

As at 31 December 2010

	2010 RMB '000 (unaudited)	2009 RMB '000
ASSETS		
Current assets		
Cash and bank balances	103,303	9,307
Other receivables and prepayments	63	392
Amount due from subsidiaries	5,706	1,024
Total current assets	<u>109,072</u>	<u>10,723</u>
Non-current assets		
Subsidiaries	321,984	320,961
Property, plant and equipment	15	24
Total non-current assets	<u>321,999</u>	<u>320,985</u>
Total assets	<u>431,071</u>	<u>331,708</u>
LIABILITIES AND EQUITY		
Current liabilities		
Other payables	4,423	7,694
Total current liabilities	<u>4,423</u>	<u>7,694</u>
NET CURRENT ASSETS	<u>104,649</u>	<u>3,029</u>
Non-current liability		
Deferred tax liabilities	—	—
Total non-current liability	<u>—</u>	<u>—</u>
TOTAL LIABILITIES	<u>4,423</u>	<u>7,694</u>
NET ASSETS	<u>426,648</u>	<u>324,014</u>
Equity attributable to equity holders of the parent		
Share capital	295,000	205,771
Accumulated profits	131,648	118,243
TOTAL EQUITY	<u>426,648</u>	<u>324,014</u>
TOTAL EQUITY AND LIABILITIES	<u>431,071</u>	<u>331,708</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year/period ended 31 December 2010

Group	1 Oct 10 to 31 Dec 10 RMB '000	1 Oct 09 to 31 Dec 09 RMB '000	1 Jan 10 to 31 Dec 10 RMB '000	1 Jan 09 to 31 Dec 09 RMB '000
Cash flows from operating activities				
Profit before tax	28,806	52,756	124,729	178,930
Adjustments for:				
Depreciation of property, plant and equipment	4,096	3,356	14,838	11,528
Amortisation of leasehold land	140	140	560	537
Allowance (Reversal of) for stock obsolescence	619	(577)	806	(577)
Loss on disposal of property, plant and equipment	2	1	8	5
Interest expense	751	3,118	9,723	16,013
Interest income	(961)	(1,048)	(4,732)	(3,362)
Gain on disposal of available- for-sale investment	—	(698)	(109)	(698)
Loss on disposal of held-for-trading investments	—	—	1,472	—
Exchange differences arising on foreign currency translation	(104)	447	(858)	571
Operating profit before working capital changes	33,349	57,495	146,437	202,947
Trade receivables	73,952	93,719	91,470	(163,651)
Other receivables and prepayments	9,981	(15,544)	11,190	(22,699)
Inventories	(26,383)	(34,260)	55,064	(60,412)
Trade and bill payables	(17,098)	(29,385)	(151,379)	270,707
Other payables and accruals	1,157	(11,969)	(6,914)	(11,809)
Cash generated from operations	74,958	60,056	145,868	215,083
Interest paid	(751)	(3,118)	(9,723)	(16,013)
Interest income received	961	1,048	4,732	3,362
Income tax paid	(4,166)	(12,034)	(22,065)	(28,496)
Net cash generated from operating activities	71,002	45,952	118,812	173,936

Group	1 Oct 10 to 31 Dec 10 RMB '000	1 Oct 09 to 31 Dec 09 RMB '000	1 Jan 10 to 31 Dec 10 RMB '000	1 Jan 09 to 31 Dec 09 RMB '000
Cash flows from investing activities				
Acquisition of property, plant and equipment	(6,585)	(23,373)	(16,567)	(59,988)
Proceeds from disposal of property, plant and equipment	—	—	3	5
Acquisition of available-for- sale investments	—	(26,000)	(10,000)	(28,600)
Proceeds from disposal of available-for-sale investments	—	26,698	10,609	29,298
Acquisition of held-for- trading investments	—	—	(20,000)	—
Proceeds from disposal of held-for-trading investments	—	—	18,528	—
Payment of deposit for acquisition of land use right	—	—	—	(5,760)
Net cash used in investing activities	<u>(6,585)</u>	<u>(22,675)</u>	<u>(17,427)</u>	<u>(65,045)</u>

Group	1 Oct 10 to 31 Dec 10 RMB '000	1 Oct 09 to 31 Dec 09 RMB '000	1 Jan 10 to 31 Dec 10 RMB '000	1 Jan 09 to 31 Dec 09 RMB '000
Cash flows from financing activities				
Proceeds from issue of new shares, net of issue expenses	89,230	—	89,229	—
Dividend paid	—	—	(14,719)	(5,496)
Repayment of short-term bank loans	(109,528)	(360,000)	(585,221)	(948,800)
Proceeds from short-term bank loans	40,000	220,221	450,000	852,221
Decrease (increase) in pledged bank deposits	23,189	31,880	57,890	(49,717)
Net cash (used in) generated from financing activities	42,891	(107,899)	(2,821)	(151,792)
Net increase (decrease) in cash and cash equivalents	107,308	(84,622)	98,564	(42,901)
Effects of foreign exchange translation	79	(423)	838	(555)
Cash and cash equivalents at the beginning of the financial period/year	139,691	232,721	147,676	191,132
Cash and cash equivalents at the end of the financial year	247,078	147,676	247,078	147,676

STATEMENT OF CHANGES IN EQUITY

Consolidated Statement of Changes in Equity for the year ended 31 December 2010

GROUP - RMB '000	Share capital	General reserve	Special reserve	Translation reserve	Accumulated profits	Total
Balance at 1 January 2010 as previously reported	205,771	87,287	—	(4,055)	392,678	681,681
Adjustment	—	—	(6,017)	4,071	(4,071)	(6,017)
As re-stated	205,771	87,287	(6,017)	16	388,607	675,664
Issue of new ordinary shares (net of share issue exp)	89,229	—	—	—	—	89,229
Total comprehensive income for the year	—	—	—	(20)	102,555	102,535
Transfer to reserves	—	17,552	—	—	(17,552)	—
Dividends	—	—	—	—	(14,719)	(14,719)
Balance at 31 December 2010	295,000	104,839	(6,017)	(4)	458,891	852,709

Consolidated Statement of Changes in Equity for the year ended 31 December 2009

GROUP - RMB '000	Share capital	General reserve	Special reserve	Translation reserve	Accumulated profits	Total
Balance at 1 January 2009 as previously reported	205,771	62,341	—	(4,033)	273,216	537,295
Adjustment	—	—	(6,017)	4,033	(4,033)	(6,017)
As re-stated	205,771	62,341	(6,017)	—	269,183	531,278
Total comprehensive income for the year	—	—	—	16	149,866	149,882
Transfer to reserves	—	24,946	—	—	(24,946)	—
Dividends	—	—	—	—	(5,496)	(5,496)
Balance at 31 December 2009 (re-stated)	205,771	87,287	(6,017)	16	388,607	675,664

STATEMENT OF CHANGES IN EQUITY

Statement of Changes in Equity of the Company for the year ended 31 December 2010

COMPANY	Share capital <i>RMB '000</i>	Translation reserve <i>RMB '000</i>	Accumulated profits <i>RMB '000</i>	Total <i>RMB '000</i>
Balance at 1 January 2010 as previously reported	205,771	(3,716)	121,959	324,014
Adjustment	—	3,716	(3,716)	—
As re-stated	205,771	—	118,243	324,014
Issue of new ordinary shares (net of share issue exp)	89,229	—	—	89,229
Total comprehensive income for the year	—	—	28,124	28,124
Dividends	—	—	(14,719)	(14,719)
Balance at 31 December 2010	295,000	—	131,648	426,648

Statement of Changes in Equity of the Company for the year ended 31 December 2009

COMPANY	Share capital <i>RMB '000</i>	Translation reserve <i>RMB '000</i>	Accumulated profits <i>RMB '000</i>	Total <i>RMB '000</i>
Balance at 1 January 2009 as previously reported	205,771	(3,676)	49,099	251,194
Adjustment	—	3,676	(3,676)	—
As re-stated	205,771	—	45,423	251,194
Total comprehensive income for the year	—	—	78,316	78,316
Dividends	—	—	(5,496)	(5,496)
Balance at 31 December 2009 (re-stated)	205,771	—	118,243	324,014

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Singapore on 18 November 2004 under the Singapore Companies Act and its shares are dual primarily listed on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and The Stock Exchange of Hong Kong Limited (the “**SEHK**”) since 11 May 2006 and 23 December 2010 respectively. The registered office of the Company is located at 10 Anson Road #15-07, International Plaza, Singapore 079903. The principal place of business of the Group is located at No. 138 Taodu Road, Dingshu Town, Yixing City, Jiangsu Province, the People’s Republic of China (the “**PRC**”).

The principal activities of the Company 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. The Group’s operations are principally conducted in the PRC.

The consolidated financial statements are presented in Renminbi (“**RMB**”), being the functional currency of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Financial Information has been prepared in accordance with Singapore Financial Reporting Standards (“**SFRS**”) (which include all Singapore Financial Reporting Standards and Singapore Financial Reporting Interpretations (“**INT SFRS**”) issued by the Accounting Standards Council of Singapore throughout the Relevant Periods.

The Financial Information has been prepared on a historical cost basis except as set out in the accounting policies below. The Financial Information is presented in RMB and all values are rounded to the nearest thousand (“**RMB’000**”) except when otherwise indicated.

Impact of new and revised Singapore Financial Reporting Standards

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management’s best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates.

Accounting policies

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year/period reported on, as in the recently audited consolidated financial statements for the financial year ended 31 December 2009.

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

3. APPLICATION OF SINGAPORE FINANCIAL REPORTING STANDARDS

The Group adopted the following new and revised SFRS that are mandatory for the financial periods beginning on or after 1 January 2010.

The adoption of new and revised SFRS did not have any impact on the results of the Group for the financial year ended 31 December 2009.

4. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products, and currently has three reportable operating segments as follows:

- Manufacturing and sale of RF Coaxial Cable Series for mobile communications (“**RF Coaxial Cables**”)
- Coaxial Cables for telecommunications equipment and accessories (“**Accessories**”)
- Others

An analysis by principal activity of contribution to the results is as follows:

Segment revenues and results

For management purpose, the Group is organised into two core product lines - radio frequency coaxial cables, and other telecommunication equipment. These product lines are the basis on which the Group report its primary segment information.

Segment revenue and expense include the operating revenue and expenses which are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

GROUP Year ended 31 December	Telecommunication				Total RMB '000
	Radio frequency coaxial cables RMB '000	equipment and accessories RMB '000	Others RMB '000	Unallocated RMB '000	
2010					
Revenue	1,011,635	171,496	—	—	1,183,131
Segment Results					
Segment profit	115,212	19,531	—	(12,233)	122,510
Interest income	4,046	685	—	1	4,732
Finance costs	(8,314)	(1,409)	—	—	(9,723)
Other income					10,560
Other expenses*					(3,350)
Profit before income tax					124,729
Income tax					(22,174)
Net profit for the year					102,555
2009					
Revenue	1,344,014	271,251	—	—	1,615,265
Segment Results					
Segment profit	167,651	33,835	—	(15,147)	186,339
Interest income	2,797	564	—	1	3,362
Finance costs	(13,324)	(2,689)	—	—	(16,013)
Other income					4,195
Other expenses*					1,047
Profit before income tax					178,930
Income tax					(29,064)
Net profit for the year					149,866

* exclude research and development expenses

Other segment information

GROUP	Telecommunication				Total
	Radio frequency coaxial cables	equipment and accessories	Others	Unallocated	
Year ended 31 December	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
2010					
Capital expenditure	13,611	2,307	649	—	16,567
Depreciation expense	12,679	2,150	—	9	14,838
Amortisation of leasehold land	479	81	—	—	560
Allowance for inventory obsolescence	725	81	—	—	806
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2009					
Capital expenditure	54,396	10,978	—	374	65,748
Depreciation expense	9,584	1,934	—	10	11,528
Amortisation of leasehold land	447	90	—	—	537
Allowance for inventory obsolescence	(480)	(97)	—	—	(577)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Statement of net assets

As at 31 December,	Radio frequency coaxial cables <i>RMB '000</i>	Telecommunication equipment and accessories <i>RMB '000</i>	Others <i>RMB '000</i>	Unallocated <i>RMB '000</i>	Total <i>RMB '000</i>
2010					
Assets:					
Segment assets	974,595	165,217	649	—	1,140,461
Unallocated assets				109,087	109,087
Total assets					<u>1,249,548</u>
Liabilities:					
Segment liabilities	335,536	56,880	—	—	392,416
Unallocated liabilities				4,423	4,423
Total liabilities					<u>396,839</u>
2009					
Assets:					
Segment assets	1,127,487	227,554	—	—	1,355,041
Unallocated assets				10,747	10,747
Total assets					<u>1,365,788</u>
Liabilities:					
Segment liabilities	567,834	114,596	—	—	682,430
Unallocated liabilities				7,694	7,694
Total liabilities					<u>690,124</u>

Geographical segment

The segmented information for geographical regions is based on the locations of customers and the location of the assets. In line with the group's business strategy, the market is currently grouped into three geographical regions, namely Central Asia, South Asia and Others.

	Revenue from external customer		Non-current assets	
	For the year ended 31 December			
	2010 RMB '000	2009 RMB '000	2010 RMB '000	2009 RMB '000
Central Asia	1,148,809	1,526,800	169,200	169,851
South Asia	28,325	85,165	77	148
Others	5,997	3,300	—	—
Total	<u>1,183,131</u>	<u>1,615,265</u>	<u>169,277</u>	<u>169,999</u>

5. REVENUE

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after deduction of relevant taxes and allowances for returns and trade discounts and the value of services rendered. An analysis of the Group's revenue, other income and gains is as follows:

	For the year ended 31 December	
	2010 RMB '000	2009 RMB '000
	Sale of goods	<u>1,183,131</u>

The sales and net profit generated for each of the 6 months period are as follow:

Group	2010 RMB'000	2009 RMB'000	Change %
(a) Sales reported for first half	584,095	762,215	-23.4%
(b) Net profit reported for first half	54,749	60,588	-9.6%
(c) Sales reported for second half	599,036	853,050	-29.8%
(d) Net profit reported for second half	47,806	89,278	-46.5%
Total Sales :	<u>1,183,131</u>	<u>1,615,265</u>	<u>-26.8%</u>
Total Net Profit :	<u>102,555</u>	<u>149,866</u>	<u>-31.6%</u>

6. OTHER INCOME

	For the year ended	
	31 December	
	2010	2009
	<i>RMB '000</i>	<i>RMB '000</i>
Government grants	9,732	2,856
Interest income	4,732	3,362
Gain on disposal of available-for-sale investments	109	698
Government grants - Jobs credit scheme	33	36
Others	686	605
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Total	15,292	7,557
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7. FINANCE COSTS

	For the year ended	
	31 December	
	2010	2009
	<i>RMB '000</i>	<i>RMB '000</i>
Interest on short term bank borrowings	9,723	16,013
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8. PROFIT BEFORE INCOME TAX

Profit before tax is arrived at after charging/(crediting) the following during the year:

	For the year ended	
	31 December	
	2010	2009
	RMB '000	RMB '000
Cost of inventories recognised as expense (including allowance of (reversal of) inventory obsolescence)	960,664	1,303,156
Depreciation of property, plant and equipment	14,838	11,528
Amortisation of leasehold land	560	537
Auditors' remuneration	1,138	1,453
Employee benefits expense	42,015	64,509
Cost of defined contribution plans	2,662	2,246
Directors' fees - directors of the Company	1,342	1,270
Directors' remuneration:		
Directors of the Company	509	3,719
Directors of the subsidiaries	549	439
Total staff costs	47,077	72,183
Research and development expenses (included in Other Operating Expenses)	7,054	8,437
Net foreign exchange losses (gains)	421	(1,553)
Loss on disposal of property, plant and equipment	8	5
Fair value loss on sale of held-for-trading investments	1,472	—
Fair value gain on sale of available-for-sale financial assets	(109)	(698)

9. INCOME TAX EXPENSE

	For the year ended	
	31 December	
	2010	2009
	<i>RMB '000</i>	<i>RMB '000</i>
Current	17,242	23,846
Withholding taxes	4,397	4,675
Under provision of current tax in prior years	70	39
Deferred	465	504
	<u>22,174</u>	<u>29,064</u>

The Company is incorporated in Singapore and is subject to income tax rate of 17% for the year ended 31 December 2010 (2009: 17%).

Under the law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") effective from 1 January 2008, applicable income tax rate of Jiangsu Hengxin Technology Co., Ltd. in 2010 is 15%.

Taxes on profits elsewhere have been calculated at the rates of tax prevailing in the country in which the Group operates.

10. DIVIDENDS

	2010	2009
	<i>RMB '000</i>	<i>RMB '000</i>
Proposed first and final tax-exempt cash dividend of S\$0.0077 (2009: S\$0.0091) per ordinary share	<u>15,383</u>	<u>14,719</u>

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. SHARE CAPITAL

Details of the changes in the Company's share capital are as follows:

Share capital - Ordinary Shares	No. of shares	<i>RMB</i>	<i>S\$</i>
	<i>'000</i>	<i>'000</i>	<i>'000</i>
Balance as at 31 December 2009	336,000	205,771	40,766
Issue of new shares	52,000	89,229	17,576
Balance as at 31 December 2010	<u>388,000</u>	<u>295,000</u>	<u>58,342</u>

In line with the Company's Memorandum & Association, treasury shares are not allowed in the Company.

12. EARNINGS PER SHARE

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

	Group		Group	
	3 months ended 31 Dec		Full year ended 31 Dec	
	2010	2009	2010	2009
Earning per share (RMB)				
– Basic	<u>0.06</u>	<u>0.12</u>	<u>0.30</u>	<u>0.45</u>
– Diluted	<u>0.06</u>	<u>0.12</u>	<u>0.30</u>	<u>0.45</u>
Weighted average no. of shares applicable to basic earnings per share ('000)	341,087	336,000	337,282	336,000
Weighted average no. of shares based on fully diluted basis ('000)	341,087	336,000	337,282	336,000

There were no potential dilutive ordinary shares in existence during the two years ended 31 December 2009 and 2010.

13. TRADE RECEIVABLE

	As at 31 December	
	2010	2009
	RMB '000	RMB '000
Trade receivables	607,841	729,037
Allowance for doubtful debts	<u>(15,762)</u>	<u>(15,762)</u>
	<u>592,079</u>	<u>713,275</u>
Notes receivable	<u>34,623</u>	<u>4,897</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	
	2010	2009
	RMB '000	RMB '000
0 to 180 days	500,229	565,117
181 to 360 days	97,288	149,860
Over 360 days	<u>29,185</u>	<u>3,195</u>
	<u>626,702</u>	<u>718,172</u>

14. TRADE PAYABLE

	As at 31 December	
	2010	2009
	RMB '000	RMB '000
Trade payables	137,213	158,035
Bill payables	186,050	316,607
	<u>323,263</u>	<u>474,642</u>

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:

	As at 31 December	
	2010	2009
	RMB '000	RMB '000
0 to 90 days	192,781	286,955
91 to 180 days	128,253	185,961
181 to 360 days	1,044	1,532
Over 360 days	1,185	194
	<u>323,263</u>	<u>474,642</u>

15. NET ASSET VALUE

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

	Group		Company	
	As at 31 December		As at 31 December	
	2010	2009	2010	2009
Net Assets (RMB '000)	852,709	675,664	426,648	324,014
Number of ordinary shares ('000)	388,000	336,000	388,000	336,000
Net Asset Value per ordinary share (RMB)	<u>2.20</u>	<u>2.01</u>	<u>1.10</u>	<u>0.96</u>

(I) MANAGEMENT DISCUSSION AND ANALYSIS

Year-on-year performance

Revenue

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

RF Coaxial Cable

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

Accessories

Revenue generated from Accessories decreased by approximately RMB 99.8 million, or approximately 36.8%, from approximately RMB 271.3 million in the previous financial year to approximately RMB 171.5 million in the current financial year ended 31 December 2010.

Gross profit margin

Although there had been a constant downward pressure on average selling prices of our products, the Group had been able to maintain a relatively steady gross profit margin during the financial year ended 31 December 2010 at approximately 18.7% compared to approximately 19.4% in the previous financial year. Various measures had been undertaken to ensure a more effective cost control program, including the reduction of raw materials costs, improvement of manufacturing processes and vigilant selection of suppliers for better logistics coordination, better pricing and payment terms.

Other income

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

Selling and distribution expenses

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

Administrative expenses

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

Other operating expenses

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

Finance costs

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

Profit before income tax

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

Income tax expense

The Group's main subsidiary is subject to an incentive tax rate of 15% as it had been awarded as a high-tech enterprise in 2008. This rate is higher than the effective tax rate of 12.5% that the subsidiary enjoyed in 2009. The decrease in income tax expenses is due to the overall decrease in profit before tax for the financial year. Accordingly, income tax expense decreased by approximately RMB 6.9 million, or approximately 23.7%, from approximately RMB 29.1 million in the previous financial year to approximately RMB 22.2 million in the current financial year ended 31 December 2010.

Net profit

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

Performance

Revenue

Group revenue decreased by approximately RMB 60.2 million, or approximately 15.9%, from approximately RMB 377.9 million in 4Q2009 to approximately RMB 317.7 million in the 4Q2010. The decrease was due to a relative decrease in spending by telecom operators in the PRC and overseas during the 4Q2010, which affected both sales in RF Coaxial Cables and Accessories.

RF Coaxial Cable

Revenue generated from RF Coaxial Cables decreased by approximately RMB 13.8 million, or approximately 4.6%, from approximately RMB 302.7 million in 4Q2009 to approximately RMB 288.9 million in 4Q2010.

Accessories

Revenue generated from Accessories decreased by approximately RMB 46.4 million, or approximately 61.7%, from approximately RMB 75.2 million in 4Q2009 to approximately RMB 28.8 million in 4Q2010.

Gross profit margin

Gross profit margin for 4Q2010 stood at approximately 17.7% compared to approximately 19.5% in 4Q2009. This is due to intensifying competition which weighed down on average selling prices of our products in both operating segments during the financial period.

Other income

Other income increased by approximately RMB 0.2 million, or approximately 9.1%, from approximately RMB 2.2 million in 4Q2009 to approximately RMB 2.4 million in 4Q2010. The increase is due to relatively higher government grants given to the Group's key subsidiary, Jiangsu Hengxin Technology Co., Ltd. during the financial period.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RMB 3.6 million, or approximately 19.8%, from approximately RMB 18.2 million in 4Q2009 to approximately RMB 14.6 million in 4Q2010. The decrease was in line with the Group's lower sales achieved during the financial period.

Administrative expenses

Administrative expenses increased by approximately RMB 6.2 million, or approximately 131.9%, from approximately RMB 4.7 million in 4Q2009 to approximately RMB 10.9 million in 4Q2010. The increase was mainly due to the expenses incurred for the Group's dual primary listing application in Hong Kong.

Other operating expenses

Other operating expenses increased by approximately RMB 1.6 million, or approximately 80.0%, from approximately RMB 2.0 million in 4Q2009 to approximately RMB 3.6 million in 4Q2010. The increase was due to foreign exchange losses incurred during the financial period.

Finance costs

Finance costs decreased by approximately RMB 2.3 million, or approximately 74.2%, from approximately RMB 3.1 million in 4Q2009 to approximately RMB 0.8 million in 4Q2010. The decrease was in line with the decrease in short term bank borrowings obtained during the financial year in 2010.

Profit before income tax

Profit before income tax decreased by approximately RMB 19.1 million, or approximately 39.9%, from approximately RMB 47.9 million in 4Q2009 to approximately RMB 28.8 million in 4Q2010 due to lower revenue generated in 2010.

Income tax expense

The Group's main subsidiary in the PRC is subject to an incentive tax rate of 15% as it had been awarded as a high-tech enterprise in 2008. This rate is higher than the effective tax rate of 12.5% that the subsidiary enjoyed in 2009. The decrease in income tax expenses is due to the overall decrease in profit before tax for the financial year. Accordingly, income tax expense decreased by approximately RMB 1.4 million, or approximately 20.0%, from approximately RMB 7.0 million in the 4Q2009 to approximately RMB 5.6 million in the 4Q2010.

Net profit

In view of the above, net profit attributable to equity holders of the parent decreased by approximately RMB 17.7 million from approximately RMB 40.9 million in 4Q2009 to approximately RMB 23.2 million in 4Q2010.

STATEMENT OF FINANCIAL POSITION

Material fluctuations of balance sheet items are explained below:

Pledged bank deposits

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

Trade receivables

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

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

Other receivables and prepayments

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

Inventories

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

Property, plant and equipment

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

Short-term bank loans

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

Trade payables and Other payables

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

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

Income tax payable

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

Cash and bank balances

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

(II) LIQUIDITY, FINANCIAL RESOURCES

In addition to its short-term interest-bearing facilities, the Group generally finances its operations from cash flows generated internally.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of debt and equity balance.

The Management 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 a 31 December	
	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash borrowings	(207,078)	27,545
Total equity	852,709	675,664
Net debt to equity ratio (%)	(24.28)	4.08

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

As at 31 December 2010		As at 31 December 2009	
Secured	Unsecured	Secured	Unsecured
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
—	40,000	10,221	165,000

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

There is no amount repayable after one year.

(III) PROSPECTS (A COMMENTARY AT THE DATE OF THE ANNOUNCEMENT OF THE COMPETITIVE CONDITIONS OF THE INDUSTRY IN WHICH THE GROUP OPERATES AND ANY KNOWN FACTORS OR EVENTS THAT MAY AFFECT THE GROUP IN THE NEXT REPORTING PERIOD AND THE NEXT 12 MONTHS)

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

In line with the above expansion strategies, the Group has commenced construction of the manufacturing line for one of the high temperature resistant cables products. Construction of the line is expected to be completed by the first quarter of 2011, and the commencement of manufacture, barring unforeseen circumstances, should commence in the second quarter of 2011.

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

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

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

(IV) SUPPLEMENTARY INFORMATION

1. Reconciliation between SFRSs and IFRSs

For the year ended 31 December 2010, there were no material differences between the consolidated financial statements of the Group under SFRSs and IFRSs (this includes all of IFRS, International Accounting Standards and Interpretations).

2. Operational and Financial Risk Management

(i) Market risk

The major market risks the Group is exposed to include changes in the sale prices of key products, changes in the costs of raw materials (mainly copper) and fluctuations in interest and foreign exchange rates.

(ii) Commodity price risk

The Group is also exposed to commodity price risk arising from fluctuations in product sale prices and costs of raw materials.

(iii) Interest rate risk

The major market interest rate risk that the Group is exposed to includes the Group's short term debt obligations which are subject to variable interest rates.

(iv) Foreign currency risk

The Group's revenue and costs are denominated in RMB, Indian Rupees ("INR") and United States Dollars ("USD"). Some costs may be denominated in HKD, INR or Singapore Dollars ("SGD"). Transactions in INR are limited.

3. Contingent liabilities

The Group has commitments as at 31 December 2010 in respect of the following:

	2010	2009
	<i>RMB'000</i>	<i>RMB'000</i>
Contracted but not provided for:		
Property, plant and equipment	<u>14,590</u>	<u>4,225</u>

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

4. Employees and Remuneration Policies

As at 31 December 2010, there were 661 (2009: 755) employees in the Group. Staff remuneration packages are determined by consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

The Company adopted the share option scheme for its employees at an extraordinary general meeting held on 27 October 2010 (the “**Scheme**”). No option has been granted under the Scheme since its adoption and up to the date of this announcement.

5. Material Litigation and Arbitration

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

6. Audit Committee

The Company's audit committee members are Mr. Tay Ah Kong Bernard, Mr. Chee Teck Kwong Patrick, Mr. Tam Chi Kwan Michael and Ms. Zhang Zhong. The audit committee, which is chaired by Mr. Tay Ah Kong Bernard, has reviewed the annual results of the Group for the year ended 31 December 2010.

7. Compliance with the Code on Corporate Governance Practices

The Company has, save as disclosed below, complied with the code provisions of the Code on Corporate Governance Practices (the "**Corporate Governance Code**") in Appendix 14 of the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**") for the year ended 31 December 2010.

8. Compliance with the Model Code for Securities Transactions by Directors of Listed Issuer

The Board confirms, having made specific enquiries with all directors and supervisors, that during the year ended 31 December 2010, all members of the Board and all supervisors have complied with the required standards of the Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 of the Listing Rules.

9. Annual General Meeting

The 2010 annual general meeting of the Company will be held on 28 April 2011 in Singapore. For further details of the annual general meeting, please refer to the Notice of Annual General Meeting, which will be despatched in due course.

10. Review of financial results

The results have not been audited or reviewed by the auditors.

The figures in respect of this results announcement of the Group for the year ended 31 December 2010 have been checked by the Group's auditor, Deloitte & Touche LLP. The work performed by Deloitte & Touche LLP in this respect did not constitute an assurance engagement in accordance with Singapore Standards on Auditing, Singapore Standards on Review Engagements or Singapore Standards on Assurance Engagements and consequently no assurance has been expressed by Deloitte & Touche LLP on this result announcement.

11. Audit or review in accordance with applicable accounting standards

The figures have not been audited or reviewed by the Company's auditors.

12. Auditors' report (including any qualifications or emphasis of matter)

Not applicable.

13. Closure of Register of Members

The book closure date of the register of members will be announced at a later date. During the book closure date, no transfer of shares of the Company will be effected. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Singapore principal share registrar of the Company, Boardroom Corporate & Advisory Services Pte Ltd. at 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 (for Singapore Shareholders) or the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited at level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong (for Hong Kong Shareholders), not later than 5:00 p.m. on Tuesday, 3 May 2011.

14. Purchase, Sales or Redemption of the Company's Securities

For the year ended 31 December 2010, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the securities of the Company.

15. Disclosure on the Website of the Exchanges

This announcement shall be published on the website of SGX-ST (<http://www.sgx.com>), the SEHK (<http://www.hkex.com.hk>) and on the Company's website (<http://www.hengxin.com.sg>).

By Order of the Board
Hengxin Technology Ltd.
Cui Genxiang
Executive Chairman

Singapore, 18 February 2011

As at the date of this announcement, the executive directors of the Company are Mr. Cui Genxiang and Dr. Song Haiyan; the non-executive director is Ms. Zhang Zhong; and the nonexecutive independent directors are Mr. Tay Ah Kong Bernard, Mr. Chee Teck Kwong Patrick and Mr. Tam Chi Kwan Michael.

* *for identification purpose only.*